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Market Matters

Exploring Cultural Processes in the Global Marketplace

Christina Garsten

and

Monica Lindh de Montoya

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The Crown Capitulates: National Currency and Global Capital in the Swedish Currency Crisis[1]

Gustav Peebles

> [I]n fact it [money] has its name (nomisma) because it is not by nature, but by the current law (nomos), and it is within our power to alter it and to make it useless. (Aristotle, *Nichomachean Ethics*, Book V, Chapter 5)

Introduction

Aside from the literature in economics, the social sciences have mostly neglected the study of modern currency crises. Instead, they have focused more strictly on the connections between currency and group morality. Scholars have thus foregone the opportunity to attach this relationship to some of the ways in which currency attains and retains value on the international marketplace, and then how these revaluations impact the lives of the people involved. This phenomenon, though ever-present in the functioning of national currencies, becomes most obvious during currency crises. These crises provide us with particularly vivid instances in which to witness the intertwining of markets and moralities (see Garsten and Lindh de Montoya, this volume).

During a crisis, the standard conflation that lies at the heart of money is laid bare. Money is many things to many people (as some excellent ethnographies have shown us, for example, Parry and Bloch, 1989; Comaroff and Comaroff, 1990; Hutchinson, 1992; Znoj, 1998; Akin and Robbins, 1999), but in this essay I want to think of it as a conflation of national currency and capital (cf. Hart, 1986).[2] Conflation is a better word than 'combination', for it denotes how the combination is forgotten in

everyday life; it also felicitously evokes both inflation and deflation, whose mercurial interrelations are one of the central foci of monetary policy. It is vital to recognize this conflation, in order to understand how discourses and rhetoric surrounding the national aspect of money can impact its price and even hide the shifting ownership of the capital of which it is also comprised. Conversely, as the Swedish crisis informs us, when the economic value of a currency deteriorates, the national unity that the currency indexed can undergo a similar fate. Gregory (1997) tackles a similar issue, when he points out that as states wax and wane in power, we find that their currency experiences a similar fate; perhaps currency is one material index of the power that Gregory considers essential to a new 'quality theory of money'. As he writes, 'There is no natural tendency for metallic standards to oust others... rather, there is a cultural tendency for those with power to impose their standards of value on others with different standards' (Gregory, 1997: 257). The shifts in power that are indexed by the Swedish currency crisis stand as testimony to Gregory's assertions; Sweden's ability to determine the value of value (Harvey, 1996) disintegrated at that moment.

By studying Sweden's 1992 currency crisis, I would like to add to the frequently heard claim that capital ruthlessly breaks down barriers (Marx and Engels, 1978; Harvey, 1990) by asserting that national currency serves to build them. This side of money is often neglected, for so often people use the terms 'capital', 'currency', and 'money' interchangeably. However, during currency crises, money is clearly broken down into its component parts – capital and currency. Thus, Zelizer's (1994) concern with separating out various currencies from one another must be taken to the global level. National currency is not capital. It is the nation-state's attempt to represent and concretize capital. By representing it, the nation-state hopes to capture and control it, to keep it confined within its borders.[3] Capital, meanwhile, is manifestly abstract and global (or at least, these days, beyond the national), as Adam Smith recognized: 'No part of it [capital] can be said to belong to any particular country, till it has been spread as it were over the face of that country, either in buildings, or in the lasting improvements of lands' (Smith, 1976: 445).

Anthropological techniques can teach us as much about currency as they do about the ways in which people value any object. Capital, as Marx never tires of informing us, is fickle and vampyric. It (as Marx sees it, capital becomes a thinking subject) judges every situation based on the potential for profit. Currency, however, is often judged based on metonymical[4] ties to nation-states and communal values that have very

little or nothing to do with 'rational' prices, as I hope to show in this chapter.

The Swedish currency crisis serves as an excellent springboard from which to analyze all currency crises. Because it was one of the first of the recent wave, and was so well documented, it can tell us much about the currency crises we witnessed throughout the 1990s. The Swedish currency crisis had many effects, some of which I hope to document here; while others fall outside my purview. Most importantly, however, I want to emphasize the ways in which ideas about the nation played a role in determining the value of the Swedish krona (which means 'crown' in Swedish, thereby evoking the connection to the country qua royal kingdom). While some of the structural details were replicated globally, some elements of the Swedish crisis were indeed unique; in particular, we will see the ways in which a strong valorization of national 'solidarity' had a dramatic impact upon the way in which the Swedish crisis differed from others in Europe.

In other regards, however, Sweden's situation is not at all unique. Aside from the many other European countries that experienced currency devaluations in 1991–2, the last few years have witnessed the devaluation of many Southeast Asian currencies, just as many Americans are well aware of the collapse of the Mexican peso and the Brazilian cruzeiro; in 2001, the Turkish lira joined the club of tumblers. Many of the ways in which those currencies' values were negotiated are reminiscent of the value-negotiation of the krona. For example, the people of South Korea were widely reported in the news to have rallied around the won and made substantial personal sacrifices (such as turning in gold family heirlooms) in an effort to restore its 'health' and value (Pollack, 1997: A1). Understanding the crisis of the krona in 1992 can shed light on this complex but recurrent phenomenon. Currency crises stand as one of the premier sites from which to study the impact of the global on the local (Comaroff and Comaroff, 1992). Overnight, we are told, global capital markets eviscerate the economic value of a national currency, often leaving local families with only half the savings that they had the night before. Yet, as we shall see, this economic value has not simply evaporated, but has merely shifted elsewhere. National currencies, I hope to show, are often configured in such a way so as to produce crises of representation that necessarily cause the redistribution of capital between public and private hands.

