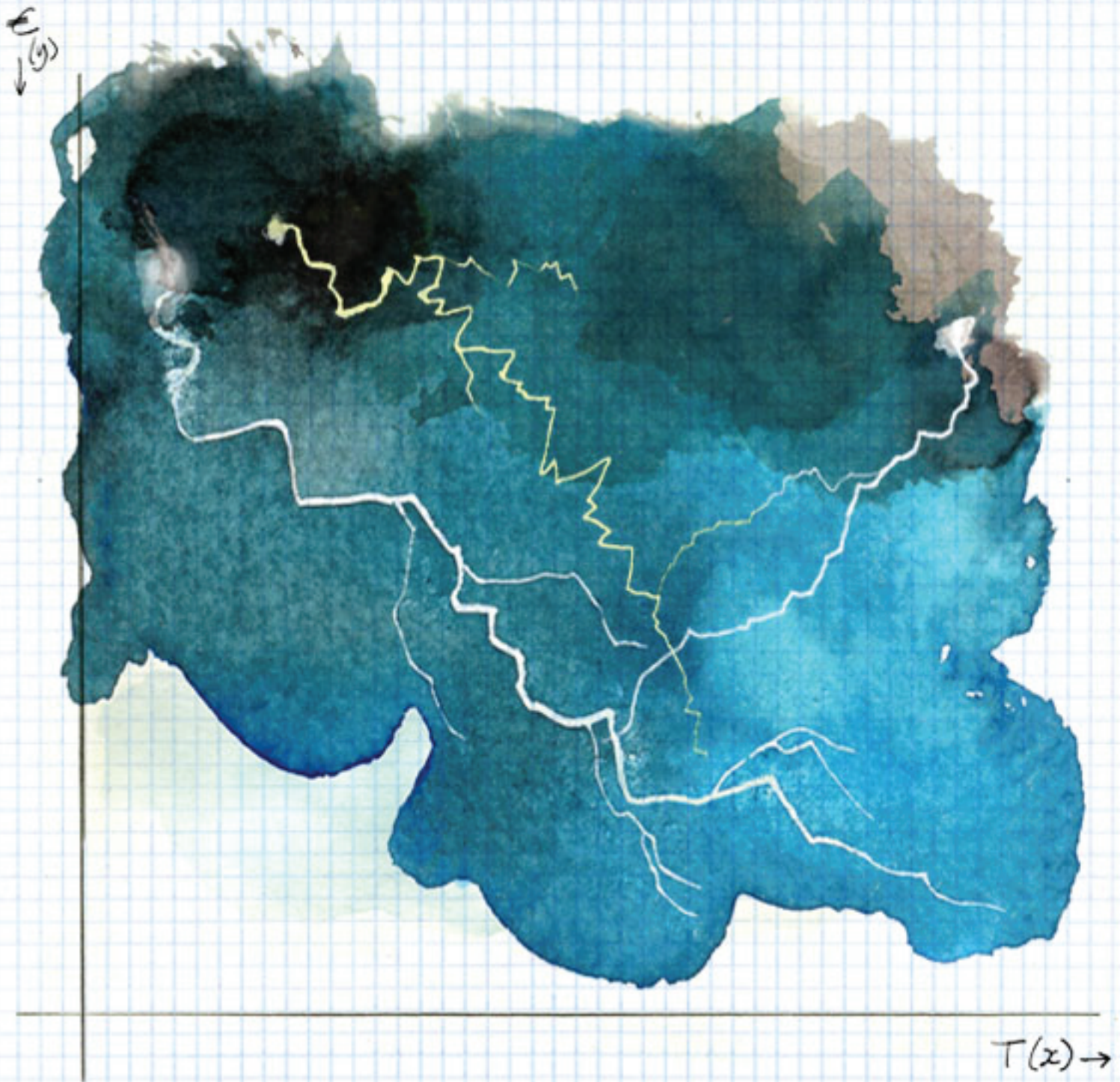


ephemera

theory & politics in organization



the university of finance

ephemera

theory & politics in organization

© ephemera 2009
ISSN 1473-2866
www.ephemeraweb.org
volume 9(4): 261-395

volume 9, number 4 (November 2009)

editorial

- The university of finance* **261**
Armin Beverungen, Stephen Dunne and Casper Hoedemaekers

articles

- The human capital strategy* **271**
Morgan Adamson
- The eve of critical finance studies* **285**
Dick Forslund and Thomas Bay
- Why is finance critical? A dialogue with a women's
Community in Sri Lanka* **300**
Ishani Chandrasekara

talk

- Extreme neo-liberalism: an introduction* **318**
Stefano Harney

roundtable

- Sydney Forum on the Financial Crisis: an introduction* **330**
Dick Bryan and Michael Rafferty
- Faith in the numbers* **335**
John Roberts
- Whose crisis is that? Thinking finance otherwise* **344**
Randy Martin
- The ups and downs of a liberal consciousness, or,
why Paul Krugman should learn to tarry with the negative* **350**
Martijn Konings

Homemade financial crisis 357
Dick Bryan and Michael Rafferty

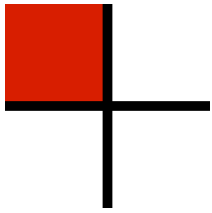
The household frontier 363
Melinda Cooper and Angela Mitropoulos

The futility of extrapolation: reflections on crisis, continuity and culture in the 'Great Recession' 369
Fiona Allon

reviews

Toward a global autonomous university 380
Elizabeth Johnson and Eli Meyerhoff

A crisis of finance 388
Francesca Bria



The university of finance

Armin Beverungen, Stephen Dunne and Casper Hoedemaekers

This time a year ago, the world was reeling from the collapse of Lehman Brothers and the multi-billion dollar rescue of Merrill Lynch and insurance firm AIG. But for Jörn Schütrumpf, a German publisher, life was looking up. Mr Schütrumpf, director of Karl-Dietz, was revelling in the increase in sales of one of his books which was now selling at seven times the usual rate. That book was Marx's *Das Kapital*, the founding text of communism. (Merriman, 2009)

Since Marx's work is currently falling into more and more hands, it is possible to suggest that a critical mass is currently re-forming, perhaps even that a spectre is re-emerging. Such a suggestion must remain tentatively expressed, of course. The capitalist mode of production, as Marx teaches, is a system which thrives upon its tendency to internalise its externalities (see also Deleuze and Guattari, 2004), its capacity to invert its opponents (see also Boltanski and Chiapello, 2007), its ability to direct its dissenters (see also Frank, 2002; Frank and Weiland, 1997). Whatever spectres are currently re-emerging amidst the Marx book-market are therefore doing so largely, although not exclusively, on the basis of the expansion and extension of the commodity-form. Consequently, and somewhat perversely, the market mechanism, or what Marx (2006a) called the sphere of circulation, seems to have become a highly efficient means through which the promise of communism can be distributed towards and throughout the masses. To unqualifiedly read an emergent spectre into the sales of *Capital*, therefore, is to idealistically embrace the promises of Marxism whilst materialistically negating them. It is to be a Marxist in theory and a fetishist in practice, to have succumbed to what Slavoj Žižek (1989) calls enlightened false-consciousness.

This is not to in any way denigrate that great co-learning institution of the traditional left, the Marx reading group, of course. It is rather only to recognise, with Marx, the fact that the capitalist system as a whole holds a variety of phenomenally contradictory positions together and intact *as a matter of course*. To demonstrate the manner in which just so many spiralling contradictions were interrelated and eventually overcome was nothing less than the very object of Marx's general critique of political economy (2004; 2006a; 2006b). And so, whilst it is tempting to confidently assert that the seeds of communism are contained within the contemporary uptake on Marxist literature, and to anticipate its eventual flourishing on the basis of such an assertion, this optimism is much too premature. Dialectical materialism teaches us *both* that communism requires the very obliteration of the market mechanism as such *and* that such a reality will never

come about on the basis of anticipation and speculation alone. Dialectical materialism, in other words, teaches us not to be so one-sided in our speculations.

Along these lines, today's return to Marx's ideas must be taken more as a comment upon the material conditions of the unprecedented financialisation of our daily lives (Martin, 2002), or the near ubiquitous acceptance of the fact that we now really do live in financial times (de Cock et al., 2009), than as an endorsement of the Marxist ideas themselves. This is not to say that the ideas are unimportant, of course. It is only to say, again with Marx, that it is *capitalism*, rather than Marxism, which continues to create the conditions of its own downfall, to yet again produce its own gravediggers. Today this occurs within the context of a generalised discontent with financial capitalism, within the reality of a widespread dissatisfaction with the notion that markets can set us free, and through a generalised frustration both with the city's talent, as well as with its political apologists. Marxism offers an alternative to capitalism, of course, albeit today it does so upon capitalism's own terms. This is all to say that it is largely as a result of the financial crisis that Marxism has now become a productive aspect of capitalism, for now at least.

But beyond this (by no means total) capture of Marxism by capitalism, what might be the additional effects of *Capital's* having fallen into the hands of the thousands and thousands of disenfranchised anti-capitalists? What else might come from the contemporary resurgence in Marxism? What, in other words, are the conditions and potentials for the study of Marx today, after the financial crisis? On the one hand, posing this question requires us to consider what Marx had to say about finance, what we might still be able to say of contemporary finance, with Marx. The contributors towards this issue therefore join a rich analytical tradition, stretching from Hilferding (1981) through Aglietta (1979) and Arrighi (1994) onto Bellamy Foster and Magdoff (2009) and Lapavistas (2009) – an analytical tradition which attempts to think finance alongside the challengingly unrelenting pursuit of a material base.

Nevertheless, in asking about the relationship between finance and study from within the university, we quickly come to realise that finance is not and cannot be a concern for political economists alone. As anyone who has made a grant application, graded scripts, paid attention to a journal rankings list or lectured to a room full of anonymous students will already know – university based study has never been a stranger to finance. Indeed, it is impossible to talk about study in any sense today, whether it be the study of Marx's work on finance, or the study of the nature of particle collisions in Switzerland, without also talking about how this study is to be financially supported. Whereas the political economist has traditionally been the one concerned with securing knowledge about the nature of finance, it seems that today we are now in a situation where we cannot afford *not* to think of finance, to act with finance, to study with financing. It is towards the thinking of the specificity of these relationships that many of the contributions towards this special issue turn.

Normal Finance + Ethics = Ethical Finance?

to truly make the most of the reflection [on the crisis], we must move from dialogue to action. At HBS, we are making changes in the way we teach risk management (without stifling the focus on innovation and entrepreneurialism), reconsidering the oversight responsibilities of directors, and revisiting the kinds of incentives provided by executive compensation packages. (Light, in HBS, 2009: 72)

Traditionally, the business school is the place in the university where finance is an object of study. It is therefore no wonder that much of the blame for the financial crisis was frequently laid at the door of the business school (e.g. Corbyn, 2008; Caulkin, 2008; Schmidt, 2008; James, 2009). The sorts of criticisms offered here were largely offered with respect to the lack of sociology, politics and history to be found in the business school pedagogy. The predominant response was therefore a set of calls for business pedagogy to be undertaken and delivered more along the lines of the liberal arts or the social sciences – just so many calls for a re-humanisation of the curriculum, in other words. Business schools were seen to be too narrowly focused on their own disciplinary knowledge which inculcated a short-termism and pro-business bias, one which could only be remedied by multi-disciplinarity, a more holistic education, and by a focus on ethics and social responsibility in particular.

Many elite business schools are now attempting to trade upon any notion *other than* the vocational hand-maiden to capitalism motif traditionally insisted upon by the Ford and Carnegie Foundations (Wallace, 2010). Harvard Business School seems to be taking the lead in this regard within this recently emergent genre where, for example, a variety of MBA students now promise to be ethical (Wayne, 2009), a variety of business professors blog on how to put the business school back on the right footing (e.g. Podolny, in HBR, 2009) and a variety of journal articles debate and propose the principles of a new progressive managerialist ethos (Khurana and Nohria, 2008). Harvard Business Press has recently published a special collection of debates in and around the business school, as if to draw a line under the fact that all is again well (Harvard Business Review, 2009). The responses on the fringes of the academy, which has equally produced a number of special journal issues or extensive discussion sections (e.g. Cairns and Roberts, 2009; Haynes, 2009; Currie et al. 2010), has had a similar flavour.

The progressive model of the re-imagined business school that largely guide these responses is still that of the professional school (cf. Khurana, 2007) whilst even the most conservative responses to rethinking business school teaching have proceeded from the narratives of “bad individual behaviour”, thereby masking any discussion of the systemic flaws in the neoliberal ideological programme (Gamble, 2009). Ethics here becomes a key word in the salvaging the model of the business school. Business Ethics, whatever the signifier may denote at any particular time, has in recent years had a place within the confines of business school curriculum. It now offers up a pragmatic and “safe” response to the crisis from the viewpoint of neoliberal ideology. Offering up “more ethics” as a cure for recent events does not challenge the fundamental concept of the business school as a training ground for agents of the accumulation process, and perversely suggests that the business school can correct the most devastating aspects of the crisis by simply fine-tuning the ingredients of its curriculum.

Two characteristics of these debates impose themselves on the observer. On the one hand, they hardly exceed the terms and bounds of earlier debates regarding the utility and ethics of business school education, most prominently expressed in Mintzberg's (2004) critique of MBAs and Ghoshal's (2005) attack on ethical nihilism. In an earlier special issue of *ephemera* (Beverungen et al., 2008), we suggested that a more radical reposing of the terms of this debate, and a more boundless critique of the business school is necessary – and was necessary even before the financial crisis. On the other hand, what is practically entirely lacking in these debates is any discussion of perhaps the most urgent condition of these debates: the financialisation of universities. There is certainly much talk of ethics, of social responsibility, of history and politics, and of critique. But while there are a few critiques of finance capital and financialisation, there is next to no analysis of how these very factors, these very objects of study, impact on study itself. It is as if the finances of the university remain the great unspoken, the fundamental condition that remains hidden.

The business school hence continues to embrace a capitalist mode of production, and all the while its revisionist advocates underline how it is now a school of ethics, a school of humanities, a school of learning – a school of anything other than a school of business! We must make the wager here that this persistence to affirm something, anything, says something about business school advocates, namely, that because of their very financial modality, they are not able to articulate anything for themselves other than their will towards yet more finance. Žižek (2009) suggests that this lack of a will to articulate an alternative is an endemic feature of the left today. Following Lacan (2005), we might describe this lack of assertion as the very *sinthome* of the business school, the curious knotting together of its place within the bonds of authority and production, its fragmented self-images and its libidinal circuits. This *sinthome* is “what’s in them more than them”, and the inability of business schools to speak convincingly to the crisis might very well point to what constitutes them in the current political and institutional context: their very own finances.

Finances of the University

Once we shift the focus of analysis in the direction of the university and financialisation, we move beyond the content of university teaching, its curricula and pedagogies, and look at the *form* which university education takes today. In so doing, we proceed to ask how this very form is itself shaped by finance. And so we come to question why there is hardly a university left without a private equity club, a hedge fund society, or a trading room. While some insist on the learning experience and ethical aspects of trading, others note the ways in which these activities imbue a particular conservatism and opportunism, which deny the call for a critical engagement with finance (Jacobs, 2009). The most extreme form this teaching of finance takes is perhaps the belief that finance could function without production – a belief Marx was amused by long ago.

It is utter nonsense to suggest that all capital could be transformed into money capital without the presence of people to buy and valorize the means of production, i.e. the form in which the entire capital exists, apart from the relatively small part existing in money. Concealed in this idea, moreover, is the still greater nonsense that capital could yield interest on the basis of the capitalist

mode of production without functioning as productive capital, i.e. without creating surplus-value, of which interest is simply one part; that the capitalist mode of production could proceed on its course without capitalist production. (Marx, 2006b: 501)

Apart from finance as a subject of study, on the side of the students, there is student debt, which is rocketing so much so that in the US there is now talk of student debt as the next big bubble (Samuels, 2010b). In the UK in recent years, student credit has gradually replaced a system of grants and scholarships to the point where average debt is now £20,000 per student (Forkert, 2009: 2). At the same time, fees look likely to rise across the board, and considerably so for the top institutions. It would perhaps not be an exaggeration to suggest that students spend more time on personal finance – applying for grants and students loans; waiting for the same to come through; asking their parents for financial support; arranging overdrafts with bankers; finding another part-time job to alleviate their debt – than on actual study. All the while, students are asked to consider their very education as an investment in their future, as an enhancement to their employability (emphasised by the Burgess Report in the UK), their future saleability to capital. This finance has its own pedagogy (Williams, 2009).

And on the side of the university, we are long accustomed – long before the recent cuts and threats of cuts in response to the crisis – to vice-chancellors' talk of efficiency savings, of the need to invest in future growth, the pressure to develop knowledge exchange as a further revenue source, etc. Finance has advanced so far into the logic of the university that in August 2009 Mark Yudof, president of the University of California, found it more sensible to lend \$200 million to the state of California than to invest it in education – despite the severe cuts in the education budget, cuts in provision and hikes in student fees – noting wryly that “when the university lends money to the state, it turns a profit, but when it spends money on salaries for teachers, the money is lost” (Samuels, 2010a). This is only the last consequential step in the transformation of the University of Excellence (Readings, 1996) into the University of Finance, where it is the entrepreneurship of students and faculty, and their financial gravitas that seems to count most. It is from here that our contributors proceed.

Finance and Cognitive Capitalism

In her contribution, Fiona Allon suggests that it is imperative that we now study finance culturally – that we need to take seriously the cultural specificity of this financial crisis. This is to give cultural studies, alongside business schools, a central role in the thinking of the crisis. Finance has extra-financial aspects and it is towards these that Allon draws our attention and subsequently emphasises. Many of our contributors concur on this point. Drawing on her earlier work on the financialization of student life (2009), where she appropriated Deleuze's well-known assertion that “man is no longer a man confined but a man in debt” (1995: 181), Morgan Adamson argues that today students are no longer disciplined but controlled through debt in the university. Focusing specifically on human capital strategies, and on the ways in which students today are objects for financial investment, Adamson suggests that the ways in which capital attempts to invest in labouring bodies to turn these into fixed capital is paradigmatic of a new form of control in cognitive capitalism.

This suggestion that a new form of control is emerging in the university is further explored by Stefano Harney. In this issue Harney speaks of extreme neo-liberalism as a new form of governance, one that is largely developed in the university. Harney's view (see also Dunne et al, 2008; Harney, 2010) is that the business school, rather than being a place for exchange (of knowledge, that most valuable of commodities under contemporary capitalism), is a place that is devoid of exchange, of production as capital defines it. The business school is a warehouse for unused labour, labour for which there is no function but to wait "in reserve". On the one hand, this means that the primary lesson for students is to "follow arbitrary authority, endure boredom, and compete against others" (2010: 55). At the same time, however, students do not sit idly by but engage in the practice of study, where they reflect, they question and they critique, even if such activity is not recognised within the business school or the university more generally. Harney notes that such study has historically produced resistance and continues to do so, which in turn serves as a set of logics around which capitalism redefines itself.

Where Adamson expresses a hope that the human capital strategy is bound to fail, since it is impossible to measure the composition of the social individual in its excessive plurality, Harney explores the phenomenon of study as one that potentially evades extreme neo-liberalism (see also Arsenjuk and Koerner, 2009; Bousquet et al., 2009). With the student potentially recognizing him- or herself as bare labour to be invested by capital, capital risks a certain autonomy. There is a danger that rather than learning being subsumed under employability, and education being guided by a financial logic of investment in one's own labour power, study might be something that exceeds debt. As Moten and Harney (2010) explore, study might indeed become something that exceeds financial debt, something that produces a debt without credit, something that produces a social debt that cannot be recuperated by finance but instead produces a speculative mutuality and induces debt speculation on behalf of the student. The same could also happen on the side of university staff. Although De Angelis and Harvie (2009) note how capital measures immaterial labour in universities, tries to capture the fruits of university labour as much as study, this labour is also excessive of this measure and productive of a common sociality.

The crisis of professional knowledge that Randy Martin discusses in his contribution to this issue might precipitate such an escape, since it highlights how professional knowledge is compromised by the financialisation of the university. Where some in the business school still hold on to the model of the professional school (e.g. Khurana and Nohria, 2008), Martin argues that it is not only the professions that are in crisis, but knowledge itself, which, once "asked to deliver on behalf of ceaseless accumulation, cannot command the world according to its prerequisites and methods". Since capital "demands knowledge but cannot know itself", it relies on a constitutive externality, the kinds of knowledge production taking place in the university and outside which might also exceed, resist or exit from capital. Overall, these kinds of dynamics of finance and cognitive capitalism can be understood, as Marazzi (2010) suggests (see Francesca Bria, this issue), in approaching financialisation as "the adequate and perverse modality of accumulation of new capitalism" (2010: 66).

Finance and Study Otherwise

The remaining contributions explore more specifically how finance might be studied and taught otherwise. Dick Forslund and Thomas Bay propose that we find ourselves at the eve of critical finance studies, which explores novel uses of finance in the service of life. They propose, much like John Roberts in emphasising the performativity of finance and its models, that we must look *at* and not merely *through* financial tools in order to find a way of appropriating them. In so doing they suggest that this sort of operation might enable us to turn finance from ends without means to pure means, means without ends. In so doing they also express the hope that critical finance studies will produce “new forms of finance that do not yet have a people whose world these new forms represent or place to inhabit, and that will completely alter our way of thinking and living”. Ishani Chandrasekara’s contribution suggests that we might allow ourselves to be less utopian than this. She presents a case study of a Sinhalese women’s community and their practices of finance. Drawing on Spivak’s critique of postcolonial reason, Chandrasekara critiques Western finance discourse for its ignorance of these subaltern practices, while insisting that these are not to be simply represented and thus captured and integrated into hegemonic financial discourses. Instead, Chandrasekara presents her case as an example of a finance that is already otherwise, present in Sri Lanka.

Dick Bryan and Michael Rafferty, as well as Melinda Cooper and Angela Mitropoulos, offer less of a promising picture of contemporary finance, and instead emphasise how a contemporary study of finance must explore the home as a financial frontier. Where Bryan and Rafferty warn of the danger that a financial education based on financial literacy and consumer advice might serve financialisation, Cooper and Mitropoulos warn that finance education might simply serve the neo-liberal imperative to financial self-management. Both contributions highlight the contradiction between the illiquidity of life and the liquidity of finance, and Cooper and Mitropoulos propose a politics of financialization as the possibility of a social liquefaction escaping finance. With regards to this politics of financialisation, also in the university, Martijn Konings warns us that we should not follow Krugman in his wilful optimism, which is only another side of the cynical realism widespread in the business school today.

The University of Finance

Many of the contemporary academic responses to the financial crisis have centred on the notion of finance as an object of study. The inference here has been that the responsibility lies with the individual, and that a sprinkling of Business Ethics to the MBA curriculum is a panacea for recent excess. From this we get the characterisation of the crisis as a product of individual misbehaviour in the financial sector: a regression onto the already decisively discredited “bad apple” thesis (e.g. Bakan, 2005). A different but related set of responses has sought to de-emphasize this traditional role of the business school as handmaiden to capitalism and thereby widen the curriculum to include politics, philosophy and cultural studies. For our part, we hope that the questions raised in this special issue will help push the debate within the university in general, and the business school in particular, on from a concern with finance as an *object* of study towards a concern with finance as a *condition* of study.

Against the stereotype of the lazy/instrumental student, therefore, the notion of finance as condition of study brings us towards an attempt to make sense of the various ways in which students and teachers alike are induced to view study through a purely financial logic: as surplus value without underlying production, as “knowledge transfer” without work. From here, there emerges the delineation of the task of considering how study might itself become a form of resistance to finance. Students and teachers might thereby consider *how* the various ways in which finance conditions study can itself form the basis for mutual inquiry. Studying finance as condition might, in other words, simultaneously become a form of collective resistance to the manifest conditions of finance, precisely in its fostering of a collective attempt to condition these conditions differently. And it is in this qualified sense that the resurgence of the Marx reading group gives cause for optimism, amidst the contemporary University of Finance.

references

- Adamson, M. (2009) ‘The financialization of student life: five propositions on student debt’, *Polygraph*, 21: 107-120.
- Aglietta, Michel (1979) *A Theory of Capitalist Regulation – The US Experience*. London: Verso.
- Arrighi, G. (1994) *The Long Twentieth Century: Money, Power and the Origins of Our Time*. London: Verso.
- Arsenjuk, L. and M. Koerner (2009) ‘Study, students, universities: an introduction’, *Polygraph*, 21: 1-13.
- Bakan, J. (2005) *The Corporation: The Pathological Pursuit of Profit and Power*. London: Constable and Robinson.
- Bellamy Foster, J. and F. Magdoff (2009) *The Great Financial Crisis: Causes and Consequences*. New York: Monthly Review Press.
- Beverungen, A., S. Dunne and B. M. Sørensen (2008) ‘University, failed’, 8(3): 232-237.
- Boltanski, L. and E. Chiapello (2007) *The New Spirit of Capitalism*. London: Verso.
- Bousquet, M., S. Harney and F. Moten (2009) ‘On study’, *Polygraph*, 21: 169-185.
- Cairns, G., and J. Roberts (2009) ‘Editorial’, *Critical Perspectives on International Business*, 5(1/2).
- Caulkin, S. (2009) ‘When it came to the crunch, MBAs didn’t help’, *The Observer*, 26.10. [<http://www.guardian.co.uk/business/2008/oct/26/mba-business-education-banking>]
- Corbyn, Z. (2009) ‘Did poor teaching lead to crash?’, *Times Higher Education*, 25.9. [<http://www.timeshighereducation.co.uk/story.asp?storycode=403696>]
- Currie, G., D. Knights and K. Starkey (2010) ‘Introduction: a post-crisis critical reflection on business schools’, *British Journal of Management*, 21(s1): s1-s5.
- De Angelis, M. and D. Harvie (2009) ‘“Cognitive capitalism” and the rat-race: how capital measures immaterial labour in British universities’, *Historical Materialism*, 17(1): 3-30.
- De Cock, C., J. Fitchett and C. Volkmann (2009) ‘Myths of a near past: envisioning finance capitalism anno 1997’, *ephemera: theory & politics in organization*, 9(1): 8-25.
- Deleuze, G. (1995) ‘Postscript on the societies of control’, in *Negotiations, 1972-1990*, trans. M. Joughin. New York: Columbia University Press.
- Deleuze, G. and F. Guattari (2004) *Anti-Oedipus*, trans. R. Hurley, M. Seem and H. R. Lane. New York: Continuum.
- Dunne, S., S. Harney, M. Parker and T. Tinker (2008) ‘Discussing the role of the modern university’, *ephemera: theory & politics in organization*, 8(3): 271-293.
- Frank, T. (2002) *One Market Under God: Extreme Capitalism, Market Populism, and the End of Economic Democracy*. New York: Vintage.
- Frank, T. and M. Weiland (eds) (1997) *Commodify Your Dissent*. New York: W. W. Norton.
- Forkert, K. (2009) ‘It’s become our crisis’, *Mute: Culture and Politics After the Net*. [http://www.metamute.org/en/content/it_s_become_our_crisis]

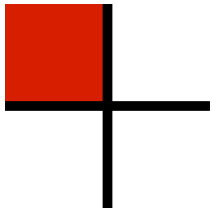
- Ghoshal, S. (2005) 'Bad management theories are destroying good management practices', *Academy of Management Learning & Education*, 4(1): 75-91.
- Harney, S. (2010) 'In the business school', *Edu-Factory*, 0(January): 53-61.
- Harvard Business Review (2009) *How to Fix Business Schools: The HBR Debate*. Cambridge: Harvard Business Press.
- Haynes, M. (2010) 'Editorial: global crisis and the business school – provocations', *International Journal of Management Concepts and Philosophy*, 4(1): 1.
- Hilferding, R. (1981[1910]) *Finance Capital: A Study of the Latest Phase of Capitalist Development*, ed. T. Bottomore, trans. M. Watnick and S. Gordon. London: Routledge & Kegan Paul.
- Jacobs, E. (2009) 'Business class', *Financial Times*, 03.12.
- James, A. (2009) 'Academies of the apocalypse?', *The Guardian*, 07.04. [<http://www.guardian.co.uk/education/2009/apr/07/mba-business-schools-credit-crunch>]
- Khurana, R. (2007) *From Higher Aims to Hired Hands: The Social Transformation of American Business Schools and the Unfulfilled Promise of Management as a Profession*. Princeton: Princeton University Press.
- Khurana, R. and N. Nohria (2008) 'It's time to make management a true profession', *Harvard Business Review*, 86(10): 70-77.
- Lacan, J. (2005) *Le Séminaire XXIII: Le Sinthome*. Paris: Seuil.
- Lapavistas, C. (2009) 'Financialised capitalism: crisis and financial expropriation', *Historical Materialism*, 17(2), 114-148.
- Marazzi, C. (2010) *The Violence of Financial Capitalism*. New York: Semiotext(e)
- Martin, R. (2002) *Financialization of Daily Life*. Philadelphia: Temple University Press.
- Marx, K. (2004) *Capital: Critique of Political Economy, Vol. 1*, trans. B. Fowkes. London: Penguin.
- Marx, K. (2006a) *Capital: A Critique of Political Economy, Vol. 2*, trans. D. Fernbach. London: Penguin.
- Marx, K. (2006b) *Capital: A Critique of Political Economy, Vol. 3*, trans. D. Fernbach. London: Penguin.
- Merriman, H. (2009) 'The end of the Western economic era?', BBC, 24.09. [<http://news.bbc.co.uk/2/hi/business/8269003.stm>]
- Mintzberg, H. (2004) *Managers not MBAs: A Hard Look at the Soft Practice of Managing and Management Development*. San Francisco: Berrett-Koehler.
- Moten, F. and S. Harney (2010) 'Debt and study', *e-flux journal*, 14(March). [<http://www.e-flux.com/journal/view/119>]
- Readings, B. (1996) *University in Ruins*. Cambridge: Harvard University Press.
- Samuels, B. (2010a) 'How America's universities became hedge funds', *The Huffington Post*, 28.01.
- Samuels, B. (2010b) 'Student loans: the new big bubble', *The Huffington Post*, 24.02. [http://www.huffingtonpost.com/bob-samuels/student-loans-the-new-big_b_475125.html]
- Schmidt, P. (2008) 'As Wall Street shudders, business schools rethink curricula', *Chronicle of Higher Education*, 55(6): A11-A12.
- Wallace, L. (2010) 'Multicultural critical theory. At b-schools?', *The New York Times*, 9.1. [<http://www.nytimes.com/2010/01/10/business/10mba.html>]
- Wayne, L. (2009) 'A promise to be ethical in an era of immortality', *The New York Times*, 30.05. [<http://www.nytimes.com/2009/05/30/business/30oath.html>]
- Williams, J. (2009) 'The pedagogy of debt', in The Edu-factory Collective (eds) *Toward a Global Autonomous University*. New York: Autonomedia.
- Zizek, S. (1989) *The Sublime Object of Ideology*. London: Verso.
- Zizek, S. (2009) *First as Tragedy, Then as Farce*. London: Verso.

the editors

Armin Beverungen is a member of the *ephemera* editorial collective.
E-mail: armin.beverungen@uwe.ac.uk

Stephen Dunne is a member of the *ephemera* editorial collective.
E-mail: stephen.dunne@le.ac.uk

Casper Hoedemaekers is a member of the *ephemera* editorial collective.
E-mail: hoedemaekerscm@cardiff.ac.uk



The human capital strategy*

Morgan Adamson

abstract

This paper traces the emergence of what I call the “human capital strategy”, a tool developed by neo-liberal economists that understands the “acquired useful abilities” of an individual or a society as a form of fixed capital. Particularly, the essay explores the development of the concept of human capital as a system that measures the value of education in order to produce a zone for financial speculation in human knowledge as capital, arguing that this process is in line with Marx’s theorization of the transfer of the productive capacities of society to fixed capital in the *Grundrisse*. It seeks to understand the role of higher education in the development and dissemination of human capital, while addressing debates around the problem of “cognitive labour” in higher education and its centrality in contemporary capitalism. Looking at the recent anxieties over the “bursting of the higher education bubble”, it argues that the recent financial crisis indicates the volatility of the human capital strategy.

It may seem odd now, but I hesitated a while before deciding to call my book *Human Capital* [...]. In the early days many people were criticizing this term and the underlying analysis because they believed that it treated people **like slaves or machines**. My, how things have changed!

Gary S. Becker, 1989 (2004: 16, my emphasis)

In their recent essay in the *Commoner*, “Notes on the Edu-Factory and Cognitive Capitalism”, Silvia Federici and George Caffentzis offer an important intervention into recent discussions of “cognitive capitalism”, especially those centred on a critique of the university. Federici and Caffentzis direct their essay at a growing body of scholarship and activism around the contemporary university and its central role in the production of value in post-fordism. Many of these discussions insist that the university is the new nodal point of exploitation in contemporary capitalism. “As once was the factory, so now is the university”, reads the Edu-Factory website, exemplifying the thesis of this vein of critical university studies that sees the university as the locus of new forms of exploitation: those targeted at immaterial, cognitive, and affective labours that form the basis of the new knowledge economy.

* Many thanks to Paige Sweet for her insightful and ongoing engagement with my work and to the members of the Committee on Revolutionizing the Academy (Comrad) for inspiring me beyond measure.

While Federici and Caffentzis are sympathetic to these analyses, they warn that the over-valuation of cognitive labour and its products by the left might insidiously reproduce hierarchies already at work within capital's strategy of dividing different sectors of the workforce and, in turn, limit our analysis of and struggle against diverse modes of exploitation in our contemporary moment. Thus, they argue against putting the university and the forms of labour that it exploits at the centre of a critique of our contemporary moment. It is with this admonition in mind that I offer the following contribution to the ongoing discussion of the university and its place in contemporary capitalism. When approaching the question of the university, my intention is to sidestep the debates around immaterial labour, while, at the same time, noting their importance. Rather than focusing on either forms of cognitive labour or the knowledge-commodities that they produce, I will examine the birth of technologies of measure developed by financial capitalism since the mid-twentieth century that, while having the university at their centre, mark a fundamental shift in larger circuits of exploitation. Namely, I would like to begin to trace the dissemination of the concept of *human capital* in mid-twentieth century economic thought as a way of characterizing a fundamental transformation in methods of valuation and measure of human life by capital, both inside and outside of the university.

“like machines”: Measuring Human Capital

In the late 1950s, American economists made an odd sort of discovery. In an attempt to understand income distribution among a given population, economist Jacob Mincer fortuitously stumbled upon a form of capital that had hitherto been overlooked: *human capital*. Neo-liberal economists treated Mincer's discovery of human capital – the valuation of the knowledge, skills, and health of an individual as a form of fixed capital – as a kind of purloined letter of capitalist accumulation. For mid-century economists, human capital presented a method radically revaluing both life and capital that had been surprisingly overlooked. In properly neo-liberal fashion, Mincer revived the concept of human capital from the depths of Adam Smith's *Wealth of Nations*. Smith defines four aspects of fixed capital: machines, buildings, improvements on land, and human capital. In Smith's schematic, human capital is “the acquired and useful abilities of all the inhabitant or members of a society [...]. The improved dexterity of workmen may be considered in the same light as a machine or instrument of trade which facilitates and abridges labour, and which, though it costs a certain expense, repays the expense with profit” (Smith, 1963: 214).

The re-discovery of human capital in the mid-twentieth century, of course, was not a discovery at all, but rather the invention of a technology through which to measure, in a seemingly novel manner, the productive capacity of a human being and of a population. The novel aspect of the invention of human capital is not merely that it measures the capacity of human labour, but it does so in a manner that, as mentioned earlier, draws upon an economic framework modelled on the valuation of fixed capital. In essence, the technology of human capital produces its object, human ability conceived of as a fixed form of capital, in order to measure it. As it is defined in a recent study of human capital in the United States:

The value of the human capital stock is analogous to the value of the nation's physical capital stock. Indeed, in valuing the stock of physical capital (i.e. the nation's factories, machines, and equipment), the analyst calculates today's value of the stream of potential outputs attributable to this physical capital stock over its lifetime. This "asset value" reflects what this capital stock would fetch on a market if it were sold. (Haveman et al., 2003: 2)

Investment in human capital, then, is analogous to an investment in physical stock, the means of production. It is the calculation of the returns on this investment that interests economists who study human capital. One of the first to systematically calculate the value of human capital, Gary S. Becker presented a basic mechanism for measuring the value embodied in human capital in his seminal work *Human Capital: A Theoretical and Empirical Analysis, with Special Emphasis on Education* (1964/2004). The fundamental equation for Becker's analysis of the human capital of an individual is as follows:

$$HC = E = X + \sum_{j=1}^m (r_j \times C_j) + u$$

where E is the present value of the person's future expected earnings, X is the present value of the stream of returns on the individual's basic abilities, C_j is the amount spent by the person on the j th investment in human capital (out of all the m investments), r_j is the present value of the annual return on that investment, and u is the present value for the stream of "luck" and other factors. (Haveman et al., 2003: 62)

Equations that quantify the value of human capital like Becker's import a chilling significance to clichés that circulate in popular discourse such as "investing in higher education". Such equations demonstrate the force of measure deployed to calculate the value of capital embodied within an individual that results from the "investment" in human capital stock. An equation that perfectly calculated the value of human capital would be able to measure the value of all layers of socialization, which occur over the span of an individual life, that add to productive capacity, including such immeasurables as "luck" and other factors". Human capital calculations start with a conception of human productivity in its raw state, a pre-individual, or "*Gattungswesen*", to which all value added could, potentially, be calculated as human capital. However, this investment in human capital stock is different from other forms of capital investment in fixed stock in that, as Becker himself puts it, "you cannot separate a person from his knowledge, skills, health, or values the way it is possible to move financial and physical assets while the owner stays put" (Becker, 2004: 16). Human capital is an embodied, measurable form of fixed capital understood as knowledge, skills, etc. Human capital conceives of the means of production as internalized in the very body of the worker and understands these abilities to be a zone for speculative investment.

An analysis of the development and dissemination of human capital as a financial technology expands the discussion of cognitive capitalism and the role of education in it by concretely illustrating the tendency of capital to continually transfer the labouring capacities of society into fixed capital. It is perhaps useful to return to Marx's famous passages on machinery in the *Grundrisse* in order to understand the process by which productive forces are transferred to the machine:

The development of the means of labor into machinery is not an accidental moment in capital, but is rather a reshaping of the traditional, inherited means of labor into a form adequate to capital. The accumulation of knowledge and skill, of the general productive forces of the social brain, is thus absorbed into capital, as opposed to labor, and hence appears as an attribute of capital, and more specifically *fixed capital*, in so far as it enters into the means of production proper [...]. The productive force of society is measured in *fixed capital*, exists there in its objective form; and, inversely, the productive force of capital grows with this general progress, which capital appropriates free of charge. (Marx, 1993: 694)

Human capital thus provides both a name and an instrument for the aspect of this process that pertains to education. It is a name for the measure of productive capacity contained within both an individual and a population, and it attempts to measure this capacity in order to transmit its productive capacity into a form analogous to fixed capital. It is the productive capacity of the human *conceived as capital itself* and is utilized to measure this capacity. It is from this perspective that statements made by analysts of human capital such as “the value of the human capital stock is analogous to value of the nation’s physical capital stock” begin to make sense. We must read these statements in the context of the innovations in the valuation of life by financial capitalism that we have witnessed in the past several decades. These innovations are expressive of the tendency towards the real subsumption of life into capital. In contrast to Marx’s conceptualization of the solidification of knowledge into the productive capacities of the machines as “alien, external to him [the worker]”, Becker points out that human capital is an objectified form of capital that exists internal to the worker and cannot be separated from her physical body (Marx, 1993: 695). Human capital is, literally, *embodied capital*.

While Paolo Virno argues that “in Post-Fordism, the general intellect does not coincide with fixed capital, but manifests itself principally as a linguistic reiteration of living labor”, it seems that the theorization of human capital problematizes this thesis (Virno, 2004: 106). The neo-liberal theory of human capital conceives of the capacities of living labour as a product of the means, the fixed capital, by which labour’s productive capacities are generated, be they linguistic or otherwise. These means are inscribed, however, into the very biological tissue of the subject as a fixed form of their education and training. We might think of human capital as the “score” that Virno’s virtuosic subject follows, but this embodied knowledge is conceived of not as living labour, but as the fixed mechanism through which the productive capacity of the worker is generated.

Human capital is a biopolitical measure not only because it involves the utilization of the workers cognitive capacities as a form of “immaterial labour”, in the manner in which Maurizio Lazaretto and many others have discussed; more importantly, it is biopolitical in the sense that it attempts to both measure and manage these very capacities as they are made manifest within and across a given population. As Michel Foucault notes while introducing the concept of biopolitics in his lectures at the *Collège de France*, biopolitics is a technology of power developed at the end of the eighteenth century that operates, unlike discipline, specifically at the level of “the population”:

The mechanisms introduced by biopolitics include forecasts, statistical estimates, and overall measures. And their purpose is not to modify any given phenomena as such, or to modify a given

individual, but, essentially, to intervene at the level at which these general phenomena are determined, to intervene at the level of their generality (Foucault, 2003: 246).

The mechanisms of biopolitics that Foucault identifies, which are disseminated to control “the population”, are those that measure the physical health of this constructed entity as indicated in birth and mortality rates as well as other statistical measures. What is interesting about Mincer’s introduction of the concept of human capital into economic discourse is that it occurs in the context of a study on the general economic health across the population. Mincer’s article, “Investment in Human Capital and Personal Income Distribution”, as mentioned earlier, is a study of the wage differentials that take place on the scale of the general population *as such*. Therefore, since its inception, the concept of human capital has been deployed to measure phenomena at the level of the population by analyzing differentials among groups and supplying “forecasts, statistical estimates, and overall measures” regarding the “stock” of human capital within the population. If, as Foucault argues, biopolitical techniques were originally developed to control the physical health of the population, then in the twentieth century, these biopolitical mechanisms increasingly work to measure the *economic* vitality of the population—its productive capacity congealed into a collective stock. Human capital has become the hegemonic concept for the measure of the productive capacities of a population. The concept has been disseminated to measure populations of workers at the centres of capitalist accumulation as well as been used by international institutions, such as the IMF and United Nations, to measure development in diverse geopolitical contexts. We can see that this form of applied measure, deployed specifically at the level of the population, is already intimated in Smith’s definition of human capital as the “acquired and useful abilities of all the inhabitants or members of a society”.