In order to tell this story I begin with a general history of the day-to-day oscillations of the krona's economic value during the currency crisis in Sweden. After detailing the events that led to the krona's eventual devaluation, I conclude with a more general approach to understanding currency crises. For, as the years go by, monetary policy is becoming more and more of a prominent international (and even colonialist, cf. Gregory, 1997, for the historical antecedents of this) issue and a popular tool for many governments and world institutions (such as the World Bank and the International Monetary Fund). Hence, we find the recrudescence of 'currency boards' and other monetary measures that bring with them the potential to incite more crises – crises that will assuredly (as they always have) allow vast quantities of economic value to change hands. In many ways, the currency crises in Europe in 1992 marked the end of one important facet of modernity. It was at that time that an assemblage of non-colluding global market players managed to prove to national governments that their lengthy hegemony over currency value had ended. The monopoly that governments had wielded over currency during the modern age (and therefore, largely, money in general) had been eclipsed. Governmental hubris since 1992 has been manifestly tamed, and ever since we have heard much of the ascendancy of markets over these newly chastened governments (cf. Leyshon and Thrift, 1997).[5]

Furthermore, currency crises illuminate the fact that countries seemingly fighting over the value of their money are often negotiating other things simultaneously, in and through the national currency and their battles with the global market, which is often made to seem foreign, as though Sweden itself has nothing to do with this market. This is the side to currency crises that is not discussed in the economics literature, and is precisely what allows an analytic inroad into the meanings of the 'national' that materialize in an otherwise highly abstract money.

Part I: the crisis

Determining the instigating factors of the story of the 1992 devaluation of the Swedish krona is probably impossible. Certainly some distant historical factors played a role in its fall, such as the disintegration of the Bretton Woods accord in 1973, which allowed currencies to float freely (James, 1996: 224). In addition, Sweden's past proclivity to devalue its currency, such as in 1981 and 1982, greatly contributed to the crisis (*Dagens Industri*, 1990a; Wibble, 1994: 38). New laws and international agreements to free up the circulation of capital across national boundaries also played a role (cf. Corden, 1994: 113). Other experts emphasize the central role of the reunification of Germany, which forced up interest rates in Germany and in turn led to considerable turbulence in European currencies in the fall of 1992 (Dennis, 1998: 144, 150). Several books do

a good job of laying out other aspects of the lengthy history, and I will rely on them here. One book, *Att Leda Sverige in i Krisen (To Lead Sweden into the Crisis)* by Carl Hamilton and Dag Rolander, focuses on the contribution of the government's economic policy to the crisis. Memoirs from Sweden's central bank, the Riksbank, Governor at the time (Bengt Dennis) and the Minister for Finance (Anne Wibble) also provide personal histories. In short, it is evident from the literature that multiple factors played a role in the fall of the krona.

October 1990

Though the factors that instigated the crisis may be debatable, its timing is less so. The krona began experiencing significant turbulence on the international currency markets around October 1990. At that time, Sweden had been combating a recession and a broad swathe of people operating in the currency markets were beginning to fear that the Swedish government would resort to a devaluation in order to bolster economic growth and the competitive advantage of export industries. Consequently, international traders began to put pressure on the krona, and Sweden experienced a major capital outflow. The Swedish financial daily, *Dagens Industri (Industry Daily)*, attributed this 'acute currency crisis' to various rumors of a devaluation, particularly one reported in the *Wall Street Journal* that week (Sundling, 1990a).[6] Whatever the immediate cause, it became clear to the Swedish government and central bank that the rumours needed to be countered, in order to quell the speculation. As a response, the Swedish government, central bank, banks, industry, labour unions, and newspapers committed to an astonishingly unified front in favor of a hard-currency policy. Everyone believed that the crucial factor was convincing the outside world that they could have faith in Swedish money, despite past habits.[7] 'Confidence' became the buzzword.

Though this hard-currency policy was generally uncontested, the means to achieve it were vigorously contested. *Dagens Industri* began a series during October entitled 'The Sick Krona' that constantly agitated for Sweden to tie itself to the European Exchange Rate Mechanism (ERM).[8] The newspaper touted Britain's recent successful entry into the system with headlines such as 'The pound shows the way to ERM for the krona' and 'The cure against inflation' (Fahlen, 1990; *Dagens Industri*, 1990b). The latter article brought metaphor into play, in line with the name of the series. The krona was alleged to be sick, and the ERM provided the cure. The article queried 'when will Sweden swallow the medicine?' (*Dagens Industri*, 1990b).

The newspaper clarifies its agenda to the public via its utilization of metaphor, and, crucially, personification. Fernandez (1986: 8) describes

metaphor as 'a strategic predication upon an inchoate pronoun (an I, a you, a we, a they) which makes a movement and leads to performance'. In the case of the Swedish krona, the newspaper takes an ordinarily quite mundane object (already metonymically tied to the nation-state), and embodies it with life, with all its concomitant fragilities and potential ailments. Considering the krona's metonymic attachment to the state, it would clearly behoove all Swedes to work toward its cure, recovery, and well-being. The 'Sick Krona' articles stand as an instance within a long-standing discourse of convincing Swedes that the European Community (EC) and its institutions will cure many ills, but like many cures, it might demand a bit of pain in return.

Of course, counter-discourses also came to the fore. One of the strongest and best positioned to propagate an alternative approach to the krona crisis was the central bank Governor, Bengt Dennis. He maintained a different opinion about how confidence in the Swedish krona could be restored and its value maintained. In the years that followed, Dennis emerged as the staunchest defender of the strength of the currency, and put his belief into practice frequently. Indeed, the story of the krona's rollercoaster ride could be read (and, indeed, often was read) as a battle between Dennis and the market. Instead of following the moves of Europe's other central bankers during a time of general turbulence, he set a unique course for Sweden's economy. Perhaps more than anyone else involved in the crisis, he believed in the power of the nation-state, and in the power of the words he uttered as its representative.

In response to the speculation on the krona, Dennis raised interest rates in October in order to alert the market that Sweden was committed to defending the value of the krona. Economically speaking, such a move was intended to tighten the liquidity in the economy, making it more worthwhile to hold the krona relative to other currencies, and thereby stem the tide of capital flight; it also conveyed the message that Sweden would not slip back into what the market considered to be its poor record of maintaining currency value. This tactic may also slow an economy that appears to be heating up, or, in the case of Sweden, cripple an economy trying to move out of a recession. Thus, the sacrifices necessary to defend the krona immediately became apparent. This did not deter Dennis. His operative metaphor for the currency was not a body prone to sickness or health, but rather, a stream of liquid that could be manipulated through governance.

After looking at many quotes by Dennis, some of which will follow below, it is evident that one of his primary strategies for building confidence involved making authoritative claims that the currency was

secure not because of Sweden's sound economic situation, but because of Sweden's collective defence, and that the Riksbank was behaving as a responsible steward. If repeated often and assertively enough, Dennis seemed to think market players would start to believe him; it also appears that he may have thought, correctly, that his exhortations would nurture and sustain the vital unified front. Further, Dennis' performative utterances did, in fact, constantly impact the value of the currency.[9]

Given the history of central banking in Sweden to 1992, Dennis would have good reason for making this assumption. During the modern era, central banks did exercise a profound amount of influence over the value of their currencies, and the market often abided by the rates set by the central banks.[10] Dennis openly stated that the primary means to defend the currency was to cultivate confidence abroad, but he denied that this had anything to do with establishing a formal tie to the ERM. Instead, he felt that the government needed to put forth a fiscally responsible plan for expenditures and revenues: 'The problem lies in economic policy', and thus not in monetary policy (Yamdagni, 1990). This statement marks the beginning of Dennis' effort to present a united front to the market. It was also a means of deflecting responsibility away from his office and placing the onus on elected officials to act in accordance with Dennis' own policies. By asserting that his own house is in order, any future problems with the krona could be attributed to others. His comments can be viewed as a not-so-subtly veiled threat that serves as an inducement for these officials to fall into line with his own actions and to establish a unified position with which to confront the market.

On the same day that these comments were made, the government called a press conference to assert, following Dennis, that the situation would be reversed once the new economic package was released the following week. The promises of reductions in government spending and business taxes assuaged the many people working in the markets. On 20 October the front page of *Dagens Industri* expressed its relief, with a headline that read: 'Finally calm on the market' (*Dagens Industri*, 1990c). This is the first evidence of Sweden's willingness as a democratic nation to make collective sacrifices in order to defend the national currency. Government policy and Riksbank rhetoric were coming together.

The business community voiced its discontent with the government plans, but for the most part the currency remained stable in the days following the announcement of the future plan. This stability was attributed to the government's promises to engage in membership talks with the European Community (EC) and not exclusively to the government's economic plan. Thus, such negotiations became the new demand of the market players. One author (Sundling, 1990b) writes, 'Now what counts is that the government gives us a date for an entrance to the EC, anything less and the market will not be satisfied'. Two elements of this quote are interesting for the purposes of this essay. Firstly, the market is now personified. This speech tactic occurs frequently in the newspaper *Dagens Industri*. By personifying the market, an exceedingly complex entity with countless different interests becomes monolithic; this personification sets up the possibility for a metaphoric showdown between the personified market and the personified krona.

Secondly, the fact that the market was calmed whenever Sweden voiced an interest in the EC indicates that people who work in the markets had a tendency to equate the EC with monetary fortitude and fiscal integrity. Throughout this study, it will become clear that the status of the krona was often intertwined with the fiscal policies of other nations that were seemingly analogous to Sweden. As a nation, Sweden was not viewed in isolation, exclusively upon the merits or faults of its own policies; instead, people assessed its position and future trajectory based on the perceived strength of its links with other nations. In many ways, the series of events surrounding the krona can be seen as a long struggle over Sweden's identity – would it remain part of Scandinavia, that 'anachronistic' island of social democracy, or would it become associated with the free trade zone known as the EC?