Foucault explicitly examines the introduction of human capital into neo-liberal discourse in his lectures at the *Collège de France* in 1979 as that which transforms the classical function of labour and *homo œconomicus* into an “entrepreneur of himself” (Foucault, 2008: 226). Though he does not relate the emergence of the technology of human capital and biopolitics to the regulation of the population as I have described above, Foucault concurs that human capital redefines the category of the worker into an “ability-machine”, a category that is separate from labour power as such. Furthermore, Foucault describes human capital in terms of Marx’s understanding of fixed capital as that which is consumed in the process of production and is defined not by an income, but rather an “earnings stream” generated from the “ability-machine”:

An earnings stream is not an income, precisely because the machine is constituted by the worker’s ability is not, as it were, sold from time to time on the labour market against a certain wage. In reality this machine has a lifespan, a length of time in which it can be used, an obsolescence, and ageing. So that we should think of the machine constituted by, if you like, ability and worker and individuality bound together, as being remunerated over a period of time by a series of wages [...] (Foucault, 2008: 225)

The claim Foucault begins to make in this passage, and the claim that I am making here, is that human capital challenges traditional Marxist categories of labour by collapsing the distinction between fixed and variable capital. More importantly, it is the actual lifespan of the worker, conceived of as a machine, whose value is consumed in the process of production. The “acquired and useful abilities” of the worker are absorbed

into the process of production, and the consumption of the body of the “ability-machine” by capital directly corresponds to the lifespan of the human individual.

“like slaves”: Investing in Human Capital

For theorists of human capital, the study of systems of education became important primarily because they represent the channels of capital investment through which human capital is acquired. As economist Milton Friedman writes in his 1952 essay, “The Role of the Government in Education”, a human capital investment is “a form of investment in human capital precisely analogous to investment in machinery, buildings, or other forms of non human capital. Its function is to raise the economic productivity of the human being” (Friedman, 2002: 94). Friedman argues that the lack of opportunities for investment in human capital at his time was expressive of an inherent “deficiency” in capital markets. With regard to government investment in education, he thus argues “the desideratum is not to redistribute income but to make capital available at comparable terms for human and physical investment” (Friedman, 2002: 99). In fact, he writes that any “income redistribution” in the form of taxpayer funding for higher education would be “perverse” (Friedman, 2002: 99).

It is important to note that the production of theoretical literature on human capital has had real effects. Friedman’s essay on education has profoundly influenced right-wing education policy. His theorization of the role of education in the accumulation of human capital illustrates that, although human capital was initially introduced to measure the value of acquired ability, this is only one step towards creating actual markets for the trade in human capital. In other words, Friedman is not only interested in *measure of* human capital, but also, more importantly, *investment in* human capital. Friedman’s theory transforms education into a vehicle for this investment, the area where new channels that facilitate the flow of money are to be opened in order “to make capital available for investment in human beings on terms comparable to those in which it is available for physical investment”. Friedman’s theory conceives of education as the central industry through which new markets in human capital investments are to be developed.

Though I do not intend to trace a genealogy of the dissemination of the technology of human capital in higher education within the past half-century, I would like to point to a concrete example of the manner in which human capital is beginning to be utilized in the process of the financialization of higher education. One of the most disquieting areas in which the expansion of human capital markets is already taking place is in the realm of financing college education. These mechanisms of financial speculation are called Human Capital Contracts, and they facilitate the funding of a student’s education by a private investor as an investment in fixed capital. Also referred to as increasing “equity”, the returns that the investor receives come from a pre-determined percentage of the student’s income for a large portion of her working life.¹ Markets in human

1 I discuss the Human Capital Contracts at length in a recent essay (Adamson, 2009). In this piece, I theorize the relationship between financial markets and mechanisms of primitive accumulation at work within the expansion of human capital markets in higher education.

capital already exist in many countries, and the prototypical forms of these investments often carry euphemizing names such as “income-contingent loans”. However,

[i]t is important to note that the Human Capital Contract is not a loan, though it might masquerade as one. It is a legal contract of a different kind as it signifies the ownership not of a debt but of a portion of the actual “human capital,” the knowledge and skills acquired through education, possessed by the student. (Adamson, 2009: 103-4)

By directly investing in a student’s human capital, the investor thus possesses legal rights over the capital gained through the student’s participation in higher education, which is then embodied in the worker. As noted earlier, one’s human capital can in no way be separated from her physical person. Thus, the Human Capital Contract amounts, by any measure, to a form of indentured servitude.

Unlike claims that global capitalism has already achieved a fully formed knowledge-based economy, it seems that technologies for measuring, investing in, and ultimately controlling human capital are merely in their nascent stages. The process of enveloping the “acquired useful abilities” of a population into the fold of capital is a process that is nowhere near completion as indicated by the fact in that markets for the trade in human capital are still only beginning to develop. In his recent book, *Investing in Human Capital*, Miguel Palacios Lleras treats the creation of a global market for the trade in human capital investments as the long-term goal of current trends in education policy:

A global market where the value of Human Capital can be traded, in different forms, either directly or through derivative securities, is the ultimate development that can enable capital to flow wherever there is an opportunity to liberate value by investing in education. That should be the aim of education policy makers around the globe. More than fifty years after Friedman proposed the original idea [investing in Human Capital], the challenge now is whether entrepreneurs and politicians are willing to use the available technology and the financial innovations that have taken place during that period to serve those who want to invest in education. (Palacios Lleras, 2004: 162)

In this passage, Lleras illustrates something that I believe has not been adequately addressed in recent discussions of “cognitive” or “knowledge” capitalism and its relationship to education.² As he argues, it is not merely the *products* of intellectual labour that are to be traded; rather, it is private rights to the actual “acquired useful abilities” of the population that constitute the commodity of human capital markets. Emerging markets in human capital are symptomatic of a tendency towards forms of exploitation of human life that are both innovative and anachronistic, in that they deploy long-standing forms of exploitation through new financial technologies. At the centre of discussions in new methods to “liberate value” from human life, education and the technologies of financial capitalism put in place to control it are increasingly relevant to critiques of the present.

From this perspective, I would like to offer a rejoinder to a critical question posed to recent discourse on the centrality of “cognitive capitalism” by Federici and Caffentzis:

2 Some of the most important debates around education and cognitive capitalism have originated from the Edu-Factory list-serve, and are now a part of an edited volume entitled *Towards a Global Autonomous University* (Edu-Factory Collective, 2009). See the review in this issue.

Again, why at the peak of an era of “cognitive capitalism” do we witness an expansion of labor in slave-like conditions, at the lowest-level of technological know-how [...]? Can we say that workers in these conditions are “cognitive workers”? Are they and their struggles irrelevant to and/or outside the circuit of capitalist accumulation? Why has wage labor, once considered to be the defining form of capitalist work, still not been extended to the majority of workers in capitalist society? (Federici and Caffentzis, 2007: 73-4)

These questions are well formulated and offer an important challenge to present claims to the centrality of education and educational institutions in contemporary struggles against capital. Federici and Caffentzis question how it is that linkages can be made between struggles around education and other forms of struggle in a manner that does not privilege one form of labour or product over another. In his follow up to Federici and Caffentzis’ essay, Massimo de Angelis goes even further to claim that “‘cognitive labour’ is an idealized common because it is neither what is common across the hierarchy, nor what tends to be common” (De Angelis, 2007: 74). Though I tend to agree with these claims, I think there are important connections that can still be made between the enclosures taking place within the field of education and the struggles of other forms of exploitation, both waged and unwaged. Furthermore, it is imperative to observe linkages between these struggles because financial capitalism does not rely on the wage relation alone for the expropriation of surplus value. The close ties between finance, mechanisms of primitive accumulation, and diverse forms of expropriation and servitude are evident within many sectors of the contemporary global economy – including, but in no way limited to, education. Divisions between waged and unwaged, skilled and unskilled labour, I believe, need not be drawn when emphasizing the importance of struggles around education.

As I have attempted to illustrate in my discussion of human capital, what is at stake in education is not only the struggle over cognitive labour and its products, but also, the reconfiguration of human life by new technologies of financial exploitation. In fact, if the global trade in human capital was to be realized as Lleras and others conceive it, the expropriation of value from education in the form of human capital might come to exist almost entirely outside of the wage relation. Federici and Caffentzis are correct to warn against definitions of the contemporary moment that reproduce hierarchies within global labour struggles. However, we also need to recognize that structurally similar mechanisms of what David Harvey calls “accumulation by dispossession”, that is, techniques of primitive accumulation wielded by financial capitalism, have also been increasingly evident in radical neo-liberal restructuring of many sectors of the economy. The financialization of the education sector must be understood within the context of the general revaluing of human life that has been precipitated by the ballooning of the financial sector in the last several decades. What I call the “human capital strategy”, that is, the sum technologies deployed for investing in human life conceived of as an “ability-machine”, is expressive of some of the most innovative tendencies of financial capitalism.

“Bursting of the Higher Education Bubble”: Human Capital and the Crisis of Measure

In May 2009, the *Chronicle of Higher Education* published an article that set off a wave of anxiety in markets still reeling from the credit crisis and the aftermath of the sub-prime mortgage fallout. The infamous article, “Will Higher Education Be the Next Bubble to Burst?”, suggested that the inflated price of higher education in America is the result of the over-valuation of its product, creating a speculative “bubble”. One example cited in this article is the exorbitant increases in the cost of higher education: “over the past 25 years, average college tuition and fees have risen by 440 percent – more than four times the rate of inflation and almost twice the rate of medical care” (Cornin and Horton, 2009: 56). The article, interestingly, draws many parallels between the inflated value of higher education and the speculative inflation of real estate prices that led to the market collapse. Cornin and Horton go on to argue that “consumers who have questioned whether it was worth spending \$1,000 a square foot for a home are now asking whether it was worth spending \$1,000 a week to send their kids to college” (56). Further, the authors insinuate that the bursting of the higher education bubble will be precipitated by a general loss of faith in the value of a college degree, arguing that “there is a growing sense among the public that higher education might be overpriced and under-delivering” (56).

The numerous articles in economic journals and the popular press written in the wake of the op-ed seemed to concur with its overarching thesis: higher education has been over-valued, and the industry is due for a general contraction. As one columnist puts it, “from an economic point of view, in other words, a college degree costs more and more and returns less and less. Kind of like the hot stock with a price-to-earnings ratio of 32, it’s a prelude to a crash” (Frum, 2009). What is notable about these articles is that the human capital model has become the pervasive framework for valuing education within both popular discourse and the financial sector. The discourse of investment in education conceives of it, like human capital, to be a capital investment aimed at building equity over time, much like an investment in real estate or financial stock. That one could conceive of a college degree as a “hot stock” or a speculative real estate investment insinuates the extent to which the human capital strategy has financialized education and the knowledge gained from it.

In 1989, when addressing the Chicago School of Economics, Gary Becker celebrates the fact that human capital is no longer on the margins of economic thought, as it was in 1964 when he first addressed the topic. “*My, how things have changed!*” Becker notes with pleasure when discussing the utter ubiquity of the concept of human capital only a quarter century after its controversial beginning. However, what had changed in this short period is not only the ability of policy makers and economists to accept such a concept, but also the environment in which such a concept might gain utility. As Marx notes in *Capital, Volume One*, in times of market instability, speculators are drawn to fixed capital investments (Marx, 1977: 318). Given this observation, it seems appropriate that since the rapid financialization of capital markets since the 1970s, an economic technology that values human life as a form of fixed capital would emerge. It is within this context that human capital, conceived of as the basic means of production embodied within the worker, could become the hegemonic instrument for assessing

value from education and training, as both a technology of measure and a new zone for speculative investment. In recent years, human capital speculators have come to completely transform the discourse around “human resources”. One of the exemplary instances of this transformation has been engineered by the Human Capital Institute, an institute that specializes in the research of “talent management technologies” such as “Talent Maturity Models” and “International Human Capital Surveys”, as well as executive education in methods of “harvesting” human capital. The Chairman of the Human Capital Institute, Michael Foster, argues that human capital technologies are replacing traditional human resources methods for managing a workforce:

According to Foster, traditional human resource models view employees as a cost that should be acquired at the lowest compensation and with the lowest risk for the company. In contrast, human capital professionals view employees as an investment that will grow and produce a greater ROI for the company over time. Foster continues to define human capital as the skills, talents and aptitudes that people own and bring to the organization. These employees may differ from traditional employees and may bring greater risk for the company. However, the human capitalist looks to diversify the employee risk and grow the portfolio, much like a stockbroker. (Rice, n.d.)

I include this lengthy citation merely to illustrate the extent to which human capital strategists conceive of human capital as an entirely new model of the management of labour, conceived in terms of the logic of financial investment and risk management. Deeply intertwined with notions of “talent” and “innovation” reminiscent of Joseph Schumpeter’s theory of entrepreneurship, human capital management technologies have come to dominate the human resources management literature in the past decade or so. The manner in which the author above narrates the transition from human resources technologies to human capital technologies illustrates the extent to which the logic of financial speculation has infected the discourse of labour management. Not only do human capital technologies introduce new mechanisms of evaluation, measure, and exploitation of living labour, they point at a reconfiguration of the basic relationship between capital and labour. As the author notes above, human resources technologies manage labour from the perspective of control over a wage, ones that “view employees as a cost that should be acquired at the lowest compensation and with the lowest risk for the company” (Rice, n.d.). Alternately, human capital management strategies literally see labour as a form of stock, and seek to control the human capital stock held by the company through the techniques of risk-management drawn from the financial industry. Moreover, the logic of risk-management and speculation on the value of human capital has made its way into popular discourse on education, understanding it to be the primary means by which human capital is accrued.

In their recent article “‘Cognitive Capitalism’ and the Rat Race: How Capital Measures Immaterial Labour in British Universities”, Massimo De Angelis and David Harvie make an important contribution to the discourse on cognitive capitalism in the university by arguing against Hardt and Negri’s claim that immaterial labour simply exceeds capitalist measure. They insist capital has developed numerous managerial strategies, rooted in the legacy of Taylorism developed to control industrial labour, to measure immaterial labour, and that these strategies of measure are already at work within the university. De Angelis and Harvie illustrate that the measure of immaterial labour takes place in the university through techniques of “quantification, standardization, and surveillance”, and that, “capital – via its army of economists,

statisticians, management-scientists and so forth – struggles to measure immaterial ‘outputs’ in its own terms (profit efficiency, competitiveness and so on)” (De Angelis and Harvie, 2009: 10, 27). It seems that one could read recent student and faculty uprisings around the world, particularly those that have been directed against the Bologna Process in the EU, as struggles directed against the regime of “quantification, standardization, and surveillance” imposed by capital on cognitive labour within the university. They are a part of what De Angelis and Harvie describe as the “war over measure”, which “continues at the point of immaterial, self-organized and cooperative production” (De Angelis and Harvie, 2009: 3).

While the particular strategies of measure directed at cognitive labour and its products present important points of resistance against an overall regime of measure within the university, I think that the problem of human capital indicates the possibility of an even more fundamental crisis of measure within contemporary capitalism. Within the context of the global financial collapse, we must take the bursting of the “higher education bubble” as a symptom of a crisis not merely in the value of human capital, but also as a crisis in the ability to *measure* this value. As Marx, Negri, and others have argued, the transfer of the capacities of labour to the machines is always in response to the demands of the workers and the process of recovery from crisis. What I would call the “human capital strategy”, the transfer of “acquired useful abilities” to fixed capital stock, is being deployed as a method of controlling an increasingly socialized work force. The human capital strategy is, ultimately, the levelling of measure against life in the sense that Massimo De Angelis discusses in his piece “Measure, Excess and Translation: Some Notes on Cognitive Capitalism”:

[...] this “inner logic” of capitalism is predicated on a way of measuring life activity which subordinates concrete specific humans to the quantitative imperative of balance sheets, a process of giving meaning to action, of acting on this meaning, and shaping organizational forms suitable for this action that produces what capital values the most: its own self-preservation as capital [...] (De Angelis, 2007: 73)

The volatility of markets in higher education is symptomatic of a fissure in capital’s ability to measure the value of the “the acquired and useful abilities” of the population as capital. The “bursting of the higher education bubble” potentially indicates a crisis of the tools of finance to speculate on, securitize, invest in, and ultimately to control human capital as such. This is certainly not to say that human capital will cease to develop as a technology of measure; I believe that capital is only at the beginning of exploring the utility of this concept. It merely points to the limits of its capacity to measure in a moment of crisis.

Measure is, simply put, capital’s only ability to level technologies of quantification against that which cannot be quantified. Cesare Casarino’s reading of Marx’s discussion of limits in the *Grundrisse* in his essay “Surplus Common” provides a succinct and important characterization of this process of measure:

When Marx writes in *Capital* that the movement of capital is limitless and infinite, he means this in the specific sense that capital is the constant movement to create more of the same. Marx’s point here is that the “qualitative boundary” – far from being a mere “natural barrier,” or, as he calls it in a footnote to this passage, “an accident” – constitutes rather the insurmountable structural limit of capital. In capital, Marx discovers repetition without difference: capital is

infinite repetition of the same whose structural limit is precisely qualitative difference. [...] Capital strives for surplus – namely for the infinite, for the synchronic – yet can constitute it only in finite, quantifiable, and diachronic terms. (Casarino, in Casarino and Negri, 2008: 31)

Following from the concept of the “insurmountable structural limit” to capital as a limit between two qualitatively opposed forms, we can begin to understand the problem of measure as it relates to human capital. While technologies for measuring human capital proliferate, measuring the “useful acquired abilities” of a population is ultimately impossible because these acquired abilities are both synchronic and infinite. Human capital is a strategy that attempts to measure the composition of the *social individual*, an excessive plurality, composed of an infinity of factors that will always, ultimately, escape measure. The recent crisis of measure that the “bursting of the higher education bubble” implies, perhaps, exposes the ultimate unfeasibility of the human capital strategy.

Postscript: Human Capital and Servitude

As I have tried to indicate up to this point, the human capital strategy challenges traditional analyses of the management of labour by capital by putting into question the relative centrality of waged labour in contemporary networks of exploitation. Instead, with the human capital strategy, we see the emergence of a financial technology that is both old and new. The objections that human capital treats humans “like slaves or machines” that Gary Becker so glibly dismisses should not be ignored, as they index a violence inscribed into the balance sheets that calculate human capital. As Ian Baucom argues in *Specters of the Atlantic: Finance Capital, Slavery and the Philosophy of History*, the trans-Atlantic slave trade was the condition of possibility for the modern system of finance, and that the terror of its origins is very much alive in our present. Through a close reading of the ledgers of the slave trade that gave birth to new systems of credit, insurance, and speculation in the eighteenth century, Baucom reveals the historical violence underlying modern systems of financial measure. Arguing against economic historians that understand the slave trade to be an anachronism in the historical process of capitalist accumulation, Baucom shows slavery to be intimately tied to our present through its formation of contemporary financial markets. We might see the human capital strategy, then, as a re-emergence of the violence of finance in a transmuted form, one that again seeks to invest in and speculate on the value of human life conceived of as an “ability-machine”. The insidious banality of the financial measures deployed to assess the human capital of a population mask a dangerous tendency within contemporary finance capital to reproduce some structural elements of the relations of servitude, but in a manner that obfuscates these very relations.

In *Wealth of Nations*, in the chapter entitled “Wages of Labour”, Adam Smith draws out an extended comparison on the costs and benefits of free labour in contrast to slave labour – from the perspective of the capitalist, of course. He makes an observation that I do not think is noted often enough for its insight into the very functioning of biopolitics. Smith observes the simple fact that the free worker in Great Britain is subject to the fluctuations in seasonal labour and is forced to keep in reserve his wages made in the summer so that his family might survive the winter; however, the slave is not subject to

the same precarity (Smith, 1963: 59). After a short rumination on the state of precarity of the free wage labourer, Smith draws the following conclusion:

the wear and tear of the slave, it has been said, is at the expense of his master; but that of the free servant is at his own expense... It appears, accordingly, from the experiences of all ages and nations, I believe, that the work done by the freeman comes cheaper in the end than that performed by slaves. (Smith, 1963: 64-5)

According to Smith, though the capitalist must incur some of the cost of his worker's "wear and tear", it is to a far lesser degree than the slave owner. By freeing himself from the cost of the labourer's wear and tear and only purchasing labour power, the capitalist unleashes the degenerate and vulnerable character of the labouring human body. The state's deployment of biopower, as Foucault describes it in both the *History of Sexuality, Vol. 1* and in his lectures with entitled *Society Must be Defended*, is what emerges at the beginning of the twentieth century to manage and maintain the health and the vitality of the life of the population. We might say that this state takes over a role abandoned by the capitalist, yet with an entirely new set of technologies to manage this precarious life. The "society" must control its own wear and tear, as well as its own economic vitality. With the human capital strategy, capital takes on again the wear and tear of the "ability-machine" embodied in the individual as a zone for speculative investment. "What is the value of an education?" and "how much should we spend to save a life?"³ are two inverse, yet mirrored calculations attempted by the human capital strategy. These questions express the two poles of the risk management that policy makers must address when assessing problem of human life conceived of as fixed capital. Human capital attempts to both understand how to increasing equity through education while at the same time accounting for the consumption and eventual obsolescence of the ability-machine in the process of production.

To be clear, I am not arguing that the human capital strategy inflicts forms of violence and expropriation that are qualitatively comparable to slavery, either historically or in numerous contemporary instances of slavery that exist across the globe. I am arguing, however, against the exceptionality of our present moment within the university by insisting that we must understand both historical and structural continuities within technologies of expropriation and accumulation by dispossession deployed by financial capitalism, as well as place of the human capital strategy within them.

references

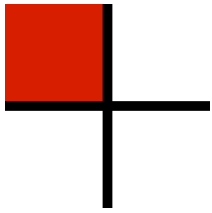
- Adamson, M. (2009) 'The financialization of student life: five propositions on student debt', *Polygraph*, 21: 107-120.
- Baucom, I. (2005) *Specters of the Atlantic: Finance Capital, Slavery, and the Philosophy of History*. Durham: Duke University Press.
- Becker, G. (2004) *Human Capital: A Theoretical and Empirical Analysis with Special Reference to Education*. Chicago: University of Chicago Press.

3 The other major element of the literature written by policy makers on human capital involves questions surrounding the value of human life from the perspective of health policy. The question "how much should we spend to save a life?" is expressive of this vein of literature on human capital and comes from a chapter title of *Valuing Life: Public Policy Dilemmas* (1980), Rhodes, Steven, ed. Boulder, Colorado: Westview Press.

- Casarino, C. and A. Negri (2008) *In Praise of the Common: A Conversation on Philosophy and Politics*. Minneapolis: University of Minnesota Press.
- Cornin, J. and H. Horton (2009) 'Will higher education be the next bubble to burst?', *Chronicle of Higher Education*, 55(37): 56.
- De Angelis, M. (2007) 'Measure, excess and translation: some notes on cognitive capitalism', *The Commoner*, 12(Summer): 71-8.
- De Angelis, M. and D. Harvie (2009) "'Cognitive capitalism' and the rat race: how capital measures immaterial labour in British universities", *Historical Materialism*, 17(1): 30-3.
- Federici, S. and G. Caffentzis. (2007) 'Notes on the edu-factory and cognitive capitalism', *The Commoner*, 12(Summer): 63-70.
- Foucault, M. (2008) *The Birth of Biopolitics: Lectures at the Collège de France 1978-1979*, trans. Graham Burchell. New York: Picador Press.
- Foucault, M. (2003) *Society Must Be Defended: Lectures at the Collège de France 1975-1976*, trans. David Macey. New York: Picador Press.
- Friedman, M. (2002) 'The Role of Government in Education', in *Capitalism and Freedom*. Chicago: University of Chicago Press.
- Frum, D. (2009) 'Bursting the higher ed bubble', *The Week*. [Theweek.com, accessed 28 May 2009]
- Haveman, R., R. Bershadker and J.A. Schwabish (2003) *Human Capital in the United States from 1975 to 2000: Patterns of Growth and Utilization*. Kalamazoo, Michigan: W.E. Upjohn Institute for Employment Research.
- Marx, K. (1977) *Capital: Volume One: A Critique of Political Economy*, trans. Ben Fowkes. New York: Vintage Books.
- Marx, K. (1993) *Grundrisse: Foundations of the Critique of Political Economy*, trans. Martin Nicolaus. New York: Penguin Books.
- Palcios Lleras, M. (2004) *Investing in Human Capital: A Capital Markets Approach to Student Funding*. Cambridge: Cambridge University Press.
- Rice, E. (no date) 'The evolving role of the HR executive', *Innovative Employee Solutions*. [innovativeemployeesolutions.com, accessed 1 December 2009]
- Smith, A. (1963) *The Wealth of Nations, Volume One*. Homewood, Illinois: Richard D. Irwin, Inc.
- Virno, P. (2004) *A Grammar of the Multitude*, trans. Isabella Bertolotti, et al. Los Angeles: Semiotext(e).

the author

Morgan Adamson is a doctoral candidate in Comparative Literature at the University of Minnesota. Her doctoral dissertation, "The End of the Gold Standard: Finance, Crisis, and the Cinema of the New Left, 1967-1974", explores the relationship between visual culture and financial capitalism. She has also co-organized a series of conferences at the University of Minnesota: "Rethinking the University" (2008), "Reworking the University" (2009), and "Beneath the University, the Commons" (2010, beneaththeu.org). In addition, she is a member of the Edu-factory Collective and the Committee on Revolutionizing the Academy at the University of Minnesota.
E-mail: morgan_adamson@yahoo.com



The eve of critical finance studies

Dick Forslund and Thomas Bay

abstract

Would it be possible to declare the eve of critical finance studies when issuing an invitation to put together a new research project, to contribute to a by definition untimely genre, to participate in a strand of writing carrying such a name? We suggest it is, and invite you to shape a research program in search of such a research program, with the prospect of developing and bifurcating into a broad and dynamic genre we suggest naming critical finance studies, with the aim of opening up a passage towards novel uses of finance – a compromising finance in the service of life, and not the other way round.

I have never taken a step publicly that did not compromise me: that is *my* criterion of doing right (Nietzsche, 1967: 232)

Would it be possible to declare the eve of critical finance studies when issuing an invitation to put together a new research project, to contribute to a by definition untimely genre, to participate in a strand of writing carrying such a name?

We do not imply that no one ever criticized finance before; truck loads of night soil have been heaped over finance ever since Aristotle some 2300 years ago made his often quoted remark about money begetting money (1992). We admit what is plain to see. Finance is feverishly discussed within academia today: as a system or a mace in need of transparency, simplicity or decoding; as an “architecture” hit by an earth quake and in need of repair or restructuring; as a paradigm in need of a shift; as a distorted world view in need of cognitive therapy; as a mental state in need of psychoanalysis; as an invasion of everyday life, as an obsession, a gambling addiction, a joke, an unreal economy increasingly showing itself as being far too real to be good for us – in short, as a societal domain ridden with crisis.

No, we do not imply that there is no critique levelled against finance within the academy. But, how much of this critique is “critical” in the sense of being at one and the same time a risky confrontation with external powers and an internal, ethical combat with one’s self (Deleuze, 1997)? Foucault suggested that Kant’s famous article *Was ist Aufklärung?* was “very much a call for courage” (2002: 194). How much of all the critique waged against finance today is simultaneously engaging in a struggle against the researcher’s own fear and the fear of his or her peers? How many of these critical endeavours really aim for “transforming one’s self in relation to transcendent forces, whether they be higher values, moral codes, authoritarian knowledge, political

correctness, academic manners, common sense, good will, opinion, implicit presupposition” (if we may quote from the call for papers to the first critical finance studies conference in Stockholm, August 2008)?

There is no other area within academia where such questions are more impertinent than at university business schools. And within business schools, there is no other place where such impertinent questions are more scandalous than in the finance departments. In fact, our call’s enumeration of all these transcendent forces of anti-critique did not stop there. “Material interests” ended the list. That particular force makes its presence felt when, for example, writing an application for an academic post at a business school or when applying for a research grant from the X-fund of the Y-bank. Being always “morally disposable for persuasion” (Tyrberg, 2002: 27) we are, of course, at this very instant, sensing these forces. Perhaps this moment is also a financial moment – for us. Since the topic is finance, let us also make a “forward looking statement” (Wallace & Marcus 1997: *passim*), a truly financial prophesy: no matter how critically other academic disciplines treat the theory and practice of finance, business schools will continue conducting educational business as usual. One reason for this, of course, is that the critique of finance must itself be financed.

What are we implying? Is this not completely senseless? Well, if we are actually sensing all these above mentioned forces at work to the very marrow of our bones, if we are still able to carefully feel them all out – anxiety by anxiety, pain by pain, one by one and in clusters – what would be more in line with “our natural sense of propriety” (Smith, 2000: 50) if not the waging of a completely senseless critique? Do we not know that this expression itself actually reproaches the speaker for not sensing fear; reproaches him or her for letting the usual fears be drowned by other feelings, normally not sensed, normally submerged in fear and this to the habitual point of hardly sensing that fear, more than as a threat of course, impossible to get rid of? Yes, a threat impossible to disregard completely, because we are always vaguely remembering that we could wager to take charge of what we sense and act upon it. This potential courage of ours is certainly something to feel threatened by.

But, we are losing it now. Temperance, if only still for a while! Why not at this point at least bring in the concept of “path dependence” (Garrouste & Ioannidis, 2001)? Yes, we can! Let us spill some ink on this urgent topic.

Finance is The Great Enhancer. In the financial fields, path dependence makes itself felt as motorway dependence. In the prestigious popular science journal *Nature*, Jean-Philippe Bouchard writes about “wild markets”. As a professor of physics who also acts as the Head of Research at Capital Fund Management in Paris, Bouchard maintains that this wildness is neglected by theoreticians of “classic economics”. He opines that modern physics should be integrated within economics. “Economics curricula need to include more natural science” and this is especially urgent when theorizing about financial markets. “Physics [...] has developed several models that explain how small perturbations can lead to wild effects” (Bouchard, 2008). Financial researchers in particular ought to venture still deeper into Nature. This is also indicated by the title of the journal. But if they do, we would argue, engineers are without doubt driving along a

well-known and straight motorway, working themselves still deeper into Nature with the four by four of advanced mathematics as advance guard.

Along this trajectory, chaos theory, for which Bouchard argued during the financial burn out of 2008 had, for some reason, already become quite popular in the previous decade (e.g. Brock et al., 1991; Chorafas, 1994; Focardi, 1996). This is only natural, as it were. It continues right into “nature’s vagaries” as Peter Bernstein expressed it in his *Against the Gods* (1996: 330). Life’s “wildness lies in wait” for us and it “is a trap for logicians”, a statement that Bernstein quoted with appreciation from Gilbert K. Chesterton’s Christian classic *Orthodoxy*. Already a hundred years ago, this “modern view” was “described” by Chesterton (331). For Chesterton “man [sic] is the only wild animal” (1908: Ch. IX) and for that reason “orthodoxy is not only (as is often urged) the only safe guardian of morality or order, but is also the only logical guardian of liberty, innovation and advance[ment]” (*ibid.*). Indeed, in the absence of society and civilization “it is exactly where biology leaves off that all religion begins” (*ibid.*). Religion, for Chesterton, is an indispensable and well pondered call for the domestication of humans, but for finance as an unintended consequence of calculating where the herd is about to run next, in what direction will “human nature” bend the curve in the diagram? Because financial calculus always ends, we insist, with the rigid gaze that stays fixed and on target, the frozen stare disciplined by orthodoxy, the glare that must be steeled so that it one day (the theoretician’s project) or right now (the “practitioner’s” project) will penetrate the icon. One must keep on looking, undisturbed by animal spirits (Keynes, 1936: Ch 12, section 7). Only to find oneself looked upon, speculated.

Transparency is the name of the game. An avalanche of research has long investigated the possibilities, virtues and effects of greater translucency (e.g. Madhavan et al., 2005; Hendershott and Jones, 2005; Ma et al., 2008). All these viewpoints on transparency meet the inscrutable glare of the icon, we would venture to say. But let us at the end of this sunny declaration of an eve, this invitation to be part of truly *critical* finance studies, come back to what this wide-spread quest for transparency really means; this never ending quest for seeing through finance, as it were. Be that as it may, the reader must have noticed, as we have, that mathematics provides finance with the promise of an everlasting delivery of “completely different tools” (Bouchard, 2008). Why is it that this constant call for new tools is endemic to finance? Well, financial production is done with tools constantly made obsolete by their own production. Thus, the resounding call for better tools, or to be frank: eye-glasses, goggles (snow goggles and diving goggles), oculars, snooper scopes, field glasses, opera glasses, telescopes, microscopes, electron microscopes and (for the general public) bottle bottoms. You know, within Finance, truth lies not in the eyes but in the spectacles of the beholder. This, also, will be explained in what follows.

Then again, one must admit that movements on the motorway take place in both directions. One can also drive backwards, in an unrelenting battle with Nature of course, distributing tranquillizers on the road side to those caught in “the frenzy of innovation”, while making laudable efforts to “tame the jungle of investment vehicles” (*The Economist*, 2007: 9). And therefore finance will (again) be punished (perhaps) through regulation, although this is not very likely (Dore, 2008). But, should it? And, if it should, to what extent?

Could we put ourselves at risk by aiming for something completely different?

Let us first reflect upon and clarify a few other issues, like the origin of the project, its tripartite composition, the place in it for calculus and numbers and the project's social side. And that is where we choose to start.

A Social Endeavour

To speak of “the eve of critical finance studies” simply expresses a hope and a will to start a research program or simply a genre, a broad strand of research and teaching also within business studies and at business schools, which would be called “critical finance studies”... and which would cut right into and perturb mainstream Finance (practice, education and research) in much the same way that Critical Management Studies cuts right into and perturbs mainstream management; just as Critical Marketing Studies and Critical Accounting Studies operate on the discursive bodies of knowledge of marketing and accounting.

But perhaps critical finance must be and do something more in order to claim its right to existence. Its very non-existence as a genre confirms this, does it not? At the core of finance, there is obviously something in desperate need of fortification. Is it the bouncing mechanical heart (if it has one) of the business school curricula? At any rate, to put a critical finance project into play is clearly a social endeavour. As such the project demands the break-up of something social. Critical Accounting, Critical Management and Critical Marketing are recognized currents within both research and education departments at quite a few business schools throughout the world; but there is not even one academic journal, business school or university department that dares to combine the words “critical” and “finance”. The closest one gets to such a combination, is a paper in an accounting journal by two academic daredevils (Keasey & Hudson, 2007: 949) who wonder “whether CPA [the journal *Critical Perspectives on Accounting*] has the capacity to promote a sustained development of ‘alternative finance’ or whether there is a need for a sister journal – *Critical Perspectives in Finance* – which has the same objectives and stance as *CPA* but is focused solely on finance topics”.

An Origin

In the beginning, when there was no beginning, there was the “Alternative Perspectives on Finance and Accounting” biannual conference, which was solemnly handed over to a small group at Stockholm University School of Business in 2008. The critical finance studies project was an inspirational reaction to this predecessor providing an important legacy (e.g. McGoun, 1995, 1997; McGoun & Zielonka, 2006; Frankfurter & McGoun, 1999) that acted as a stepping-stone to even more radical, that is, critical problematisations. The “Critical” replacing the “Alternative”, and studious play (Agamben, 2007) *with* finance supplementing the “Perspectives” *on* finance. We got well-meant, encouraging, not-asked-for-advice from supportive colleagues to, perhaps, rethink the matter and, perhaps, reevaluate the concept “qualitative” – doing qualitative

finance instead. There is an emotive difference between these claimants, to struggle with a difference between, on the one hand, criticizing finance as such, from within the financial itself, and, on the other, juxtaposing alternative financial perspectives positioned outside finance (see Berns, 2004: 120).

Alas, all those alternative perspectives on and of the financial world are met and marginalized with a “So what?” or simply read as part of the menu. Tasty little dishes, indeed, when presented at the alternative academic smorgasbord. Our problem: can critical finance avoid becoming an aperitif or a mere dinner decoration? Is there any hope of bringing capitalized Finance (finance, that is, with a capital F) into a state of general indigestion? It is at least worth a try – a conviction indeed shared by many fellow critics (e.g. Arrighi, 1994; Jameson, 1998; Callon, 1998; Martin, 2002; Lazzarato, 2004; Taylor, 2004; Virno, 2004; de Goede, 2005; Knorr Cetina & Preda, 2005; Krippner, 2005; MacKenzie, 2006; Goodchild, 2007; MacKenzie, Munieza & Siu, 2007; Langley, 2007; Erturk et al., 2008; Froud & Johal, 2008; Marazzi, 2008). Yes, it is true, when it comes to politics, you don’t want to be alone.

Critical finance studies will be “a long affair of experimentation” (Deleuze, 1988a), that implies trying to think – “to experiment and to problematize” (Deleuze, 1988b) – finance (finance, that is, with a lower-case f) as an assemblage, a collection of heterogeneous elements, including Finance, philosophy, ethics and art; the point being to study not what such an assemblage is, but rather what it can do, what it is capable of producing. Or, more to the point: critical finance studies, Finance, philosophy, ethics and art as creative acts – non of these individual areas being more or less inventive than the other – in order to understand exactly what it means to have an idea in these domains and how the respective fields are actualised. Critical finance studies is all about *making* connections between these realms, connections that will offer opportunities to form provisional, contingent assemblages harbouring the potential to invent and express (a lower-case) finance – as yet unseen or unheard of. And all this requires from us is a belief that making these connections may be worthwhile, although we may never be entirely sure that it will be.

According to Deleuze (2006), we never have an idea in general; rather, an idea is already dedicated to a particular field. Depending on the techniques with which we are familiar, we can have an idea in a certain domain, an idea in finance, for example, or an idea in philosophy, in ethics, or in art. Philosophy is not, as it is often claimed, the power to think about things and problems, a set of cognitive tools enabling us to find out, for example, what finance is really all about. Philosophy consists instead, as Deleuze and Guattari claim (1994), in creating and inventing concepts. Ethics creates opportunities “that would go to the limit of what life can do. [...] that would lead life to the limit of what it can do. [...] that would *affirm* life instead of a knowledge that is opposed to life. [...] Thinking would then mean *discovering, inventing, new possibilities of life*” (Deleuze, 1986: 101).

An artist, in turn, creates and invents affects, pre-conceptual sensations, uninterpreted experiences, that encounter our bodies without our minds realizing what is going on, what is happening. In other words, from art we may learn how to create affects that will allow us to experience finance in yet unfamiliar ways; philosophy can teach us how to

create financial concepts that will permit us to comprehend finance differently; ethics will give us the opportunity to study how to turn finance “back against itself so as to summon forth a new earth, a new people” (Deleuze & Guattari, 1994: 99). This would give rise to the hope that this ethical act of confronting Finance with itself, with its own means, will produce new forms of finance that do not yet have a people whose world these new forms represent or place to inhabit, and that will completely alter our way of thinking and living.

If, as we claim, the practice of Finance is about one thing and one thing only: turning economic means into Financial ends, economic means that have in themselves their own Financial ends; then having an idea in capitalized Finance must, accordingly, be about how to create or invent pure financial ends from economic means. A studious play, on the other hand, a critical encounter with capitalized Finance – the purposelessness of critical finance studies – must be about recreating finance as a pure means, a means without ends, without finality, a means serving no decidable purpose; to render visible a financial means as such, mediating nothing but its own mediality, financialising only itself, its own financiality.

Let us provide a brief example. The task of ethics is to problematise the way we live our lives, to ask how we may live our lives otherwise – a question never posed by any of the leading Finance journals, although tirelessly answered by all of them (Dunne et al., 2009). The task of art is to create affects without which no sense of wholeness would occur. Considering the present state of Finance, finally starting to re-capitalise itself, to recover from yet another of its crises, to get back on its prosperous feet of clay, what could be more untimely than posing questions like: how does it feel? Does Finance make sense? If there is any implicit critique in what Goethe had to say about science in general, must not such an implied critique be considered particularly valid and contemporary, especially for the economic sciences?

Neither in knowledge nor in reflection can anything whole be put together, since in the former the internal is missing and in the latter the external; and so we must necessarily think of science as an art if we expect to derive any kind of wholeness from it. (Goethe quoted in Benjamin, 2003: 27)

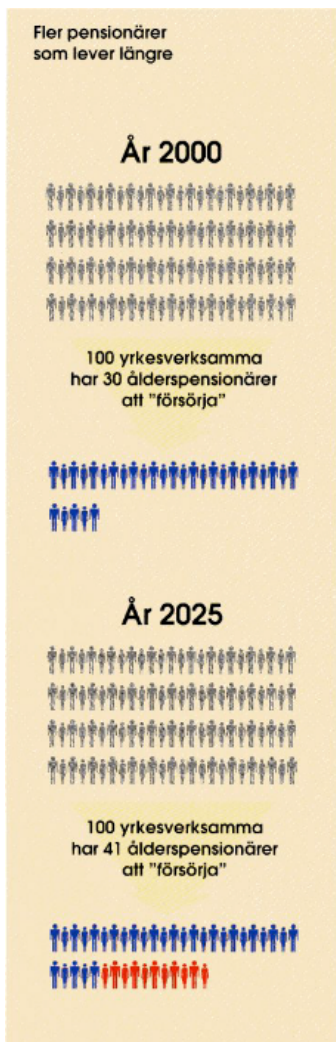
The Most Political of the Four Rules of Arithmetic

Ought not the stress on philosophy, ethics and art – insisted upon in this declaration of an eve – mean that critical finance should refrain from mathematics, calculi and logics? No, of course not! It rather asks if it is possible to engage in, and teach, an applied mathematics that is constantly aware of its value, its worth, instead of simply calculating the numerals. For example, recognizing that in the moment of monetary transaction, I overcome all my scruples. At that moment, the Right Price stands above all hesitation, any uncomfortable sense of not really being entitled, just, justified or righteous – the legitimate owner; or overtrumps the pain of being used, exploited, fucked with – treated like shit. How, then, could the vast financial system of trillions of transactions be immoral? No, the capitalist financial system IS the Great Clearing House of Consciousness! It is the most rigid of all moral systems; which is why we sense – think and feel – that we can leave our moral and ethical choices in the safe,

invisible hands of the system, which through repetition has turned itself into the very petrification of morals: Morality itself. The financial system is not, as it is often claimed, the circulatory system of the societal body, but rather its moral skeleton, around which the loose flesh of sub-morals are configured, in their different degrees of spinelessness and room for debate, transgression and exception. Morality, in short, is the well-spring of Finance, just as the skeleton is the site of production of blood cells.