May 1991

The Swedish government clarified its position on this question six months later. On 17 May 1991 Sweden tied itself unilaterally to the ERM, abandoning its former basket weighted towards the dollar.[11] Having asserted an association with the new Europe, the Swedish press thought the krona's troubles were over. 'This measure now definitively closes the door to all devaluations' writes *Dagens Industri* in its staff editorial (*Dagens Industri*, 1991a).[12] The blindness of this claim reveals just how strongly people believed that the mere association with Europe would be a panacea. In fact, since the krona was tied unilaterally, Sweden could not depend on the aid of other central banks in the ERM in the case of speculatory threats, as true members of the ERM could. Additionally, the Swedes only allowed themselves a stringent 1.5 per cent floating band around the ECU, which was around half that permitted in the case of other countries (Fahlen, 1991).[13] Nevertheless, the bold move restored the market's confidence in the krona, and capital started flowing back into the country (*Dagens Industri*, 1991b).

November 1991

Despite the initial enthusiasm, the honeymoon proved to be short-lived. Just as Sweden was successfully building an image of itself as European, its strategy was undermined by the devaluation of the Finnish markka. Its neighbour's move suddenly reminded market players of Sweden's position in Scandinavia, instead of focusing on its connection with Europe. Worried traders set their sights on potentially similar problems in Sweden, and the pressure they exerted forced the central bank to raise interest rates substantially, in an effort to disassociate itself from Finland's devaluation (Wallen, 1991).[14] Both Prime Minister Carl Bildt and Dennis claimed that Sweden would soon enter the ERM as a full member, another move to disassociate itself from Finland (*Dagens Industri*, 1991c). Apparently these interventions, coupled with assertions of European-ness, alleviated the situation, for the next day the krona was up again (Sundling, 1991).

At about this time, claims emerged in the press that only foreign traders were betting against the krona. The market threat was perceived as a foreign threat, even though later studies have shown that many Swedish market players profited handsomely from the crisis. However, a national tendency to bet in favour of the krona should not be completely discounted. One banker I spoke with explained that her colleague upbraided anyone who tried to make money on krona trades, believing that profiting on the national currency's struggles was immoral. But even less emotional aspects of the citizen – state nexus could impact people's behaviour during the crisis. One trader bluntly stated that 'if the government promises something, then we assume it will abide by its promise', so he trusted the government when it said the krona would not be devalued. This opinion about government is, needless to say, far from a universal opinion – many American traders would find it 'laughable'; rather, it reflects a common strain within Swedish society to believe in what is called 'the strong state'. The press desperately grasped onto this belief, and in so doing promoted the idea that external forces were maliciously aiming to harm Sweden. Via the national attachment of currency, battle lines were drawn in the national press that did not correspond with market reality.

June–September 1992

In Autumn 1992 the European currency markets were exceedingly volatile. By August heavy speculation had occurred against several currencies in the ERM, most famously, the lira and the pound (Corden, 1994: 113); many attribute the infamous June 2nd Danish 'no' vote on the Maastricht Treaty as the instigating factor to the general European currency turbulence that fall.[15] Dennis writes matter-of-factly that the Danish no vote over a political matter impacted economic ones: 'The Danes' no to the Maastricht Treaty broke the positive trends in the Swedish interest rate market' (Dennis, 1998: 33). Sweden's proximity to Denmark – geographically, culturally, and politically – led many in the market to again look at Sweden more critically, as though it were no different than Denmark (Dennis, 1998: 33).

After some oscillations, the real trouble began just prior to the so-called Black Wednesday, 16 September 1992, when the pound and the lira fell out of their ERM bands after speculative assaults. Once again, the story begins, at least partially, with Finland. On 5 September *Dagens Industri* reported rumors of a new Finnish plan to devalue its currency. By the 8th, it had indeed allowed the markka to float, and it lost 14 per cent of its value. On 9 October *Dagens Industri*'s front page read: 'Finland's crisis is ours' (*Dagens Industri*, 1992a). Apparently, in the morning hours alone, worried 'foreign' traders handed in 15–20 billion kronas (circa 3–4 billion dollars) in the fear that Sweden would follow Finland. Dennis responded by hiking interest rates substantially again, to 24 per cent, thus arresting the flight from the krona (Fahlen, 1992a). Dennis argued that 'We think that this hike will suffice for giving us respect within the market. And if anyone still questions the Riksbank's commitment, then they will come to understand who is the strongest' (Magnerot, 1992). At about the same time, Wibble and Bildt came out with a joint statement concurring with Dennis that 'The uncertainty that has occurred after the Finnish decision can only be met with decisive measures, for which there can be no boundaries' (Dennis, 1998: 44). The crisis continued to be personified, and indeed, the metaphors even became bellicose. The front page of *Dagens Industri* on 10 September flashed: '1–0 to Dennis' (*Dagens Industri*, 1992b) following his new hike of rates to 75 per cent. Dennis boldly threatened the market by stating, 'We can pile on more of the same thing. *There is no boundary for a central bank.* We have barely begun to use the weapons arsenal that we have at our disposal. This is a signal to the market. No one, no one should doubt the Riksbank's determination to defend the krona' (*Dagens Industri*, 1992b and 1992e; emphasis mine). Several reports mention that the Riksbank and its chief were becoming more and more respected abroad. One headline in the paper christened Dennis 'The tough guy who steers Sweden', while another personified the state itself: 'Sweden fights like a man' (*Dagens Industri*, 1992d). The newspaper also reported that Swedish investors had been buying the krona in massive quantities to strengthen it; they were

betting against a devaluation. A cartoon showed 'Mother Sweden' vacuuming up Swedish currency all over the European continent (*Dagens Industri*, 1992c). Dennis' strong assertions, the actions of the press (and its favorable portrayal of Swedish traders), together created the image of the formidable unified front that kept the krona stable; all of Sweden was successfully caricatured as a housewife dutifully cleaning up after a group of irresponsible and thankless guests. Dennis' use of the first person plural and the personifications of the country point to the collectivity behind his actions; Swedes could fend off these attacks as a group. Furthermore, the national currency was thought to be protected by the national community, its value allegedly guaranteed by a government and a unified front that would never lose to an anonymous market.

500%

Round two in the standoff occurred about a week later, following the general chaos on Wednesday 16 September. The krona was bet against in much the same manner as were the pound and the lira, but while other central banks yielded to the market, Dennis refused to waver. While Britain and Italy fell out of the ERM, Dennis hiked rates to an unheard of 500 per cent, essentially freezing bank activity and, thus, much of the rest of the economy. He stated, 'This is not a rate level that will be permanent. But if one lets the speculators win, then it is permanent for the economy' (*Dagens Industri*, 1992f). Asked about the possibility of a devaluation, Dennis defiantly explains, 'Not in those conditions that I am working toward. There are two conditions. The first is that the political system falls into line behind the stable exchange rate policy. The other is that the market understands that there exist no boundaries for the central bank' (Altan and Jonsson, 1992). Dennis made sure that the international market grasped his belief in the lack of boundaries for central banks, for at a press conference he stated in English, 'The sky's the limit' (Stenberg and Örn, 1996a: A6; Dennis, 1998: 137).[16]

Stating this in the wake of Britain's and Italy's failures seems quite audacious on Dennis' part. It certainly appears that Dennis truly believed in the power of the nation-state to stand up against the whims of global capital; he felt that his words and deeds, coupled with those of the government, could withstand any attack. *Dagens Industri* supported this belief when it wrote that 'In this situation the Swedish Riksbank stands out as the only truly solid rock in the currency storm.... He [Dennis] has not for the blink of an eye in the slightest statements strayed from his line – the krona shall not be devalued' (Fahlen, 1992b). The market also seems to have respected the Swedish response, for the currency survived

the fierce September round of speculation. (Dennis (1998: 56) refers to 17 September as 'one of the most chaotic days in the financial system's history'.) An article from 19 November 1992 argues that the krona withstood the September attacks because of the unified front presented by all the Swedish participants in the crisis, led by Dennis' unyielding defense (Fahlen, 1992c).

Britain's Chancellor of the Exchequer, Norman Lamont, was asked if the Bank of England could have responded in a similar manner to Sweden, by also instituting a 500 per cent rate rather than allowing its currency to float. He retorted, 'Yes, but we use common sense' (Stenberg and Örn, 1996a: A6). Here we clearly see the impact of culture on monetary policy. At this point in the crisis Sweden remained staunchly committed to a national community that must be protected from the mercurial and fickle inclinations of the global market. Guided by the social democratic state's foundational moral imperative – solidarity – Sweden maintained this commitment by sustaining a broad unified front; government policy demanded sacrifices out of its citizenry to defend the national currency that British and Italian citizens did not have to make despite similar conditions.

One of the primary practical upshots of the confrontation between the Swedish unified front and the market was the so-called 'crisis packages' that the government presented in an effort to prove to the market that it was matching the Riksbank's tough monetary policy with equally tough fiscal measures. To make the government's commitment to a smaller public sector more transparent, two packages were pushed through in September. The first cut back on holidays and sick days, raised the retirement age, lowered housing subsidies and increased taxes on gas and tobacco (Hamilton and Rolander, 1993: 70). The second crisis package cut back on employer contributions to social welfare, compensated for with increased taxes and further cutbacks in government services (Stenberg and Örn, 1996a: A7; Dennis, 1998: 88–96).

The government in power at the time was a minority government, so it needed the support of the opposition Social Democrats. The pressure on the krona was significant and frightening enough that the opposition agreed to these two back-to-back trimmings of the welfare state. *Dagens Nyheter*, one of the major daily papers in Sweden, wrote 'Currency chaos and 500 per cent interest rates drove forth a *unique* crisis agreement between the government and the opposition in order to save the krona's fixed exchange rate' (Stenberg and Örn, 1996b: A7; emphasis mine). The support of the Social Democrats for the cutbacks stands as testimony to the importance with which Swedes viewed the stability of their currency,

and to the remarkably broad constitution of the unified front. For the Social Democrats, the cutbacks meant dismantling parts of the cherished welfare state that they had worked so long to build, and considered the pride of their nation and party. Wibble goes so far as to say that 'in a word, the Social Democrats signed on to a very conservative policy' in agreeing to the crisis packages (Wibble, 1994: 33). Clearly this coalition served as evidence that Sweden was committed to a stable krona. The market retreated as long as the central bank, the government, industry, and Swedish economists were all operating cohesively, vehemently defending the representational power of the krona.

The Crisis Climax: October–November 1992

Things went well for the embattled krona for most of October. The crisis packages were well-received by the market; interest rates fell back to the more manageable 20 per cent range (but still high), and the krona strengthened. Dennis jubilantly declared that September's 'test' had allowed Sweden to show the world exactly how committed it was to the establishment of a stable currency. He went on to say that 'Never has the potential for long term growth been greater' (*Dagens Industri*, 1992g). The test was a communal ritual. While proving to the market that Sweden could create a unified front, the test also in part created the unified front, by having Swedes go through a collective process of sacrifice that distinctly set them apart from the rest of the European nations that had tumbled out of the ERM in September.