Now, let us just pick the practice of division – which, since there is no combat unless preceded by division, is the most political of the four fundamental rules of arithmetic – and have a brief look at one of the many variations of a generic symbol for the world wide Pension Problem. This is how it has been presented to the Swedish public, when

explaining the necessity and inevitability of the financialisation of the Swedish pension system (Belfrage & Ryner, 2009; Nyqvist 2008).



Facsimile 1: The upper text reads: "More pensioners that live longer"; the middle text reads: "100 of the working population have 30 retirement pensioners to 'support'"; the lower text reads: "100 of the working population have 41 retirement pensioners to 'support'" (*Socialdepartementet*, 1998: 9).

This convincing symbol is derived by the state authorities from the current demographic prognoses made by the Swedish Bureau of National Statistics. It gives pictures of a quota and tells us how it changes between the years 2000 and 2025. Children are never included in these symbols. They are outside the problem of dependence and support for which the Western world demands pedagogical explanation (see Foucault, 1981).

For the moment however, we will disregard the division of the population into wage earners and pensioners. We will pretend that we do not understand it. We start instead to be logical one step before the division providing the "conditions of possibility" (Foucault, 1973) of the Pension Problem. For some time now, Judith Butler has been disturbing the supposed primary division between men and women (2006). For different reasons, we have before us the much easier task of trying *not* to know who has retired and who has not, that is, to single out the pensioners from the crowd in the tableau.

Armed with this lack of knowledge we undertake our impeccable calculations. In the beginning, 100 of the 130 figures earned the yearly income of one (1) per person. No one in our cute little tribe knows who they are. So they split the total income (100) equally between all 130 figures, and so do we. $100/130$ yields 0.77 in "income" per figure in the tableau in year 2000. Then 25 years pass by in the model world, and when time flows within financial theory it often flows at compound interest. $100 * 1.016^{25}$ yields 148.7 in total "income" after 25 years of yearly increase in real income of 1.6% per hundred of the figures. This 1.6 % is the assumption and forecast made by the financial engineers

of the new Swedish pension system. The number is thought to be a cautious forecast of the coming yearly rise in the productivity of labour. The factor 1.6 is factored into the system's set of norms for automatic calculations. What can we do but abide by it?

In 2025 the tribe has mysteriously grown to 141 figures. They also share the total income for this year equally. After all, no one knows to whom the 100 pay envelopes are given. $148.7/141 = 1.055$. This is the "income" per figure in the tableau in year 2025. Comparing 1.055 in the year 2025 to 0.77 in the year 2000 (by calculating that $1.055/0.77=1.37$) gives the forecast: after 25 years every single ignorant little figure in the tableau will be 37 percent better off. Behold the Pension Problem. "Finance now needs a flight to simplicity", *The Economist* (2007: 9) exclaimed in the editorial board's Christmas message of 2007. Patience was up, after four months of financial shit hitting the fan. But perhaps the editors would not go as far as to acknowledge truth in the raw and merciless form that primary school mathematic can uncover?

In her genealogy of finance, Marieke de Goede quotes a call from the *Jubilee 2000* campaign, where it was stated that everyone "can understand and grapple with supposedly complex financial matters [...] Challenging complex and mathematical financial knowledge, then, becomes one of the most important sites of politicization in contemporary finance" (2005: 161).

Abstracting from the above example and speaking at a general level, differences in productivity growth between parts in a larger economic whole, simply does not pose an intrinsically "objective" problem. Baumol (2005: 178) shows this when he vehemently opposes politically guided misinterpretations of "Baumol's disease" legitimizing retrenchments in the so called welfare states. When accumulated, at compound interest as it were, such differences should urge new distributive patterns instead of exclusions.

For Non-Profit Finance?!

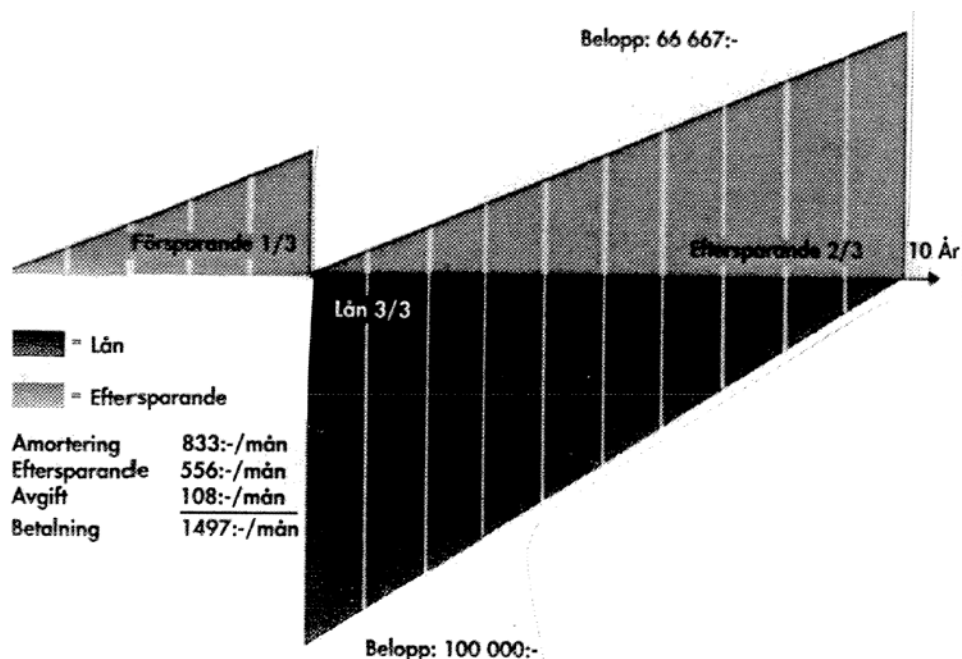
1.6% average income growth per year was the crucial assumption in the above exercise. That number mimicked a projected average growth in the productivity of labour, as convention tells us to do. A wide consensus has emerged, however, if yet seemingly impossible to act upon, implying that an increase in productivity is environmentally unsustainable within the boundaries of economic normality (e.g. Alley, et al., 2003; Ikane, 2003; Travis, 2003; Rockström, et al., 2009). Unsustainable, that is, if used for continued worldwide exponential increase in the production of gadgets, instead of expanding into activities which are more carbon dioxide neutral – like dancing lessons. The business-back-to-normal 3% growth rate of the value accumulating economy, called for by government representatives today at crisis summits like the G20 in 2009, is not – even if possible – sustainable. A capitalist world economy growing every year at such pace would spew out grotesque heaps of commodities by the year of 2030 (Harvey, 2009). Imposing a significantly more equal distribution of wealth and income on a world scale so as to eradicate hunger and need, whilst systematically putting what is produced and the resources used for this produce into check and question, then presents itself as an alternative. Balakrishnan (2009) in fact posits a stationary state as a plausible and crisis-ridden prospect for today's capitalist system trapped in an impasse.

Speaking to ‘our grandchildren’ in 1930, that is to say, to us, Keynes instead envisions an economy of steady state as a desirable utopia, possible to reach on a world scale within 100 years (1963/1930: 358-373). A three hour work day would be enough in 2030, he argues, thereby calling off, once and for all, the hunt for value augmentation.

So, basically, this was a vision of a non-capitalist system. For reasons of 20th-century history, we do not really know what that would be. For now we imagine it as a simple negation. But whatever it may be, it cannot be surrounded by, intertwined with or supported by a predatory and profit-maximizing financial system. For certain.

Now, for finance as a practice as well as for Finance as business school curricula, what would steady state finance look like? Well, as a socially constructed everyday normality, instead of an anomaly that signifies the mother of financial break-downs threatening “the real economy” with an even wider disaster. Finance for non-profit aims? Has anyone ever heard of such a ridiculous notion? Which idiots would attend the seminars?! Who would want to give the lectures?

Such questions aside, here is one principle scheme of for non-profit finance provided by the small Swedish cooperative *Land-Labour-Capital* non-profit bank JAK, with 35 000 members.



Facsimile 2: Picture from brochure of Swedish cooperative JAK-bank (2008), explaining the bank's savings/borrowing principle for a 100,000 Skr 10 year loan ("lån"): Pre-saving 1/3 of the loan and saving the equivalent of 2/3 of the loan whilst simultaneously paying it back. "Förspårande" = pre-loan saving; "Amortering" = mortgage; "Eftersparande" = Post-loan saving; "Avgift" = fee. At the time of the loan 100,000 + 33,300 can be withdrawn by the borrower. When the loan has been paid back, the borrower can withdraw the 66.700 that simultaneously has been saved during 120 months.

This savings and borrowing scheme functions as a turn-taking relay race. You must save before you borrow. You must save whilst simultaneously paying off your loan. Others borrow what you save, and you borrow what they save. There is no interest to

gain or pay. The nominal sum saved is equal to the nominal sum borrowed. There is a small fee that supports the administration of the scheme. There are precedents to be found in the 1800th century, in English “friendly societies” (Poynter, 1969), or in “Jamaican Partner” arrangements (Pool and Grant, 2006) organized by slaves to buy their freedom. Moreover, some of these organizations are still operative. Variations of so-called informal finance likewise occur in many places, under names such as *susus*, *tontines*, *wichin gye*, *arisan*, *xitique*, *djanggis*... but in the academic literature these are summarily referred to as ROSCA or ASCA (Wikipedia, 2010).

Formalized large scale steady state finance would of course have its mathematics, for students to delve deep into, disregard or fail to grasp; numbers to arrange and rearrange and practitioners to manage well, or toss off a cliff. There would be exams to pass at the business schools. There would be degrees to attain, which would guarantee nothing. But wouldn't it still be a hint of something radically different? We are dreaming, of course. At any rate, a financial game of turn-taking, like the one organized by JAK, has at least something to do with “money as pure means” ...that “opens as passage toward new uses of finance” as it was formulated in the call for papers to the first critical finance studies conference. Words thought upon and posited in opposition to the present condition...

Right through the Wall of Plato's Cave

...in which money is a goal in itself, a pure end of continuously compounding interest or massive trading, skyrocketing upwards in the diagrams: value growing without mediation, maybe also with our own bodies boiling away into pure unmediated immediacy. Because, with Marx, we might view this in terms of subjectification, in terms of financialized amalgamation into one single *generic subject* for all to follow suit into, in a process where “value itself”, in its passibility, passing through “different modes of existence [...] becomes transformed into an automatic subject” (1990: 255), “i.e. the independently acting agent” (as the editor comments in a footnote). We are then dealing with Value itself, as the systemic agent *per se*. Now, in this arc light of Value, we must ask ourselves: “Why did they not use their tools?” or “Why did no one see it coming?” (Krugman, 2008; Pierce, 2008). And is it really the case that “We must have better tools; better models; enhance our abilities for making financial prognosis!”, as the battle cries now resound in many a finance journal?

Over the past 30 years, Finance has come up with such an impressive and exponentially growing collection of tools, so massive a mediation from M to M' in Marx' famous Money–More Money formula (M–M'), that the hyphen has become a whole world, a “Planet Finance” (Ferguson, 2008), an industry occupying millions of actants in a hierarchy of professionals. In this hyphen, money cannot possibly rest, but must inevitably pass through, leaving us with the insight that there is – in principle and in practice – no money *in* the financial system as such, a fact indeed underlined by the crisis, although not caused by it.

Money, in present day Finance, is an end without means; a “capacity to extend beyond every particular use” (Simmel, 1978: 221). All models, theories, risk calculations, evaluation formulas or well established truths – all those secondary *means* of Finance

that are hammered into the heads of finance students at business schools – are always at risk of being thrown aside.¹ Indeed, the financial plumbers are never as happy as when they get an opportunity to throw away their toolboxes, throw off their overalls and run naked, right into the sun, right into Value (itself); that is to say, when passing, as God created them, right through the wall of Plato's cave.

Perhaps this is the reason Finance is overwhelmed by a menagerie of mediation which it does not really want, enmeshed in formulas it does not see. They are not there to be seen; on the contrary, they are there for no other reason than to be *looked through*. Exactly as the world itself – the world of livelihood and human subsistence; abundance and starvation; fulfilment and want; employment and unemployment; of bodies working in hierarchic configurations – is not there to be seen, but to be looked through. The world is diaphanous, glassy, made of glass, nothing but glass. And as financial theory is of this world too – something which is always admitted in the literature with appropriate caution, regret and lamentation – it must of course be seen through. Finance is not “a house without windows” (Keasey & Hudson, 2007), after all. No, it is all glass upon glass upon glass.

All living and dead objects are objects of speculation, pale and meagre, semi-transparent shadows of the Financial Idea itself. In order not to see the world, especially not the part of it called (real) “economy”, but look right through it, we can use algebra, models, calculations, computer programs, diagrams, textbooks, et cetera, which are not there to be seen, and consequently not really seen or studied as such. Hence it should not come as a surprise that money, regarded as the financial means of all means, which is a pure end, an end without means, is always *thrown out* of the system as soon as it arrives, right through the financial diagrams, where it leaves only a trace: the Price, the mark left by the last passage, a mark that – yes, it goes without saying – must be looked through. There is no money in the system; and there never was, other than a few money-puddles beside the money-current, coerced by the state to stay there (under vigorous protests from the financial industry), also created through new forms of credit, of course (Keynes, 1930: 26f), but only to be thrown out.

Why? Well, it is not money at all that “I” want: “I” want *more* money, M'''''''. And in order to achieve this goal, “I” must get rid of the means.

Alas! Money is not really Value in its pure, im-mediate or unmediated condition; money is always contaminated by itself, its own monetary mean-ness – by its very scent, its becoming-odour in this world of inflation and currency exchange. There resides in money the disturbing, petty remnant of a kind of mean. Even if comprehended as the pure end of finance, as the financial end without economic means, there remains in money a remainder of *this* world (Deleuze, 1989) to get rid of as soon as possible, right now, in the quest for *The More*, the ' – moving, burning, behind a wall

1 At times this is made abundantly clear by the enthusiasts: “We may not understand all the present dynamics of the markets. But when so many of the traditional measures of the ebb and flow of the economy become practically irrelevant, and of the stock market that reflects it, then we know that something new, something different is happening” (Marcus & Wallace, 1998: 3).

of dimmed glass. And in the end the residual to get rid of is the sensory perception of the present moment itself: the last disturbance of the quest. And that is the tragedy.

Conclusion

Finance is not in need of tools, except for disposal – rearrange and liquidate. Consequently, we do not need better financial tools; rather, we need to *see* these tools. We do not need better tools for prognosticating, but financial utopias, starting with the purposelessness of money, money as a pure means, a means without ends – as the absolute mediality of finance.

We invite you to shape a research program in search of a research program, with the prospect of developing and bifurcating into a broad and dynamic genre we suggest naming critical finance studies, with the aim of opening up a passage towards novel uses of finance – a compromising finance in the service of life, and not the other way round.

references

- Agamben, G. (2007) 'In Praise of Profanation', *Profanations*. New York: Zone Books.
- Alley, R.B. et al. (2003) 'Abrupt Climate Change', *Science*, 299(5615): 2005-2010.
- Aristotle (1992) *The Politics*. London: Penguin Books.
- Arrighi, G. (1994) *The Long Twentieth Century: Money, Power, and the Origins of Our Times*. London: Verso.
- Balakrishnan, G. (2009) 'Speculations on the stationary state', *New Left Review*, 59.
- Baumol, W. J. (2005) 'Errors in Economics and Their Consequences', *Social Research*, 72(1): 169-194.
- Benjamin, W. (2003) *The Origin of German Tragic Drama*. London: Verso.
- Belfrage, C. & Ryner, M. (2009) 'Renegotiating the Swedish Social Democratic Settlement: From Pension Fund Socialism to Neoliberalization', *Politics & Society*, 37(2): 257-287.
- Berns, E. (2004) 'Fetishes and Ghosts: Marx and Derrida' in Gernerchak, C.M. (ed), *Everyday extraordinary: encountering fetishism with Marx, Freud and Lacan*. Leuven: Leuven University Press.
- Bernstein, P.L. (1996) *Against the Gods: The Remarkable Story of Risk*. New York: John Wiley & Sons.
- Bouchard, J.-P. (2008) 'Economics needs a scientific revolution', *Nature*, 455(30): 1181.
- Brock, W.A. , Hsieh, D.A. & LeBaron, B. (1991) *Nonlinear Dynamics, Chaos, and Instability: Statistical Theory and Economic Evidence*. Cambridge: MIT Press.
- Butler, J. (2006) *Gender Trouble: Feminism and the Subversion of Identity*. London: Routledge.
- Callon, M., (1998) *The Laws of the Market*. Oxford: Blackwell Publishers.
- Chesterton, G.K. (1908) *Orthodoxy*. New York: Dodd, Mead & Co [http://www.ccel.org/ccel/chesterton/orthodoxy.titlepage.html].
- Chorafas, D.N. (1994) *Chaos Theory in the Financial Markets*. Chicago: Probus.
- de Goede, M. (2005) *A Genealogy of Finance: Virtue, Fortune and Faith*. Minneapolis: University of Minnesota Press.
- Deleuze, G. (2006) 'What is the Creative Act?', *Two Regimes of Madness. Texts and Interviews 1975-1995*. New York: Semiotext(e).
- Deleuze, G. (1997) *Essays: Critical and Clinical*. Minneapolis: University of Minnesota Press.
- Deleuze, G. (1989) *Cinema 2: The Time-Image*. Minneapolis: University of Minnesota Press.
- Deleuze, G. (1988a) *Spinoza: Practical Philosophy*. San Francisco: City Lights Books.

- Deleuze, G. (1988b) *Foucault*. Minneapolis: University of Minnesota Press, 1988.
- Deleuze, G. (1986) *Nietzsche and Philosophy*. London: The Athlone Press.
- Deleuze, G. & Guattari, F. (1994) *What is Philosophy?*. London: Verso.
- Dore, R. (2008) 'Financialization of the global economy', *Industrial and Corporate Change*, 17(6): 1097-1112.
- Dunne, S., Harvie, D., Lightfoot, G. & Simon Lilley, S. (2009) 'Ethics and the Academic Study of Finance'. Unpublished manuscript.
- Erturk, I., Froud, J., Johal, S., Leaver, A. & Williams, K. (Eds) (2008) *Financialization at Work: Key Texts and Commentary*. London: Routledge.
- Ferguson, N. (2008) 'Wall Street Lays Another Egg'. *Vanity Fair*, December [<http://www.vanityfair.com/politics/features/2008/12/banks200812?printable=true>].
- Focardi, S. (1996) 'From Equilibrium to Non-linear Dynamics in Investment Management', *Journal of Portfolio Management*, Summer, 19-30.
- Foucault, M. (2002) 'What is Critique?' in Ingram, D. (ed), *The Political*. London: Blackwell Publishers.
- Foucault, M. (1981) 'The Order of Discourse', in J.C. Young (ed) *Untying the Text: A Post-Structuralist Reader*. London: Routledge & Kegan Paul.
- Foucault, M. (1973) *The Order of Things: An Archaeology of the Human Sciences*. New York: Vintage Books.
- Frankfurter, G. M. & McGoun, E. (1999) 'Ideology and the theory of financial economics', *Journal of Economic Behavior and Organization*, 39: 159-177.
- Froud, J. & Johal, S. (2008) '"Questioning Finance": A Special Issue of Competition & Change. Editorial', *Competition & Change*, 12(2): 107-109.
- Garrouste, P. & Ioannidis, S. (2001) *Evolution and Path Dependence in Economic Ideas: Past and Present*. Cheltenham: Edward Elgar Publishing.
- Goodchild, P. (2007) *Theology of Money*. London: SCM Press.
- Harvey, D. (2009) 'Marxist Geographer David Harvey on the G20, the Financial Crisis, and Neo-Liberalism', TV-interview on *Democracy Now*, 2 April [<http://davidharvey.org/page/2/>].
- Hendershott, T. & Jones, C.M. (2005) 'Island Goes Dark: Transparency, Fragmentation, and Regulation', *The Review of Financial Studies*, 18(3):743-793.
- Ikeme, J. (2003) 'Equity, environmental justice and sustainability: incomplete approaches in climate change politics', *Global Environmental Change*, 13(3): 195-206.
- Jameson, F. (1998) 'Culture and Finance Capital', *The Cultural Turn: Selected Writings on the Postmodern, 1983-1998*. London: Verso.
- Keasey, K. & Hudson, R. (2007) 'Finance Theory: A house without windows', *Critical Perspectives on Accounting*, 18(8): 932-951.
- Keynes, J.M. (1963) *Essays in Persuasion*. New York: Norton Library..
- Keynes, J.M. (1936) *The General Theory of Employment, Interest and Money*. Cambridge: Cambridge University Press [<http://www.marxists.org/reference/subject/economics/keynes/general-theory/>].
- Keynes, J.M. (1930) *A Treatise on Money*, Vol. 1: The pure theory of money. New York: Harcourt, Brace & Company.
- Knorr Cetina, K. & Preda, A. (2005) *The Sociology of Financial Markets*. Oxford: Oxford University Press.
- Krippner, G.R. (2005) 'Financialization of the American Economy', *Socio-Economic Review*, 3: 173-208.
- Krugman, P. (2008) 'Lest We Forget'. *New York Times*, 27 November [http://www.nytimes.com/2008/11/28/opinion/28krugman.html?_r=1].
- Langley, P. (2007) 'Uncertain Subjects of Anglo-American Financialization', *Cultural Critique*, 65: 67-91.
- Langley, P. (2008) *The Everyday of Global Finance: Saving and Borrowing in Anglo-America*. Oxford: Oxford University Press.

- Lazzarato, M. (2004) 'From Capital-Labour to Capital-Life', *Ephemera: Theory & Politics in Organization*, 4(3): 187-208.
- Ma, T., Lin, Y. & Chen, H.-K. (2008) 'Are Investors more Aggressive in Transparent Markets?', *Asia-Pacific Journal of Financial Studies*, 37(2): 343-380.
- Martin, R. (2002) *Financialization of Daily Life*. Philadelphia: Temple University Press.
- MacKenzie, D. (2006) *An Engine Not a Camera: How Financial Models Shape Markets*. Cambridge: The MIT Press.
- MacKenzie, D., Muniesa, F. & Siu, L (2007) *Do Economists Make Markets? On the Performativity of Economics*. Princeton: Princeton University Press.
- Madhavan, A., Porter, D. & Weaver, D. (2005) 'Should securities markets be transparent?' *Journal of Financial Markets*, 8: 266-288.
- Marazzi, C. (2008) *Capital and Language: From the New Economy to the War Economy*. New York: Semiotext(e).
- Marcus, B. W. & Wallace, S. L. (1997) *New Dimensions in Investor Relations: Competing for Capital in the 21st Century*. New York: John Wiley & Son's.
- Marx, K. (1990), *Capital*, vol. 1. London: Penguin Books.
- McGoun, E. (1995) 'The history of risk 'measurement'', *Critical Perspectives on Accounting*, 6: 511-532.
- McGoun, E. (1997) 'Hyperreal Finance', *Critical Perspectives on Accounting*, 8: 99-122.
- McGoun, E.G & Zielonka, P. (2006) 'The Platonic Foundations of Finance and the Interpretation of Finance Models', *The Journal of Behavioral Finance*, 7(1): 43-57.
- Nietzsche, F (1967), 'Ecce Homo', *On the Genealogy of Morals and Ecce Homo*. New York: Random House.
- Nietzsche, F (1997) *Beyond Good and Evil: Prelude to a Philosophy of the Future*. New York: Dover Publications.
- Nyqvist, A. (2008) *Opening the Orange Envelope: Reform and Responsibility in the Remaking of the Swedish National Pension System*. Stockholm studies in Social Anthropology 64, Department of Social Anthropology, Stockholm University.
- Pierce, A. (2008) 'The Queen asks why no one saw the credit crunch coming'. *Telegraph.co.uk*, 5 November [http://www.telegraph.co.uk/news/newstopics/theroyalfamily/3386353/The-Queen-asks-why-no-one-saw-the-credit-crunch-coming.html].
- Poole, B.S. & Grant, L.A. (2006) 'Jamaican Partner: From Slavery to Financial Freedom', Paper presented at the 7½th biannual Alternative Perspectives On Finance Conference, Kilkenny.
- Poynter, J.R. (1969) *Society and Pauperism: English Ideas on Poor Relief, 1795-1834*. London/Toronto: Routledge & Kegan Paul.
- Rockström, J. et al. (2009) 'Planetary Boundaries: Exploring the safe operating space for humanity', *Ecology and Society*, in press.
- Simmel, G. (1978) *The Philosophy of Money*. London: Routledge & Kegan Paul.
- Socialdepartementet (1998) *Pensionsreformen: Slutrapport juni 1998*. Stockholm, Swedish Government Department of Social Affairs.
- Smith, A. (2000) *The Theory of Moral Sentiments*. New York: Prometheus Books.
- Taylor, M.C. (2004) *Confidence Games: Money and Markets in a World Without Redemption*. Chicago: Chicago University Press.
- The Economist* (2007) 'Postcards from the ledge' (editorial), December 19th.
- Travis, J.M.J. (2003) 'Climate change and habitat destruction: a deadly anthropogenic cocktail'. *Proceedings of the Royal Society: B*, 270(1514): 467-473.
- Tyrberg, A. (2002) *Anrop och ansvar: Berättarkonst och etik*. Stockholm: Carlssons Bokförlag.
- Virno, P. (2004) *A Grammar of the Multitude: For an Analysis of Contemporary Forms of Life*. New York: Semiotext(e).
- Wikipedia (2010) http://en.wikipedia.org/wiki/Rotating_Savings_and_Credit_Association, visited 9 March 2010.

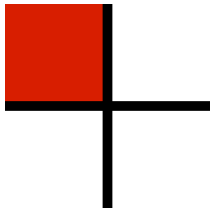
the authors

Dick Forslund finished his doctoral thesis *Give me the Money! – The Genealogy of Saving and the Knowledge-Art of Financial Persuasion* in 2008. He presently works as a researcher at Alternative Information and Development Centre in Cape Town and is a member of the editorial board of the magazine *Amandla!*

Address: AIDC, P.O. Box 12943, Mowbray 7705, South Africa.
E-mail: dick@aidc.org.za

Thomas Bay is senior lecturer at Stockholm University School of Business. Alongside an obsession with critical finance studies he is studying finance critically.

Address: Stockholm University School of Business, 106 91, Stockholm, Sweden
E-mail: bay@fek.su.se



Why is finance critical? A dialogue with a women's community in Sri Lanka

Ishani Chandrasekara

abstract

The burst of the bubble has given momentum to the search of escape routes from the current transnational financial system and its underlying principles. For the past century, the transnational financial system has relied heavily on currency exchange, security backed loans, stocks and shares – all operated through banks, investment agencies, insurance brokers and stock markets. This global financial architecture centred on monetary values. It strived for financial wealth and achieved it for few out of many. This study shows that the practice of finance can create a wealth of a different – a social – nature. Applying an ethnographic approach to financial practices, this study tries to uncover how the sociocultural aspects of finance practiced among the poor rural women in Sri Lanka lead to the creation of social wealth beyond financial wealth. It seeks to uncover the sociocultural aspects of finance practiced among the poor rural women in Sri Lanka. It discusses how finance is critical to such communities because it is creating wealth beyond financial measurement. Finance comes to Sinhalese women's everyday lives through traditional saving systems – *seettu*, household and group saving, and it operates through friendships, kin relationships and social relations. These community organizations develop *social wealth* through their thrifts, based on traditional practices of saving. Since transnational finance is driven by monetary values only, it overlays structures and that ignores local cultures, social networks and community identities necessary for the creation of social wealth. As a consequence, encounters with transnational finance inspire resistance in citizens in developing nations, such as Sri Lanka. In an attempt to preserve their more traditional systems of exchange, such as *seettu*, communities find themselves working against finance. Therefore, in this paper, what I am interested in is to engage in a dialogue with a rural community, to learn their ways of organizing finance, and the extent to which finance becomes critical to their daily lives.

Introduction

The starting point of this article is to engage in a dialogue with a community – in this case a rural women's community in Sri Lanka – to understand how finance becomes critical to their everyday lives. It is to understand the way global financial institutions, i.e. transnational capital, subordinate women's positions, their traditional knowledge and values of the community as it exists in rural Sri Lanka today. This is integrally related to the global representation of Sinhalese women and their community financial organisation within the South Asian periphery of the world financial system. That is, women's political and social struggles in rural areas must be viewed at the community level. Local disparities condition the specificity of women's everyday lives. The global financial system embodies a universal financial structure that only creates financial

wealth, whereas women in the global south engage in community saving systems that enable them to create social wealth. The interplay of women's traditional ways of practicing finance and sociocultural relations are therefore integral to finance at both local and global levels.

Much of the material that exists on women and on women's struggles in South Asian societies can be found in the many studies of gender, development, non-governmental organizations (NGOs), women entrepreneurship, and in the works on microfinance.¹ However, over the past decade, increasing attention has focused directly on the sociocultural, political and social relations of women's everyday lives.² The purpose of this article is not to provide a general framework for analysing the social status or welfare of women across social and economic divisions in Sri Lanka, but to offer a perspective on a traditional saving system that enables women to develop their social wealth. This is in line with what Chandra Mohanty et al. described as the "imagined communities" of third world women (1991: 4) or Benedict Anderson referred to as "horizontal comradeship" (1991: 5).

The methodological approach adopted in this paper is ethnography – drawing upon literature from feminist ethnography, the research attempts to collect daily finance practices of rural Sinhalese women. It is to uncover how the sociocultural aspects of finance practiced among the poor rural women in Sri Lanka lead to the creation of social wealth beyond financial wealth. Thus, the discussion of this paper attempts to provide and contextualise important aspects of the everyday lives and financial organization of women who live in the rural strata of Sri Lanka: women who represent some of the poorest segments of the non-working and non-wage live together with kin groups in rural areas.

The paper first provides a detailed account of the colonial, postcolonial and national development agenda of current Sri Lanka. Secondly, it attempts to critique the microfinancialization of the poor rural women's everyday lives by the elite groups of feminists who have access to the west. Thirdly, I will use a few arguments from postcolonial literature to excavate a path to understanding Sinhalese women's finances, as well as a methodological approach to trace the financial practices of rural women. Finally, I will illustrate Sinhalese women's community finances and their traditional finance system – *seettu*, which helps them to create social wealth.

1 For examples of classic development studies, see Sen (1999), Desai and Potter (2001). See Edwards and Hulem (1992), Kabeer (1994), Abu-Lughod (1998), Hewamanne (2008) and Chandrasekara (2009) for a more current analysis of NGOs and women entrepreneurship. For work on microfinance, see Yunus (2003; 2009).

2 Mohanty (1991) and Collins (1997) have addressed women's political and social struggles, Spivak (2007) deals with human rights and subaltern women, Jayawardena (2000) and Jayaweera (2002) focus on Sri Lankan women and the local struggles of women.

Tracing Colonial and Postcolonial Finance Landscapes in Sri Lanka

It was the Portuguese (1505-1656) who first captured the maritime province of Sri Lanka, followed in succession by the Dutch and the English (De Silva, 1953; Jayawardena, 2000). The Portuguese penetration of Ceylon was limited territorially to the coastal provinces, leaving the Kandyan highlands in the hands of the Sinhalese monarch, and economically restricted to the mere export of indigenous commodities such as cinnamon, arecanut, pepper, cardamom, pearl and ivory. Hence, their presence did not have a significant impact upon native modes of production other than exposing the indigenous producers to foreign trade.

Subsequently, the Dutch East India Company (1656-1796) succeeded the Portuguese in the maritime provinces of Ceylon both politically and economically (Jayasinghe and Wickramasinghe, 2007). The Dutch retained the indigenous administrative system which the Portuguese had inherited from the Sinhalese kings. They extended the same trading orientation by introducing Roman-Dutch law and further extended Catholic education in the coastal regions. They went further than the Portuguese to maximise trading surpluses by extending their economic activities: paddy and coconut cultivation was extended under state support; cotton and indigo were experimented with; cinnamon was widely cultivated and coffee was effectively introduced in the low country (De Silva, 1953).

The British had a more significant impact on Sri Lanka than the Portuguese or the Dutch (Jayasinghe and Wickramasinghe, 2007). As a first step, the British colonised the coastal regions of Ceylon, taking it from the Dutch in 1796, and they continued to capture the whole island by 1815. The British colonial system and the tea plantations were the origins of enterprise, capital, labour as well as the main source of foreign administration in the island (Bandarage, 1983). During this long term importation of foreign administration and their new governance, the pre-colonial systems of peasantry was eventually destroyed.

The mission of the colonial state was to safeguard British mercantile interests, regardless of the damage to the Sinhalese peasantry. In Sri Lanka, colonialism constituted a natural bias towards the mercantile interests of the plantations because many of the European officials had stakes in the plantations (Bandarage, 1983). Although the European colonizers' interests were to develop the plantation sector, by contrast, petty commodity production started to gain ground and expanded rapidly to use all infrastructure facilities which had been developed for plantation expansion. However, as Bandarage (1983: 291) states, rather than becoming wage labourers on European plantations, the Kandyan peasantry (administrative class) adopted the new colonial political economy by taking up small holding cash crop production. This enabled the Kandyan peasantry to grow paddy cultivation, chena cultivation and petty commodity production and eventually to maintain a certain distance and independence from the rest of the population.

According to Jayawardena (2000), petty commodity production gave the initial impetus to a Ceylonese elite comprising of Sinhalese, Tamils, Moors, and Burgher families, to

venture into a variety of business lines opened up by the plantation expansion. They started by serving the British capital invested in plantations and related agency houses, in terms of sub-contracting to supply food and beverages, transport, building contracts and artisan duties; the supply of furniture; the operation of general merchant stores in service centres; and the supply of arrack and toddy (locally brewed alcohol consumed by the general masses). They then moved quickly into the acquisition of dwellings and real properties in major cities and even became plantation owners themselves, as well as having a heavy engagement in petty commodity production and graphite mining.

Jayawardena (2000: viii) explains that the significance of the rise of this indigenous mercantile capital and the affiliated bourgeois class is multifaceted. Firstly, it was purely indigenous in nature and was accumulated without any transfers from outside. Secondly, such capital was not transferable to the metropolitan nations in terms of dividends, commissions or fees to management firms, which oversaw the expatriate interests, or as head office expansions of joint-stock companies domiciled in Britain. And finally, surplus was reinvested in the local areas of investment. It was this Sinhalese elite class to whom colonial powers were shifted to in the post-independence period. This was a gradual and progressive political-economy movement allied with the independent movement initiated in the early days of the twentieth century.

During the first three decades after independence (1948 - 1977), the country remained a closed economy for nearly two decades (Kelegama, 2006). When economic liberalisation began in 1977 the country was introduced to different forms of post-colonial financial modification through the Structural Adjustment programmes introduced by the Bretton Woods institutions. The first structural adjustment loan was embarked upon in 1980 (Kelegama, 2006: 91). The main aim of the liberalisation programme was to encourage export-led industrialization by offering foreign direct investments in the newly established Export Processing Zones. The new liberal policy environment started to attract large multinational companies to invest in Sri Lanka. Economic liberalisation and an increasing market orientation are seen as the key to achieving the aims of structural adjustment. The country's economic stabilisation and adjustment have traditionally been sponsored by the World Bank and the IMF, respectively. As a result, the economy saw massive reservoirs, hydro-power projects, new power grids, upgrading of infrastructure facilities, free trade zones and new townships.

In the 1980s, International Non-Governmental Organizations (INGOs) funded by the IMF and the WB were introduced to the country's economic development. This was considered part of a rapid move from state capitalism to free market economics under the guidelines and patronage of international partnership. As a result, the emergent INGO-favoured policies of privatisation, or so-called "good governance" programmes of the United Nations Development Agenda, shifted away from the idea of state-led development (see Escobar, 2000: 11-14). During this period of trade liberalisation (1977 – 2005), INGO growth in Sri Lanka increased from 1 INGO to 250 INGOs.

Although, the number of INGOs in Sri Lanka increased over time, the recent evaluations and literature written about the impact of INGO participation in development is rather pessimistic. Goonatilake (2006) explains that the rise of INGOs

in postcolonial Sri Lanka is not explicitly focused on shaping and reshaping development objectives. Rather, it is oriented towards the distribution of urban welfare packages such as water, health care and housing through microfinance schemes, which, nevertheless, has certain implications for the construction of further hegemonic regimes.

In parallel arguments, in “Righting wrongs” (2004) Gayatri Spivak discusses the way the west typically identifies human rights with its central political ideologies of freedom and democracy. The discourse and the implementation of human rights is frequently criticised on the grounds of Eurocentrism in conception and instrumentalism in terms of the selectivity of focus on where (and by whom) human rights are alleged to take place.

Microfinancialization of Rural Women’s Finances

As a consequence of this national development and INGO participation in development, elite feminists who have access to the West began a dialogue with international development agencies – “colonial feminism” (Ahmed, 1992) by the name of women, poverty and oppression.³ Now what we must not forget here is that the majority of these women uphold their educational training from the west and the essential qualities of *organised movements* (see Ahmed, 1992). The urban colonised feminists dusted over by colonial culture, once discover the substance of village organisations, community gatherings, and traditional systems of organisation as the extraordinary fruitfulness of local events. As far as doctrine is concerned, they proclaim the pressing necessity of institutionalised organisation particularly for women in agriculturally led poor rural households (for example, see Appendix A).⁴ The elite feminists devalue local cultures and assume that there is only one path to the emancipation of women, namely the path of “adopting western models” to elevate poverty, hunger and make the poor developed

3 As Jayawardena (2000: 23) explained, the colonial governors encouraged the *Goyigama* caste – inherited from the pre-colonial agrarian bureaucracy – to have the elite status grant the title of *Mudliyar*, thus, bestowing on them the social prestige of the position of the *Mudaliyars* as the highest among all castes. During the early days of British rule, those *Mudaliyars* were duly rewarded by confirming their positions in the British government. The *Mudaliyars* continued to act as interpreters, translators, clerks, tax collectors and advisors to colonial officials, as well as unofficial police and the magistrate in the village landscape.

Meegama (2003: 17) explained that *Karave*, *Salagama* and *Durave* castes were next to the *Goyigama* caste and that they lived mainly in the south-western littoral. They managed to gain upward economic and social mobility as participants in trade, and also through their relations with the ruling power. Towns along the coastline from Moratuwa, Panadura, Kalutara, Ambalangoda through Galle and Matara developed as trading centres from river and sea transport. Boat building, furniture making, and trade in cinnamon and in coconut and its by-products and plumbago mining became important economic activities. The collection of government taxes, such as paddy taxes, road and river tolls, and rents on retail sale of arrack which were farmed out to middlemen by the British colonial government made fortunes for the resourceful and venturesome people of these provinces. This historical consideration of the caste system still exists in postcolonial Sri Lanka; it varies and interacts with other existing social structures.

4 What I mean by the argument that agriculture-led rural poor women who live in villages are women who have agriculture as their main occupation, see the Sri Lanka Ministry of Agriculture website: http://www.agridept.gov.lk/other_pages.php?heading=North%20Western%20Province [accessed 04/11/08].

(Ahmed, 1992). This is what Spivak calls in *A Critique of Postcolonial Reason* (in a footnote) the universal claims of feminism:

as we move on to globalisation as financialization, global universalist feminism works for imperialism by an unexamined enthusiasm for credit-bating of the gendered subaltern: so-called women's micro enterprise. (1999: 102)

This is because the relation between subaltern women's knowledge of accounting and financing and the institutional practice of accountancy and finance are far from straightforward. As Spivak (2008: 156) describes it, "financialization of the globe brings subaltern to the crisis", because it is a long-term double-sided effort to describe rural literacy, which in reality is part not only of a struggle against political oppression, but of a sustainable future as well, where what is being sustained is not the expanding limits of global capital alone. It is problematical even to put together these two different types of knowledge. Obviously, translating subaltern knowledge into European economic interests is a violation of their practices. Subaltern women are effectively silenced if others attempt to speak for them.

What is even more important, at least to my argument in this paper, is the disruption that this precise group of western rooted women brings to the rural community. Often, poor rural women get separated from the rest of the natives. Abu-Lughod (1996) cited in Abu-Lughod

the way such notions of separate cultures have themselves been produced by the colonial encounter. This leads to different possibilities for analysing the politics of East and West in the debates about women, ones that do not take the form of narratives of cultural domination versus resistance, cultural loyalty versus betrayal, or cultural loss versus preservation. It also opens up the possibility of exploring, in all their specifications, the actual cultural dynamics of the colonial encounter and its aftermath. (1998: 16)

With regards to her empirical study of Egyptian women's movements, it never fails to astonish me how women activists continue to be discredited based on their class affiliation and links to European culture and education.

This particular marginalisation and the extraordinary concern about poor rural women have given access (point of entry) to international funding agencies. Chandrasekara (2009: 16) explains "microfinancialize the daily lives of women" taking women's social wealth into the instrumental ideologies of financial wealth. What can be concluded is that, in order to avoid failing in these wealth dichotomies, it is to study the context in which the rural women communities organise themselves, what are their strategies, their forms of organisation, their saving systems and their community organisation to understand the lived realities of people, negotiations and struggles.

Understanding Sinhalese Women's Finances

Chandrasekara (2009: 67) argues in her PhD thesis on "ethnofinances" that understanding the role of finance in Sinhalese women's communities is rather complex: women's knowledge of finance attests to feminine practices and operates through friendships, kin relationships and social relations. However, it is important to

understand the complexity of their political struggles and social relations since those struggles and relations are not based on an ahistorical notion of oppression or biological inequality (see Jayawardena, 1986: 2). Sinhalese women's financial struggles are based on a historical and political struggle, where women fight against colonialisms, postcolonialisms and global capitalisms (Chandrasekara, 2009). Thus, understanding Sinhalese women's finances is not about discussing an ideal financial organisation manoeuvre, but it is about tracing an entire spectrum of rural communities of resistance, similar to what Sandra Harding discusses in *Sciences from Below* (2008).

Harding (2008: 139) describes the importance of understanding "ethnoscience" – sciences from below as a way of learning other cultures and their social relations. Harding's argument is about the ways in which different cultures can have different interests in their part of nature and at times those different cultures can bring different discourses to conceptualise the world around them. What is more important in Harding's analysis is that it draws our attention to the ways knowledge is produced in other cultures, for example, through arts and crafts – and the way Northern sciences have systematically ignored such achievements of other cultures. This is equally true in Northern finances, the conventional philosophies of finances submit to this dimension at one level in that it resists grand narratives, but yet never takes it to its verticality with another.

The women in the rural community configure their lives around a core of art, ritual and myth. In addition to their religious performances, people decorate their mud huts, clothing and body, and they spend much of their time in a cycle of food, ceremonial dances and rituals intimately tied to their unique cosmology and myths. Ritual and art become the central forms of expression around and through which they organise their political, economic and social life. It is the way women communities have identified the historical and geographical richness and inner resources in and around the village, which address emerging issues and possible remedies and share each other's household and community needs.

Thus, understanding the sociocultural dynamics in the community and women's finances will allow the conventional discourse of finance to look beyond its narrow confinements – beyond financial wealth to understand the social wealth of a community that comes through historical and political struggles. There is an important account of this tradition in Fournier (2006), where she encourages us to think beyond the narrow confines of "market managerialism", within which critical research has been locked by neo-liberalism. Fournier's work suggests "that genealogy may be a powerful analytical and political tool for breaking history and inserting points of ruptures at which new beginnings can be imagined". Therefore, I undertake this study to uncover the regimes of truth within the dominant discourse of conventional finance to bring forward finances of Sinhalese women as a true difference.

Tracing the Women's Community Finance Landscape in Rural Sri Lanka

I consider here the possibilities and impacts of following ethnography as the research methodology to map a direction that allows us to understand why finance is critical to Sinhalese women.

As Calás and Smircich describe,

Feminist theories are always political theories, regardless of the philosophies on which they stake their claims. Whether liberal, radical, Marxist, socialist, psychoanalytic, or so on, feminist theories have been mostly about how and why the exclusion or oppression of women happens and how to provide remedies for this situation. (1999: 659)

The more important for Calás and Smircich is how a feminist analysis will help us to think differently about those with whom we relate. How would writing about these intersections contribute to a better understanding and changing of oppressive relationships? However, by asking these questions the intention is not to provide permanent and universal answers. Instead, the answers are little narratives, intended as interventions for changing specific oppressive conditions that may be experienced by some at present.

When attempting to perform this task, I find useful strands of Harding's (1987) approach to specific elements of feminist methods, which employ listening to (or interrogating) informants, observing behaviour, or examining historical traces and records, learning precisely how women informants think about their lives. I used some of the methods that Harding (1987) described in her feminist methods of analysis – utilization of dialogues, conversations, maps, places, site explorations, folklores, oral traditions, photographs, drawings and documents. So, the aim of using this specific method is not to aggregate data through statistical surveys from a large group of women, without learning what they are experiencing in daily lives and why they organise themselves the way that they do.

In the second week of February 2007, I went to Kakirawa and settled there for an eight week stay in a house close to a women's saving association network named *Rajarata Kanntha Pathenama* (RKP). I spent my days visiting women's saving groups while observing what they do to financially organise themselves within their kinship groups. I was permitted to get close enough to observe them through my academic eyes. After visiting some of the saving associations and the initial discussions made with women leaders, I identified a few observational points. Up to this stage, I appeared just as an observer with no stake whatsoever with the proceedings which went on. There were occasional interviews with the co-ordinator or leaders to clarify certain complex relations and notes were kept in Sinhala language as every field dialogue was carried out in Sinhala.

The RKP seemed to exist in its own unique world. The *forum* is a four bedroom house with a large extension converted into an office room. It is managed in an informal setting. The three bedrooms were divided into administration, accounting and project co-ordinator's office. One large bedroom, at the back of the house, was used as a

communal area. The office was never closed. Paid staff worked day, night and bank holidays, engaged in various tasks such as report writing, producing various documents, managing accounts of their credit systems, accepting phone calls, sending emails, cooking, eating and laughing. It was very common to hear them yelling at each other for all sorts of reasons.

There was no boundary between the office space and home. All their activities were scattered throughout Anuradhapura district and integrated into respective villages. Through my daily presence in the so-called *office*, I was able to observe regular occurrences in women's lives. Its own unique world provided me with ample opportunities to engage in extended informal interviews, participatory observations, analysis of textual artefacts, and photographs. Talking with women gave me insights of their life histories, daily survival strategies, informal organisations and kin networks, which dominated all three ethnic groups in the village.

At this stage, I often realised my position was dual. On the one hand, I was one among them, but on the other hand, I was not so because of my education, the purpose of my visit and the way I dealt with their leaders. Although my appearance in the village was different, I was there with a purpose and some theoretical sights to see, so those events as an outsider made me feel neither definitively outside, nor categorically inside the community – a status that is simultaneously painful and privileged, humiliating and exhilarating as Collins (2004) describes in her work.

However, more importantly, I must admit here, it was simply impossible to understand fully and translate finance practices of these women in terms of the institutional practice of finance. It risked the destruction of “subaltern women by translating them out of social relationships and abstracting them from their culture and values leading them to isolation from their social realities” (Chandrasekara, 2009: 282). In other words, women in the saving associations challenge isolating their political struggles and social relations from the community.

Sinhalese Women's Community Finances

The Sinhalese women's saving associations that I try to understand in this study do not operate in isolation. Women live and work around kin groups and their daily financing activities are determined by beliefs, customs, community values and social relationships.

In 1990, a group of five women from the Olukaradha village decided to make use of a traditional saving system – *seettu*, which is popularly used among urban and rural communities in Sri Lanka to exchange surplus produced among kin groups. The particular community that I lived with and worked with has also used the same method to collect small sums of savings. Women gather in small groups of associations to save their surplus income from farming and home-based industries. During my visit to the village, saving members (names have been kept anonymous) narrate the history of their saving group. The storyline behind women's saving network named *Rajarata Kanntha Pathenama* serves as an example.

Group Leader: [we] a group of five women together started this system. [We] lived in the same block of land and shared our farming fields. One day, [I] felt that we all go through similar difficulties; however, [I] was never brave enough to discuss my household burdens with the kin. [I] felt it might be a shame to talk to my family and friends about hardships at home. [I] thought it was me who didn't save enough? [I] never had sufficient money to buy things for my house or my children. One day, [I] decided to talk to my friends - yahaluwo - (Her face expressions showed that how happy she is about her braveness). At the time, we all were young women and [I] was a strong mother with three children. [We] shared our household difficulties with each other and decided to look for possibilities of finding a way to ease our financial burdens. [We] then decided to collect a seettuwak to save a small sum of money to buy few provisions...

Initially, [we] collected Rupees 5.00 from each of us for a couple of months. One of us was always responsible for managing the collection. Towards the end of each month or even two, we circulated the sum of savings among the group. During the first round of exchange, my friends decided to offer our collection to me.

Likewise, we managed to increase our group collections from Rupees 25.00 to Rupees 100.00, and today we have more than Rupees 1000,000 in our saving passbook. Now, [we] work across the village with more than 8,000 kin groups.

[We] use our seettu money to purchase things like rice, sugar, mainly daily rations for a complete month (instead of daily or weekly purchases), books for children, farming equipments, fertilizer and sometimes even durable things such as cupboards, gas cookers and jewellery. Recently, we have started maintaining saving records and use our money in income generation projects – [we] circulate our money to build houses, water tanks, farming wells and provide initial money for small industries. (Observational Diary, 02/07/07)

In our conversations, I found women believe in small saving groups *seettu*, which give them access to funds otherwise not available. *Seettu* is a traditional method of exchange, which has been popularly used among Sinhalese women to save money since pre-historical times (see Oslén, 2006: 5). Women in these associations collectively save their thrift towards a unique set of ambitions, by sharing the same economic resources, participating in common ownership, following the same rituals and customs and holding the same attitudes and values. The difference of women's community organisation from any other kinds of organisation is the way women use their social relationships and traditional exchange systems to share their common hardships, which strongly binds its members to make it a unique space of exchange.

Likewise, women in these rural communities use their *seettu* system as a mechanism to resist the patriarchal controls of money that leads to their financial exclusion, at times when women are regarded as incapable of making re-payments of their borrowings. In addition, *seettu* has been used among women to overcome the difficulties of approaching formal banks due to their low levels of literacy, cultural formalities and not being able to provide acceptable collateral as a guarantee – “not holding adequate liquid assets” for loans and loan repayments. These are some of the reasons for using alternative saving methods i.e. *seettu*, to build social wealth amongst rural women as well as to overcome certain barriers of formal financial institutions.

How Seettu Helps Sinhalese Women

The Sinhalese women's rural communities have utilised their *seettu* savings for three main types of activities – production, service and infrastructure. Women consider the production sector as the most important sector in allocating their *seettu* money, since this sector brings them the daily income earning avenues for household financial survival. Under the production sector women work in agriculture, irrigation, animal husbandry and industry. The second most important sector is the service sector, which serves social concerns or welfare needs of their community well-being. The service sector investments are mostly concentrating on major social concerns, such as education for their future generations, clean drinking water, healthy living, shelter development, counselling, intervention in crisis situations and community-based rehabilitation, child-care facilities and vocational training for all. The infrastructure sector investments have been given minimalist priority due to the Sri Lankan government's major investments in infrastructure developments in the district (see also Gunatilaka, 1999).

I will provide a detailed explanation of how *seettu* savings are invested in each of these major areas, and why it is important for women's saving associations to make investments in those areas, as well as the necessity of women's involvement in those key areas. Before I start my explanations, I must mention here that I will not have as much data to present about the infrastructure investments as the other two sectors, due to the limited time that was available for my data collection as well as the complex dilemma between the community and the government's rural development agenda that I encountered during this period.

With the richness of natural resources, diverse soil and the landscape of the village, rural women's main asset has been the farming land. For several years, farming has been the major source of livelihood for the majority of families. Some families who live in the area take paddy fields on lease during off-seasons and use the same for tobacco cultivation. The richness of the earth has been a benefit for many women in the area. While agriculture-related activities have been the dominant occupation among rural women communities, they also engaged in animal husbandry.

Mainly, these industries are located in and around households or in home gardens close to households. Domestic poultry, goat and cow-rearing are the most popular activities among female communities. However, due to the changing socio-economic composition of the population, decreasing availability of domestic spaces, occupational diversification of the people and animal husbandry in the district has been reduced considerably over the past decade⁵.

The next most important area under the production sector is the cottage industry. For the past four decades, women have made their *seettu* investments in this sector to improve livelihoods. The handcrafts, beedi (a local tobacco), modern woodcrafts, handloom, sewing, carpenter, sweets, small shop, batik (hand paint cloth), metalwork, battery charging, quarry work, bakery, winkel (corner bicycle mend shop), bricks, book

5 See <http://www.statistics.gov.lk/agriculture/Livestock/LivestockPopulationSubnational.html> [accessed 4/11/08].

binding, whole sale and seasonal industries are commonly found industries in the area. At present, there are 3982 saving members who participate in the cottage industry.

The Sinhalese women's saving associations are not just concerned with the production sector; they also make plans for the service sector. The service sector is concerned with the welfare of society. Women associations work on activities to improve their children's education, supply of clean drinking water; programmes for healthy living, shelter improvements, personal and family counselling; intervention in crisis situations, community-based rehabilitation, childcare facilities and vocational training.

The government welfare programmes were introduced to the island since 1880, nearly fifty years after the arrival of indented plantation labour from South India. Social welfare schemes were provided through labour legislation that regulated conditions of employment, health, education and housing (Samarasinghe, 2002: 143). Since then the Sri Lankan government has tried to open more and more welfare schemes to the entire indigenous population. However, development of these programmes is not sustainable in a weak economy subjected to the pressure of population growth and income level. The availability of safe houses, nutrition, clean water, sanitation security and health related issues are also not sustainable. While taking all these factors into consideration, women have decided to utilise their *seettu* collections in a wide range of community based activities.

Similarly, women's saving associations utilise their *seettu* collections for welfare activities, mainly for education and awareness. This is due to the long term social exclusions of rural women in these communities. Swaran Jayaweera highlighted this:

Development in both education and employment cannot be isolated from the socio-economic and political context in which women have lived in the past five decades. Women made significant social gains in the 'welfare state' of the immediate post-independence decades. The shift to a closed economy in the 1970's and to an open economy with an agenda of growth without equitable distribution in the 1980s, exacerbated the social exclusion of the poor, particularly of women in low-income families. (2002: 99)

Due to these concerns of social exclusion, particularly in rural villages and in their marginal communities, the saving associations have given priority to women and their children and families – mainly to women who have had no primary education and to the younger generation who might open up a gateway to their future liberation.

Likewise, Jayaweera notes:

Only a privileged minority of girls, chiefly from western oriented families, have had a complete secondary education before the 1940's. By the early 1963, nearly 6000 young women from middle and working class families emerged annually with university degrees. However, the non-schooled and early school-leavers, chiefly among asset fewer rural families, the urban informal sector in low income neighbourhoods and plantation families have been confined to inactivity or unskilled labour at the bottom of the occupational hierarchy as the outcome of a process of social exclusion. (2002: 133)

For these specific reasons, during the last decade or so, rural women's saving associations have allocated their *seettu* to community based activities. It is to build wealth of a difference – social wealth, as well as to prevent social exclusions. It is also

with the intention that women's *seettu* allocations will help to improve health-related problems in the community, such as diarrhoea, dysentery, viral infections, worm infections and malnutrition. With such concerns, there are several other areas that women work on with their *seettu* collections. Women work on housing welfare, community rehabilitation and crisis intervention activities.

In a central way, *seettu* or 'women's savings' represents a cancelled account of the rural women's social wealth. The mass of Sinhalese rural women, who operates in traditional forms of saving, have a legacy to inform their lives, struggles and sociocultural relations. Despite obstacles and constraints, rural Sinhalese women have historically made their footprints in paths of struggle on both economic and political planes. The *seettu* collections of women and the kin embeddings of saving associations are critical given the absence of state aid and the welfare benefit schemes available for the formally unemployed or the non-wage working poor. These are pragmatic approaches that are entwined around feminine values and kinship grounds that are very different from the capitalist form of microfinance projects structured to resolve urban issues in the global south.

Summary

In this paper, I examined the colonial, postcolonial and national development agenda to inform the genealogy of the current state of affairs in Sri Lanka. I examined this historical path to make the readers of this article aware of the most culturally and political significant struggles of poor Sinhalese rural women in contemporary Sri Lanka. I broach the work, struggles and resistance of poor rural women simply to highlight the three hundred years of their financial subordination in the local and global financial system. In particular, I did so to understand a different form of wealth – social wealth that expands beyond financial wealth – by looking at the streams in which women acquire their finances and engage in community activities support by individuals and collectives.

My effort in this paper is to engage in a dialogue with a rural Sinhalese women's community to understand why finance is critical to their everyday lives. What can we learn about their historical, political and social struggles? Rather than attempting to microfinancialize women's everyday lives and their sociocultural relations into an institutional agenda, in this research I give due recognition to the difference of women – Sinhalese women live in the rural Sri Lanka – whom I lived with and worked with. The difference that I ask here is to understand women's ways of organising their social wealth – which occurred when a community has less access to social mobility, such as infrastructure, education, health, clean water and safe shelter in achieving their everyday lives. Similar to what Spivak's (2007: 62) observation where "a woman performs an act of resistance without an infrastructure that would make us recognise resistance of the subaltern", it is about recognising subaltern women as having no access to social mobility. Spivak's argument was based on women in the global south making their will explicit to global capital. Thus, it is not about discussing an ideal financial manoeuvre, but it is about tracing an entire spectrum of rural Sinhalese women's social wealth.

In this research, I take Spivak's argument further by looking at the impossibility of knowing what Sinhalese women's financial desires are, because subjects of feminine are neither abstract objects nor theoretical assumptions. The Sinhalese women's subjectivities are socially constructed through cultural practices, traditional myths and religious beliefs, thus, the subject can never be cut out like a piece from a cloth. It is therefore impossible to theorize financing practices of Sinhalese rural women. For instance, what desires may lie outside European discourses of finance? I raise this question because my point here is not that the Sinhalese women's community organisations are rare or difficult to figure out, but rather those women produced different wealth (articulated in this text) on matters of self and the community. In conclusion, I want to emphasise that the rural Sinhalese women's knowledge of finance is valid on its own terms. The recent crisis of finance, which refuses to recognise its own specific cultural and historic limits and bias, reminds us of the importance of studying finances of Sinhalese women in their own right.

references

- Abu-Lughod, L. (1998) *Remaking Women: Feminism and Modernity in the Middle East*. Princeton: Princeton University.
- Ahmed, L. (1992) *Women and Gender in Islam*. London: New Haven.
- Anderson, B. (1991) *Imagined Communities*. London: Verso.
- Bandarage, A. (1983) *Colonialism in Sri Lanka: The Political Economy of the Kandyan Highlands, 1833-1886*. Colombo: Lake House Investments Limited.
- Calás, M. B. and L. Smircich (1999) 'Past postmodernism? Reflections and tentative directions', *Academy of Management Review*, 24(4): 649-671.
- Chandrasekara, I. (2009) *Ethnofinance: A Study of the Daily Accounting and Financing Practices of a Sinhalese Women's Community*. Unpublished PhD Thesis. School of Management, University of Leicester, Leicester, United Kingdom.
- Collins, H. P. (2004) 'Learning from the outsider within: the sociological significance of black feminist thought', in M. M. Fonow & A. J. Cook (eds) *Beyond Methodology: Feminist Scholarship as Lived Research*. Indiana: Indiana University Press.
- De Silva, C. R. (1953) 'Ceylon under the British Occupation 1795-1833: its political and administrative development', *The Colombo Apothecaries Co. Ltd*, vol. (1).
- Desai, V. and R. Potter (eds) (2001) *The Companion to Development Studies*. London: Hodder Arnold.
- Escobar, A. (2000) 'Beyond the search for a paradigm? Post-development and beyond', *Development*, 43(4): 11-14.
- Ewards and Hulem (1997) *NGOs, States and Donors: Too Close for Comfort?* London: Macmillan (in association with Save the Children).
- Fournier, V. (2006) 'Breaking from the weight of the eternal present: teaching organisational difference', *Management Learning*, 37(3): 95-311.
- Goonatilake, S. (2006) *Recolonisation: Foreign Funded NGOs in Sri Lanka*. New Delhi: Sage.
- Gunatilaka, R. (1999) 'Rural infrastructure programmes for poverty reduction: policy issues from the Sri Lankan experience', Paper presented at the *Regional Consultation for South Asia*. Rajendrapur, Bangladesh, 4-6 April.
- Harding, S. (ed.) (1987) *Feminism and Methodology: Social Science Issues*. Bloomington: Indiana University Press.
- Harding, S. (2008) *Sciences from Below: Feminisms, Postcolonialities, and Modernity*. Duke: Duke University Press.
- Hewamanne, S. (2008) 'City of Whores: Nationalism, Development and Global Garment Workers in Sri Lanka', *Social Text*, 26(2): 35-59.

- Jayasinghe, K. and D. Wickramasinghe (2007) 'Calculative practices in a total institution', Paper presented at the *Accounting and Subalternity Conference*. Schulich School of Business, York University, Toronto, 13-15 August.
- Jayawardena, K. (1986) *Feminism and Nationalism in the Third World*, London: Zed Books.
- Jayawardena, K. (2000) *No Bodies to Somebodies: The Rise of the Colonial Bourgeoisie in Sri Lanka*. Colombo: Social Scientists Association.
- Jayaweera, S. (2002) 'Women in education and employment', in S. Jayaweera (ed.) *Women in Post-Independence Sri Lanka*. New Delhi: Sage.
- Kabeer, N. (1994) *Reversed Realities: Gender Hierarchies in Development Thought*. London: Verso.
- Kelegama, S. (2006) *Development Under Stress: Sri Lankan Economy in Transition*. New Delhi: Sage.
- Meegama, I. (2003) *With A Fistful of Rice: Buddhist Women and the Making of Mahamaya Girl's College*. Kandy: Mahamaya Girl's College.
- Mohanty, C. T. , A. Russo and L. Torres (eds) (1991) *Third World Women and the Politics of Feminism*. Indiana: Indiana University Press.
- Oslen, W. (2006) 'Pluralism, tenancy and poverty: cultivating open-mindedness in poverty studies', Working Paper No 26. Global Poverty Research Group, University of Manchester and Oxford, UK.
- Parker, M. (2002) *Against Management: Organization in the Age of Managerialism*. Cambridge: Polity.
- Samarasinghe, D. (2002) 'Women's health, population and quality of life', in S. Jayaweera (ed.) *Women in Post-Independence Sri Lanka*. New Delhi: Sage.
- Sen, A. (1999) *Development as Freedom*. Oxford: Oxford University Press.
- Spivak, G. C. (1988) 'Can the subaltern speak?' in C. Nelson and L. Grossberg (eds) *Marxism and the Interpretation of Culture*. Urbana: University of Illinois Press.
- Spivak, G. C. (1999) *A Critique of Postcolonial Reason: Toward a History of the Vanishing Present*. Cambridge: Harvard University Press.
- Spivak, G. C. (2004) 'Righting wrongs', *South Atlantic Quarterly*, 103(2-3): 523-81.
- Spivak, G. C. (2007) *Other Asias*. London: Blackwell.
- Spivak, G. C. (2008) *Conversations with Gayatri Chakravorty Spivak*. Kalkota: Seagull Books.
- Yunus, M. (2003) *Banker to the Poor: The Story of the Grameen Bank*. London: Aurum Press Ltd.
- Yunus, M. (2009) *Creating a World Without Poverty: Social Business and the Future of Capitalism*. Oxford: Oxford University Press.

the author

Ishani Chandrasekara is research-active in a range of areas and mainly she is focused on Critical Management Studies with a special interest in Accounting, Postcolonialisms and Subaltern Agency. Some of these interests widen through her educational training and others are linked to active participation in the Sri Lankan community movements. Forthcoming research will include the daily accounting and finance practice field, Sinhalese subaltern agency, and NGO representations of South Asian development discourses.
Email: i.chandrasekara@qmul.ac.uk

APPENDIX A

The particular household budget that I will examine here is in a rural household and the female counterpart [X] belongs to the [Y] women's community.

X is a 32 year old Sinhalese woman who is married into the village. Owing to her arranged marriage she was brought into completely new household surroundings. Her relatives live in a different village, 24 km away from where she lives. Apart from her in-laws, who are spread across the settlement, she has no kin from her side of the family. She lives with her husband and 3 children – 2 sons and a daughter - with her mother-in-law. They share the same cooking hearth and cost of provisions. Her husband is a carpenter, whose income is dependent on the availability of work. Even if he is engaged in a job that does not necessarily mean that X will get to know how much money he would earn exactly per day. On the days that he does have a job, he tends to contribute Sri Lanka Rupees 50.00 (25-30 pence) towards their family income, while on the other days; she may get Rupees 25.00 (12.5-20 pence)⁶. Whenever she receives money from her spouse, it is her responsibility to save some for the days that he does not work. Her two sons are attending the Sinhala government school in the village. Her mother-in-law helps to look after her two-year-old daughter while X works in her book binding business.

X is working for a bookshop in the Kakirawa town. The bookshop owner has subcontracted women in the village to bind books for his shop. He makes the payments to women once a week during their collection period. Every raw material is provided by the contractor and women are required to bind books according to a standard format. In a typical week, she manages to earn Rupees 100.00 (50 - 60 pence), however, close to the start of the school term she manages to earn a couple of hundred rupees more. X has also got a government food stamp and a kerosene stamp up to the value of Rupees 93.70 (46.85 pence) per month, which gives her access to kerosene for lighting and rice for three meals a day for a calendar month. X usually cooks three meals of rice and curry on a daily basis. During the times when cooked food is not sufficient for her entire family, she boils sweet potatoes or maniac (variety of potato) for their lunch.

When the above described income generation streams are not available for her to earn a sufficient amount of money for their family survival, X approaches her in-laws to borrow money without any interest. X also gets groceries on a credit basis from Z's

6 According to the latest Household Income and Expenditure Survey (HIES) undertaken by the Department of Census and Statistics (DCS) during 2006/2007 the mean per capita income per month was only Rs.6, 463 (i.e. the average income per person per month) and the median per capita income was only Rs.4, 043 (i.e. 50% of the population in Sri Lanka received less than Rs.4, 043 per person per month). HIES was conducted among a representative sample of households in 19 out of 25 districts in the country. All the five districts in the north and the Trincomalee District in the east were not covered by this survey. Therefore, it does not cover the entire country or the District of Rajarata.

shop. She runs up a bill for around Rupees 75.00 (37 - 50 pence) per month with Z, which she settles when her husband gives some money towards the end of the month. During my visit to X's house, her husband was trying to arrange for tickets to go to Saudi Arabia to work as a driver. He had already pawned X's gold jewellery to pay for processing his application at a foreign employment agency in the city.

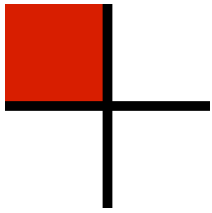
For these obvious financial hardships within their family, X had decided to join a women's association to get access to a regular lump sum of money. Often, the money X saves is spent on settling debts or house construction expenses. She also tries to set aside a small sum of money for her children's future education.

Appendix B

The following table (1.1) shows a summary of Sinhalese rural women's seettu collections and the form of seettu collections.

Table 1.1 A summary of Sinhalese women's seettu collections

Reasons for Seettu	Forms of Seettu
Regular savings	Cash Grain and Cash Crop (pineapple, papaya, banana, chilli) Livestock
Managing irregular income streams	Cash Grain and Cash Crop Traditional food preservations (chilli, onions, corn, garlic, herbs, vegetable, fruits)
Long-term savings (land purchase, house construction, shops, rice mills, house thatching, water supply, sanitation facilities, cooking stoves, electricity, animal, and equipments, jewellery)	Cash Gold ornaments & other valuables Grain and Cash Crops Land Construction Materials Houses Storages Equipments Trishaws
Children's education	Cash Buildings Class Room Equipments Books
Old age and disability	Cash Grain and Cash Crops



Extreme neo-liberalism: an introduction

Stefano Harney

context

During the *Historical Materialism* Conference (2009), Stefano Harney gave a talk within an *ephemera* session on 'Politics in the Business School' which we organised in preparation for this special issue. This piece offers a full transcription of that talk and is prefaced here by some introductory remarks from Stefano. The question and answer session which followed the talk has also been made available online as an audio file. Special thanks are due to Demet Dimler for inviting *ephemera* to organise a session at *Historical Materialism*, to Matteo Mandarini for chairing the session, to Tim Edkins for recording the session and to Alison Shalaby for transcribing the talk.

Introductory Remarks

Business education is mass education today. So it should be no surprise to discover that the actually existing business school is both more disturbing and more interesting than the current stereotype of the business school as simply a place where the cadets of high finance are put through their drills suggests (Harney, 2010). With one in eight university undergraduates in Britain studying business and management (UCAS, 2010), business education in Britain now resembles a kind of liberal arts education without the liberal arts¹.

Very few of these business school students, or the thousands more studying for British business and management degrees by distance, will ever find themselves worrying about having their bonuses taxed. The imagined alliance between the business schools and capital is, for the vast majority of students, and not a few lecturers, just that: imagined. Indeed, contrary to the cliché, it's possible to suggest that of all the academic disciplines, business and management is in practice the discipline not closest to capital, but closest to labour. For it is in the business school classroom that the students stand before the university as naked labour, unadorned, unmediated by literature, or art, or even technology, and ask to be made useful to capital. And it is in the contradictory fullness of this nakedness that these students bring down upon their bodies the direct

1 Or it might be better to say a liberal arts education without the idea of the liberal arts as preparation of the cultured citizen, because in practice undergraduate business education scavenges the humanities for ideas that might prepare the student to become a citizen of work.

attention of what might be called *extreme neo-liberalism* (Dunne and Harney, forthcoming).

At least, that is the argument made in the talk that follows. This talk was given under the auspices of Ephemera at the Historical Materialism Conference in December 2009. This annual conference has proved itself a place to turn for a critique of capital, especially in light of the ongoing financial crisis, but it ought equally to be a place from which to see crisis, and its potential, from the perspective of labour. From the perspective of labour we could say that a certain level of exhaustion at the level of the individuated subject had set in long before the banks collapsed under the weight of their own contradictions². Because extreme neoliberalism pulls labour in opposite directions, embracing its mysteries at one moment, stripping it bare in another. At one level, we are quite aware of extreme neo-liberalism. It is that strange combination of extreme externalisation and extreme regulation that characterizes our daily life. At this intuitive level extreme neo-liberalism is that everyday experience of being a talking resume, someone who is supposed to be a free agent in a free market but who discovers that the price for this freedom is a constant accounting for oneself within the terms of this freedom, promising not to cost anybody anything and to add value, while all the time calibrating and communicating this promise anew. We know this to be an exhausting way to live, even if we should also recognise it is our collective *inexhaustability* that provokes extreme neo-liberalism.

Naturally at the moment, with the financial crisis, the focus is on the dangers of extreme externalization in the form of bank deregulation. This extreme deregulation, which is at one and the same time the ability to externalize almost all costs in production (and not just as for bourgeois economists in the moment of transaction), has been blamed for the collapse of the banks, and subsequently much of the economy in the developed world. Understandably, under these circumstances, there has been a widespread call for regulation. But of course, there is equally no era in history as regulated as our own. Anyone who knows the intensification of measurement and targets characteristic of the National Health Service in Britain, or for that matter the private insurers in the US, or anyone who has been subjected to a research assessment exercise in the UK, or tenure process in the US, or indeed anyone who has been subject to a mystery diner or shopper could not fail to recognize the irony of a sudden call for regulation.

But this is more than irony. Indeed I would like to suggest that it is an absolutely necessary complement to extreme externalisation. Both result from the same condition. Capital increasingly must bring more and more of labour into its heart (despite its fantasy to the contrary and some very poor analysis suggesting it is succeeding) (Boltanski and Chiapello, 2007). As the Italian autonomist first recognised, today it is the soul of the worker that descends onto the factory floor. Today it is communication, affect, opinion, attention, and taste that capital engages to make and to sell, to circulate, and to realise its commodities³. And its first commodity, labour, is both discovered to

2 On this exhaustion see Berardi (2009).

3 This journal has been a consistent source of thought of these developments. See in particular Dowling et al. (2007).

be the endless, inexhaustible source of this value, and encouraged to develop this value in forms that are useful to capital.

And yet, although we may give freely our ideas and our love in social life, these things are very costly to capital, in two ways. Firstly, they are costly because they transfer the central means of production from machines to bodies. Far from man stepping to the side of the machines as Marx predicted, machines step to the side of bodies in communication, in affective modulation. More and more bodies are machine-aided. Machines are less and less run by bodies, even if this still happens. It is costly to keep up bodies as means of production and not just as factors thereof. Extreme externalisation, for its part, is designed to confront these costs. There is no better example of this than the viral growth of the intern in the creative industries: all of the affect, all of the creativity - none of the costs. The costs, of course, are political too.

To bring all of this labour to the heart of production, to bring in so much sociality, so much communication, so much affective connection, so much interdependence, is to risk an autonomy at the very core of capital. The founding and re-founding of this autonomy, labour's plan of its own, is the risk capital runs for its greed, its need to try to swallow the social whole. And it only further provokes this new republic of labour when the time comes to extract profit, exploit this common, and reveal its hand. It is at *that* moment that labour may become truly fugitive, that it may go on the run with the (un)stolen wealth it has gathered as what Antonio Negri once called in his classic essay 'Domination and Sabotage' (2005) a new accumulation of needs. And it is at that moment that it may discover in refuge, in flight, in bad debt to each other, those who have long been in the undercommons of its own organisation, those whose wealth has been long sought, whose kinship has been long hunted for, those who have been long prepared to fight. Capital cannot let this happen. It must put up resistance. And through extreme regulation it does so. Whatever it cannot contain, desocialize, deracinate through regulation it will expel through extreme externalisation, into the dead zones, prisons, and borderlands of privatization.

Extreme neo-liberalism is nothing other than the capitalist strategy of resistance to immaterial labour. But of course, for this to make sense we must always understand immaterial labour as the attention to society itself, even the labour of the care of society. If we do this then we can see that immaterial labour originates not in Web 2.0 communities or arts quarters in Europe, but in the great movements of the last century: the anti-colonial struggles, the peace struggles, the feminist struggles, the anti-racist and anti-fascist struggles. It is here that capital found, stole, and distorted its contemporary organisational principles, but far from co-opting them, as theorists like Boltanski and Chiapello think (2007), this theft has forced capital to adopt the most extreme methods to protect itself from their ongoing effect, the ongoing autonomous planning at the heart of this expropriation.

All of this may seem very far from the business school, but actually the business school seems a very good example of extreme neo-liberalism, as I have tried to suggest in this talk. Think of the way the business school, business curriculum, and popular business writing can appear so empty, so devoid of any content, genuine meaning, or original thought. There is even a formula we can make out of this impression. If we look at

business school scholarship, we note that it has very little to say about the struggles we identified as helping to found immaterial labour. It takes as its subject, under the name of business, capitalism without attention to such struggles⁴. But from the perspective of a critique of capital, these struggles are the very essence of capitalism. Capitalism is a set of social relations conceived in struggle and maintained through struggle, through conflict of capital and labour, and ultimately the conflict of capital and society, as capital attempts to devour society. Therefore, if business scholarship equals the study of capitalism minus struggle, but struggle defines capitalism, then logically business studies equals zero.

And yet those of us who teach in a business school know that it is not an empty place. We know that though our students may be stripped of the mediations of the other disciplines, they are not empty. We know that in the seminar room and lecture hall a spirit of real study, real investigation, and even what Gayatri Spivak calls a non-coercive rearrangement of desires (Spivak, 2007) can take place. And we also know that we can, if we wish, make critiques like the one in this talk from within the business school, at least in some cases. At the same time as all of this, we know that the business school is an exemplary space of extreme regulation and extreme externalisation. Citation algorithms and research audits attack our plans to study and inquire together. We are asked to regulate ourselves and others as never before. Yet in the background of this regulation we hear the siren song of the market, promising us merit pay, labour mobility, and intellectual property rights. This extreme dream of the market and this extreme dream of neoliberal subject goes beyond the ordo-liberalism studied by Michel Foucault (2008). It is not a question of how to govern the market just enough, but rather of how to resist the extremes at the heart of that market, and the extremes this capitalist resistance must, in turn, take.

This is to say nothing of how the business school is understood inside the university itself, where it represents both the bringing of the market into the university, and the spread of new management techniques (and indeed new managers) across the university. But even this popular academic image of extreme neo-liberalism requires some thought if extreme neo-liberalism is not merely to be dismissed as the spread of empty terms like excellence or entrepreneurship, forward spies for the invasion of market relations. Indeed, if we turn this around a bit we can see that to focus on the movement of the market into the university, through the conduit of business school misses its other important half: the movement of the university out into the metropolis.

This other movement, this *metroiversity* offers its own incubated techniques of university management to private firms and local governments, techniques for the management of the production and circulation of knowledge. After all, what organisation is more experienced at encouraging, capturing, and exploiting knowledge than the university? Its techniques today can be found in every technology park (not accidentally sometimes called technology campusus), creative industries district, financial centre, and multiculturally marketed neighbourhood. Peer review, departmental democracy, university governance, mentoring and probation, research

4 This is more than an impression of the scholarship. We have shown empirically that this is the case in Dunne et al. (2007).

sandpits, interdisciplinary initiatives, and collaborative learning - are these not the most advanced techniques for managing the so-called knowledge workers? Were they not themselves pioneered in the university? Indeed the real impact of the university on business, the real knowledge transfer, is precisely this transfer of university management techniques from the university out into business. The university, not just the business school, is the primary site of extreme neo-liberalism. This emerging, invading metroversity is the spawn of extreme neo-liberalism. At any rate these are some of the arguments I try to pursue in what follows.

Talk

Stefano Harney: Thanks for coming in on this early Saturday morning. I do want to give a bit of a paper in the sense of at least giving you a few theorisations but I thought, given the informality of the event, that it might also be good for us to enter into a fair amount of discussion. So certainly there will be time for that and I'll raise some questions that I think in answering will help you to feel like you want to participate even at this hour of the morning. I should say that despite the reduction of the panel, there's actually a number of us in the room here with some experience of raising this question of what it might mean to think about politics in and around the business school and the business curriculum, and indeed in and around business ideology and discourse, etc. So I'm not alone, thankfully, and there are others who I think probably can help me out here. But to start off I would like to just tell you what I've been thinking about recently. By way of doing that, and with apologies for people who already know me, I'll just tell you a bit more about my circumstance and the circumstance I share with Stephen and others.

I was someone who came up through cultural studies and sociology and got very accidentally involved in business schools in the UK because there were these sort of interesting openings that seemed to be going on around a field called critical management studies. When I got very close to it I was a bit disappointed at the actual field but I certainly am very grateful to the kinds of spaces it was already opening up in the business schools. Subsequently, I've been very involved in trying to build a proper political project inside one of the business schools, at Queen Mary University of London, and I owe a lot of thanks to others in the room including Matteo Mandarini and Emma Dowling who are involved in that project, and also to Gerry Hanlon who couldn't be here. As we've been building this project we've had to confront a lot of political questions about what it means to try to build a political project in the university, what that might mean in the first instance, what it might mean to do it in a business school, what if I need to do it across administration, administrative labour and teaching and some form of research. So all those things are in my mind as I think about what to say to you today and that's the background of where we find ourselves.

So if you don't know business schools I'm sure you have certain kinds of views of them which I think I might reinforce for a few minutes but only in the service of trying maybe to open up something else. I'm going to do that through a kind of concept that I've been working on a little bit recently, which is still fairly undeveloped, and that's

the concept of extreme neo-liberalism which actually first came to me when I was at a Marxist accounting conference...I'll give you a second to digest that!

At this conference, there was a scholar from Australia who said she'd been working on looking at the accounting industry in Australia. If you know accounting at all you'll know that a lot of it has mutated into management consultancy and often the big accounting firms will have a contract both to audit a big bank or a big corporation and to provide management services to it. This is obviously a conflict of interest and manifests itself periodically in things like the Enron and WorldCom crisis and more recently the failure of auditing processes inside the big banks in the UK and elsewhere. So she was studying these firms and trying to understand the cultures inside them a little better to get a handle on how they understand their ability to separate these two functions and how they justify what seem like pretty severe conflicts of interest, within a profession which has always had a very firm idea about notions of conflict of interest. So actually what she ends up hearing about, funnily enough, is a new management technique inside these firms which is called *extreme work/life balance*.

Extreme work/life balance pops up in speciality magazines produced for people working in and around the accounting and auditing firms, some directly with the big six/five/four firms as they've sort of conglomerated, and also in various smaller consultancies where these things are outsourced. The feature on extreme work/life balance in one of these magazines had all these quotations and profiles of managers and executives in these firms who would say things like I'm in a meeting until 6 but at 9 o'clock tomorrow morning I'll be on the slopes with my three children skiing but by 4 o'clock I'll be back on a conference call. I'm not willing to give up life just because work becomes more hectic so I'm ratcheting up my life to keep up with my work life. So it's all about this intensification of life experience, each moment of life is actually converted into this kind of recognisably scheduled wealth of experiences.

Anyway, that, in some fashion, led me to begin to think about this notion of extreme neo-liberalism. And when I think about extreme neo-liberalism I thought about it in terms of the business school where such ideas are produced and where it appears at least that extreme neo-liberalism might be characterised by something like an odd combination of extreme externalisation and extreme regulation going hand in hand, seemingly contradictory and yet obviously working with each other in some kind of important way. And when I was thinking about this, the first thing that came to mind was a study that Stephen Dunne and I had done. I didn't co-credit him with the term extreme neo-liberalism just yet because I'm not sure he really wants to be credited with it when it's so far a pretty dodgy term! But anyway, he's been helping me to develop it through a study that we've done in which we looked at 2,400 articles from business and management journals. We asked of those 2,400 articles ten questions to try to get at their content through a manual content analysis. We asked whether these articles addressed questions of environmental exploitation and degradation. Whether they addressed questions of labour exploitation, of employment laws etc. etc. In so doing, we got the results that you might predict – the very best articles paid almost no attention to any of these issues.

One of the formulas that came out of this, for us, was that if we could say, as I think I probably would say, that one way to understand capitalism is as struggle and that these articles constantly pushed out, externalised, any kind of notion of struggle, which we clearly showed in the study, then what we were left with was this notion that somehow business knowledge was what was left from capitalism after you took the struggle out. But of course if capitalism equals struggle then, you know, business minus struggle equals zero. So there was a way in which on the surface it looked like there was absolutely nothing going on. And similarly, when you get inside a business school it's easy to see that this kind of extreme neo-liberalism could make you feel like there's nothing going on and of course that's how a lot of people treat business schools on the left from the outside. In many cases rightly so because the effects of these things are real, it really is this kind of externalisation, it really is this kind of regulation. And inside a business school we have maybe among even the crazy kind of academic fields that exist around these issues, we probably have the most highly developed and centralised notion of the right kind of list from which you have to publish etc etc. We have an extreme amount of regulation. We may talk about entrepreneurship and free markets but it's an extremely regulated environment, mixed with an extremely externalising environment.