Several commentators comment on the incredible state of silence given the state of the country's finances, and the questionable nature of its monetary policy. *Dagens Nyheter* (Stenberg and Örn, 1996a: A6) wrote four years later that

> In October and the beginning of November there is no public criticism of the fixed exchange rate. No one wants to say that the emperor is naked, that the golden thread that politicians and the Riksbank have spun around the currency is an illusion. The only thing heard is the Riksbank's and the government's constant promise that they will defend the fixed exchange rate until the last drop of blood.

The newspaper goes on to cite the chief of the Confederation of Swedish Industries, who stated that 'There was a taboo in the Swedish public sphere. No one was allowed to question monetary policy. The weaker the position of the krona became, the harder it became to question the policy' (Stenberg and Örn, 1996a: A7). Hamilton and Rolander (1992: A4), in an op-ed piece published three days before the currency floated, claimed that 'The defense of the krona is so taboo-laden today that no independent economist or actor on the market wants to openly reveal what they all actually realize, which is that the krona must be let go.' Dennis informs us that even the forest industry – customarily an export industry that heavily favours devaluations – stood behind the unified front. Karl Ohlson, the Chief Financial Officer of a major forest company, stated on 18 September 'of course we should defend the krona' (Dennis, 1998: 68).

These quotes indicate the united front that Sweden presented, but it is also interesting that in a relatively free and democratic society one encounters such a degree of conformity in the public sphere.[17] According to Hamilton and Rolander, rigorous economic criticism of Swedish policy came from abroad.[18] Additionally, the taboo that *Dagens Nyheter* and Hamilton and Rolander discuss reveals the manner in which cultural values play a role in the market negotiation of price. Both comments underscore the point that many people agreed that the government policy was wrong, but no one dared to admit it in public. Perhaps in this instance respect for the government or fear of splitting the united front (and conceivably 'injuring' the nation) leads to a remarkable silence.

Hamilton and Rolander go further, and argue that only the big companies recognized the flaws in the policy in time, and managed to escape the problems of the krona's crash; indeed, having guessed the correct outcome, they exploited the situation for profit: 'What happened was a socialization, in an orderly fashion, of the coming devaluation losses' (Hamilton and Rolander, 1993: 71–2). According to this analysis, Swedish tax money was utilized to save Sweden's largest multinational companies while many individual investors and small companies went bankrupt.

Explaining how this could occur, one informant pointed out to me that often only certain large companies even have the possibility of 'hedging' their currency risks with futures contracts.[19] Due to the commission costs it can be quite an expensive endeavour, and therefore not worth the risk that the hedging process itself involves. Thus, the large companies that made money from the crisis may not even have done so intentionally; they were merely prudently insuring their investments in a fairly standard manner. By contrast, smaller companies could not afford this sort of insurance. This further attests to the power of national currency – it places certain groups at the mercy of government policy while other groups are wealthy enough to 'buy themselves out' of this (often economically detrimental) governmental control. In other words, national currency structures economic decisions in a discriminatory way: beneficial,

self-interested behaviour is only available to the wealthiest of actors in the business world.

Post-crisis fallout

Be that as it may, the government, then run by Carl Bildt and a center-right coalition, stated on 18 November that a new 'crisis package' was about to be announced because of renewed pressure on the krona. Bildt's package planned on further lowering the employer taxes, a policy to which the market responded well. Since it was a minority coalition, Bildt needed the support of the opposition Social Democrats to pass the package; in short, he needed to remobilize and rejuvenate the unified front. He called the opposition leader, Ingvar Carlsson, at 2 a.m. on 19 November to ask for his support. A few hours later the Confederation of Swedish Industries announced that it was in favour of a floating krona. Then came a meeting between Carlsson and Bildt. As Carlsson left the meeting, the press asked him his opinion on Sweden's stable krona policy. Carlsson neglected to answer the question. By not responding, market players believed his party had abandoned the policy (Sundberg, 1992; Ekbom and Tulin, 1992; *Dagens Industri*, 1992i). Soon afterwards, after both reserve interventions and even a rate hike failed to stem the flow of money from the krona, the Riksbank announced that the currency would float (Moore and Whitney, 1992: A11).

Oddly enough, on 19 November the currency markets were actually fairly calm at the beginning of the day. Informants explained to me that many people working in banks had no forewarning at all of the currency's fall and that everything appeared quite normal that morning: partially they had put their trust in the government and partially they were the victims of a lack of information. Though one woman had been watching the krona's ups and downs closely (because her son was studying abroad in England), she was caught completely unaware when the krona floated. By ducking out of the ERM and letting their currencies float at an early stage, the British and the Italians saved untold billions from rushing out of their reserve coffers, whereas the Swedes unloaded all of the country's reserves (and then some more) to defend the krona, to no avail. In the end, the krona fell anyway, Sweden lost billions in reserve money, ran up debts with other central banks from which it borrowed, and the currency speculators and big Swedish companies walked away with the windfall. On that day, the Swedish krona lost more than 10 per cent of its value (Moore and Whitney, 1992: A11), and even more in the months that followed. Aside from the public money lost in the episode, the value lost to the krona also

had a considerable impact upon individual lives. One woman (over) dramatized its impact by discussing her newfound inability to travel outside of Sweden because of the fall in the value of the krona. She told me, 'We've become a developing country.' This statement testifies to a national currency's ability to build obstacles to actual physical movement, as this person felt newly imprisoned by her currency.