So we're completely responsible for being able to submit to this regulation and being able to operate this regulation. In a way you could say that there is nothing in there, that it's all being removed all the time, it's all being regulated in a way. But of course it begs the question of why? What's the need for that extreme neo-liberalism? What's the need for the extreme externalisation? What's the need for the extreme regulation? It leads me to say that the need is actually, that there's quite a bit. In fact in some ways from a business's perspective everything's allowed. But bringing everything into the business school in this way brings up the problem first of all about cost, which tends to be dealt with through the extreme externalisation, and all the value, which tends to be dealt with through extreme regulations so that it can be valorised in various certain particular kinds of ways.

So I think rather than seeing the business school as empty, seeing the business curriculum as empty etc etc, it actually might be interesting to think of it as particularly full and as having occasioned this kind of resistance in the form of very extreme regulation and very extreme externalisation, precisely because of its fullness. That then to me leads to certain kinds of political questions about how you operate in an environment where you have a sense that maybe there is something quite full there but you're also aware of what are some pretty forceful mechanisms at work to make sure that we can't do anything with all that might be inside the business school. So that's the frame that I'd like to start to talk about and then there's two registers I'd like to talk about it in first and then maybe to say a few words about, particularly about teaching, which I think maybe would be an opportunity for me to ask for some help and advice from others who have some interesting experiences there.

But first I'd like to just say a few words about governance and a few words about finance, as registers, as ways to maybe understand some of what might actually be going on in the business school which would lead us to be interested in it and to see if there's something that we can get quite close to, despite all this regulation and despite

all this externalisation. So I wanted to start with a term that I've been thinking about a lot and it's this term *governance* because I haven't been satisfied with the ways in which I have seen it understood and because I also think it's beginning to operate in a certain way which can tell us something about this extreme neo-liberalism and perhaps, I hope, maybe also help us to open something up.

So generally I think that when we think about governance, we have a kind of popular discourse of governance and in that popular discourse everything requires governance: so one way to understand it is that it's this kind of heightened level of comparison of management. And certainly some of that is true. We also have this other notion of governance that somehow it more finely tunes and lines up our individual desires with governmental desires. So we have a sense of it as an extension of governmentalities, so it grows with saying governance that way, as a kind of subtle version of government if you like, as an extension of governmentality into more and more realms.

On the other hand we also can have a sense of governance which emerges I think partly from the the Italian Autonomist movement where governance is almost immediately understood as a term of the economy now so that governance actually is about collecting, accumulating, all the new kinds of labour capacity so that it becomes so important for what Italian Autonomists might call immaterial labour. So now that what's really important is our ability to communicate, what's really important is our ability to make judgements on each other, what's really important is our ability to collect and disseminate different kinds of public opinion, what's really important is our ability to marshal certain kinds of aesthetic judgements or to develop certain kinds of moods. Now that these are the things, these are the kinds of labour, that really add value, as they say in a business school, that really make money, then governance becomes a way of talking about those and that position might be a position that you wouldn't associate with someone like Lazarato.

I'd like to suggest that although there's obviously some truth in both of those, that actually governance operates somewhere in between those two registers in a way that it's not just about compromising the two but it's completely crucial that in fact what governance is doing is holding open the difference between politics and economy in a way that's absolutely vital for what we heard this week, Mark Bousquet, a great critic of the American university was here, and he was talking about the American university as the prime site now of production of informal labour. He said in his view in the US, the production of informal labour's prime site has moved from migrancy into the university and among the student. Now whether that in particular is still true, and of course he said that it doesn't mean that it stopped on migrants, I think the idea of this production of the informal labour conditions is absolutely crucial and it's the thing I think that governance is actually doing. It does that not by immediately collapsing economy and politics but by holding it open enough so that certain kinds of production can occur. And in particular I think the kind of production that we see through governance is this production of something that I would call *interests*. When I say interests what I mean is I think that what capital needs is in a way to discover aspects of our sociality, aspects of our social individuality, that aren't immediately apparent, that can become new sources of wealth to it but can't be accessed directly. So it's fine to say that our communication skills are the most important but how do you get to those? That's not so immediately

apparent. When you work in a business school you realise how that's not so immediately apparent because it's called knowledge management and it's ridiculous.

So there's the need for a kind of space in which we use the sociality that's been thrust upon us through capital to produce sets of interests. And if you think about how governance calls to you, that's the way it calls to you. It asks you not to align to a pre-existing interest but in fact to produce that loyalty through the production of your own interests. So rather than rallying around the pre-existing flag, if you think about the strategy process in any particular organisation now, they don't say this is the strategy, they say everybody get into breakout groups, we're going to make a strategy. This is a very different kind of government, a very different process of governance.

That's a term that needs to be explored in some other ways but one example that I would use of that, which I get partly from Randy Martin, is that where governance intersects with finance it demonstrates that what's interesting about governance is a kind of lining up, an alignment of these interests in a way where previously capital might have been making money through a clash of such interests. So if you think about this particular crisis and you can get passed all the crap that's currently being said about it, and remember that it's a crisis of the sub-prime debtor, then we can also recall that that sub-prime debtor has a long social history which I'd like to talk about it in two registers eventually. But in the first case it's a long social history that comes out of the American tradition of red line. Essentially what red line means is that banks draw a red line around neighbourhoods where they weren't going to make loans. Now of course that didn't mean that there wasn't all kinds of finance inside, it was just it was a different kind of finance. But what tended to happen with that different finance, previously, was that the interest of the finance dealers, if you want to call these loan sharks that, and the people who owned their homes, was opposite. So you made the big loan to the old lady because you wanted her to fail and then you took her house. That was the idea behind it. Not exclusively but that was part of it, it was a kind of constant sort of primitive accumulation of stuff. With the sub-prime mortgage, however, they didn't want people to default, nobody wanted anybody to default, nobody cared but at the same time nobody wanted it. Instead the homeowners society lined up all the people who were previously inside the red line with a certain new set of interests that were about starting to think to themselves, ok, actually, I don't mind mortgaging my labour forever in order to have this new arrangement about living. That represents an instance of governance being neither politics nor economics but actually an alignment of interests that then helps to further a certain kind of capital accumulation and expropriation.

Of course it's worth remembering that actually those sub-prime debtors had a completely different strategy at work. That completely different strategy is the actual strategy that gets securitised, collateralised, fed up into the very heights of finance and eventually creates the explosion. Because what was taken up from those sub-prime debtors, perceived as lined up interests, as something that would guarantee labour forever, was actually a quite different strategy. It was the ongoing strategy that always exists among the dispossessed in the US, which is, essentially, what am I going to do to live somewhere for the next couple of years? That's a very different strategy from the one perceived by the banks.

So, for instance, it's a bit apocryphal but there's some truth to it that one of the reasons that the sub-prime mortgage crisis was not caught sooner was that the people who were supposed to be watching it, most of whom were not watching it anyway but let's assume they actually were watching for this thing, have a pattern of understanding default, in which people would first default on credit cards and then they default on cars and then they default on homes. In the sub-prime mortgage crisis, there was an opposite pattern. People got in their cars, took their credit cards and drove away from their homes! On the sheet, this doesn't really predict for you what's actually going on but of course we know why that happens. You need your car to get to work in the US and you need a credit card for gas. You don't need a house. And of course, if you're part of the dispossessed in America, you have a 3, 4, 5 year strategy of understanding that: there's nothing new about that. In past cases this was called the crisis of the welfare mother and whatever else but the constant rearrangement of refuge in the US has a long tradition about which bankers would know nothing, of course. And yet, I would also say that I was recently at the *Rethinking Marxism* conference and they know nothing about it as well, apparently, since they thought it was all about Hilferding!

In that we have a couple of things going on. One is, I think there was an instance of governance, an attempt of governance there to draw out certain credit interests and align them in a way that couldn't be understood either as governmentality, because it was so directly about economic exploitation, but it wasn't really directly available in a way that I have made the mistake of collapsing into immaterial labour. But it's a straightforward issue. Again, business schools remind you that it's not so easy to capture all those kinds of socially effective capacities. But whatever it says that finance does for us, and this is where I'd like to come around a bit to some of the teaching and to include you in this speculation, is that if that's true that some of those strategies of the dispossessed were actually pulled up in this way, to the very heights of finance in this way, to the very heights of understanding about financial markets in this way, then why wouldn't you want to be close to that?

One place to be close to that is actually in the business school. We're not further from those strategies by being in the business school: we're actually very close to them. I'm not privileging the business school in a sense and saying that there aren't other places to be close to all of this but it is certainly an example of where I think we're quite close to some pretty interesting processes and politics, if we're just able to recognise that and if we're able to say: look there's something inside here that's worth looking at.

And that's where I come to the second part of this which is the question of teaching students who are in the business schools in Britain today and what are they doing? Within our own business school in Queen Mary they've got 300 or 400 students every year coming in, most of them are in E postcodes, as they say, so they're mostly East End kids, they're mostly working class kids, mostly their parents had not gone to full university, they're in undergraduate programmes. They come into a business school: why are they in there? Most of them are in there because they didn't know what else to do, or because they were worried that they might not get a job after they took this leap of going to university, or their parents said you should do business because that's where you're going to make money, or they had some fantasy from reality television. Some

combination of these things. What very many of these students will say to you is that they're just looking for as broad an education as they can find.

So you have this very interesting condition where you have students who therefore on the one hand have expectations but on the other hand have no curricular expectations. Mark Bousquet was talking about a hail to the curriculum: we don't have that in the business school. Business school students aren't there to say we need to do Melville or we need to do Thackeray. They don't have a preconception in that way. So in a way you have a condition that's reversed. Whereas in the US liberal arts today you see, for instance, an essentially disposable student but an essentially indisposable curriculum. We have the exact opposite in the business school. We have a completely disposable curriculum but we have indisposable students, who insist on their presence, who insist on asking you why am I here? This is the very opposite of what you get in NYU for example where you get kids saying I'm here god damn it, now where's my climbing wall!

So it's a very interesting condition to be in and the question is as follows: is there any space in there just to say anything or do anything in there? And what I've been trying to suggest is that, yes, on the surface it looks like there isn't any space, with this extreme externalisation they're constantly taught, if you look at the textbooks, none of it is your problem. If you make money you've done more good for society than all those people studying all those other things: they're taught that every day. There's an extreme externalisation and it also operates at the personal level of their bonds, you know, they work all the time, they have to go back and work for their parents, they have to live in their home etc etc, they're completely responsible for their own production, those students, we give them almost nothing.

At the same time they want us to test them, they're testing us, there's this heavyweight relationship that goes on in the business school which all the time they're trying to ratch it up at all the different levels, and yet I'd still maintain to you that despite this kind of extreme neo-liberalism, all of that is there because this is potentially such an unregulated and full and rich space that we have opportunity to do all kinds of things in there if we could just figure out how to do it within those kinds of resistances. And I guess if I were to try to get empirical about it I would simply say to you if you had the time and you came to the course on strategy that Matteo Mandarini and I co-lecture on for instance, or to Emma Dowling's course on organisational change or indeed what Stephen Dunne is doing up at Leicester, I think you'd get a feel for the purest way in which there's all kinds of space in the UK business school today for launching some kind of politics.

Now to say that, or to make that argument with you, is still to say: look, it's all still to be done, what this politics becomes or what this project becomes, what the relationship of the student labourer to the academic labourer to the administrative labourer: all that's still in some ways in front of us, but I would say that it's a moment when in fact as the business school gradually becomes the university, rather than abandoning that, there's also a possibility of just riding that and seeing where it might take us. So with that I'll leave it with the idea that you might want to question me on some of those things that I was asserting, which probably couldn't stand up to scrutiny, or we could have a

conversation about some of what we've been trying to do in business schools in a more concrete fashion. I'm happy to go in either direction. So thanks again for coming out this morning.

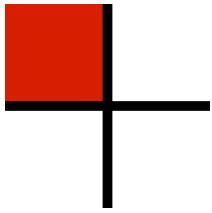
references

- Berardi, F. (2009) *The Soul at Work: From Alienation to Autonomy*. New York: Semiotext(e).
- Boltanski, L. and E. Chiapello (2007) *The New Spirit of Capitalism*. New York: Verso.
- Dowling, E., R. Nunes and B. Trott (2007) 'Immaterial and affective labour: explored', *ephemera: theory & politics in organization*, 7(1): 1-7.
- Dunne, S. and S. Harney (forthcoming) 'Auditing business journal scholarship', *Critical Perspectives on Accounting*.
- Dunne, S., S. Harney and M. Parker (2008) 'The responsibility of management intellectuals: a survey', *Organization*, 15(2): 271-282.
- Foucault, M. (2008) *The Birth of Biopolitics: Lectures at the Collège de France 1978-1979*. New York: Palgrave MacMillan.
- Harney, S. (2010) 'In the business school', *edu-factory*, 0(January): 53-61.
- Negri, A. (2005) *Books for Burning: Between Civil War and Democracy in 1970's Italy*. London: Verso.
- Spivak, G. C. (2007) *Other Asias*. Oxford: Blackwell.
- UCAS (2010) *Applicants preferred subject choice and accepted applicants subject of acceptance*. [http://www.ucas.ac.uk/about_us/stat_services/stats_online/data_tables/hesubject]

the author

Stefano Harney is the Deputy Director of the School of Business and Management at Queen Mary, University of London. He is Chair in Strategy, Culture and Society. The London Evening Standard has written that he 'has a talent for noticing things investment bankers would rather were not noticed.'

E-mail: s.harney@qmul.ac.uk



Sydney Forum on the Financial Crisis: Introduction

Dick Bryan and Michael Rafferty

Financial Analysis and Pedagogy

The financial crisis has been a crisis not only for financial institutions and those exposed to them, but also for financial analysis and pedagogy. Whilst some claim to have picked the 2007 asset price downturn, and even identified the US housing market as a key trouble spot, far fewer saw the scenario of a crisis of credit default swaps leading to a freezing of global liquidity. Generally, those who claim to have predicted the downturn, being of a bearish disposition, then took long positions on a deep recession, and the asset market upturn of 2009 has left their astute reading of the crash looking more like a lucky guess. The point is that there is no clear pattern or explanation of this crisis and its aftermath.

The sheer scale of the swings in asset prices, currency values and employment is confronting to market analysts and corporate managers, and also to finance scholars as both researchers and teachers. The conventional wisdom in finance does not generally “do” financial crises. Look at the undergraduate finance curriculum and rarely will there be courses on financial history, or on the social foundations of money and finance. Volatility itself is not a difficult challenge to finance pedagogy. There is no shortage of theories, strategic games and quantitative methods that can depict price volatility. The problem is that in an intellectual culture of equilibrium and balance, volatility is too readily cast as an aberration or deviation from a norm. Behavioural finance, for example, seeks to tell us why the calculations of individuals, alone and in herds, may deviate from a preconceived “rationality”. It is the economics of deviance, generating the finance of distortion prediction and leading to the policy of distortion abatement.

Systemic volatility, as we have seen for the last two years, creates a different order of analytical and pedagogical problem, for its meaning must extend beyond the familiar terrain of individual behaviour. Reaching beyond that framework is an unsafe place to be. As a result, we have received from the finance profession descriptions of events, processes and products more than explanation, for within the essentially microeconomic tools of finance, systemic volatility is cast as an analytical void: as irrationality extended to an absence of coherence; as uncertainty as opposed to risk, with the corollary that uncertainty is beyond investigation. Risk is to be managed, but

uncertainty is cast as the random, unconquerable enemy. In the markets, systemic volatility is when the herd ditches the scholarly models and the well-honed trading strategies and simply heads to cash.

In such circumstances, it is time to call in the state as the *deus ex machina* of financial crisis resolution. The response of policy is a war on uncertainty, in the style of a war of terror, where conventional techniques (risk management) must be supplemented by a culture of vigilance and compliance. Transparency and accountability, and severe punishment of those who transgress, are the hallmarks of such a response.

But, as in the war on terror, there is a need to challenge the response of compliance, for compliance blocks all challenges, not just the financial bombers. The challenge is not to be found in explaining aberration and distortion, but identifying profound economic and social change, in which categories of conventional understanding have broken down. Networks challenge the boundaries of the corporate entity. Financial derivatives break down the connection of asset ownership to returns on asset performance; they break down the distinction between debt and equity and between money and capital. Three decades of regulatory reforms have served to break down what is state and what is private: private credit ratings agencies perform state functions; state assets are held not in vaults but in hedge funds. Pension funds confront the demarcation of a class of labour and a class of capital, for all are living off profits. The home is both a place to live and, via mortgage securitization, it has become also a liquid asset. Corporations become networked communities at the same time as households are drawn from their communities into the individualized practices of financial risk management. “All that is solid”, say Marx and Engels, “melts into air”. It is an aphorism from the *Communist Manifesto* that is probably quoted too often, but it captures the process exactly!

Pedagogically, therefore, we are in a challenging environment. Volatility and unpredictability must be explained as expected and “standard”, but the explanations cannot be undertaken using categories that have stability and order in their basic makeup. The categories that were once the benchmarks of understanding and quantitative recording of finance are now themselves breaking down. Accounting processes, value at risk and portfolio management theory are seen to be expressions of the crisis, not accounts of it. Instrumentalist approaches to teaching finance in the belief that quantitative techniques denote employability appear increasingly as formalistic indulgence, whilst understanding the profound changes in financial calculation finds a more comfortable home in the discourses of political and social theory than in business schools. The frontier issues of financial interpretation are now as likely to be in the cultural understanding of households and attitudes to debt, as in the mathematics of designing and pricing specialist products.

The challenge is how to teach finance in a way that both respects and confronts convention; that does more than radicalize a student population by outing the failures of technical analysis to say anything coherent about financial crises. To resurrect an old phrase, to depict finance curricula as “bourgeois finance” may be an edifying cheap shot, but it tells us nothing about how to understand the world (nor, for that matter, how to change it).

Yet, ironically, the discourse of conventional finance does indeed tell us much about how the world is changing, for more and more facets of everyday life are constructed and comprehended in its image, as processes of individual risk management. Everyday life needs to be rethought so as to bring coherence to the risk management agenda. In educational institutions, for example, we see continuous assessment to extract value, strategic investments for positional gain, star-driven metrics of productivity, expansive student debt and construction campaigns underwritten by captured student debt. These developments all suggest the ways in which the university itself abides and incorporates a financial logic.

However, finance theory lacks the critical self-awareness to realise that its own hegemony lies not in its mathematical precision, but in its vision of the computational self as the model of citizenship. The pedagogical task, therefore, is to push financial education into new areas of social analysis, not so that it can conquer them analytically, but the opposite: so that financial analysis can itself be conquered, for only then can the momentums that finance sets in place be explained and made sites of debate, contestation and intervention.

Workshop contributions

At the University of Sydney, the Australian Working Group on Financialization (AWGF) seeks to draw together the diverse intellectual strands that are required to frame these sorts of issues. Participants from across the business and social science disciplines, along with invited journalists, market players and regulators, meet regularly to discuss such matters. In July 2009, AWGF held a workshop on the Financial Crisis. That of itself is hardly a unique event. Some faculty members attended anticipating a descriptions-explanations-solutions sort of day, perhaps in the hope that clever analysis might point to regulatory manifestos. Some left empty handed; others could see the challenges as intellectually liberating. The papers presented at the workshop are seeking to confront the technical analysis of finance with its contradictions, to play with financial discourse so as to bring focus to its own enemy: the ambiguous, the resistant and the possibilities of change. To leverage an alternative politics off the discourse of finance is to pay that discourse the greatest of respect: to recognise its capacity to say far more than it currently does. This was the agenda of the papers presented here.

All these papers, in different ways, seek to bring a distinctive politics to what have become standard issues of financial reform agenda. A common theme is a critical engagement with the popular belief that reform programs will bring to an end the practices that generated the crisis.

Two papers, those of John Roberts and Randy Martin, address this in relation to corporate practices. John Roberts poses this issue within the practice of accounting itself, noting, in the tradition of Callon, the way in which the conventions of accounting performed the crisis. The implication is that reform agendas that focus on the creation of market transparencies will only serve to re-frame self interest. What is needed, he argues, is new forms of accounting that focus on relations and interdependencies.

Randy Martin's contribution addresses managerial expertise, a term we associate readily with Enron and "The Smartest Guys in the Room". He argues that the patent inability of "experts" to command the operations and products of financial markets opens up a more concern for the social power commanded by expertise. It is not just that experts got it wrong, but that failing shows to us the inability of experts to set their own contexts for knowledge. The failing shows the need for each expert to not challenge but to accept without criticism the range of specialist knowledges with which they must articulate. The labour of the professions is perhaps to be understood like financial markets themselves, as discrete portfolios of knowledge which must mutually articulate but cannot be relied to do so in a way that brings coherence.

Like Randy Martin, Martijn Konings focuses on professional expertise, but in relation to public media, not corporate boardrooms. He follows the discourse of Paul Krugman's analysis of policy agendas, and his swing between optimistic expectations of Obama's reform agenda and despair about reform outcomes. Konings notes how Krugman's populism served to create popular expectations, the effect of which was to leave his audience passive and disempowered.

The issue of populism is at the centre of the paper by Dick Bryan and Michael Rafferty. They, like Melinda Cooper and Angela Mitropoulos, turn the focus to the changing role of the household in the financial crisis, picking up on what Randy Martin termed "the financialization of daily life". Both papers, in different ways, draw out the tensions between the liquidity presumed of financial assets and the illiquidity of life, expressed in the "solidness" of the home. Bryan and Rafferty address the centrality of mortgages and mortgage-backed securities as a catalyst for the crisis. They note how, in populist and state responses to the crisis, households are cast as victims, outside the financial system, who now need support for financial literacy and consumer protection. The effect, they argue, is to constitute and reconstitute households as passive consumers, despite the fact that they displayed the capacity to create a global financial crisis.

Cooper and Mitropoulos extend this same line of analysis beyond the specifics of mortgage-backed securities and into the wide constitution of the household as a financial agent, in which financial processes which shift risk onto households is normalized and cast as expressions of freedom and democracy. They depict a frontier space in which the value form and a process of financial accumulation engage a household conceived in quite different dimensions. It is a site in which the value form can, and did, come undone.

Fiona Allon continues this focus on the household, suggesting that the redefinition of the home as an "asset" and an "investment" is one part of a much wider *cultural rationality* that emphasises an image of the enterprising and responsible citizen who seeks out opportunities for asset-accumulation and investment not just as a sign of a self-directed and autonomous life, but as a much-needed source of welfare and security over the life course. For Allon, the idea that the crisis was the function of exogenous financial forces and associated *irrational* "herd behaviour" fails to acknowledge the cultural rationality that saw the constitution of the citizen as someone enjoined, indeed required, to invest in their lives through debt-fuelled, and frequently asset-based,

consumption that most often than not depended on the home as an object of leveraged investment.

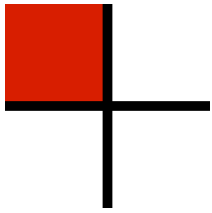
In each of these contributions, a new politics is flagged. It is a politics which is conceived in making stark what is systematically excluded – conceiving of potential in neglect, and challenging the foundations which usually go unquestioned. It is not a politics with a ready-made policy solution, and intentionally so, for the objective is to probe and reveal, as an on-going agenda. To nominate formal policy solutions is to stop probing, and to privilege just one dimension of an issue.

This conception of political response, perhaps, reveals starkly the critical pedagogical issue for finance. The study of that which celebrates fluidity and optimising must itself be conceived in the same mindset, where the key to understanding comes from challenging possibilities as well as mastering techniques.

the authors

Dick Bryan is professor of Political Economy at the University of Sydney. His research, published predominantly with Michael Rafferty has for a decade focussed on money and on innovation in financial markets, and financial derivatives in particular. This research includes the monograph *Capitalism with Derivatives: A Political Economy of Financial Derivatives, Capital and Class* (Palgrave 2006). Prevalent issues in current research relate to the evolving role played by labour in financial markets and products.
E-mail: dick.bryan@sydney.edu.au

Michael Rafferty is a Senior Research Analyst at the Workplace Research Centre at the University of Sydney. He work focuses on money and finance and the finance industry. As well as work with Dick Bryan on derivatives, he currently works on the performance of superannuation (pension) funds and on issues of capital stewardship. His publications include the monograph *Capitalism with Derivatives: A Political Economy of Financial Derivatives, Capital and Class* (Palgrave 2006).
Email: michael.rafferty@sydney.edu.au



Faith in the numbers

John Roberts

From self interest to *inter-esse*

Far from representing a failure of knowledge, it seems to me that the crisis has its roots in too much certainty – a belief by market participants that they knew what they were doing. My own sense of reality begins to wane when we move from real to derivative products. Lots of money to be made here, but value seems to depend entirely on the capacity to calculate future probabilities in order to place a current value on future uncertainties. Risk in this way becomes something manageable – or at least that was the story we were told – but perhaps all that mattered was that risk had become tradable and hence profitable.

In my personal life I know the hurt and damage that can be done to others when I am careless or simply self-absorbed in my conduct. The extraordinary thing about the credit crisis is that the hurt and damage was similarly inevitable and yet we had all somehow come to believe in the magic whereby markets can transform aggressive self interest into a public good. The reach of my own conduct is relatively short; family friends, colleagues, students. Prior to the crisis ever more intense global interdependencies were being forged by the ever more aggressive pursuit of individual and institutional self interest, and yet, until the crisis happened, these interdependencies were largely invisible. Perversely most of us came to know of their existence only at the moment when they were about to cease to function: when self interest started to calculate that it was dangerous to trade, or more accurately when self interest could no longer be calculated and ceased to be able to be pursued. At this moment central banks had to step in in an attempt to preserve liquidity. A different and more fundamental notion of interests was being defended here: interests not as internal to the self but as *between* selves – interests as *inter-esse*. Since then self interest has only begun to emerge from its self-protective shell with the return of the lure of profit.

So the crisis points to a thoroughly nasty paradox. The conditions for the crisis were created by a belief that interests are internal to the self and that others are of concern only in so far as they can be instrumental to the self. The crisis itself was then precipitated by the cumulative effects of individuals and institutions seeking to defend this self interest from the real and anticipated threat of others. Finally, the public/social/relational nature of inter-ests has had to be defended by re-establishing the

conditions whereby “self” interest can again be calculated. In what follows I want to explore the nature of self interest in the hope of better understanding the construction of this illusion. Economics and finance has long taken self interested opportunism as a defining and dependable *given* of human nature that can be taught with confidence to successive generations. It is treated as an “agency problem” that can only be worked around, as with executive pay where apparently the only solution to executive greed is to align greed with the interests of shareholders.

Against this, I want to suggest that there is nothing at all natural about self interest. Instead, following Callon (1998), I want to argue that it takes a huge amount of effort to “frame” relationships in a way that allows the self and self interest to be “disentangled” from the network of relationships in which it is always embedded. Callon insists that such framing will be both “expensive and always imperfect” so that the sorts of overflowing that we witnessed with the financial crisis in which safely framed and profitable “credit” risk morphed into first “market” then “counterparty” and then “liquidity” risk is to be expected. Central to the construction of self interest is calculation, and here Callon points to the important role of “calculating tools” and in particular “that humble, disclaimed and misunderstood practice; accounting and tools it elaborates” (1998: 23). In the wake of the crisis many have looked to behavioural finance, and its exploration of the dynamics of “irrational” fear and greed, to explain the failure of rational calculation in financial markets. Here I want to supplement this by pointing to the role of non-human “actants” – notably models and accounting – in feeding the illusion of both rationality (greed) as markets were growing and amplifying panic and fear as the crisis unfolded.

Models and Accounting as Intermediaries in the CDO market

In the last decade or so the aggressive pursuit of self interest transformed the dull “originate to hold” model of mortgage lending into an extended global network of relationships involving mortgage brokers, banks, investment banks, hedge funds, insurers, credit rating agencies and investors. The product innovations that forged these new associations were dizzying in their complexity and ingenuity. Perhaps the simplest was “securitisation” – the bundling of assets together into a pool that could then be sold on to others in a way that was claimed would both dissipate risk widely and release capital for further profitable lending. The Collateralised Debt Obligation (CDO) offered a further innovation by devising a way in which such a pool of assets might be further divided in order to produce different “tranches” of securities each with a different risk/reward profile. There was magic at work here for the process claimed to achieve a form of “credit enhancement” that could transform once risky assets into highly rated risk remote securities offering superior returns to the most conservative of institutional investors. Such processes made “sub-prime” mortgages viable and attractive since they commanded higher premiums from the borrower yet through the magic of credit enhancement could still be transformed, or at least partly transformed into highly rated assets. The success of these products spurred yet further innovation, notably so called “synthetic” CDOs where ownership of the underlying assets stayed with the originator and only the risk was sold on to the investor by means of the use of credit default swaps. And then in the years immediately preceding the crisis yet further innovative

products emerged. Some bundled CDOs together into CDO² or traded against an index of CDOs. Yet more exotic variants had names like Leveraged Super Senior Tranches, Constant Proportion Debt Obligations and Structured Investment Vehicles that combined quality assets and very high levels of leverage to offer high returns at apparently low risk.

The grotesque irony of the credit crisis is that products that claimed to be able to manage and dissipate risk to the benefit of all in the end became themselves the source of realized risk first for the financial system and then the “real” economy. Here I want to trace this risk to the incoherence of the calculative mind set. At the moment when the new “originate to distribute” model of mortgage lending was embedding market participants in an ever deeper and more complex set of inter-dependencies, the calculative mind carelessly imagined itself to be safely getting rid of risk by passing it on to others. Part of this incoherence can be found in the notion of markets as an encompassing context for action, rather than as themselves the consequence, intended and unintended, of action. “Deep and liquid” global markets were conceived as somehow more than the cumulative sum of individual conduct and its effects, and were therefore taken for granted. The belief that “markets” were somehow separate and immune from the consequences of conduct then liberated individuals, and individual institutions, to focus all their energy on the pursuit of their own self interest. Indeed the market was argued to demand no less than this; as Chuck Prince put it: “while the music is playing, you *have* to dance” (Financial Times, 2007). What I want to explore here is the dependence of this pursuit of self interest on two key calculating tools – models and accounting – and the (misplaced) faith in the numbers that this involved.

What must first be observed is that accounting and models were key “mediators” in most of the extended network of relationships that the “originate to distribute” products created. Modelling, for example, was critical in the process of securitisation and, in particular, tranching upon which the CDO depended. Along with *pre payment variables* such as asset prices, interest rates and housing data, the tranching and pricing of CDO products depended upon the modelling of critical *default variables* such as loan to value ratios, default and recovery rates, as well as the potential for defaults to be highly correlated. The results could then be “stress tested” against multiple scenarios and market and historical data in order to verify the modelled assumptions, on the basis of which cash flows and risk could then be allocated to the different tranches. The sheer complexity of such processes and their incomprehensibility to all but a few elite “quants” staff was possibly enough to guarantee the authority of their output. There was in any case no alternative but to depend upon this outsourced calculative capability for, as Millo and Mackenzie (2009) have recently argued, the markets could simply not have operated without such computer based modelling capability. As they put it, their “inhuman speed and efficiency” made models an “irreplaceable and irreducible part of the constitution of markets” (2009: 641)

The modelling of product originators then had to be matched by similar processes in the credit rating agencies who initially adapted methodologies that they had developed for their traditional and less complex bond rating work. Their models were the basis of the AAA ratings given to the senior tranches of many CDO products; a rating that then encouraged and allowed yield hungry but risk-averse investors to buy. Models, notably

Value at Risk models, were also the basis of risk assessment within investment banks and hedge funds and thereby became central to the reassurance offered by seemingly rigorous “risk management” processes both to senior managers and directors as well as regulators.

Accounting arguably struggled to keep pace with such product innovation which required both the Financial Accounting Standards Board and International Accounting Standards Board to develop new standards for financial instruments. Many of the new products were housed in off balance sheet entities and post Enron, such structures required that no institution had control rights or held the majority of risks and rewards. For on balance sheet assets the new standards distinguished between those assets that were being actively traded and those that would be held to maturity. For traded assets both the IASB and FASB stipulated that they be measured at “fair value” or current “exit price” but then had to devise a hierarchy of measurement bases starting with quoted market prices for identical assets, or if these were not available then the use of “observable inputs” like an index, and finally and most problematic, measurement on the basis of modelled assumptions.

Up until the onset of the crisis both models and accounting seemed vital but uncontentious tools for market participants. Models in all their complexity and sophistication could be taken as the ultimate embodiments of the rationality so prized by economics and finance, and, having adjusted to this new complexity, accounting could again offer itself as no more than an independent observer of the profitable fruits of this computer enhanced rationality. In Latour’s (2005) terms, both models and accounting were treated as reliable “intermediaries” that facilitated market relationships through allowing the calculation of probabilities and hence profitability. When the spreads and hence the profitability of CDO indexes began to narrow in 2006, rather than being read as a possibility that risk was being under-priced, it was taken as a signal that risk was low and profitability was restored through the simple device of leverage. As Felsenheimer & Gisdakis (2008: 156) explain: “the investment rationale was very simple; if the risk premium is low, then the risk has to be low. And if the risk premium provides on a quarter of the return, then just invest four times as much”. The resultant levels of leverage were very high; in banks about 12 to 1, in investment banks around 30 to 1 and in some of the SIVs up to 60 to 1. Whilst there was faith in the numbers such leverage was just a rational way to multiply profits.

Losing Faith in the Numbers

As is now widely known, the trigger for the credit crisis was rising interest rates and the beginning of a decline in the US housing market in late 2006/early 2007. Sub prime borrowers were, of course, particularly vulnerable to these changes and, in the third quarter of 2007 the Mortgage Bankers Association reported that some 42% of sub-prime adjustable rate mortgages had begun foreclosure on their loans (MBA, 2008). Such levels of actual and potential defaults far exceeded those that had been assumed and modelled in the structuring of CDO products. Defaults rates, however, were only a part of the problem. In a rising housing market recovery rates post default could still make a loan profitable but in a falling housing market, where defaults were highly

correlated with each other, recovery rates also fell far below those that had been assumed in the models (Ryan, 2008). These were the shocks that then passed through to financial markets. June 2007 saw the collapse of two heavily leveraged hedge funds at Bear Sterns. But a more generalised shock was then delivered in July when the ratings agencies – Moody's, Standard and Poor's and Fitch – started to re-run their models with the new default and recovery data. There followed a huge number of re-ratings of CDO products, typically involving multiple-notch downgrades. For example Moody's downgraded 252 AAA rated CDOs sold in 2006-7, some 20% of the deals issued in that period, by an average of eight notches, or all the way down to junk status. Both the volume and extent of these re-ratings was so severe that it cast doubt on the adequacy of the original ratings process for all CDOs. As the Counterparty Risk Management Policy Group described it, the downgrades resulted in "a collapse in confidence in a very broad range of structured product ratings and a collapse in liquidity for such products" (2008: 53).

The scale and severity of these rating agency downgrades also served to push market prices down and this then started a chain reaction that fed through money markets, SIVs and back into their sponsoring investment banks. SIVs relied on cheaper short term commercial paper to fund longer term debt, but now found themselves unable to "roll over" this paper as money markets effectively froze. This then threatened to trigger asset sales in an already depressed market, and required that they were effectively bailed out by their sponsoring banks. This was just one of the channels through which accounting started to signal that credit risk had escaped its profitable framing. Numerous other overflows started to occur. Most of the CDOs had been housed in off balance sheet entities which were allowed as long as no one had a controlling interest. Depressed market prices, or worse, the complete absence of a market, forced these entities back onto the balance sheets of the banks. The process of assembling assets for securitisation also meant that investment banks had "warehoused" some CDO tranches, or were actively trading these. In this way they found themselves holding some of the worst elements of these supposedly "pass through" products. These now had to be valued at market prices which, even in the absence of defaults, were below the value of the underlying cash flows. These losses had now to be recognised along with direct losses in the subordinate tranches of CDOs that were occurring as a result of the higher level of defaults and lower recovery rates.

The result, starting in July 2007, was the reporting of huge write downs by major investment banks, which in turn fed substantial falls in their stock market capitalisation requiring rapid de-leveraging, credit rationing or recapitalisation in order to meet capital adequacy requirements. The scale of the losses was shocking but so too were the big jumps in the value and timing of these write-downs. These further undermined faith in the numbers since investors feared that mark-to-model accounting was being used to hide or at least minimise reported losses. Such emergent "market" risk then began to morph into "counterparty" risk, in part as a result of the widespread use of credit default swaps in synthetic CDOs. This "over the counter" market lacked transparency, and so risk that had been dissipated very widely was suddenly everywhere. If an institution was uncertain about the liabilities it faced, then it was likely that those it traded with faced similar uncertainty. This logic then provided a further rationale for markets to freeze

hence creating “liquidity” risk. In October 2007 the IMF anticipated the kind of vicious circle that could now unfold.

A small loss in value can force funds to sell large amounts of assets as liquidations to meet margin calls and, simultaneously, their redemptions increase. Such ‘fire sale’ could lead to a vicious circle of forced sales, as the widening of spreads forces hedge funds and others who mark portfolios to market to post losses, possibly sparking investor withdrawals and further forced sales. (IMF, 2007: 20)

In the host of investigations that have accompanied the unfolding crisis once dependable models and accounting have both become the target of criticism. A common theme has been what the UK Turner Review (FSA, 2009) terms a “misplaced reliance on sophisticated maths”. The CRMPG similarly urged risk management professionals and senior management to recognise “the limitations of mathematical models” (2008: 83). The SEC in its investigations of credit rating pointed to the “very short” performance history of sub-prime mortgages and the “very benign economic conditions” that had informed the modelled projection of risk. Models are of course entirely dependent upon the assumptions that are built into them, and in this case the assumptions that originators and credit rating agencies made about default rates, default correlation and therefore recovery rates were simply wrong. Likewise, with the wisdom of hindsight it has become clear that the Value at Risk models that were relied upon for risk assessment were sending reassuring signals of low risk as actual risk grew (FSA, 2009). This reassurance occluded attention to “correlations between exposures” both within and between different institutions.

Fair value accounting has similarly become the target of criticism post crisis. Its defenders have insisted that to blame accounting is like “shooting the messenger” and the SEC in its own investigations into whether accounting “caused” the crisis argued that if anything there was the need for more accounting transparency. Opponents of fair value on the other hand have insisted that its effects had been pro-cyclical; encouraging over investment during the growth of the market and amplifying the downturn by forcing losses to be recognised across firms through the application of valuations arising from forced sales in an abnormal market.

Such attempts to blame (or exonerate) models and accounting misses the key point which is the need to observe the ways in which these non-human “actants” conditioned and (mis)informed human agency. Here I want to observe the possibly hyperreal interaction of models and accounting in both the growth and collapse of the CDO market. Macintosh et al. follow Baudrillard in defining “hyperreality” as a condition where “signs, images and models circulate, detached from any real material objects” (2000: 14). The innovations of credit enhancement and synthetic modes of disentangling risk from underlying assets possibly ushered in such hyperreality. Then, during both the rise and fall of the market for CDOs, accounting and models informed each other such that they arguably created a self referencing and reinforcing hall of mirrors. Risk became calculable, price-able and hence tradable in CDOs only through the projection and then discounting of the anticipated future cash flows from underlying mortgages, appropriately adjusted for anticipated levels of default, default correlation and recovery etc. The apparent focus of fair value on the current market “exit price” had been judged superior to earlier historical cost accounting, but in the case of traded risk

this seeming currency of valuation masked the way that this had the form only of a modelled *anticipation* of profitability. As we have seen the structuring of CDOs was model-derived in order to be profitable, and accounting duly captured these profits, either on the basis of similarly modelled assumptions or from model informed indexes. It was only once the mortgage assets acquired a real as opposed to assumed and projected history that these assumptions were revealed as incorrect and over optimistic. Post-crisis valuations, taken from indexes, were then driven below those implied by underlying cash flows by concerns with market and liquidity risk.

It could be argued then that market participants were simply led astray by the numbers, but of course their initial faith in the numbers was itself highly incentivised. There were strong financial reasons for both individuals and institutions to believe in their projections since huge profits and individual bonuses could then be taken on the basis of no more than the anticipation of the accuracy of the projected probabilities and profitability of CDOs. In this sense there was an incentive to censor doubt out of calculation for it was faith that was rewarded. The *Wall Street Journal* reported that between 2002 and 2008 the five largest US investment banks had reported \$76bn in net profits but paid \$190bn in bonuses in the same period, and even in 2008 when the crisis was in full swing reported losses were being matched with bonus payments (Wall Street Journal, 2009).

According to accounting standard setters the primary purpose of accounting information is to provide decision useful information to investors. However, it is important to observe that accounting also serves a more fundamental tool in making the calculation of self interest possible, through defining both the purpose and means through which profit can be realised. Accounting tools are critical both for setting performance targets for individuals and institutions, and then for monitoring actual performance against these. In financial institutions force was added to such measures by incentive structures which effectively shared profits between employees and investors through the payment of performance bonuses. Structured finance offered an almost ideal fuel for this profit driven enterprise, and by 2006 accounted for some 30% of investment bank earnings (Wall Street Journal, 2008). So long before accounting was providing decision useful information for investors it was framing the ends, means and driving motivation for the pursuit of self interest.

The Illusion of Self interest

The enduring self image of accounting is that it serves as no more than a neutral mirror of reality. As Christopher Cox, the chairman of the SEC asserted in a speech in 2008: “Accounting standards should not be viewed as a fiscal policy tool to stimulate or moderate growth, but rather as a means of producing neutral and objective measurement of the financial performance of public companies” (Cox, 2008). Here, however, I have argued that accounting and associated modelling tools served a much more active role in making possible the calculations upon which the disentanglement of self interest depended. To insist on the performativity of accounting tools in constructing self interest is itself something of a wound to the assumptions of traditional finance; the image of human rationality. To observe that such rationality had been outsourced to

non-humans which then worked back upon human subjects to amplify both greed and fear similarly undermines the conceit of rational control and the autonomy of human agency. However, this narcissistic wound is arguably an essential moment in any move to a more fully civilised understanding of financial markets.

The illusion of self interest can be easily stated. It imagines the self as essentially separate and self contained both from other “individuals” and from the “markets” in which it operates. On this basis it imagines that it is safe to ignore, deny or simply be indifferent to the consequences of its conduct beyond the achievement of its own individual ends. Post crisis multiple forms of such “moral hazard” have been discovered as investigations have sought to go behind the numbers to explore different aspects of the extended network of relationships created by the “originate to distribute” model of mortgage lending. Predatory borrowing and lending, regulatory arbitrage, careless and conflicted rating processes, the excessive use of leverage arguably all depend upon the assumption that risk could be safely passed onto others and thereby escaped. That “credit” risk that had been apparently safely and profitably framed then overflowed and fed back up the channels through which it had been distributed, should ideally have shattered this illusion of individual and institutional autonomy. Perhaps this is the root experience of panic – a sudden appreciation of the self as vulnerable and dependent – a recognition of the relational basis of self interest. But then panic grasps after its old certainties and seeks to calculate its own survival. Whilst seemingly rational from an individual or institutional point of view in practice this only adds further fuel to the vicious self defeating circle in which self interest is then caught.

What economics and finance take as a given of human nature – self interested opportunism – is more properly seen as an “imaginary” – an identification with no more than an idealised image of the self as autonomous and coherent (Roberts, 2005). In developmental terms this primitive foundation of the ego must suffer a further alienation in subjection to the law and language. The crisis similarly points to the need to go beyond the illusions of the autonomy and rationality of the self. To refuse the “naturalness” of self interest, to insist that it is a mentality that we have to work very hard to construct, suggests some very obvious ways in which it might readily be deconstructed by weakening the incentives that fuel its calculation.

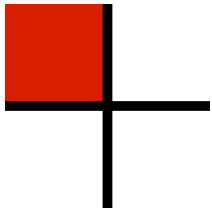
references

- Callon, M. (1998) *The Laws of the Markets*, Sociological Review Monograph. Oxford: Blackwell.
- Counterparty Risk Management Policy Group III (2008) *Containing Systemic Risk: The Road to Reform*. August, CRMPG.
- Cox, C. (2008) ‘Remarks before the AICPA national conference on current SEC and PCAOB development’, December. [<http://www.sec.gov/news/speech/2008/120808cc.htm>]
- Felsenheimer, J. and P. Gisdakis (2008) *Credit crises: from tainted loans to global financial meltdown*. Weinham: Wiley-Vch.
- Financial Services Authority (2009) *The Turner Review: a regulatory response to the global banking crisis*. March. FSA: London.
- Financial Times (2007) ‘Citigroup chief stays bullish on buy-outs M. Nakamoto, & D. Wighton, July 9.
- International Monetary Fund (2007) *Global Financial Stability Report: Financial Market Turbulence – Causes, Consequences and Policies*. October, IMF.

- Latour, B. (2005) *Reassembling the Social: an Introduction to Actor-Network-Theory*. Oxford: Clarendon.
- Macintosh, N., T. Shearer, D. Thornton and M. Welker (2000) 'Accounting as simulacrum and hyperreality: perspectives on income and capital', *Accounting, Organizations and Society*, 25(1): 13-50.
- Millo, Y. and D. MacKenzie (2009) 'The usefulness of inaccurate models: towards an understanding of the emergence of financial risk management', *Accounting, Organizations and Society*, (38): 638-653.
- Mortgage Bankers Association (2008) 'Delinquencies and foreclosures increase in latest MBA national delinquency survey', March 3. [<http://www.mortgagebankers.org/NewsandMedia/PressCenter/60619.htm>]
- Roberts, J. (2005) 'The power of the 'imaginary' in disciplinary processes', *Organization*, 12(5): 619-642.
- Ryan, S. (2008) *Accounting in and for the Sub-Prime Crisis*. Stern School of Business, New York University. [<http://ssrn.com/abstract=1115323>]
- SEC (2008) *Summary Report of Issues Identified in the Commission Staff's Examination of Select Credit Rating Agencies*. July, SEC.
- Wall Street Journal (2008) 'Deal fees under fire amid mortgage crisis – guaranteed rewards of bankers, middlemen are in the spotlight', L. Plevin & S. Craig, January 17.
- Wall Street Journal (2009). 'Wall Street workers brace for more pay shrinkage', A. Luchetti & M. Karnitschnig, February 2.

the author

John Roberts is a Professor in the Accounting Discipline, in the Faculty of Economics and Business at the University of Sydney. He was formerly a Reader at the Judge Business School, University of Cambridge. His primary area of research interest is corporate governance and, over the last ten years, he has conducted extensive qualitative research on the dynamic of board roles and relationships and company institutional investor relations in UK FTSE 250 companies. On the basis of this work he has published widely both in academic journals and practitioner reports. His current work is focused on processes of accountability and how some of the dysfunctional consequences of transparency might be countered with more 'intelligent' forms of accountability.
E-mail: john.roberts@sydney.edu.au



Whose crisis is that? Thinking finance otherwise

Randy Martin

By now the pliant is all too familiar. They were the smartest ones in the room. They had invented the game and perfected the equipment required to play it. They had convinced regulators, investors, accountants, journalists, consumers – all the relevant participants – that theirs was the way of the world. They had the track record to prove it, the returns to justify it, the bonuses to affirm it. But suddenly, in the course of a few weeks, it all fell apart. The gleaming towers, houses of cards, the spectacular castles made of sand, revenue streams parched riverbeds, mountains of sophisticated contracts worthless paper – the metaphors were chanted repeatedly in an anesthetizing mantra. The great vision so many had bought looked so obviously contrived in hindsight. How could they not have seen the collapse coming? What made them think their schemes could last? How could their knowledge have failed them so? These questions were posed by the innocent bystanders in tones of righteous indignation and surprise.

But this script of meteoric rise and precipitous fall of best and brightest had already been written and performed many times over. The iteration applies not only to the present fiasco, and the wizards at Bear Stearns, the house of Lehman, or A.I.G., but was said of other boardrooms that broke big. Think Enron, Long Term Capital Management – and that's just going back a decade to similar debacles soon forgotten and only now appearing smaller in scale. The sterling credentials of presidential intimates and Nobel Prize winners weren't enough to keep their ships afloat. Thousands of lives were disrupted, rescues were required, investigations were commissioned, remedies were proposed. Some were punished or shamed, but the instruments for isolating, pricing and trading in risk returned, the markets in derivatives flourished, the factories of financial machination soon began to hum again. Indeed, between the fall of Enron at the end of 2001 and the subprime meltdown some six years later, over-the-counter derivatives increased roughly fivefold to over a half trillion dollars. The implosion of energy futures gave license to a take-off in innovation of financial intellectual properties that made the universes of the previous masters seem small indeed. With the Citibank brain trust that had helped engineer the new financial order in disrepute, Jamie Dimon, head of the equally culpable but bullishly victorious JP Morgan Chase, now the one to whisper explanations in the president's ear. "No worries. You can have your money back now. Let's press the reset button". How could such intelligence prove so dumb?

Maybe it's time to get over the surprise. The swings of moralistic discovery and subsequent amnesia of capital's ups and downs can seem as much a naturalization of the business cycle that presents crisis as a requirement to restore the order of private wealth as a momentary fretting over how things got this way (again). If there is something to be learned (and taught) of this crisis beyond the paeans and pains of business self-interest, it might be more useful to ask what it means for everyone else. Rather than letting capital off the hook, exploring what the financial maelstrom means for labour can focus attention more comprehensively on how to think about the implications of novelty and range of political responses that can be placed under consideration. If capital is, in effect, continuously in crisis or bringing the world to crisis as it destroys the very firmament that had created it, the more salient class crisis is that of those who have worked to produce the wealth the private ownership can neither sustain nor live without – that is to say the millions of knowledge workers pressed into the service of this particular interest, namely, the professional managerial class. Whether it was ever disinterested, professionally credentialed expertise is subject to norms of productivity not of its making, while the managers are themselves the minions of an intensively managed existence. The failure of intelligence to master the world may turn out to be a condition not simply of a few rarefied board rooms, but of a more general problem for the work of subjecting the world to the powers of cognition that purportedly lie at the heart of what has been touted as a knowledge society. What if it is not just a few smarties whose ambitions got away from them, but smartness itself that once could confidently rule its specialized domain, but now, asked to deliver on behalf of ceaseless accumulation, cannot command the world according to its perquisites and methods.

Herein lies a deeper dilemma in the prevailing means for generating social wealth. Capital demands knowledge but cannot know itself. It cannot produce the facts that run its machinery of circulation. It generates an expertise it cannot abide. But the experts, once promised with self-rule over their technical domain have become instrumentalized not to the dictates of disciplinary reason, but to the demands of productivity, they have traded internally established norms of merit for generally accountable measures of excellence. To be the best is to make the most. Yet there is a persistent complicity, a passing that must be accomplished between professionals to keep the machinery of facticity in motion. No longer able to simply hew to the protocols of training and do one's own work, professional labour is increasingly dependent on the work of others outside its own quarters. Now large slabs of the professional division of labour are insinuated in the specialist's workbench. The accountant must certify the soundness of the analyst's numbers without calling into question their purpose, lest they be dismissed as the bearers of bad news. The journalist must protect the sources that rely on news and the veracity of events by which financial decisions get made or else they will lose the access that gives them something that they can privilege as information. Expertise thus relies on something outside itself, a constitutive externality, a generative closet whose secrets it keeps in order to formulate its own claims. Perhaps it's true that Alan Greenspan missed the flaw in his theory of market activity or didn't adequately understand the mathematics that yielded the complex financial instruments of doom, but he certainly knew that his pronouncements of economic good health were words of encouragement for their ears, words that their own efforts dare not contradict.

Far from being alone, autonomous, self-reliant, as the classic mythos of the professions would have it, these peerages craft their truths from spaces of mutual negativity, from reliances they must live but cannot fully name, authorities they must report to but can never fully address. What has been addressed as a crisis of capital may in this respect turn out to be the harbinger of a shattering of a particular conception of labour, here the work of knowing that cannot reproduce itself on the terms of its training, its promise to secure a niche unto itself. More broadly, if professional intelligence proves insufficient to govern its own conventions, we may be looking at a crisis of knowledge work that poses its own questions of how to make knowledge work. If the analysts of finance share a predicament with other professionally credentialed knowledge makers, then we may be faced with more than a regulatory reform or curriculum review, but a more general rethink of what makes this knowledge and with it, a reconsideration of the very conception of the professional school that has come to dominate higher education. The professions had been crafted as a mutation from the liberal ideals of education as providing its own ends. Their education would pursue a specialized technical mastery, which they alone could measure. In a twist on Weber's tale of disenchantment, subsequently all kinds of education would undergo this professional turn, and be subject to accounts of measurable outcome and efficacy in the marketplace – a standard universalized to undermine the independence and disinterestedness of the very professional norms on which they were based. The insistence that learning must be for something other than itself must demonstrate its utility and make itself an outcome in anticipation of this generalized purposiveness. Perhaps it is not the presence of such a demand for assessable relevance that lies at the root of the problem, but the criteria of evaluation and the greater sense of purpose. Hopefully, that is something which can now be placed on the collective agenda. What is it about the present crisis that might lead us in such a direction?

All this knowledge was once supposed to sustain its place in the world by being self-interested, concerned with its own perfection, attentive to its own judgement. Such would be the foundation of its objectivity, the milk of its legitimacy. But such inner-focus no longer makes the grade. Rather than creating a secure cache of mandarins, the entanglement of knowledge work with capital signalled by financialization presents itself as if now everyone is an expert; all must manage their existential portfolio. Each bit of information is as much a source of suspicion as of opportunity, of doubt as of trust. Bits of knowledges from myriad addresses of expertise rain down upon the minions of a managed world, inviting each of its subjects to profit from minor differences in a gambit of endless arbitrage. The old adage of professional self-fashioning, "be true to your work and your work will be true to you", bumps up against a larger mandate to pay attention to the work of others to see what you need to know of it. What do you need to be partial to in order to add value, appreciate, expand. These affinities are volatile and the shifting allegiances that they advertise only encourage a vigilant pursuit of marginal improvement that abets a condition of hyperactive exchange that can only advance volatility. Management has long been understood to beget more management, the scrutiny of each action as if it could yield more underwrites a basal dissatisfaction of what currently transpires and fosters surveillance without limit. Risk management first offered to defer unwanted outcomes, converts any outcome to a gain over what otherwise would be expected – effectively generating more of its own *materia prima*.

To be driven by the expectation of unexpected gain is to be subsumed within the logic of risk, the gift that finance's reign has bequeathed to those directed to follow it to glory. This constant attention to an outside, to the swirl in which the value of what one can make gets realized, assayed, adjudged also speaks to what financialization has wrought, not only the intersection between a recombinant capital and entangled attributes of labour, but the spheres of production and circulation. While it is certainly true that financial services are a growth sector, that more firms are engaged in this activity and more employed by it, the deeper significance of rendering finance the ends of life is that its logic, that of risk management infests all human endeavour, such that even a contraction of the financial services sector in the social Darwinism of crisis would not by itself turn the tide of finance's generalizing reach. But like any force of social innovation, financialization expands what populations generate way beyond what it seeks to recoup at the bottom line. It cultivates conditions for an expanding sociality, that is the source for a greater surplus not only of wealth, but of itself. The household, the flora and fauna of cultural expression, the eco-*philia* by which nature is reborn as a kind of human activity, the selectivity in sexuality, the institutions for achieving deliberations of judgement along axes of church, law, policing – all these once items of a list termed social reproduction, now lie at the frontier of what current society can claim to produce.

The financial crisis emanates from the collapsed divide between production and circulation, whether homes asked to do too much work, formulae manufacturers asked to add their own value, spontaneous television millionaires covering for all the wannabes. Ironically, the name for the kind of work that seeks to govern its own circulation, further its own reproduction, get itself into the world is "producer". To be an agent of one's own distribution is to swim in the flow of finance, to act as one's own capital, to work out one's own self-representation. The mixes and mosh-ups, digital deliria, ecstatic communications, are readily diminished as lost arts of exchange, but they plainly exhibit the inscription of a derivative form. And more. The profiles by which a relative positionality of value, a ranking on a website in order of most visited, most cited, most linked, claims its own measures of expertise and valuation. At the same time, these profiles are not persons, but bundles of their attributes—shopping preferences, stock picks, blogged occupation of space, that proliferate identity as a riot of production. The point here is not to privilege one scene of innovation over another, to insist on a uniformity of practice when so much is at hand, but to mine the derivative's social operations to see what is brought to notice about the myriad novelties of association and interdependence assembled from the bricolage of a financialized world.

Whereas the mass commodities of the industrial proletariat invite a kind of mimetic valuation of practice, an avant-garde which all can follow, the arbitrage that professional managerial labour inculcates avails itself of no such fixed imitation, no simple separation of private individual and undifferentiated public realm. Rather, this derivative work engages attributes of many commodities, identities, practices, affects and reflections, blending and slicing them into differentiated but comparable entities. Further, if the figure of the originary proletariat once appeared to be a subject that could be universalized, a sameness endlessly repeated, for better and worse, the derivative logic that links professional managerial work can make no such claims for a commonality of perspective or experience, just as it would have to remain cognizant of

other expressions of labour that do not fit its own profile, be they industrial, agrarian, informal, or beyond work altogether. Presumably, these partial commitments of professionals toward themselves and others would encourage not a single unitary institution of interest, but a kind of organizational hybridity, a reckoning of multiple affiliations that redirect the rampant managerial directives toward more considered ends across affinities of expertise, industry, and societal coordination.

Conventionally, the activities of social reproduction, domesticity, consumption, are treated as the expression of a kind of culture, as time lost to a fragmented community, rather than as manifestations of the associational forms of this post-autonomous knowledge labour. In this regard, what has been called the financial meltdown raises the spectre of a return to view of an understanding of class, not as a unifiable interest advancing in lock step to a singular goal, but of an associational principle now legible in the derivative form, an attribute of capital in the diffuse and composite body of professional managerial labour. When viewed through the old prism of professional autonomy, all this effort looks like anxiety, of constant comparison without reference to underlying value, a nervous glance over the shoulder to see who is looking, a squint forward to see if it's ever going to be possible to catch up, a reliance on the kindness of strangers not to pull the plug, eliminate access, call out the guards and out the impossibility that expertise can stand up to its test. When grasped through the derivative logic that financialization has sprayed across culture and misted over occupations, such uncertainties of failure are translated into an economy of risk, of gains realized and unrealizable, of futures made bruited about in a present that is not one, of an unabsorbable excess in polyrhythmic echo within and without.

The enclosure of freestanding knowledge does not seal it from others, but forces one to seep into the neighbouring plot, in a manner that demands accountability but is ultimately ungovernable. Of course this last attribute, an end to government, has been adopted as the slogan of the neo-liberal state as if it were an aim rather than a technique, as if its own work of fracturing security in the name of self-accomplishment required anything less than hyperactive intervention into the private matters of reproduction. Freeing capital from the debts of society required a refusal to recognize what separates the public will from the private interest, a commitment to manufacture the occasions of debt, whether through massive defunding, violent occupations and abandonments, intolerance toward the victims of its schemes, the newly-born "at risk" populations for whom its risks prove unbearable.

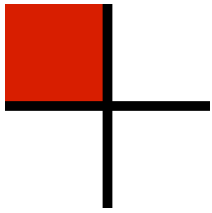
Given the force of enclosure upon professional knowledge, one impulse would be to demand freedom from debt, to break-up the cartel by which the inner-directed peerage could assemble its truths. A debt-moratorium, an end to foreclosure, a forgiveness of loans all beckon with great appeal. Yet this emancipation would seem to rest upon a more profound encumbrance that perhaps should not be so readily dismissed. These limits on liability might better proceed by recognition of an indebtedness to mutuality, an insistence that what had pressed the multitudes together formented a sense of interdependence, association, invigilation, that is historically unprecedented. The assembled debts are indeed massive, but also apparently discretionary. Remedying their condition, variously defined, could entail restoration, a hasty declaration of victory proclaimed from the aircraft carrier of the monetary state while the war festers, its

strategic interest undetectable. The debts amount to a sudden disclosure of surplus, of enormous wealth hitherto occult whose cabal might now incorporate all manner of social need, healthcare, education, infrastructure, suddenly made affordable if only alternative claims on the vast wealth might be made.

Or, debt might reference an internal difference, a reconsideration of what risks we might value worth taking, of what self-expansion might be deserving further investment, of what labours might be treated as discretionary, able to mix speculatively with others. This last politics of self-critique is the residue of professional study, the promise to revisit and revise knowledge in the face of what others teach us, but also to the doubled agency of risk as taking and being taken, the exchange relations that, when fit with property look like theft and when fit with creative bodily pursuits resemble something far more like pleasure. The politics of restoration and alternative are not difficult to articulate but surely harder to make come about. One would have to wait a place in the long line of experts waiting to whisper in the king's ear, or, perhaps more promisingly, to see activism coagulate in organization that is socially formative over the *longue durée*. The politics of difference, the intervention in the fields of knowledge drawn to self-critique have the decided benefit of being already to hand. This work of learning and teaching with all its attendant inscriptions falls upon us, it rains a recaptured and renewable resource. Studies here become an unaccountable residue which refuses to end. A drive to circulation that impels us to keep dancing after the music stops. A wealth of possibility that derives its pleasures from what it depends upon. This is a debt economy whose ashes rise as the phoenix lies still on the ground.

the author

Randy Martin is professor and chair of the department of art and public policy, Tisch School of the Arts, New York University and president of the Cultural Studies Association (U.S.). His recent work includes, *An Empire of Indifference: American War and the Financial Logic of Risk Management* (Duke, 2007); *Financialization of Daily Life* (Temple, 2002); *On Your Marx: Relinking Socialism and the Left* (Minnesota, 2001). His current project is on managerialism in higher education.
E-mail: randy.martin@nyu.edu



The ups and downs of a liberal consciousness, or, why Paul Krugman should learn to tarry with the negative

Martijn Konings

The New Keynesianism

The period of economic malaise that was ushered in by the subprime credit crash of 2007 will go into history as the most serious crisis of global capitalism since the Crash of 1929 and the Great Depression of the 1930s. Even if the crisis has bottomed out (which, at the time of writing, is far from clear), it has already fundamentally changed the contours of American and global capitalism. Moreover, it will continue to wreak havoc on the lives of people across the globe long after the pundits declare the world economy to have emerged from its prolonged period of stagnation. They have lost houses, jobs and pension savings; they have seen their economic opportunities decimated and their children's prospects curtailed to levels unknown in the post war era of welfare capitalism.

It took some time for the full dimensions of the Global Financial Crisis to become apparent. Once they did, comparisons with the Great Depression quickly became commonplace. Indeed, the experience of early 20th century capitalism has emerged as a key point of reference in public debate, serving not only as a source of causal analogies but equally as a mirror in which to examine and diagnose the moral and social warts of our age. But if public debate quickly went beyond the technicalities of financial markets to encompass the social, political and moral aspects of what had gone wrong, the dominant assessments of our society's subprime predicament have remained rather superficial.

At the heart of these discourses is the notion that an era of political irresponsibility has come to an end: the crisis is widely viewed as representing the breakdown of an economic model characterized by the abdication of public control over financial life – i.e. the regulatory indifference that allowed brokers to foist expensive mortgages on underprivileged Americans and investment managers to recklessly pour massive amounts of “other people's money” into markets for lemons. We are all Keynesians

again, aware of the need for government to regulate the unruly dynamics of free markets – so is the message. After three decades in which the mantra of “less state, more market” reigned supreme, advocating for the public regulation of economic activities has become respectable again.

The shallowness of these discourses should have been apparent from the very ease with which an ideological climate shaped so profoundly by decades of neoliberal hegemony gave way to a new common sense concerning the benefits of prudent regulation. Almost overnight, heterodox economists like Paul Krugman and Joseph Stiglitz, who for years had been portrayed as brilliant theoreticians that should be kept (or kicked, if need be) out of the real-world business of policymaking, sounded quite mainstream in their concerns about deregulation and their calls for re-regulation.

The past years have seen a veritable torrent of publications dealing with the causes, consequences and significance of the credit crunch. For all their differences, these contributions have converged around a common theme: the lack of regulation and the resulting acceleration of irresponsible speculation. Scholarly books tend to argue that lax and misguided policies allowed financial innovation to proceed unchecked (Immergluck, 2009; Gamble, 2009), while the more anecdotal literature details the ways in which the unscrupulous lenders and traders that were thus given free rein exploited this lack of regulatory oversight (Bitner, 2008; Muolo and Padilla, 2010). But neither branch of literature has offered readers much beyond the kind of information that can be gleaned from the headlines of newspapers, magazines and talk shows: ineffective regulation, out-of-control markets and greedy bankers.

Such events and personalities are no doubt important, but only as part of a much much broader story of socio-economic change – a story that can only be uncovered if we are willing to break with this emerging consensus. The stakes here are not merely intellectual but equally political. The Keynesian understanding of the crisis suggests a communal interest in re-regulation that is hardly reflective of prevailing levels of inequality. Owing to the ease with which it can be invoked in calls to refrain from pointing fingers (at least once the “bad apples” have been dealt with), this apparently progressive discourse has become complicit in the legitimization of some of the most inegalitarian uses to which state power has ever been put. After all, public rescue efforts have overwhelmingly benefited those who already did very well for themselves during the preceding years of frantic financial growth, while the process whereby those benefits are supposed to trickle down to the rest of society remains fraught with uncertainty.

Wilful Optimism and its Discontents

When Gramsci counselled “optimism of the will”, it was to suggest that there is political value in sustaining our faith in people’s capacities to resist power and transform their world even when such sentiments fly in the face of how we see people relating to authority in our particular historical conjuncture. He did not mean to advocate what we should perhaps term “wilful optimism”, an idealist faith in the self-representations of authority or a blithe disregard for the obstacles in the way of our

political strategies. Indeed, Gramsci was acutely aware that the failure to question the ideological appearances of hegemonic power could only have dire political consequences.

The distinction between optimism of the will and wilful optimism permits us some conceptual grip on the role that progressive intellectuals have played since the onset of the financial crisis and in particular since the American presidential election of 2008. Of course, the distinction between these two different modes of political engagement is hardly watertight: subordinate actors' capacities for transformative political agency are deeply intertwined with the cracks in the edifice of hegemonic power. Yet the existence of such blurry boundaries only raises the stakes of sound political judgement and the need for contextualized reflections on where the one ends and the other begins.

In the introduction to the paperback edition of *The Conscience of a Liberal*, published in early 2009, Paul Krugman triumphantly declared: "Right now the prospects for a dramatic progressive turn in American policy, for a bold reassertion of liberal values, are even better than I thought they'd be when the hardcover edition went to the printers [in 2007]. The new New Deal starts now" (Krugman, 2009a: xix). This announcement of a "new New Deal" reflected a wider trend among progressive and liberal commentators to view the onset of the crisis and the election of Obama as an epochal turning point that would set America – and, by extension, the world – on a path towards a more civilized form of capitalism.

But Krugman's subsequent commentary on the Obama administration's management of the crisis has been rather less optimistic. In March 2009, after two months of hope, he realized that "top officials in the Obama administration ... still believe in the magic of the financial marketplace" (Krugman, 2009b). Several months later, he noted that "the Obama administration... still seems to operate on the principle that what's good for Wall Street is good for America" (Krugman, 2009c). The way Krugman phrased his lamentations – that the new administration was "still" beholden to outdated, neoliberal ideas – suggested that his hope had turned into impatient frustration rather than resigned disappointment. For he still believed that, beneath the event-driven spheres of policymaking and political compromise, forces were at work to push the actors and institutions of political life away from a neoliberal agenda.

Yet his belief that a more benevolent public interest would ultimately assert itself sat rather uneasy with the systematic bias towards Wall Street interests that Washington's policies displayed. As the Obama administration failed to deliver on the promises that Krugman had made on its behalf, the pessimistic realism of his more recent columns began to contrast starkly with his earlier optimism. Special interests and vile conspiracies, rather than good intentions and civilized debates on America's future, came to occupy centre stage: "Actually turning this country around is going to take years of siege warfare against deeply entrenched interests, defending a deeply dysfunctional political system" (Krugman, 2009d).

Such statements were not intended to convince progressively minded reformers of the futility of their efforts: "I'm not saying that reformers should give up. They do, however, have to realize what they're up against" (Krugman, 2009d). Yet the fact that

they came from someone who had only recently expressed boundless optimism about the future direction of public policy may well mean that their practical effects will be to induce precisely such political cynicism. That is, rather than contributing to a sober assessment of the political landscape and the strategic opportunities available, Krugman's warnings may well serve to induce political passivity and pessimism of the will. Cynicism, after all, is only defeated idealism, incapable of boosting its spirits yet again after one too many frustrating experience.

Krugman's own declaration of a new New Deal had evinced and promoted precisely the wilful reluctance to figure out what exactly progressive forces were up against – after all, the idea for a “new New Deal” was not even something that Obama had even campaigned on! – that he now argued could undermine reformers' efforts. Of course, Krugman's initial optimism had not just been intellectual but political – motivated by the hope that the projection of a communal belief in the need for progressive change would propel such ideas into the centre of the public sphere and dispose the new powers to take more kindly to such proposals. But what Krugman now highlighted was quite the opposite: such statements of harmonious unity, by distracting attention from the obstacles that progressive forces face, set us up for largely ineffective reform strategies.

These are hardly abstract considerations. To a significant extent, it was the huge degree of unquestioning faith in and legitimacy bestowed on Obama that created the political space within which an administration could be formed that included some of the most prominent representatives of established Wall Street interests. Krugman's statements fed a wider discourse of wilful optimism that served to attenuate the popular pressure on the Obama administration at a time when such pressure could have served to make him less responsive to the demands of elite interests. For instance, the appointment of Larry Summers and Tim Geithner to key positions in the new administration was hardly a foregone conclusion. Had progressives been less concerned with projecting illusions of community and bestowing approval on the incoming President's hoped-for Keynesian policy agenda, and had they been more willing to dwell on the profound popular discontent that the crisis had awakened, they could have influenced the political climate in a way that might have made Obama think twice about putting such stalwarts of Wall Street interests at the centre of political power. And since few progressive intellectuals have the kind of public platform that Krugman does, we might say that he has played a non-negligible role in engendering his own discontent.

But it is far from clear that his newfound pessimism represents a major step in the right direction. What Krugman fails to realize, in his attempt to work out whether the impact of his position as a prominent public intellectual is best optimized through messages of salvation or warnings of danger, is that cynical realism and idealist optimism are merely different sides of the same political process – a process whereby we evade productive engagement with the sources of our oppression, lose our hopes for transformative interventions and become more vulnerable to the integrative capacities of hegemonic power. Cynicism, no less than uncritical belief, is a major source of political disempowerment, as it expresses and solidifies a belief in our own helplessness. While Krugman himself is hardly in danger of falling prey to the kind of political cynicism that would have him tune in to Fox News, the same cannot be said of many people whose primary source of anger is not moral indignation but personal injury – the stuff

of much more visceral sentiments that connect much more easily to daily expressions of intense hatred towards all things political.

Tarrying with the Negative

As Naomi Klein (2007) has forcefully reminded us, the effects of a crisis are by no means necessarily progressive. The impact of shock and trauma tends to be highly uneven, often further debilitating the political capacities of already marginalized actors while opening up new opportunities for elites. It is especially important to remember this when analyzing the particular brand of socio-economic life that has been constructed in the US over the course of the 20th century and has gone global over the past decades: its highly financialized nature means that participation in relations of credit and debt has come to be seen as the royal road to personal autonomy, and this in turn means that the maintenance or restoration of these relations comes to appear as an indisputable necessity.

This logic was already evident in the aftermath of the dot-com crash at the start of the 21st century. When companies like Enron and WorldCom were revealed to have engaged in elaborate fraud schemes, the public outcry in the US was enormous. Yet the resulting legislation (the Sarbanes-Oxley Act) did little more than provide the American public with a minimal degree of protection from the most flagrant abuses of corporate privilege, while reinvigorating the ability of financial elites to tap into new sources of profit and accumulation. What connected in much more primal ways with the anger of the American people was the public beheading of several “bad apples”. If none of this did much to help those people who had seen their pensions evaporate, it was highly effective in dissipating the flurry of popular anger, thereby opening the door to a new episode of frantic financial expansion. Indeed, while the gap between rich and poor had been widening for decades, the astronomic fees that financiers were able to reap from private equity funds and securitization (which came on top of steadily growing basic compensation packages, the sum of which was taxed at lower rates than before) meant that inequality accelerated like never before.

The vilification of financiers since the onset of the Great Credit Crash has been swift and merciless, at times reminiscent of the days when ordinary people mistrusted banks and credit. Such sentiments were greatly intensified by the use of massive public funds for bailing out the very financial institutions whose irresponsible behaviour had produced the crisis. But for all the widespread popular resentment these bailouts provoked, they have throughout been able to count on an appearance of dire necessity: the fortunes of ordinary Americans, so intricately bound up with a functioning financial infrastructure, were effectively held hostage by the bankers. In the absence of meaningful choice when it came to the political course of action, intense feelings of hostility have found their way into a highly moralistic discourse in which bloated bankers, once again wearing monocles and top hats, feature as villains. For all their apparent unpleasantness, the prospect of redemption is central to such morality plays: their message is invariably that Wall Street can expect to be bailed out if it promises to change its errant ways and ensure that henceforth financial intermediation will once again operate in the service of the public interest at large.

It is here – i.e. in the idealist belief in the possibility of using prevailing structures of political authority and regulation to effect reforms that will make the financial system more responsive to the public interest – that such incendiary populist narratives intersect with the Keynesian interpretation of the crisis that has been so widely espoused by progressive scholars and commentators. The notion that once upon a time finance operated in the public interest has in the past often been a useful myth, allowing critics of capitalism to argue from a position that enjoys some degree of socially recognized validity and enabling the Left to command a higher price for the renewal of its allegiance to capitalist order. But at a time when our daily lives and personal ambitions have become so profoundly dependent on credit relations and their management by financial elites, it has become harder than ever for such ideologies of progressive reform to exact significant material concessions. Under such circumstances, to insist on the advent of a new era of Keynesian intervention and regulatory prudence means to allow intellectual capital to become instrumental in channelling popular anger into the highly manageable format of morality plays and the empty threats they pose.

A major factor luring progressive intellectuals into the game of making policy proposals is the tyranny of “what is your alternative?” – that is, the notion that public intellectuals only behave responsibly if they do not only offer criticism but also put forward alternative policy proposals. However, in situations where we find ourselves at many removes from the levers of public authority, to prescribe policy alternatives is bound to be either presumptuous and pointless (because the political actors that we would like to carry our programs are nowhere to be found) or conservative in its political implications (because after many radical calls in the desert we learn to ratchet our ambitions down to a level where they can easily be taken up by existing agencies). Once we buy into the game of making policy proposals we can only sound ridiculous and irrelevant or end up participating in the legitimation of prevailing relations of power. We may be able to find a trade-off between these two extremes, but we will have structurally hobbled our capacity for the production of critical knowledge.

The temptation of the policy debate – i.e. the reluctance to recognize “what is your alternative?” as a rhetorical question – is perhaps yet another instance of the Left’s idealism, motivated as it is by a fear of the political cynicism that might ensue once we start questioning people’s professed interests. But this is based on a dramatic misunderstanding of the psychological and cultural mechanisms that produce political cynicism and apathy. The latter arise not from a willingness to question the official attributes of power but precisely from the tendency to validate hegemonic discourses *even at times when their disconnect from the world is particularly visible*; not from the awareness of oppression but from progressive leaders’ insistence that we sit still and hold on tight while hegemonic power works its way towards a new benevolence.

Throughout the crisis, public intervention has been so flagrantly slanted in favour of the very actors and practices that had dominated the neoliberal era that progressive commentators’ willingness to read into this an actual departure from the power structures of the neoliberal era is often nothing short of belief-begging. At a time when massive public assistance for the world’s wealthiest people is legitimated through appeals to the common good, we should not be too quick to celebrate the return of Keynesianism or too eager to participate in the construction of a new consensus

regarding the potential virtues of government. While it is crucial that we develop political responses based on a clear perspective on the meaning of the crisis, we should not be too eager to seize on every dim prospect for progressive change promised by states and elites presiding over a capitalist system in disarray.

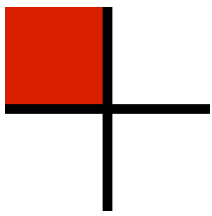
All too often, progressive commentators and intellectuals allow their political commitments to be shaped by wilful optimism, by appraisals of power that take their cues from its rationalizations and self-representations. And all too often this has played an important role in temping progressive political projects into assuming responsibility for the restoration of capitalist order, thereby undermining their transformative capacities in the process. For the time being, the most productive role that progressive intellectuals can play is to “tarry with the negative” (to use Žižek’s (1993) appropriation of Hegel’s famous phrase) i.e. to trace and publicize the inconsistencies between prevailing practices of power and their idealized representation in the official institutions, narratives and symbols of our polity.

references

- Bitner, R. (2008) *Confessions of a Subprime Lender: An Insider’s Tale of Fraud, Greed and Ignorance*. Hoboken: Wiley.
- Gamble, A. (2009) *Spectre at the Feast*. New York: Palgrave.
- Immergluck, D. (2009) *Foreclosed: High-risk Lending, Deregulation, and the Undermining of America’s Mortgage Market*. Ithaca: Cornell University Press.
- Klein, N. (2007) *The shock doctrine*. New York: Metropolitan.
- Krugman, P. (2009a) *The conscience of a liberal*, New York/London: W.W. Norton.
- Krugman, P. (2009b) ‘The market mystique’, *New York Times*. 26 March.
- Krugman, P. (2009c) ‘Rewarding bad actors’, *New York Times*. 2 August.
- Krugman, P. (2009d) ‘Missing Richard Nixon’, *New York Times*. 30 August.
- Muolo, P. and M. Padilla (2010) *Chain of Blame: How Wall Street Caused the Mortgage and Credit Crisis*. Hoboken: Wiley.
- Žižek, S. (1993) *Tarrying with the Negative*. Durham: Duke University Press.

the author

Martijn Konings is a lecturer in the Department of Political Economy at the University of Sydney. He has co-edited (with Leo Panitch) *American Empire and the Political Economy of Global Finance* (Palgrave, 2009), edited *The Great Credit Crash* (Verso, 2010) and has published articles in journals such as *Review of International Studies*, *Review of International Political Economy*, *New Left Review*, *Archives Européennes de Sociologie*.
E-mail: martijn.konings@sydney.edu.au



Homemade financial crisis

Dick Bryan and Michael Rafferty

There have been many financial crises in the past 30 years. This time it was going to be momentous. Housing foreclosures, bank insolvency and job losses were being compared with, and judged to be even worse than, the great depression (Roubini, 2008; Eichengreen and O'Rourke, 2009). Then there were state bailouts on an unimagined scale. It all signalled that this was no ordinary "crisis". But, even more surprising, market watchers then discerned the turning point (in terms of a slowing in the rate of worsening) and proclaimed a recovery is nigh. A decline in the rate of decline was sufficient to pronounce "green shoots", and since then the graphs of asset prices and business aspirations all pointed upwards.

It is difficult to make sense of an economic environment which has seen asset prices crash then, in the midst of a recession, grow relentlessly. Moreover, there cannot be precluded a "second slump", to use Mandel's term of the 1970s. In the context of this grand spectacle, we have seen in popular debate explanation tied closely to policy resolution. It seems that the point is not to interpret the crisis in various ways, but to fix it. The effect, of course, is that explanation gravitates to the language of failure (that which can be rectified in policy) and policy looks only to points of failure. Possibilities of understanding change – new processes and meanings outside the realm of policy – become (remain) marginalized.

The objective of this paper is to re-focus explanation away from issues of failure and rectification, and towards issues of change; specifically the change that underlay the mortgage-backed securities market, which was, in key respects, the site where the crisis ignited.

There is a simple, populist explanation for the crisis. The initial boom was a speculative bubble, the 2007 crash was a speculative crash and the new resurgence is a speculative bubble, which may well itself burst. Add to that a depiction of retail financial illiteracy and incomprehensible complexity of wholesale products, and we have the recipe for market processes that can go in any direction, en masse and quickly. It is an explanation compatible with whatever happens, so it offers description, laced with moralism, but explains nothing. Add also to that a regulatory reform agenda built on punishing the wicked and promoting financial literacy and market transparency, and we have reforms that fix everything, yet change nothing.

Nonetheless, the populist explanation has clear traction in popular debate, for despite its extravagant condemnation of distortion, it is predicated on the pursuit of “normalcy”, conceived as a modest, stable financial system devoid of a speculative momentum and so running at the service of “production”. The re-assertion of “normalcy” seems to deny the meaning of a crisis – any crisis – for implicit is the possibility, not just the desirability, of going back to that which “worked”. Normalcy is being cast as re-discovering the wisdom of a “regulated” market, even as a new Bretton-Woods-style agreement, but without due recognition that these aspired-to policy regimes were themselves the incubators of crisis.

Our global political leaders seem to be joining this populist chorus. From amongst their number there have been forthright attacks on executive salaries. Further, we have seen President Sarkozy of France (BBC News, 2009) and Lord Turner (2009), head of the British Financial Services Authority, propose the implementation of a Tobin tax: a tax on all financial transactions, designed to discourage “speculation”, and a standard demand of every anti-globalization NGO. We have seen the G20 in Pittsburgh in September 2009 espousing populist-sounding sentiments. President Obama (2009), in closing the session, could proclaim on behalf of 19 other heads of state:

We agreed to take concrete steps to move forward with tough, new financial regulations so that crises like this can never happen again. Never again should we let the schemes of a reckless few put the world’s financial system – and our people’s well-being – at risk. Those who abuse the system must be held accountable. Those who act irresponsibly must not count on taxpayer dollars. Those days are over. That’s why we’ve agreed on a strong set of reforms. We will bring more transparency to the derivatives market. And we will strengthen national capital standards, so that banks can withstand losses and pay for their own risks. We will create more powerful tools to hold large global financial firms accountable, and orderly procedures to manage failures without burdening taxpayers. And we will tie executive pay to long-term performance, so that sound decisions are rewarded instead of short-term greed. In short, our financial system will be far different and more secure than the one that failed so dramatically last year.

The cynics will no doubt proclaim this as mere talk that will amount to nought. Possibly. Whilst bankers protest the sentiments to be excessive, none of them really wants to return to the world of 2007 where credit ratings could not be relied upon and their credit default swaps would be disavowed. And the banks do, no doubt, like the feeling of the safety net that the states slid under them as they were in free-fall.

A solution package therefore presents itself. Markets are racing back to “normal” and regulatory reform, whilst still to be elaborated, will slay this thing called “neo-liberalism” and rebuild the popular legitimacy of financial markets.

But critical issues have been left out, and central amongst them is the role of workers and households in the financial crisis. On this issue, the moral hazard question provides a point of entry: the long-established economic proposition that bailouts of any sort discourage prudent behaviour in the future. We entered the 2007 crisis not really knowing whether states would bail out big banks: central banks remain intentionally enigmatic on this issue. Fairly soon we had an answer, and an answer that sets a precedent.

In debate around the global financial crisis there has been plenty of discussion of moral hazard. But it has widely mutated into the “too big to fail” question. Financial institution mergers in the wake of the crisis – indeed arranged as a state response to bank crashes – have simply loaded the systemic risk associated with any single bank failure. The problem itself is not new: the policy history of mergers always hits the dilemma that the strong devouring the weak is an expression of competition, but that competitive process is thought to create an anti-competitive outcome. But the conversion of moral hazard into “too big to fail” has also created its opposite: a category of “too small to bail” (Cox, 2009) and that such “institutions” will indeed be permitted to fail. Amongst those too small to bail are the smaller, generally retail banks, and households, whose financial insolvency in the crisis may see them unemployed and homeless, but not a systemic risk to the financial system.

Unlike the smaller banks, whose prudence and profitability over the past 2 years has significantly exceeded that of the “big banks” (Cox, 2009), households have been key players in the financial crisis: it is they, by failure to meet mortgage repayments, who brought the global financial system crashing down. Households may not be “too big to fail” individually, and they were and are never likely recipients of bailouts. But the collective capacity to create a global crisis does signal that something is changed about the position of households in relation to finance.