Dagens Nyheter assessed the financial damage of the currency collapse four years later. The newspaper argues that the largest Swedish companies gained money at the taxpayers' expense. In his book, Dennis claims that it is impossible to tell who gained specifically from the crisis. In the individual sense, he is telling the truth: we don't know the specifics of who reaped the harvest doled out by the Riksbank.[20] Yet what he fails to note is the obvious point that the money began as public money and ended up as private money.

According to a series of articles (Stenberg and Öm, 1996a, b), the Swedish banks and larger companies were the ones who actually instigated the currency flow out of the krona.[21] Yet ultimately George Soros and other infamous speculators are blamed by the general public for the final rush against the currency. This claim regarding the involvement of Swedish multinationals was largely absent in the media at the time of the crisis. Instead, the currency crisis was constructed in national terms, and then the responsibility for the fall could successfully be portrayed as a question of national identities and boundaries.

Part II: metonymic money and boundaries

Given the significance of national attachments (for example, in choosing a currency basket or in influencing market players' opinions) to the process of currency value-determinations, it is interesting to consider the implications of a currency and its metonymic ties to the nation-state. As previously mentioned, for much of modern financial history, governments have been able to exert a profound influence on the economic value represented by their currencies. The metonymic attachment serves to symbolize who has control over the value of the currency; this symbol in turn signals to the market who governs its value determination – that is, who the market should listen to and trust when considering the placement of capital. In an exhibit discussing the previous power of American states (as opposed to the federal government) to issue American dollars, the Swedish National Museum of Monetary History claims that 'When others control the currency it is almost always a sign of weakened state power'. After some countries in Europe have exhibited a lack of

power to control the value of their currencies, we also find that many of these countries surrendered the metonymic attachment that they previously enjoyed with regard to their currencies. The new currency appearing on the European horizon, the Euro, is metonymically attached to a different, larger state, governed from Brussels and Frankfurt (the location of the European Central Bank). One of the primary goals of European Monetary Union (EMU) is to broaden state power in order to eclipse the power that the market has exhibited over smaller currencies in the determination of value (Leyshon and Thrift, 1997: 113–15). Many of the proponents of EMU whom I have spoken with in Sweden constantly assert that EMU will allow Europeans to return to the days when they controlled the value of their currencies, rather than remaining at the whim of the market.

This metonymic tie between national currency and the state also contributes to the creation of boundaries. These boundaries then play an integral role in the construction of the world economy. Indeed, the discipline of macroeconomics, it could be argued, is fixated (and founded) upon the value of national boundaries, focusing as it does on Gross National Product, trade surpluses, national debt, and the like. These boundaries confer a sense of 'home', where the currency 'belongs', and the only place where it can ultimately be redeemed for something else – either a commodity such as labour-power, or another currency traded from the central bank's reserves. In short, the state is the guarantor of its value. Since the issuing of money has often become the prerogative of the modern state, it is a significant way in which the state power apparatus imposes notions of boundedness and group unity.

Additionally, a particular morality becomes attached to money (cf. Zelizer, 1994; Znoj, 1998) in this manner. Because money is metonymically tied to the state, it can become morally incumbent upon citizens of that state to behave in a manner that protects the national money – at least in the case of Sweden, where sacrifices for the general good of the state are seemingly expected. Thus, many Swedes sought to deny or scorn involvement in 'speculating' against the krona, and to blame foreign elements for its fall. It was subjected to 'attacks' from abroad, and the country had to unify in order to 'restore the currency's health'. Wibble explains that while the crisis was under way she received many personal letters and phone calls 'from people who appreciated the defense of the krona and the politicians' ability to gather in unity during hard times. For a short time there was a real national gathering' (Wibble, 1994: 31–2). Dennis likewise details the wrath of citizens against those who they saw to be 'traitors': 'The Volvo Workshop Club in Gothenburg demanded that the traitors be brought forth and the Union of Insurance Workers #49 in Östergötland wanted to know which businesses had speculated in the Swedish devaluation. They wanted to know 'so that we are not forced against our will to buy their products' (Dennis, 1998: 323). In these ways and others, it becomes clear that the krona was viewed as sacrosanct during the crisis (cf. Brantlinger, 1996). The strong taboo against defaming it also testifies to the fact that the attachment between money and states can create sentiments around currencies that are separate from their use as mere units of exchange-value. It is as though the krona, within certain groupings, carries a sort of Maussian *hau* (Mauss, 1990) that binds the group together via a spirit infused in the object.