The conventional image of households is as consumers of finance, but sitting outside of finance. They are cast as either savers, who deposit money in banks in return for interest payments and/or borrowers, who get approval to spend more than is in their account, and in return pay interest. The implicit image here of the financial institution, as redistributors of savings, making profits simply from interest rate spreads, has long been outmoded, yet there is the propensity to retain the complementary image of the consumer. It depicts the household-as-consumer as passive and individualised: the saver; the requester of credit; receiver or payer of interest; the purchaser of financial advice and other services. And the state’s response to the crisis seeks to reinforce this passivity. The regulatory reform agenda is addressing households via programs of “financial literacy” and “consumer advice”, in the understanding that households have over-reached their capacities, and in the hope that enlightened borrowers will, with assistance, learn to resist their personal devil (greed) and their personal curse (gullibility). Conversely, capital is regulated on the premise of its power: that financial institutions are savvy and scheming and always in control of financial relations with households. They are regulated not to secure modesty, but to contain excessive ambition. Even though this image was found wanting in the financial crisis, new regulatory agendas appear to be leaving it unchallenged.

But the conventional image of households, and the policies which complement that image, are passé. Not only are we seeing the composition and organization of households change in response to financial pressures (e.g. Warren and Tyagi, 2003), but households are now integral to the operation of global financial markets.

Specifically in the context of the recent financial crisis, we should recall the massive growth of mortgage-backed securities and other household-based CDOs did not arise because households overreached. They arose because of the insatiable financial market

demand for securitized mortgages, associated with the build-up of global savings and investor desire to invest those savings in US assets. Household lending was the direct consequence of the dispersal of this accumulation. Accordingly, households were not simply borrowers of credit; they were also suppliers of “product” to the securities markets.

In 2005, Ben Bernanke (2005), then a mere Governor of the Federal Reserve, explained it in terms of the US current account deficit being a product of a global savings glut, not US profligacy:

Following the 1997-98 financial crisis, many of the East Asian countries seeking to stimulate their exports had high domestic rates of saving and, relative to historical norms, depressed levels of domestic capital investment – also consistent, of course, with strengthened current accounts. In practice, these countries increased reserves through the expedient of issuing debt to their citizens, thereby mobilizing domestic saving, and then using the proceeds to buy U.S. Treasury securities and other assets.

The term “and other assets” says it all, for we know now that increasingly the investment of the glut of savings was shifting from low-yielding US Treasury securities to higher-yielding assets (Borio et al., 2008). Central amongst these preferred asset classes were CDOs based on American consumer credit; especially mortgage-backed securities. Bernanke further added:

A second issue concerns the uses of international credit in the United States and other industrial countries with external deficits. Because investment by businesses in equipment and structures has been relatively low in recent years (for cyclical and other reasons) and because the tax and financial systems in the United States and many other countries are designed to promote homeownership, much of the recent capital inflow into the developed world has shown up in higher rates of home construction and in higher home prices.

The managers of the global surpluses that were used to purchase household-based CDOs were not looking to purchase government bonds, or corporate equities, or derivative positions on commodities; they wanted assets with different risk profiles, and they wanted lots of product. The growth of mortgages was integral to the risk diversification of global financial markets, and in this sense households are not just borrowers (with all the implications of subservience and compliance): they were in demand as objects of investment, just as the steel industry or the wheat harvest are objects of investment. As objects of investment, households are (at least potentially) empowered. Policy agendas of financial literacy and consumer protection effectively seek to suppress consciousness of such empowerment.

What needs to be re-thought, for liberal reformers of consumer protection as well as for visions of social change, is the way in which finance has inserted itself into households, and the role households increasingly play in financial markets. Households are not merely consumers of finance, but are themselves producers and traders of financial products. Here, an emergent politics of financialization awaits. Meanwhile, a depiction of households in financial markets as passive consumers continues to create profit opportunities based on household disempowerment.

The substance of this contradiction is that there is a continual slide between households being consumers and investors, workers and accumulators. The slide is one of analytical

slippage, but it is also a statement of intentional ambiguity, for central to the scale and profitability of mortgage-backed security issuance, and an on-going source of financial profit, is arbitrating between households being worker/consumers and investor/accumulators. At the heart of the structure of a mortgage-backed security was the expectation that households would keep paying mortgages so long as the value of the house grew faster than the value of the mortgage. For that to be the behavioural strategy, a house had to be treated by the borrower as an illiquid asset: something to stick with as long as possible. Yet the securities markets needed to treat exposure to the performance of home loans (securities) as a highly liquid asset. It is the “gap” between illiquidity and liquidity that was the basis of households’ particular role in global financial markets, as something different from investments in steel industry equities and wheat futures.

The mortgage-backed securities market represents a new agenda in the opening up of the household as a frontier of accumulation. It’s not that lending to households is new, nor even that predatory practices are new, even on a large scale (hire-purchase agreements grew massively after World War II). What has changed is the way in which the household is being re-conceived in its relation to accumulation. Finance, having fashioned itself in the discourse of risk management, now looks at households in new ways. Jacob Hacker (2006) has described *The Great Risk Shift*, which captures well many of the processes here, although for Hacker there is simply a redistribution of risks from states and corporations to households and consumers. We are presenting a process that does not simply shift risk, but re-constitutes households in their form and roles as the products of the risk-shifting agenda. Martin (2002) refers to it as the financialization of daily life.

In finance, liquidity is everything – the capacity to buy and sell a range of risks as soon as circumstances (including perceptions of circumstances) change is defining. Yet households and workers individually are characterised by illiquidity – the impossibility of abstracting oneself merely to generic constituents. Economically, a household’s major assets are their skills (labour power) and their home. Neither is liquid. Labour power risks, such as skill redundancy cannot be sold off (except via indenturing labour!). Although houses can be sold, they are acquired for reasons of security and stability – as places to live, with personal attachment; not simply as wealth-accumulating assets. To extrapolate, for the sake of brevity, we can see that households are being reconfigured in the eyes of finance as sites of accumulation. The household changes from a sanctuary from accumulation into an advanced site of accumulation.

The sub-prime crisis may have led to the collapse of mortgage-backed securities, which in turn led to defaults on credit swaps, which in turn led to a liquidity freeze, and these latter issues draw the focus of state reform agendas. But its wider social meaning, which is not being addressed in pronouncements of regulatory reform, is the changing position of households, and the unsustainable way in which households are being cast as sources of risk-shifting. This is a systemic process, which will not be addressed by policies of consumer protection, financial market transparency, or financial literacy. Indeed, once the financial literacy campaigns have been rolled out, and households are deemed to have no excuses for being financially gullible, the subsequent stage of financial reform must involve poor laws and the building of workhouses, for how does a state bail out a

failed and destitute (but financially-trained and consumer-protected) borrower without creating moral hazard?

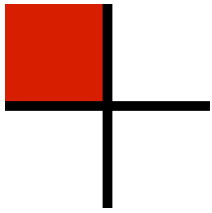
references

- BBC News (2009) 'Sarkozy to press for 'Tobin Tax'', 19 September. [<http://news.bbc.co.uk/2/hi/8264774.stm>].
- Bernanke, B.S. (2005) 'The global saving glut and the U.S. current account deficit', Sandridge Lecture, Virginia Association of Economics, Richmond, Virginia, 10 March. [<http://www.federalreserve.gov/boarddocs/speeches/2005/200503102/#f4>].
- Borio, C. G. Galati and A. Heath (2008) 'FX reserve management: trends and challenges', *BIS Papers No 40*. Bank for International Settlements, May. [<http://www.bis.org/publ/bppdf/bispap40.pdf>]
- Cox, R. (2009) 'Too small to bail has a nice ring to it', *New York Times*, 28 September. [<http://www.nytimes.com/2009/09/29/business/29views.html>].
- Eichengreen, B. and K. O'Rourke (2009) 'A tale of two depressions', *Vox*. 1 September. [<http://www.voxeu.org/index.php?q=node/3421>].
- Hacker, J. (2006) *The Great Risk Shift: The Assault on American Jobs, Families, Health Care, and Retirement - And How You Can Fight Back*. Oxford: OUP.
- Martin, R. (2002) *The Financialization of Daily Life*. Philadelphia: Temple University Press.
- Obama, B. (2009) 'Remarks at G20 closing press conference', Pittsburgh Convention Center, Pittsburgh, Pennsylvania, 25 September. [http://www.whitehouse.gov/the_press_office/Remarks-by-the-President-at-G20-Closing-Press-Conference/]
- Roubini, N. (2008) 'The worst financial crisis since the great depression', *Nouriel Roubini's Global EconoMonitor*, 16 September. [http://www.rgemonitor.com/roubini-monitor/253618/the_worst_financial_crisis_since_the_great_depression].
- Turner, A. (2009) 'How to tame global finance', *Prospect Magazine*. (162) 27th August. [<http://www.prospectmagazine.co.uk/2009/08/how-to-tame-global-finance/>]
- Warren, E. and A. Warren Tyagi (2003) *The Two Income Trap: Why Middle-Class American Mothers and Fathers are Going Broke*. New York: Basic Books.

the authors

Dick Bryan is professor of Political Economy at the University of Sydney. His research, published predominantly with Michael Rafferty has for a decade focussed on money and on innovation in financial markets, and financial derivatives in particular. This research includes the monograph *Capitalism with Derivatives: A Political Economy of Financial Derivatives, Capital and Class* (Palgrave 2006). Prevalent issues in current research relate to the evolving role played by labour in financial markets and products. E-mail: dick.bryan@sydney.edu.au

Michael Rafferty is a Senior Research Analyst at the Workplace Research Centre at the University of Sydney. He work focuses on money and finance and the finance industry. As well as work with Dick Bryan on derivatives, he currently works on the performance of superannuation (pension) funds and on issues of capital stewardship. His publications include the monograph *Capitalism with Derivatives: A Political Economy of Financial Derivatives, Capital and Class* (Palgrave 2006). Email: michael.rafferty@sydney.edu.au



The household frontier

Melinda Cooper and Angela Mitropoulos

... there is no foundation in nature or in natural law, why a set of words upon a parchment should convey the dominion of land; why the son should have a right to exclude his fellow creatures from a determinate spot of ground, because his father had done so, before him ...

Blackstone (1765-1769)

The frontier, and the empire that presupposes it, are a complex mix of reinscription and indeterminacy. By definition and in practice, this is the problem of empire. In debates over what is the same and what is new, and in more recent discussions around the meaning and implication of crisis, or (re-)regulation, or global (financial) hegemony and so on, it is some version of these terms and their combination that comes into play – but is so rarely analysed as constitutive of empire’s horizon. In a particularly suggestive piece on frontier republicanism, populism and finance, Martijn Konings situates the current era of financialization within the *longue durée* of American continental imperialism. Countering assumptions that securitization marks a completely novel and recent development, Konings argues that the socialization of finance was already well underway in the nineteenth century, where it aligned with the idea of an investor’s republic loosened from the model of centralized political authority. He notes that before “the US was an imperial power in the world, it was an imperial power at home” (2008: 50); and goes on to show that the American dream of infinite expansion was “not merely allied to extensive empire, but rather to intensive empire – not to the geographical expansion of American institutions but rather the inwardly directed intensification and growing connectivity of social life”. In this sense, and conveyed as it was along the itineraries of republicanism and populism, finance “no longer appeared to be an obstacle to self-government and economic independence, but an excellent means of realizing it” (2008: 54).

We would add a further point to Koning’s argument, one which we think can specify both the historical and contemporary manifestations of financialization, and its peculiar volatilities. The household was never peripheral to American imperialism. It was, on the contrary, the space through which the legal form of value was defined and imposed. After all, it is at the frontier that the boundaries of property law and its tenure unfold, that legitimate labour (the very distinction between wage labour and slavery) and authorised reproduction (as with the master’s legally recognized and bastard children) are decided. The egalitarianism of a diasporic sovereignty situated the household as the

intimate sphere of a sentimental and self-managed equivalence. It is this household that would become the efflorescent machinery of that sentiment's limits and their multiplication. With its attendant claims of inheritance, labour and right, the Jeffersonian domestic economy envisioned perfect symmetries of contractual reciprocity. And so, in the violent positing of the frontier as a space of exploration, cultivation and the extraction of wealth – in the scarcities that are obliged as precondition and condition of a market in labour, in the criminalisation and recapture of fugitive and wayward (re)production and, not least, in the ambivalent play of the value form's genera as simultaneously universality, hypostatization and arbitrage – there would be a periodic recourse to the naturalising magic of genealogy to settle matters of orderly progression and authenticity. The frontier furnished the household as the elaboration of an architectural and intimate dynamic through which limits were escaped and restored. Situated across the hyphen between politics and economics, as the means by which law makes markets, in the frontier the household attained a plasticity and portability that confound European understandings of empire and flight. Briefly put, what is at stake in financialization is the deterritorialization and reterritorialization of the household as a site of legitimated (re)production.

The contemporary era of financialization marks a continuation, albeit at another level of innovation, of these processes of intensive and extensive accumulation. With the decline of its convertibility against gold, the US dollar has become so diffused as to occupy a privileged – some would say exorbitant – role in world financial markets. At the same time, financialization has intensified and expanded through the household, turning credit on the house, health, education and a multiplicity of other life risks into tradable securities. This phenomenon is explored in detail by Randy Martin (2002) and, in the Australian context, by Fiona Allon (2008). The link between the intensive and extensive expansion of American finance is far from incidental. In its 2005 World Financial Stability Report, the IMF noted that the “American household” had become the world's consumer of last resort, serving as a convenient “shock absorber” to the risks of financial integration (IMF, 2005: 89). It had been assumed that the shock absorber would be infinitely “resilient”.

The current phase of financialization expanded the boundaries of creditworthiness, well beyond the avenues of class, race and gender that had hitherto marked the limits to mortgage lending practices and consumer debt. This is not to suggest that the movement is simply one of colonization. The financial services sector did not so much extend across empty space as it followed in the steps of the so-called New Social Movements of the 60s, 70s and 80s that – in often ambivalent ways – had led to the destabilization of the genealogical wage structure of the Fordist household and the New Deal welfare state. Which is also to say: some of the most significant and heated debates over the same period within, most notably, gay, anti-racist, anti-colonial and feminist movements turned around (and oftentimes found their impasse in) questions of rights, representation, and recognition. More recently, and in its efforts to profit from new markets in consumer credit, the financial sector invited the non-white, the migrant, the unemployed, the unmarried woman and – even, it is claimed – the non-citizen into the ostensibly expansive embrace of financial democracy.

That such a capacious understanding of consumer credit partakes of a distinctly American ethos of freedom is underlined by the economist Robert J. Shiller, vocal advocate of the “democratization of finance” (2003). Shiller’s elegant solution to the growing labour inequalities generated by three decades of punitive workplace reform is an expansion of credit beyond the conventional boundaries of creditworthiness and financial innovation. In his vision of the American future, the social wage is to be replaced by an expansive socialization of credit – the “freedom to work” of classical liberalism is to be superseded by neo-liberalism’s “freedom to invest, trade and accumulate”. This is the intimately free subject of a revisioned democracy and its scalable contracts. We are all accumulators, risk hedgers and managers – seeking not only to invest in and appreciate our human capital but also to skilfully manage the portfolio of risks that come with every singular life course (including, not least, gender risks, race risks, class risks). The point of securitization, after all, is that some risks cannot be underwritten in the traditional (actuarial) sense of the term. But if the state does not underwrite these life risks in the form of citizenship, social welfare and its attendant regularizations, is one not free to take one’s chances by entering into a whole portfolio of contracts which can be traded, hedged and liquidated at will on the securitized risk markets?

Shiller’s call for the financialization of the household represents the amplification of an expansive logic – one inaugurated, it should be recalled, by the New Household Economics of Gary Becker in the 1960s. What the neo-liberals realized, long before those now returning to Keynes, is that the stable structures of the Fordist household were losing ground to the anti-racist, civil rights and feminist movements of the New Left. For them, Keynesian uncertainty had infiltrated the micro-economics of the household, liquidating the most solid of foundations. The response, on the part of the neo-liberals, was to reconstitute the household itself as the sphere of utilitarian market relations. Shiller goes further, offering the liquidity of securitized life-risks to the newly enfranchised citizens of financial democracy. It is more than ironic, then, that his vision of a democratized finance revisits many of the demands of the original anti-redlining movement that, in the early 1970s, sought to expand affordable credit to the marginal households of the US economy.

What Shiller glosses as a democratization of finance is, however, also a pre-emptive limitation on the forms and conditions of credit. The expansive moment of financialization contains within its very contractual terms a kind of coded triage, whose limits only become visible when investor confidence starts to wane. This much was confirmed by retrospective enquiries into the subprime debacle, which show that the creditworthiness of borrowers (prime, semi-prime and subprime) was more often than not calculated on the intangibles of race, gender and marital status as on net income, credit histories, and assets. The greater proportion of subprime was composed of women, and African-American and Latina women in particular (most of those demographed as “single-parent” households or living in non-normative “arrangements”). Moreover, the interest rates and contractual conditions of the subprime market were more exacting than in other loan markets – in some instances, those women were relegated to subprime loans even when earning as much as their white male counterparts. It is not so much the case then that the logic of contract is opposed to the speculative moment of credit expansion (Best, 2004), but rather that

“financialization”, as a recurrent, episodic event, pushes the law beyond its own limits, inventing ever more arcane, baroque variations on the contract-form itself. With its teaser rates, steep rescheduling fees and adjustable interest, the terms and conditions of the subprime mortgage contract sought to make high-risk lending a viable business option, even when the prospects of long-term default were factored in.

And so, while it may be true that we are “all subprime now” (in that the Keynesian ideal of life-long stable employment is the exception rather than the rule), in practice the pricing of risk remained overtly contingent on the more or less normative (familial, sexual, racial) status of the borrower. Esteemed to embody the least exotic and least profitable of risks, the white male borrower was also offered the safest of mortgage contracts. Other contractors were assigned to the volatile fortunes of the variable interest rate. It was these risks, deemed to be the most exorbitant on offer, which would be repackaged into the more ostensibly exotic mortgage-backed securities, promising to render profits as vertiginous as their dangers – threatening also, at some point, to test the limits of “market confidence” in their long-term investment quality. In the meantime, what were once casually referred to as exotic financial instruments, by virtue of their incalculable promise, are now just as unthinkingly renamed toxic assets, which everyone wants to purge from their balance sheets.

As Keynes explains in the *General Theory*, the pricing of risk in the capital markets is comparable to a beauty contest in which investors assign their votes not so much on the basis of “real or fundamental aesthetic value”, but rather on a continual, nervous assessment of other peoples’ judgements (2008: 156). While the housing boom momentarily offered a kind of renewable redemption contract for the erstwhile Welfare Queen and other undesirables of the US economy, the very terms of the subprime contractual arrangement meant that these minority contestants would be the first to suffer the consequences of declining investor confidence. Pushing beyond the limits of normalizable risk, the specificity of late 20th century financialization is to have extended credit of all kinds to the riskiest of at-risk populations, including, it would seem, even undocumented migrants in the expansive citizenry of financial democracy. Now that the exuberant phase of credit creation has lost its nerve, the subprime class is exhorted to live within its means in a virtuous gesture of belt-tightening – that is, to return to the productively interlocking flows of race, sex and class. As the exotic sours into toxic, the expansion of investor confidence, ecumenical, liberal and even daring in its tastes, suddenly demands the immediate redemption of all debts.

For Marx, the significant difference between European and American class struggles lay in the “constant transformation of the wage-labourers into independent producers”, in view of a relative absence of surplus labourers and the availability of free land in the colonies. By this logic, the possibility of land ownership and a labour shortage opens up the chance of escaping the condition of wage labour – but, importantly, that escape takes the (largely idealised) form of becoming a small property owner. Marx cites Wakefield, who complained of a “parcelling-out of the means of production among innumerable owners” that, Marx adds, “annihilates, along with the centralisation of capital, all the foundations of a combined labour” (1978: 720-21). Turner would present the frontier as the very thesis of American exceptionalism (1961), in terms not entirely dissimilar to Marx. For Turner, the frontier is productive of individualism and therefore

of a democracy and egalitarianism grounded in the diffusion and perpetual expansion of property in land. But it is the household that determined, through precedent and approximation in common law's unfolding, the extent to which property, contract and credit were recognized, considered as heritable and therefore guaranteed across time. It is this conjuncture – perhaps since William Blackstone articulated empire's horizon as that of an increasingly “incorporeal hereditament” – through which, as he put it (Morrison, 2001: 12), “grand ends” are pursued by “steadily pursuing that wise and orderly maxim, of assigning to every thing capable of ownership a legal and determinate owner” at the moment of its greatest ontological uncertainty. In contrast to the possessive logic of the land frontier, the intensive expansion of the financial frontier turns wage-labourers and erstwhile welfare recipients into independent contractors and investors in the self. Here it is no longer the contractual forms of classical liberalism (property in the self and land tenure) that determine the architecture of household relations but rather the imperative to continually appreciate the value of one's self and home, through the capitalisation of its risks and opportunities (Feher, 2009). The psychology of “resilience” begins to predominate over that of self-possession and autonomy.

This is not to suggest that one form of appropriation and contract simply supplants the other. On the contrary, in places such as China and Australia, where resource extraction is intimately tied to the fortunes of high finance, the expansion of the financial frontier into the urban household coexists with and drives the continual carving up of new and reinscribed spaces of land appropriation. *Terra nullius* is continually being declared, as if for the first time. The relationship between China and the United States could thus be illuminated from the other side, by looking at the historical transformations of the Chinese household registration (or *hukou*) system and its role in shaping China as the world's producer of last resort. In a similar fashion, the special relationship between China and Australia points to the frontier role of the household in the current crisis. The particularity of the Australian situation lies in the coincidence of a housing bubble in the metropolitan centres with a mining boom in the Northern Territory and Western Australia, fuelled by rising demand in China. The mining boom is not incidentally related to the Northern Territory Intervention, a barely disguised land grab that has seen Australian military forces and welfare workers descending on indigenous communities in the wake of claims about an epidemic of child sexual abuse and via a genealogical turn in the discourses of “failed states”. In one respect an act of humanitarian warfare, the Northern Territory Intervention also advertises itself as a campaign to foster the arts of proper household management amongst indigenous people, not least through the promotion of “financial education” and home mortgage contracts. Here the reconstitution of the frontier as a space in which debt can be accumulated is performed through the redemarcation of land tenure and the imposition of proper household relations on what are deemed to be recalcitrant people. In a reprise that is reminiscent of recent US history, the political claim to self-determination returns as the neo-liberal imperative of financial self-management.

The financial and legal hermeneutics of the household are not limited, we think, to the historical example of the American frontier, nor to the subprime crisis in the US housing market. Rather the household can be understood in a general sense as the frontier space in which the value form is (re)produced; the point of articulation uniting

the genealogical transmission of inheritance, property and name, with the reproduction of labour and the intimate sexual economy of indebtedness, gift and “life”. For this reason, it is also the space in which the value form can come undone, fail to reproduce, or produce otherwise; a foundation that can be liquefied by the failure to fulfil obligations, both sexual and economic (Cooper and Mitropoulos, 2009). It is not then a question of counterposing the liquefaction of securitized investment to the illiquid ‘needs’ of labour, the family or the household, as if the solidification of the latter could offer ‘us’ some kind of protection against the speculative excesses of the former. What the subprime crisis has made manifest, on the contrary, is the possibility of a social liquefaction escaping even the most liquid of securities markets.

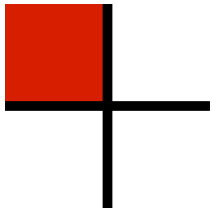
references

- Allon, F. (2008) *Renovation Nation: Our Obsession with Home*. Sydney: University of New South Wales Press.
- Best, S. (2004) *The Fugitive's Properties: Law and the Poetics of Possession*. Chicago: The University of Chicago Press.
- Blackstone, W. (1765-1769), *Commentaries on the Laws of England*. [<http://ebooks.adelaide.edu.au/b/blackstone/william/comment/book2.1.html>]
- Cooper, M. and A. Mitropoulos (2009) ‘In praise of usura’, *Mute*. 27 May, [http://www.metamute.org/en/content/in_praise_of_usura].
- Feher, M. (2009) ‘Self-appreciation: or, the aspirations of human capital’, *Public Culture*. 21(1): 21-41.
- International Monetary Fund (2005) *Global Financial Stability Report*. April. [<http://www.imf.org/External/Pubs/FT/GFSR/2005/01/index.htm>].
- Keynes, J.M. (2008) *The General Theory of Employment, Interest and Money*. New York: BN Publishing.
- Konings, M. (2008) ‘American finance and empire in historical perspective’, in L. Panitch and M. Konings (eds), *American Empire and the Political Economy of Global Finance*. New York: Palgrave Macmillan.
- Martin, R. (2002) *Financialization of Daily Life*. Philadelphia: Temple University Press.
- Marx, K. (1978) *Capital: Volume I*. Harmondsworth: Penguin.
- Mitropoulos, A. (2009) ‘Oikopolitics, and storms’, *The Global South* (3)1: 66-82.
- Morrison, M. (ed.) (2001) *Blackstone's Commentaries on the Laws of England (1765-1769), Volume III*. London: Cavendish.
- Shiller, R.J. (2003) *The New Financial Order: Risk in the 21st Century*. Princeton: Princeton University Press.
- Turner, F.J. (1961) *Frontier and Section*. Englewood Cliffs: Prentice-Hall.

the authors

Melinda Cooper is a Lecturer in the Department of Sociology and Social Policy at the University of Sydney. She is the author of *Life as Surplus: Biotechnology and Capitalism in the Neoliberal Era* (Washington University Press 2008) and is currently working on a book, co-authored with Catherine Waldby, *Clinical Labour: Tissue Donors and Research Subjects in the Global Bioeconomy*, under contract to Duke University Press.
E-mail: melinda.cooper@sydney.edu.au

Angela Mitropoulos is at Queen Mary, University of London. Some of her most recent writings are ‘Borders 2.0 - Future, Tense’ (*Mute*) and ‘Legal, Tender’ (*Reartikulacija*).



The futility of extrapolation: reflections on crisis, continuity and culture in the “Great Recession”

Fiona Allon

The state of emergency in which we live is not the exception but the rule.

Walter Benjamin

Introduction: the Elephant in the Room

In early 2009, six months or so after the collapse of Lehmann Brothers, I gave a talk on the unfolding Global Financial Crisis. In the discussion afterwards I was taken to task for failing to see “the elephant in the room”. Which elephant was it that I couldn’t see, one may ask; after all, there have been quite a few that are not so easily missed: extreme capitalism, predatory mortgage brokers, Ponzi schemes, traders and their financial weapons of mass destruction, the global debt bomb etc. In this instance, however, I was actually accused of failing to see the power of the banks, and so of not properly accounting for the system of capitalism overall.

The talk I’d given was about everyday investment practices, and particularly the investment culture around home ownership and housing that had emerged during the recent boom in residential property markets. There are of course explicit connections between housing, housing finance (mortgage lending in particular) and the global economic downturn: the “subprime” crisis is generally interpreted as the trigger that brought down a house of cards built on new and ever more innovative debt products and residential mortgage-backed securities. In 2008 US Treasury Secretary Henry Paulson called the bursting housing bubble “the most significant risk to our economy”. And later that year the global markets did something that Alan Greenspan subsequently called “a once in a half-century, probably once in a century event”: they froze. The subprime crisis morphed into a liquidity crisis then a credit crunch and then quickly became a global financial crisis. And then, as we all know, we were facing a global recession, the “Great Recession”, as it became called.

The connections between housing, the culture of home ownership and the financial meltdown have often been lost in our haste to identify causes and culprits and broker

immediate solutions. As Slavoj Žižek has recently put it, there has been an enormous pressure simply “to do something”. But doing things is often a way of avoiding talking and thinking about them: “such as throwing \$700 billion at a problem instead of reflecting on how it arose in the first place” (Žižek, 2009:11). The haste to quickly *do something*, to organise rescue plans, bailouts, and stimulus packages, has also led to a concentration of focus on the more obviously “financial” dimensions of the crisis, along with a tendency to downplay the wider cultural and political background against which it developed and acquired momentum. In this paper, therefore, I’d like to reflect on the crisis as much more than just an economic event. In particular, I’d like to argue that the financial crisis had *cultural* conditions of possibility that are imbricated with economic factors in complex ways. There is a pressing need, I want to suggest here, to decentre an explicit and singular focus on the *financialization* that is assumed to be at the heart of the Global Financial Crisis (the GFC), and to instead reflect on these cultural contexts and conditions of possibility. This includes reflecting on some fundamental features of contemporary social and economic life, especially recent redefinitions of the family, the household, home ownership, investment, risk, and the fashioning of everyday financial subject positions and identities. Ultimately the idea that the crisis was the function of exogenous financial forces and associated *irrational* “herd behaviour” fails to acknowledge the cultural rationality that saw the constitution of the citizen as someone enjoined, indeed required, to invest in their lives through debt-fuelled, and frequently asset-based, consumption that more often than not depended on the home as an object of leveraged investment (see Langley, 2008). In other words, “It’s the culture, stupid!”

This process of reflection also requires enough pause to consider how the current period of economic turbulence has come to be understood and symbolised, and the kinds of “stories” it has given rise to. For example, historical analogies have been drawn extensively in attempts to both explain and understand the financial crisis. These analogies rely on an analytical manoeuvre of extrapolation that projects a direct line of connection between past experiences of economic instability and the present. In this sense, they are not so different to the financial models of extrapolation that assumed the future would look just like the recent past. Now, instead of models of growth based on an endlessly booming present we are presented with models of severe depression (and related solutions) inherited from the past.

This logic of extrapolation constructs a seamless historical totality in which there is a succession of discrete periods and moments that are either interchangeable in essence or able to be subsumed within the consistency of a total system. This historical periodisation replicates the economic impulse to establish sequences and patterns, and to construct, and find order in, repetition and predictability. The problem here is not that the models extrapolated from the past are illusory or misguided; on the contrary, the solution of massive fiscal stimulus most certainly “did something”, in Žižek’s terms. What is missing, though, is a sense of specificity *and* continuity, difference *and* repetition, with the language of “crisis” positioning the current economic turbulence as a singular, universal event, taking place as it were in homogenous and empty time and space. In this sense, the logic of extrapolation creates an “allegorical master narrative” (Jameson, 1981: 28) in which everything is foretold because each moment or stage simply explicates the others to which it is related, with all playing out in relation to a

deeper, underlying process that also serves as a more fundamental explanation of *how things are*.

But getting back to the elephant in the room. To imagine capital as a monolithic, elephantine entity continues and upholds the “vast interpretive allegory” (1981: 28) that Jameson describes. It ascribes to capital (invoked here by the figure of the power of the banks) a wholeness and unity it may not necessarily — or perhaps more correctly, will rarely — display in its actual operations. To position capital, capitalism, and financial power “outside” or “beyond” the mundane world of everyday culture and households misses something quite fundamental: it fails to consider the roles that those everyday financial practices, and social and cultural relations more broadly, play in shaping and constructing financial events. Moreover, to visualise capital in these terms — the elephant in the room — calls up an image of omnipotent but actually quite static and contained power that actually limits the analyses and understandings of both power and economic life that are potentially possible. It diagrams both capital and power as centred and singular (see Gibson-Graham, 1996; Aitken, 2007).

This particular understanding of capital and power as centred and monolithic also sets up and reinforces an opposition, and more importantly a separation, between the reified and mysterious world of finance capital and ordinary, everyday culture, between Wall Street and Main Street. This implicitly sketches global capitalism as a major, dynamic and implacable kind of force, impacting upon the spaces of ordinary life where its effects are evident in the merely residual traces left behind, registered in the quarterly statement of pension and superannuation schemes and the disastrous hit to retirement income. While such hits are serious, one part of the widespread socialisation of losses that we’ve seen unfold over the last couple of years, I question whether it’s really in our longer-term interest of understanding the integral dimensions and machinations of the crisis to remain attached to such a limited sense of scale. As Bruno Latour has put it, “A giant in a story is not a bigger character than a dwarf”; as he explains, “Big does not mean ‘really’ big or ‘overall’ or ‘overarching’, but connected, blind, local, mediated, related” (Latour, 1988b; 1999 in Crang and Thrift, 2000: 286). So, what becomes significant then is whether financial markets are “more or less long and more or less connected”, and the specific nature and history of the relationships and connections *between* scales.

The result is a genealogical and cultural analysis that not only decentres financial capital but enables insight into its contemporary diffuse, dispersed and *multiple* operations, and therefore perhaps also provides greater purchase on the ways in which it is constituted and reconstituted in increasingly new, novel and diverse forms throughout socio-economic life. This is a method most closely associated with the work of Michel Foucault who argues that, as a critical approach, genealogy rejects the historical imperative to create a narrative continuity of before and after, a teleological movement that can then assume the status of a natural process; it “disturbs what was previously considered immobile; it fragments what was thought unified; it shows the heterogeneity of what was imagined consistent with itself” (Foucault, 1984: 82). A genealogical approach, therefore, records “the singularity of events outside of any monotonous finality; it must seek them in the most unpromising places, in what we tend to feel is without history — in sentiments, love, conscience, instincts; it must be sensitive to their

recurrence, not in order to trace the gradual curve of their evolution, but to isolate the different scenes where they engaged in different roles” (Foucault, 1984: 76).

This is a critical approach that has also been mobilised in cultural economy studies of contemporary finance (Aitken, 2007; Ball, 2007; du Gay & Pryke, 2002; Langley, 2008; Pryke & du Gay, 2007). It also provides the basis of what Randy Martin (in this issue) calls “thinking finance otherwise”. From this perspective, transformations in everyday saving, borrowing and investment practices, especially in housing and mortgage markets, are not simply imposed from “the outside” by global finance capitalism and the banks representing its vested interests. Rather they take shape within, and are contingently embedded and embodied “inside” the power relations of much wider networks, connections and circuits. As Langley puts it, “The category of everyday life does not just provoke a concern with that which is neglected in the vast majority of accounts of contemporary finance, that is with the mundane routines of saving and borrowing. It also directs us to view transformations in those routines as crucial to the constitution and contestation of contemporary finance” (2008: viii-ix).

Moreover, when looking at contemporary experiences of home ownership, and especially the culture of speculation and investment that has developed residential property since the global house price boom, it’s actually quite difficult, if not impossible, *not* to take into consideration the interrelations between everyday practices and the banking and financial sectors. After all, it was the deregulation of financial systems in the 1980s that actually led to the appearance of a new generation of flexible mortgage products. Mortgage lending became more competitive than ever before, and home loans became more widespread. Home equity loans, mortgage equity withdrawal, over-mortgaging, loans with offset accounts, cash-out refinancing, reverse mortgages, hybrid and interest-only adjustable rate mortgages, loans with teaser and honeymoon periods, and a suite of various kinds of negative amortization loans were just some of the new “affordability products” and home lending practices that appeared on the market following the deregulation of the financial sector.

The liberalisation of lending policies not only led to a substantial increase in the availability of housing finance but its greater accessibility. New methods of selling mortgages re-formed the mortgage market, intersecting with new norms, desires and expectations of home ownership. One of the primary expectations to emerge at this time was that by embracing financial market risk, and successfully calculating and managing that risk, owning a home would provide a store of housing wealth that could be depended on not only to finance consumption in the present but to provide social and economic security over the life course — asset-based welfare, in other words. It would be a canny financial decision rewarded with substantial investment returns (culturally, financially and symbolically), including the prospect of leveraging that store of wealth a number of ways, including for further investment opportunities and wealth accumulation (see Allon, 2008). As the *Economist* put it: consumers have become “obsessed with the idea of a house as their main store of wealth, regarding it as a combination of cash cow and pension plan” (*Economist*, 2009: 71). In effect, housing wealth has increasingly come to be seen as the key to, and guarantee for, all other kinds of wealth, prosperity and financial security more widely.

This not only makes everyday life and material consumption more and more “aspirational”, but also positions the individual as an investor in a life project that requires the constant pursuit of opportunities and the negotiation of risks in order to yield rewards. In this neoliberal vision, the social contract has been replaced by the mortgage contract. Sure, growing levels of home and property ownership bring new benefits but they also increase exposure to economic downturn. So many current government policies to individualise responsibility for saving, borrowing and everyday investment decisions (education, health care, housing, retirement) often exceed the individual capacity to manage complex financial choices and unknown market risks.

Refusing an imaginary that depicts capitalism as singular, centred, and as homogenous and hegemonic in the way it circumscribes power is also, I want to suggest, strategically necessary in order to understand the mutations and transformations of technologies of power that are specific to contemporary forms of neoliberal governmentality. Generally understood as a style or art of governing that emerged in the last decades of the 20th century, advanced liberal techniques of governance issue less from a single locus of operation — the closed spaces of institutions such as the State or the Economy, for example — but through the activities of multiple agents and agencies motivated by a shared ethics of responsibility, autonomy and freedom (see Miller and Rose, 2008). It organises a diagram of power that is centrifugal, operating across a plurality of planes of movement: “New elements are constantly being integrated: production, psychology, behaviour, the ways of doing things of producers, buyers, consumers, importers, and exporters, and the world market ... the development of ever-wider circuits” (Foucault, 2007: 45).

But there is one particular aspect of this kind of neoliberal governmentality that has a particular relevance to the “crisis” we’re living through today. Styles of governing that call up autonomous subjects to take on individual responsibility for their own security, independence, material well-being and welfare increasingly involve “the invention of novel ways of thinking, calculating, acting and intervening” (Lentzos and Rose, 2009: 234). And it is in relation to the specific calculative tools, devices and techniques of risk — the means through which future uncertainties are thought about, measured and managed as risks in the present — where these are most apparent. Risk becomes a space of calculability that is inserted into an expanded range of social institutions and areas of social life. Every contingency of contemporary life can be valued, hedged and converted into a cash flow and of course into commodity relations. This is not only reflected in the burgeoning range of derivatives now available, from weather derivatives to disaster derivatives, but also in the steadily growing processes of financialization now dispersed throughout daily life (Martin, 2002).

The Singularity of the Event

So what is specific about today’s crisis? One of the keys to understanding the specificity of our present situation is the new role of risk. Risk frequently displaces a previous (state-backed) social order of insurance that depended on a

logic of probability collectivised across social space (Ewald, 1991). It now functions as something that must be grasped and managed in order to maximise returns and rewards in social practices that are now framed as investment decisions (Hacker, 2006). Conversely, the responsabilized investment choices of autonomous entities, whether these be enterprises, local councils in suburban Sydney, individuals, households and families, hinge more and more on their increased exposures to, responsibilities for, and management of, risk. And risk itself is represented not as something to be avoided but as a specific set of tools that must be deployed, and as an incentive or opportunity to be embraced. It also begins to function as a prism of social categorisation and differentiation that organises, prices and exploits difference (gender, racial, class, geographical, employment, etc.), and whose calibrations the sub prime crisis brought sharply into view (see Langley, 2008; Wyly et al., 2009a, 2009b).

But what I would also like to suggest here is that risk, or more precisely the crisis in the diagram of power that organises this much wider *distribution of risk*, is just one of the keys to understanding what's specific about this crisis. Our understandings of value, of authenticity, and of the so-called "real economy" are also in crisis. So, while this call to decentre our images of capital and finance is hardly new (it is the central theme of Gibson-Graham's presciently titled book *The End of Capitalism (as we knew it)*), it takes on a particular urgency in the present circumstances in regard to the ongoing representations of the meltdown. An archive of very specific references, images and over-determined narratives has accompanied the GFC. The bulk of media and social commentary overwhelmingly tends to rely on this established archive, recycling the same set of well-worn metaphors: a deluded Alan Greenspan at the helm of the ill-fated Titanic sailing into the perfect storm (along with other endless reprisals of the world's biggest metaphor hits iceberg theme). Historical analogies, specifically, have been drawn extensively in attempts to both explain and understand the current financial crisis. The mantra that has become most familiar of course is that the global financial crisis is the biggest economic downturn since the Great Depression: after the collapse of Lehmann Brothers a host of magazines devoted special issues to the crisis featuring Dorothea Lange's iconic photos of dust storms, farm foreclosures, migrant workers and soup kitchen queues — archetypal images of the Depression era.

Popular economist, Niall Ferguson, is the master of such extrapolation, drawing neat equivalences between the South Sea Company, Tulip mania, and the sub prime crisis in his seamless history of "Blowing Bubbles" (Ferguson, 2008). What these narratives do is work to construct capitalism as an unchanging and eternal presence, with the eruptions of "bubbles" and "crises" as inevitable as the cycles of nature, and displaying the same essential properties. In these rhetorical manoeuvres the crisis is naturalised, and politics is aestheticised. While periodisation of one kind or another may indeed be "indispensable", as Jameson suggests, the representation of History as a master narrative inevitably falls back on a teleological progression (a *telos*) that demands narrative closure. "Individual period formulations", in particular, "always secretly imply or project narratives or "stories" — narrative representations — of the historical sequence in which such individual periods take their place and from which they derive their significance" (Jameson 1981: 28).

The very term “crisis” also becomes deeply implicated in this semiotic regime. The language of crisis is extraordinarily flexible and amazingly convenient but, again, it also tends to reduce social and historical multiplicities to a discrete and unified historical period or master code: the GFC. The concrete manifestations and specificities of the crisis, its local and historical contextualisations, are downplayed in its representation as an expression of a macro-structural category or already-existing abstract capacity. When both capitalism *and* the moment of its economic crisis are given an essential or coherent identity, “unified by an abstract self-resemblance” (Gibson-Graham, 1996: 15), the contradictions and tensions that are always present are downplayed and inherent instabilities are given resolution. And to paraphrase Gibson-Graham, each time the word “crisis” is invoked, a very familiar figure and sense of inevitability is “re-imposed on the social landscape” (Gibson-Graham, 1996: 15). In the hyperventilating panic attack of a crisis, all bets are off, no holds are barred, the future is suspended and a severe, knee-jerk short-termism kicks in. The horizon of possibility contracts to the immediacy and pragmatism of what’s happening NOW: as Australian National Party Senator Ron Boswell said in response to calls from some of the nation’s most respected scientists for cuts in greenhouse gas emissions: “C’mon, be practical, don’t you know we’re living through a crisis?”