Furthermore, as the krona met the harmonizing effects of increased international trade, Swedes also had to reassess their commitments and loyalties to various structures and groups; the fixation on maintaining currency value (itself a cultural choice among various options) eroded. The krona, up until and during the crisis, represented and indexed the faith that many Swedes had in their government. It was also a vehicle through which they asserted their faith; it was the instrument around which the nation could rally in order to present a unified front and a strong belief in itself as a group. Similarly, the currency served as the vehicle for the government to assert its faithfulness; defending a strong krona would prove government trustworthiness. I was told by one informant that he believed that the currency crisis marked the transfer from a previous faith in governmental leaders to one in business leaders (though this may not have been a society-wide belief). Substantiating this claim, a new proverb entered into the lexicon during the crisis, which asserted 'It's the market that counts, not the government' (personal communication). Other variations of this include 'the tyranny of the market' (cf. Karlin, 1992) and 'Now it's money that steers' (cf. Wallner, 1992).[22]

Conclusion

In short, national currency serves as one of the primary symbolic mediators between the nation (including the citizenry) and the market in capitalist systems. It clothes economic value with a history and an identity, both of which are not *a priori* necessary to economic value's functioning. As such, it is worth noting the ways in which national currency (or any form of currency) aids in the construction of boundaries, while the economic value that it is meant to represent is famous for destroying or disregarding boundaries.

But precisely because of this paradox inherent within currency (see Hart, 1986), the value of the krona ultimately fell. Where this value went is an important consideration in this analysis. In terms of specific trajectories, the monetary resources lost by the central bank apparently accrued to foreign speculators and the larger Swedish companies. But the number of kronas in circulation did not change at the same moment that the krona lost 10 per cent of its value. Anne Wibble, when asked how much money was lost in defending the krona, responded, 'it is not as if society has lost those coins. We have them in Swedish kronas, whereas before we had them in foreign currency' (Hamilton and Rolander, 1993: 73). Though Hamilton and Rolander complain that this comment is but a deft and hollow attempt to deflect criticism, there is nonetheless some truth to it; Wibble is playing upon the usual conflation of money and economic value. Whenever a country complains of a 'currency outflow', they are neglecting to point out that the home currency is rushing into the country to pay for the outflow. However, after a certain point in time, such as in a period of currency revaluation, the currency undergoes what Marx (1990: 314) calls a 'metempsychosis' of value. Economic value that originally existed in the krona has suddenly been socially transferred elsewhere. Money, in the form of national bills, is not lost, but instead economic value is moving from one national currency to another. Economic value flows from one currency into some other currency or commodity, fleeing the boundaries set by national currency.[23] Economic value 'clings' to currency, but only tenuously; it defies currency's attempts to enclose it within national boundaries.

This ability of currency to confer a sense of national control over, and identity with, economic value via metonym also then conceals other aspects of the metempsychotic movement of this value. A discourse of protecting the unity and prestige of the national currency, in this instance, concealed the fact that many Swedish players walked off with sizable portions of the national reserves in their pockets. The predominant discourse focuses upon an opposition between foreign and national, rather than, for example, other oppositions such as class differences that may also be present in the movements of the krona or the simple opposition between public and private money. The fact that national money carries other values (in particular, a variety of 'national values' that bind a group together) beyond its mere economic one is precisely what creates the conditions necessary to redistribute economic value along the trajectories illuminated here. The Swedish currency crisis, like virtually all subsequent currency crises, effected a massive transfer of wealth (as capital) from the 'average taxpayer' who fills the government's coffers to the balance sheet of some of the world's wealthiest people and corporations.

Notes

1. This chapter has been greatly aided by the thoughtful and discerning critiques of Susan Gal, Christina Garsten, John Kelly, Keith Hart and Monica Lindh de Montoya. An early version of it also benefited from the instructive comments of many listeners at an American Anthropological Association conference. Much editorial assistance came from Stephanie Rupp. The research for the chapter was supported by a NSF Graduate Student Fellowship and by the MacArthur Foundation. I would like to thank these organizations and interlocutors for their many efforts and encouragement.
2. In this chapter, the terms 'capital' and 'economic value' will be used interchangeably.
3. Here, however, it is worth noting the commentary of Cohen (1998), who points out that with increased cross-border transactions, some prominent currencies are now competing globally for 'market share'; in other words, they are not necessarily exclusively interested in keeping their currency confined within national borders. However, the opposite remains generally true for Cohen's so-called 'plebeian currencies', which comprise most of the world's currencies.
4. For a very illuminating anthropological study of the role of metonymy – parts standing for wholes – in social life, please see Durham and Fernandez (1991).
5. Devaluations had occurred before, but the magnitude of the 1992 crisis was unparalleled and it led to the break-up of the European Exchange Rate mechanism, which instigated, in turn, a new commitment to a then foundering and still Panglossian belief in the Euro (see below).
6. All translations from the Swedish are mine throughout the text.
7. In her memoirs, Wibble (1994) explains her reasons for mounting a rigid defence of the fixed exchange rate. She personified the market, as something with a memory that needed to be contended with on those terms: 'The market has a long memory, it never forgets which countries try to devalue themselves out of problems' (Wibble, 1994: 34). She further states that Belgian government officials with whom she had consulted told her that with the market, 'old sins are never forgotten' (Wibble, 1994: 34).
8. The ERM is one part of a broader agreement known as the European Monetary System, established in 1979. Its short-term goal was to reduce the hazards to business transactions of fluctuating currency values in Europe's increasingly integrated economies, and to keep down inflation by tying currencies more intimately to the consistently anti-inflationary policies of Germany's Bundesbank. In the long term, it also evolved into a sort of testing (and training) ground for the future European Monetary Union (EMU), the title of the then-planned single currency project of the European Union. In short, participant countries in the ERM agree to keep their currency values in a narrow band revolving around the basket of their currencies known as the European Currency Unit (ECU). In agreeing to tie one's currency to the ECU, a country then takes on the obligation