So just how helpful is this language of crisis and catastrophe? Isn’t this image of inevitable depression and calamity merely the flipside of the growth mania that gripped us just as tightly not so long ago? In this sense, these narrative figures are not so different to the mathematical models of extrapolation that assumed the future would look just like the present. By the late 1990s there was a sense that the central problem of the business cycle, if it had not been entirely eliminated, had at least been decisively tamed, perhaps had even been solved. As Ian Harper, Reserve Bank economist and free marketer recently put it, “Our framework was essentially the efficient markets theory. We thought we had found the ultimate fixed point in the universe, namely the market price, and so we built on top of that the regulatory framework. But then there was no market price. The evolution we expected has stopped, reversed and gone the other way” (quoted in Quiggan, 2009).

What is missing from this logic of extrapolation is a sense of difference *and* repetition, a failure, above all, to grasp the moment’s distinctiveness, its singularity. There is certainly nothing wrong with letting the knowledge of the past work on the experience of the present. But this is completely different to “coating the present in a form that is recognised in the past but still reckoned to be valid in the present. It is this transfer of the political effects of an historical analysis in the form of a simple repetition that is undoubtedly what is to avoided at any cost” (Foucault, 2008: 131). With “the pure and simple transposition of historical moulds”, as (Foucault, 2008: 131), terms this process, the political effects of specific types of practices, institutional forms and cultural norms and relations are overlooked. In other words, either wittingly or unwittingly, the present is able to evade critical scrutiny on its own terms.

The repertoire of historical referents called on to both illustrate and dramatise the current crisis — the images of soup kitchens, unemployment queues, dust bowls etc. — reinforce the sense of historical continuity and inexorable unfolding of an eternal presence, and neutralise the potentiality of serious contestation and critique. In this

sense, the images, narratives and metaphors that we use to describe the crisis constituting it in highly specific ways in forms of knowledge and practice, and are central in our experience of and our reactions to the current economic circumstances. This not only shifts attention on to the role that language and imagery play as constitutive practices, but to the fact that the category of capital is not an ontological given but is also constituted by continually changing and contradictory processes and events (Aitken, 2007).

Nostalgia for a “Real Economy”

In this world paradoxically steeped in but simultaneously devoid of history, Jean Baudrillard, were he alive, would be having a field day. He would have already penned his treatise “The Global Financial Crisis that did not take place”; after all, he’d already suggested that the Wall Street Crash of 1987 was experienced more as simulacra than anything else, as confirmation that we live under the sign of a virtual economy more than ever before. But Baudrillard’s distinction between a “real” and virtual economy is actually useful for thinking about another debate that has appeared recently. This is the idea that *financialization* has severed our connection to a so-called “real economy”. From this perspective, the crisis tends to be understood as a major rupture of equilibrium, a deviation from the “real” economy or a distortion of a “true” and “proper” model of capitalism. Saskia Sassen, for example, is one of many who have called for a return to a real capitalism re-embedded in the real economy (Sassen, 2009).

In fact, this search for “realness” is another distinctive feature of the current downturn. The recycled media images convey the nostalgia for the *realness*, for the *solidness*, the *authenticity* of previous crises. Where exactly is the crisis located? What’s tangible about it? In what kind of features can it be recognised? And one reason such uncertainty has become so prevalent is because so much of the discussions around the crisis have centred on exotic financial instruments such as derivatives, CDOs and structured investment vehicles which themselves appear to have an unreality about them. The greater virtuality or liquidity of the financial practices involved, or at least the greater the *impression* of virtuality, produces, as Baudrillard identified presciently, “the characteristic effect of *uncertainty surrounding the reality of the crisis*” (Baudrillard, 1993: 33). Indeed, the desire for solidity when it seems that all that is solid has melted into air was given perfect illustration throughout 2009 with financial analysts recommending investment in “real” commodities like gold, urging the punters to go out and buy bullion and bury them in their backyards. The calls for greater regulation are very much part of this desire, this hope, for solidity in the face of the complexity of liquidity, virtuality and dematerialisation.

This idea of a real economy and real capital also feeds into a much wider set of distinctions between real and virtual or fictitious capital. Virtual and fictitious capital have most commonly been associated with the emergence of the finance and insurance industries and an increasingly information-based capitalism, and generally refer to flows of capital not involving a commodity transaction or exchange (see Ball, 2007; Kiarina Kordela, 2007). They are terms almost exclusively applied to derivatives markets as the latest stage in the abstraction of monetary forms. But even though such

divisions between real and fictitious capital are increasingly untenable, financial capitalism continues to be represented as a unique and aberrant exception to the “eternal verities” of monetary capital. As David Harvey notes, “[I]n the course of a crisis, capitalism is forced to abandon the fictions of finance and to return to the world of hard cash, to the eternal verities of the monetary base” (Harvey, 1982: 292).

This continued emphasis on the virtuality of finance, “money’s ‘new imaginary’” as (Pryke and Allen, 2000) put it, merely reinforces this aura of fiction and unreality. Whereas what is actually needed are studies of the cultures and materiality of finance, the way it is brought into being, made tradable, and the areas of social life — pensions and superannuation schemes, including the near total securitisation of the infrastructure of everyday life, from mortgage repayments and roads, to telephone bills and student loans — within which it is performed and constituted. After all, as Donald MacKenzie (2009) reminds us, these products did not simply evolve, they were invented, the result of conscious, deliberate design. A greater attention to the culture and materiality of these markets, however, does not mean simply regarding “culture” as the background or as the context in which markets take place: it involves examining the fashioning of everyday financial practices, subject positions and identities in arenas that are *cultural* as much as they are *economic*.

But this critical move is disavowed in the conventional diagnosis of the crisis as a major rupture of equilibrium, a deviation from the “real” economy or a distortion of a “true” and “proper” model of capitalism. To define the crisis as a financial distortion, an anomaly or aberration simply serves to reinstate the fiction of equilibrium. Indeed, the very term “crisis” is in many respects a misnomer; volatility is the normal mode of operation of this particular type of economic system. Financialized capitalism, therefore, is not a deviation or a departure from a norm, or a distortion of the real; it is actually business as usual, as they say, a development *within* the *longue durée* of practices of capitalist accumulation rather than an absence of its fundamentals.

Moreover, and relatedly, the idea that the crisis is the result of non-rational behaviour, or irrational behaviour, as in the sense of Robert Shiller’s diagnosis of “irrational exuberance” again reinstates the naturalness of a norm, and performs a reinscription of equilibrium. The representation of individuals as “irrational”, or indeed as “delinquent” borrowers, in effect singles them out from the norm, and deflects critical examination and scrutiny from the wider system in which they are situated and operate. For Shiller, “irrational exuberance” is investment behaviour that is not grounded in “sensible economic fundamentals” (Shiller, 2005). What this fails to acknowledge is the way in which sensible investment behaviour has actually been redefined as contingent upon a greater appetite for risk, and with this risk itself is redefined not as something to avoid as “risky” but as an opportunity to leverage and embrace.

In contrast to the focus on non-rational individual behaviour, or irrational behaviour in this era of speculation, greed and debt bingeing which the crisis has supposedly brought to a head, I’d like to suggest that what has been most apparent is the creativity of practices of rationality, of reason, and of risk. These are part of a much wider *cultural rationality* that emphasises an image of the enterprising and responsible citizen who seeks out opportunities for asset-accumulation and investment not just as a sign of a

self-directed and autonomous life, but as a much-needed source of welfare and security over the life course. But rationality and reason are to be regarded here as virtual in the truest sense of the term: they are never ever attained, completed, or fully realised. Rather, they are shot through with forces that generate instability, undermined by the contradictions and tensions that emerge in all technologies of risk that turn on the calculation of the future. The current crisis illustrates above all the fragilities, tensions and contradictions of those so-called sensible, real and rational “fundamentals” that continue to serve the depoliticised constitution of the present and the future.

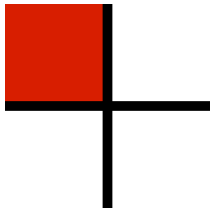
references

- Aitken, R. (2007) *Performing Capital: Toward a Cultural Economy of Popular and Global Finance*. New York: Palgrave Macmillan.
- Allon, F. (2008) *Renovation Nation: Our Obsession with Home*, Sydney: New South.
- Ball, K. (2007) ‘Death driven futures, or you can’t spell deconstruction without Enron’, *Cultural Critique*, 65: 7- 42.
- Baudrillard, J. (1993) *Symbolic Exchange and Death*. London: Sage.
- Crang, M. and N. Thrift (eds) (2000) *Thinking Space*. London: Routledge.
- Du Gay, P. and M. Pryke (eds) (2002) *Cultural Economy: Cultural Analysis and Commercial Life*. London: Sage.
- Economist (2009) ‘Buttonwood: down and out’, 25 April, 71.
- Ewald, F. (1991) ‘Insurance and risk’, In G. Burchell, C. Gordon and P. Miller (eds) *The Foucault Effect: Studies in Governmentality*. London: Harvester Wheatsheaf.
- Ferguson, N. (2008) *The Ascent of Money: A Financial History of the World*. New York: Penguin.
- Foucault, M. (1984) ‘Nietzsche, genealogy, history’, in P. Rabinow (ed.) *The Foucault Reader*. New York, Vintage.
- Foucault, M. (2007) *Security, Territory, Population*, trans. G. Burchell. Basingstoke: Palgrave Macmillan.
- Foucault, M. (2008) *The Birth of Biopolitics*, trans. G. Burchell. Basingstoke: Palgrave Macmillan.
- Gibson-Graham, J.K. (1996) *The End of Capitalism (as we knew it): A Feminist Critique of Political Economy*. Cambridge, Mass: Blackwell.
- Hacker, J. S. (2006) *The Great Risk Shift*. New York: Oxford University Press.
- Harvey, D. (1982) *The Limits to Capital*. Chicago: University of Chicago Press.
- Jameson, F. (1981) *The Political Unconscious*. London: Methuen.
- Kiarina Kordela, A. (2007) ‘Marx’s update of cultural theory’, *Cultural Critique*, 65: 44-66.
- Langley, P. (2008) *The Everyday Life of Global Finance: Saving and Borrowing in Anglo-America*. Oxford: Oxford University Press.
- Lentzos, F. & N. Rose (2009) ‘Governing insecurity: contingency planning, protection, resilience’, *Economy and Society*, 38(2): 230-254.
- Mackenzie, D. (2009) *Material Markets: How Economic Agents Are Constructed*. Oxford: Oxford University Press.
- Martin, R. (2002) *Financialization of Daily Life*. Philadelphia, Temple University Press.
- Miller, P. and N. Rose (2008) *Governing the Present: Administering Economic, Social and Economic Life*. Cambridge: Polity Press.
- Poovey, M. (1998) *A History of Modern Fact: Problems of Knowledge in the Sciences of Wealth and Society*. University of Chicago Press, Chicago.
- Pryke, M. & P. du Gay (2007) ‘Take an issue: cultural economy and finance’, *Economy and Society*, 36(3): 339-54.

- Pryke, M.D. & Allen, J. (2000) 'Monetized time-space: derivatives – money's "New Imaginary"?' *Economy and Society*, 29: 264-84.
- Quiggan, J. (2009) 'We can learn from crisis', *Australian Financial Review*, 16 July.
- Sassen, S. (2009) 'Too big to save: the end of financial capitalism', *Open Democracy*, 2 April [<http://www.opendemocracy.net/article/too-big-to-save-the-end-of-financial-capitalism-0>].
- Shiller, R.J. (2005) *Irrational Exuberance*, 2nd ed. Princeton: Princeton University Press.
- Wyly, E., M. Moos, H. Foxcroft and E. Kabahizi (2009a) 'Subprime mortgage segmentation in the American urban system', *Tijdschrift voor Economische en Sociale Geografie* 99: 3-23.
- Wyly, E., M. Moos, E. Kabahizi and D. Hammel, (2009b) 'Cartographies of race and class: mapping the class-monopoly rents of American subprime mortgage capital', *International Journal of Urban and Regional Research*, 33(2): 332-354.
- Žižek, S. (2009) *First as Tragedy, Then as Farce*. London & New York: Verso.

the author

Fiona Allon is Australian Research Council (ARC) Future Fellow in the Department of Gender and Cultural Studies at The University of Sydney. She has published widely on space, place and identity and is the author of *Renovation Nation: Our Obsession with Home* (New South, Sydney: 2008). Her current research focuses on the cultural economy of home, households and everyday life. This recent work also addresses the cultural dimensions of financial crises, both past and present, including the 2007-2010 global financial crisis. Of particular interest is a cultural rationality of investment that positions the household in explicitly *financialized* terms as a site for yielding value (use, exchange and life value), including the house itself as a cultural-economic agent and form of investment.
E-mail: fiona.allon@sydney.edu.au



Charting the Terrain of Struggle in the Global University

Elizabeth Johnson and Eli Meyerhoff

review of:

The Edu-factory Collective (eds) (2009) *Toward a Global Autonomous University. Cognitive Labor, The Production of Knowledge, and Exodus from the Education Factory*. New York: Autonomedia (PB: pp. 196, \$14.95, ISBN: 978-1-57027-204-2).

The Edu-Factory's project began on the basis of a simple tenet: "What was once the factory, is now the university". Starting with analysis and critique of the rise of "cognitive capitalism" and the commodification of education, the Edu-Factory Collective took shape around the need for action against these trends. It emerged as an organization seeking to create a community of "struggle and exodus, for the political composition of differences in a space-time of class, just as the factory was for the working class" (8).

This project – and, subsequently, their recent collection – is fraught with tensions. And these tensions may constitute the volume's greatest assets. The clear focus in this volume is on generating analysis of the contemporary conditions of higher education; connecting struggles on the ground; and creating a language with which to find commonalities and articulate important differences. This was the goal when the Edu-Factory opened up a series of online discussions around several themes: conflicts over knowledge production in the global university, processes of hierarchization in the educational marketplace, cognitive capitalism and labour, and the constitution of autonomous education projects. These discussions gave birth to many of the essays in *Toward a Global Autonomous University*.

One of the benefits of such a forum is that it provides space for creating common languages. Much to their credit, the Edu-Factory approach to organizing forums for communication did not presuppose the terms and conditions of the critique they offer. Instead of policing language, the Edu-factory has created a "space where struggles connect, a space of resistance and organizational experiments" (3). To describe and affirm this benefit, the Edu-factory collective has used the concept of "heterolingual translation", which they define as "the construction of the common starting from the multiplicity of forms of resistance and from movements of living knowledge" (6), and

which Sakai and Solomon see “as a social movement of ‘permanent translation’... devoted to producing the multitude of foreigners we can become” (137-8).

The result is a series of essays that are often disjointed and at times at odds with one another; the arguments and perspectives expressed in the book’s 24 chapters reveal tensions inherent to such a project. But contrary to expectations, such tensions serve to constitute the volume’s coherence: each of these chapters appears as a piece of a well-informed and passionate conversation.

The essays that comprise this volume – and the tensions that characterize the spaces between them – speak toward the socio-political commitments of the Edu-Factory more broadly. By beginning with the incommensurable forms of resistance and living knowledge, many of these essays invert the dominant, capitalist narratives of higher education that portray progress as driven by bureaucratic or capitalist decision-makers and the market. This inversion is evident not only in the authors’ analyses but also in the Edu-factory’s selection of essays: much of the book is devoted to narratives of the productivity of struggles around the university. These include: resistance to neoliberal retrenchment in South Africa by unions of university staff, Greek students occupying hundreds of universities to protest marketizing reforms, student resistance in France against the precarization of the labour force, “open source unionism” in the US among contingent faculty, the Counter-Cartography Collective’s mapping the terrain of precarious university labour and life, and autonomous education experiments in India, the US, and Argentina.

These narratives of struggles, as well as the volume’s more theoretical pieces, are interlaced with tensions between some of their key concepts. Some conflicts emerge over the question of the most effective language for describing the antagonisms in these struggles. Here we focus our review around just a set of these tensions: the relative efficacy of the concepts of cognitive capitalism, the common(s), and the public vs. private dichotomy. We conclude by highlighting the essays’ contributions that move beyond critique and toward reimagining higher education in the form of a “global autonomous university” or otherwise.

1. Cognitive Capitalism

The use of “cognitive capitalism” – a concept that emerged as central to the Edu-Factory’s project – is both further developed and interrogated in the volume’s section devoted to that theme. Carlo Vercellone defines it as:

a system of accumulation in which the productive value of professional and scientific work becomes dominant and the central stakes in the valorization of capital relate directly to the control and transformation of knowledge into fictitious goods (119).

Writing on the anti-CPE movement in France, Vercellone contends that, in “cognitive capitalism”, with the increasingly collectively shared character of knowledge:

it is this intellectual quality of the labor force which, breaking with industrial capitalism, led to the assertion of a new primacy of living knowledge, mobilized by workers, in contrast to the knowledge incorporated in fixed capital and the managerial organization of firms (120).

The response of capitalism to this development of collective labour's capacities was to deploy neoliberal policies, a model of regulation that entailed processes of precarization: "the multiplication of precarious forms of work (fixed term contract, interim, apprenticeship, subsidized employment, non-voluntary part-time labor, etc.) and a break from standard Fordist full-time and stable employment" (122). Similarly, in Greece, "a wave of neoliberal reforms came to push the university even more towards the direction of the market" (106).

In addition to these analyses of the socio-economic patterns of the reforms, some authors examine their effects on the subjectivities of individual students. Jason Read's essay fleshes out how, under cognitive capitalism, subjectivity becomes a key terrain of struggle. Such struggles emerge "between different practices, practices that ultimately produce different modes of living and thinking; that is, different formations of subjectivity" (151). Vercellone's discussion illustrates this point, detailing how precarization makes the majority of students in France need to work in order to finance their studies, and how many of them occupied their schools to oppose proposed regulations that would intensify this precarization. Similarly, in the US context, cognitive capital, marketization and increased student tuition have restructured students' subjectivities into market-oriented, indentured, precarious forms. Jeffrey Williams narrates how student debt is "not just a mode of financing but a mode of pedagogy", teaching students the lessons that "higher education is a consumer service", that career paths are constrained to those most lucrative for paying off the debt, that the capitalist market is "natural, inevitable, and implacable", that the state's role is to help capital, that citizens should pay their own way rather than lazily leeching off the state, that a person's worth is measured "according to one's financial potential", and that the appropriate attitude toward life is a continually stressed-out "fear of falling" from one's social position (94-6).

The making-precarious of university life affects teachers as well. In the US, Eileen Schell's describes how for-profit educational institutions make profits by "outsourcing" their entire faculty labour to "to contingent faculty or they employ a few big name professors to design online courses (course ware) that are then facilitated by online contingent faculty" (116). Marc Bousquet details administrators' "cybernetic management model" that "teaches the utility of maintaining a large disposable faculty both for meeting financial targets and for quick restructuring to meet new presidential priorities" (102).

Despite the work that the concept of cognitive capitalism does for these authors, George Caffentzis and Silvia Federici take the concept's analytical and strategic application to task, arguing for the importance of paying attention to the contexts in which such concepts are deployed. At stake, they argue, is the possibility of recreating the very hierarchies that these authors and others involved in the movement seek to dismantle. Capitalist accumulation has thrived through its capacity to create and exploit disparities between developed and underdeveloped areas, waged and un-waged labour, and thereby, to create sexual, racial, and geographic divisions in the working class (127). "In other words, a leap forward for many workers, has been accompanied by a leap backward by many others, who are now even more excluded from the "global discourse", and certainly not in the position to participate in global cooperation

networks based upon the internet” (128). The disparities of access to the internet represent an obstacle for the Edu-factory project, an obstacle that some of the articles take up through interrogating processes of hierarchization across different modes of knowledge production.

Caffentzis and Federici are also concerned “that by privileging one kind of capital (and therefore one kind of worker) as being the most productive, the most advanced, the most exemplary of the contemporary paradigm, etc., we create a new hierarchy of struggle, and we engage in form of activism that precludes a recomposition of the working class”. Against any assumption of the working class’s recomposition automatically happening through a homogenization of work along “cognitive” lines, Caffentzis and Federici argue that such re-composition must be contextually sensitive. Any strategies for the working class struggle must be constructed across different forms of labour from their different situations in the international division of labour, while aiming to overcome those divisions (129).

2. Private vs. Public vs. the Common(s)

Many of the aforementioned authors see the distinction between “public” and “private” to be breaking down under new regimes of “cognitive capitalism”. However, other writers find the “public vs. private” binary to still be useful from the perspective of their struggles. In Franco Barchiesi’s account of restructuring the University of Witwatersrand in South Africa, he criticizes the “corporate university”, “privatization”, and “marketization” for making the university “public” in name only: “a far cry from the notion of the university as a public research institution promoting a diversified, general, and critical knowledge” (69). Considering the continuation of the legacy of apartheid in the systemic academic exclusion of black students “due to outstanding debts and the inability to pay admission fees”, South African unions’ and student movements’ demands for a more public, egalitarian university could be useful for combating that racist legacy.

A similar argument could be made in the context of the US, because of its own legacy of apartheid from centuries of slavery, segregation, and institutional racism.¹ Christopher Newfield highlights intertwined race and class disparities in American education: with increasing tuition, increasing student debt exacerbates these inequalities, such that “Latinos and African Americans are more likely to have unacceptable levels of student debt and to default on their debt later, which can create havoc in their personal lives”; likewise, they are increasingly excluded from elite universities, thereby entrenching race and class hierarchies (182). In the face of such systematic inequality, and against conservatives’ attacks on public education, Newfield argues for the potential effectiveness of appeals to a “public” ideal: “a new democratization movement that sees the public university as a cornerstone” (182-3).

1 On contemporary racial, economic, and linguistic segregation in and through the American education system, see Kozol (2006).

Caffentzis and Federici, based on their history of the work of the Committee for Academic Freedom in Africa, also see strategic value in the “public” ideal, while recognizing its drawbacks: “we agree that we should resist the dismantling of public education, even though schools are also instruments of class rule and alienation” (126). Rather than assuming that we can simply step outside of capitalist relations, they argue that we should follow students’ movements in seeing universities as “not just nurseries for the leaders of a neoliberal elite, they are also a terrain for debate, contestation of institutional politics, and reappropriation of resources”; and, it is through engaging on this terrain, and “connecting the struggles in the campuses to the struggles in other parts of the social factory, that we create alternative forms of education and alternative educational practices”.

In contrast, the Edu-factory collective and a number of other authors theorize the alternative educational ideal as an institution operating outside of a system that legitimates, and benefits from, a distinction between “public” and “private”. Using such concepts as “institutions of the common”, “living knowledge”, “knowledge as a commons”, and “autonomous educational institutions”, these authors seek to create the conditions to escape and exceed the status quo. In their introduction, the Edu-factory collective contends, “it is not simply a matter of public disinvestment and the growing private investment in the higher education sector: rather, it is the very dialectic between public and private that is breaking down” (8). They identify the “public” ideal with the State, and argue against recourse to the State, as it, “just like the “mandarin” government in universities, is in fact the guarantor of corporatization, going so far as to cease distinguishing between itself and private organizations”.

A reason they give for their move away from the “public” ideal is that, with processes of globalization, new relationships arise between spatial territory and the governance and labour of higher education. This is seen most obviously in the move from national to transnational forms of higher education reforms, such as the Bologna process at the Europe-wide level, as well as in the rise of a global market for higher education with universities competing for international rankings and revenue. Less obviously, Mezzadra and Neilson show how, simultaneously with the destabilizing of nation-state borders, new borders are recomposed and multiplied internally. In the proliferation of the internal borders of China, the division of labour “tends to function through a continuous multiplication of control devices that correspond to the multiplication of labor regimes and the subjectivities” (86). Within these internally divided spaces, labour exploitation intensifies through “a process of implosion by which previously separated actors are forced into interlinked systems of labor extraction”.

Another reason for moving away from an ideal of the “public” is observing the trend toward the disintegration of the distinctions between universities and global corporations. Marc Bousquet describes how the university, since the 1980s, becomes more corporate with the adoption of the strategies of the “new public management”. Likewise, Andrew Ross details the more recent trend of increased “offshoring” – establishing overseas locations – by all types of higher education institutions. Simultaneously, the other side of the blurring of universities and corporations has been “the migration of our own academic customs and work mentalities onto corporate campuses and into knowledge industry workplaces” (30). This convergence has

continued colonial relations of knowledge production: “all over the developing world, governments, desperate to attract foreign investment, global firms, and now, global universities, are channelling scarce public educational resources into programs tailored to the skill sets of a “knowledge society” at the expense of all other definitions of knowledge including indigenous knowledge traditions” (28).

3. Reimagining Higher Education

Despite their critical analyses of globally marketizing universities, the authors do not fall into cynical defeatism. In fact, the thoroughness of their critiques allows them to better understand the terrain of struggle, to show the porosity and mutability of higher education institutions, highlighting potential lines of flight for forms of subversion and alternative educational projects. For example, Mezzadra and Neilson see that the internal proliferation of borders enables practices of “engaged withdrawal”: “a multiplication of lines of flight and possibilities for new forms of transnational social and political cooperation and organization”, such as heterolingual practices of translation in migration struggles (86-8). In opposition to proliferating borders and divisions, the Edu-Factory collective provides a space in which to discuss the tensions between the existing terrain of crises and the making of educational commons, as “situated on the frontier: between the university and the metropolis, between education and labor, between the rubble of the past and exodus, between the crisis of the university and the organization of the common. Whereas the border imposes a dividing line, the frontier is a dense space, ambivalent and traversable, a place of escape and constituent practices” (10). Some authors offer different experiments with creating and expanding such educational commons.

These struggles include the mode of knowledge itself, seeing that, as Jason Read notes, “knowledge production is a battleground” over its formation as a commons or a commodity (153). Against the academic monopoly on knowledge production, Amit Basole points toward non-Eurocentric sites of knowledge production: “counter-discourses emerge at numerous social sites, in the variety of social processes that constitute the postcolonial experience” (36). He thereby draws on the autonomous educational experiment of Vidya Ashram’s concept of “Dialogues on Knowledge in Society”, which aims to put the various knowledge production sites in dialogue with each other (38).

Other autonomous experiments in “self-education” also attend to the relations between modes of knowledge production and subjectivity formation. As a potential way to “subjectivize the commons”, Erik Forman describes the Experimental College of the Twin Cities and Tent State as educational projects that create “encounters between people who wouldn’t normally meet” (159). Forman offers a way of organizing against the negative effects of precarization: organizing students as workers with a “new kind of student syndicate organization”. The student occupations of Greek universities give some insights into what such new syndicalism could look like; they create “time-barricades” in the university where they can self-organize forms of education according to their own schedules. For cognitive labour, work extends to all of the spaces and times of everyday life (e.g., thinking through a problem from work while going to sleep).

Against cognitive capitalism's attempts to harness this labour through "the creation of artificial units of cognitive measure", students and precarious workers have struggled to avoid "a continual reduction – a monolingual translation – of living knowledge's production times to time units of abstract labor" (11). Beyond labour unions' focus on organizing waged labour in spatio-temporally fixed workplaces, new forms of organizing try to expand affective relationships of care, solidarity, and mutual aid across all spaces and times of life, as a kind of "biosyndicalism".²

The project of self-organizing labour and education relations is also central for the Universidad Experimental in Argentina. Against subscriptions to the subjectivity of "consuming student", they call for permanently problematizing our own subjectivities and collectivities (163). Further, they thematize a key tension between their projects' ideals and the existing terrain of struggle: that any "resources" they receive or take from universities for their own projects must be treated as "poisoned gifts", recognizing their potentials to improve their capacities while simultaneously avoiding recuperation of their insurgent energies. Another approach to this tension is seen in the Counter-Cartographies Collective's mappings of the complex assemblages that compose the University of North Carolina. Mapping this terrain allows them to "see a set of distinct forces, each with its own logics and discourses, which at this particular moment have coincided to form an apparently coherent vision for the future of the university"; also, to consider potentials and obstacles to the university's becoming "a form that can incubate more and more counter-institutions within and despite of itself" (113).

The tension between the ideals and practices of autonomous education projects is theorized most explicitly in Stefano Harney and Fred Moten's eloquent essay. This tension is built into the concept of "undercommons", which raises the question of how the subversive intellectual can be **in** but not **of** the university, i.e., treating it as a "place of refuge" and a source of resources for subversive projects without losing one's ideals in the process of professionalization. They consider how, under conditions of increasing precarization, teachers can organize themselves from within those conditions, living for "the beyond of teaching ... allowing subjectivity to be unlawfully overcome by others" (147). To escape the professionalizing disqualification of the joys of their teaching labour, they can go "with hands full into the underground of the university, into the Undercommons". Along the lines of the recent motto of the Anomalous Wave student movement in Italy, "we won't pay for your crisis", Harney and Moten describe how the university tries to offload its crises onto students, making them "come to see themselves as the problem" (148). The university needs teachers to impose on students this "self-diagnosing" lesson. Yet, this increasingly precaritized "labour upon labour" creates risks for the university, because, "like the colonial police force recruited unwittingly from guerrilla neighbourhoods, university labor may harbor refugees, fugitives, renegades, and castaways", who can organize themselves into "maroon communities" (149). Against attempts to disqualify them as "unprofessional", Harney and Moten call on these maroons to see the Undercommons as a perpetual war

2 On organizing 'biosyndicalism' in conditions of precarious life and labor, see Papadopoulos et al. (2008).

in which they must collectively “problematize themselves, problematize the university, force the university to consider them a problem, a danger”.³

With the exception of a few well-developed essays, the in-depth analyses and theories which feed into these discussions appear in publications elsewhere. But each chapter here is generative – the development of concepts and strategies for action, a critical analysis of recent trends, or a history of struggles. The collection as a whole is valuable for those already active in the politics of higher education. But, more importantly perhaps, it furnishes an excellent teaching tool. For students within and beyond the walls of academia, this volume provides an overview of the multiplicity of struggles going on around the world over education – struggles that are often irreducible to a single framework or language of analysis, but nevertheless are brought into conversation. The volume is quite inspiring, as it opens one’s eyes to the possibility of collective action across those hetero-linguistic communities, while providing starting points for further exploration and rich fodder for debate.

references

- Kozol, J. (2006) *Shame of the Nation: The Restoration of Apartheid Schooling in America*. New York: Three Rivers Press.
- Papadopoulos, D., N. Stephenson and V. Tsianos (2008) *Escape Routes: Control and Subversion in the 21st Century*. Ann Arbor, MI: Pluto Press.
- Shukaitis, S. (2009) ‘Infrapolitics and the nomadic educational machine’ in R. Amster (Ed.) *Contemporary Anarchist Studies: An Introduction to Anarchy in the Academy*. New York: Routledge. [<http://info.interactivist.net/node/12776>].

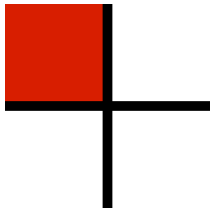
the authors

Eli and Elizabeth are graduate student-workers at the University of Minnesota. Elizabeth is writing her dissertation on politics and affect in the making of “biometric” science. Eli critically analyses the American education system and explores alternative forms of education, through a militant research project with the Experimental College of Twin Cities (<http://excotc.org>). They are both part of the Committee on Revolutionising the AdaDemy (ComRAD), which organises conferences on university crises and struggles, including “Beneath the University, the Commons” – April 8-11, 2010 in Minnesota (<http://beneaththeu.org>)

Elizabeth Johnson
E-mail: joh01868@umn.edu

Eli Meyerhoff
E-mail: meye0781@umn.edu

3 For further theorization of the “undercommons”, see Shukaitis (2009).



A crisis of finance: *financialisation* as a crisis of accumulation of new capitalism

Francesca Bria

review of:

Marazzi, C. (2010) *The Violence of Financial Capitalism*, trans. K. Lebedeva. New York: Semiotext(e). Intervention Series 2 (PB: pp. 112, £9.95, ISBN: 978-1-58435-083-5).

This global crisis is a new type of crisis, “it is the capitalist way of transferring to the economic order the social and potentially political dimension, the dimension of the resistances ripened during the phase leading up to the cycle” (85). It is the first systemic and global crisis of neo-liberal financial capitalism that began with the crisis of the Fordist model of accumulation and the consequent deregulation of the banking system during the 1970s.

These are some of the arguments of the latest book from the Italian economist Christian Marazzi, one of the main exponents of the Italian Autonomous Marxism coming from the tradition of *Operaismo* (Workerism). This concise but intense book is a brilliant analysis of what Marazzi calls “one of the greatest crisis of history”, and a “violent crisis of a violent finance”. Marazzi provides new lenses to look at the current economic crisis, propelling an increased consciousness of the problems accumulated through years of the *financialisation* of the economy. He also suggests looking for new weapons and political strategies in order to overcome the current systemic social, political and economic disarray.

As we know from Braudel, crisis is normal to capitalism and is a part of the history of the capitalist market system. Financialisation is also not a new phenomenon. Furthermore, many of the ideas that constituted neo-liberalism have been around for more than 200 years. In the last 30 years, starting with the neo-liberal turn in the economy and the deregulation of markets, it is possible to count a financial and/or monetary crisis every two and a half years, showing the structural instability of the markets (see also Minsky, 1992).

So what is new about this financial crisis and how to interpret it? The central thesis of Marazzi’s book is that the dualism between the real economy (real money for tangible production) and the financial economy (production of money by means of money) no

longer exists. Financialisation now has taken over and it encompasses the whole business cycle; what is really at stake in Marazzi's perspective is the very concept of capital accumulation.

This hypothesis presents some differences with other important views coming from the Marxist Left such as the advocates of World Systems Theory. Giovanni Arrighi proposes a brilliant analysis of today's current socioeconomic crisis in a geohistorical perspective, claiming that "systemic cycles of accumulation" are constituted from phases of "financial expansion" that follow phases of "material expansion" (1996). In contrast, Marazzi emphasises the pervasive dynamics of finance today within a totally renewed capitalism that is characterized by the overlapping of the financial economy with the real one. This leads to the argument that it is impossible to distinguish between "material expansion" and "financial expansion". This is, in the author's perspective, a central issue in understanding the current mode of production and its relation to finance through a historical lens – what Marazzi and the Italian Post-Workerists call "cognitive capitalism" (see Marazzi, Negri, Vercellone, Virno and Fumagalli).

This dynamic relation shows that there has been a transformation of valorisation processes so that today the accumulation of surplus value has moved to the sphere of circulation, of exchange, and reproduction, putting the entire life of people to work. It is an "anthropogenetic model" that transforms living beings into fixed capital and extracts added value from the production of forms of life. This is a central contribution to the interpretation of this financial crisis, showing the limits of applying Keynesian solutions, first implemented after the 1929 crisis of a nascent Fordist capitalism, to the fragile and instable financial bio-capitalism of today.

The book comprises five chapters, and a first version was already published in Italian in a book edited by Andrea Fumagalli and Sandro Mezzadra entitled *Crisi delle economie globale. Mercati finanziari, lotte sociali e nuovi scenari politici* (Ombre Corte, Verona, 2009).

In the first chapter, "The Becoming of the Crisis", Marazzi writes a synthetic chronicle of the financial crisis that started with a burst real estate and banking bubble, leading to consequent widespread mortgage defaults, then heading to the collapse of many financial institutions. This financial chaos called for the succession of public interventions and rescue plans coordinated by the Obama Administration, attempting to contain the crisis and to save the banking system. The result of this "too big to fail" doctrine has been a socialisation of losses and a privatisation of the benefits that represented a false recovery, criticised by many economists and academics, including the Nobel Laureate in economics, Paul Krugman. According to Marazzi, it is evident that "the 'socialist turn' of liberal governments to sustain the banking, financial, and insurance system by means of recapitalisation and monetary issuances does not seem to be able to avoid chain bankruptcy of all insolvent decentralised banks due to an improbable quantity of toxic assets" (24).

The scenario that Marazzi delineates doesn't leave any space for easy optimism. What he reports, supported by rigorous figures from many different sources, is a catastrophic context with a continuous increase in unemployment worldwide, a generalised

reduction in income, a large increase in a comprehensive tax deficit, and a devastating impact on the manufacturing industry and its commerce. Marazzi compares this crisis to other crises in the recent past, such as the Japanese one in the 1990s, and the Argentinean and Brazilian ones. He outlines that this recent crisis has been by far the deepest in the past decades, with the main difference of presenting global and not only regional characteristics. Particularly interesting, in light of the present Greek financial collapse, is the premonitory passage to the possible catastrophe that the crisis could cause in Europe.

One of the main contradictions of financial capitalism is the problem of the realisation of surplus value with recourse to deficit or private spending in the market. That's why in this first chapter, Marazzi emphasises the fact that problems with financing public deficits have been increasing tremendously since December 2008, leading to "an insolvency crisis of the banking system as a whole" (25), one that existing economic and monetary policies are not in a condition to manage effectively. Public national debt is what enabled financial capitalism to expand at a global level. This went hand in hand with the shrinking role of the redistributive function of the Social State and with what Marazzi calls the privatisation of Keynesian deficit spending. This means stimulating additional demand for the expansion of capital by creating private debt, therefore externalising risk to individuals and families.

Marazzi's critique of easy reformist solutions is clear: in this scenario of rising unemployment and cuts in social spending, classical Keynesian policies are not a feasible solution. Talking about a "New Deal" or a "New Bretton Wood" doesn't make sense without considering the global transformations that are occurring at every level, looking at autonomous forms of life and "analysing forms of struggle that can substantiate in a politically innovative way the escape from the crisis" (26).

In the second chapter, "Financial Logics", Marazzi insists on the novel characteristic of this crisis, compared to previous financial crises since the 17th centuries onwards. Where before financial crises were based on the dichotomy between "fictitious capital" (autonomous production of money by means of money) and the real (industrial) economy, today they overlap, so that it is not possible to distinguish industrial profits from financial ones. Today finance is part of our daily life. It spread pervasively across the whole cycle, and the sources of financialisation have multiplied in a way that "finances are consubstantial to the very production of goods and services" (29). In this chapter Marazzi goes in depth into the history of modern financial capitalism, focusing on the transition from the Fordist mode of production to stock managerial capitalism between the 1960s and 1970s, concluding that the Fordist crisis can be explained with the fact that "Fordist capitalism was no longer able to suck surplus-value from living working labour". The result was a continuous process of reduction in the cost of labour, delocalisation of production, casualisation and growing precarity, de-unionisation – and of course financialisation as a process of recuperation of capital's profitability outside immediately productive processes, meaning an "increase in profits not as excess of cost proceeds but as excess of value in the Stock Exchange" (32).

Although Marazzi's analysis of the pervasiveness of financial capital is of course true today, the same holds true throughout the history of the British Empire and the rise of

capitalism in Britain and America. It has been argued that capitalism today is closer to pre-industrial capitalism than to the Fordist and social democratic capitalism that emerged from the Great Depression and the Second World War (Braudel, 1979; Wallerstein, 1985; Dockès, 2006; Vercellone, 2006). Nevertheless, Marazzi's tendency is to adopt an historical perspective that focuses mainly on the transition from Fordism to post-Fordism.

It's at this point that Marazzi introduces the concept of the transformation of the production process based on "profits becoming rent" (see Vercellone, 2006; 2009) which he expands in the next chapter. This means that a combination of the restriction of the social State and a kind of privatisation of Keynesian deficit spending allowed capitalism to reproduce itself and expand at a global level. The main example here is the indebtedness of domestic economies and the creation of additional demand by private indebtedness, as in the case of the American mortgage indebtedness, which reached more than 70% of the GDP, fuelling the real estate bubble. Banking deregulation facilitated the creation of new markets in credit derivatives that led to the proliferation of financial instruments that we experience today.

This has created a cynical autonomisation of financial capital from any collective interests, making finance unmanageable and out of control. Finance today is a system where "the access to housing is created on the basis of mathematical models of risk where people's life means absolutely nothing" (40). This is again one of the main concepts behind Marazzi's analysis, arguing that the financial inability to overcome this crisis is based on the "contradiction between social ownership of a good (such as the house) and private ownership rights" (42). Marazzi compares the way in which the financial logic creates artificial scarcity out of common goods (scarcity of financial means, liquidity, rights, desire and power) to the *enclosures* of common lands in the seventeenth century, when peasants were ruined by the process of privatisation of common land that gave birth to the modern proletariat and its *bare life* (see Agamben, 1998). In this process the expansion of capital clashes with the commune produced by free social relations and cooperation.

This part of the book is a passionate critique of the violence of the financial system. Marazzi identifies the responsibility not only of *financiers* and bankers but also of a whole educational system guided by mainstream economists and academics that reinforced the ideological basis of a system that "turns *bare life* into a direct source of profit" (40).

How to overcome the crisis in this scenario? Marazzi rejects the popular arguments about returning to industrial production and returning to "making things". On the contrary, the idea is to radically rethink the distinction between the manufacturing sector and immaterial and cognitive activities.

The most novel contribution of Marazzi's thesis (and more generally of the Italian *Post-Operaismo*) is to be found in chapter three, "On the Rent Becoming Profit", where he discusses the rethinking of the new production models. Marazzi explains financialisation as "the other side of a process of value *production* affirmed since the crisis of the Fordist model", which is the hypothesis of "cognitive capitalism".

The financialisation of the economy has been a process of recuperation of the profitability of capital after the fall in the rate of profit in the 1960s. Finance is a device to capture value external to the entrepreneurial processes of production; a sort of valorisation of rent by means of what Marazzi calls “*cognitive machines*” (branding, property rights, and so on). Financialisation is here seen as the new form of capital accumulation symmetrical with the externalisation of value production typical of immaterial capitalism. We are talking about a real metamorphosis of the production process, based on the management of labour and production through processes of valorisation and capital accumulation that move beyond the factory gates, entering directly into the sphere of circulation of capital, the sphere of reproduction and distribution. Marazzi adds that cognitive and immaterial labour involve a new social composition of labour, based on the transfer of the role of fixed capital to the living body of labour-power. It is this new kind of capitalism that places the game outside of mainstream economists and their econometric models based on the assumption of the perfect efficiency of the market. This is a historically new capitalism marked by the crisis of the measure of value and hence the impossibility to govern by means of structural adjustment.

Marazzi provides a unique and in depth analysis of the relationship between financial capital and cognitive capitalism, developing a theoretical interpretation that contrast with the “immaterial capital” analysis of the *new economy*, mainly as outlined in the Anglo-American managerial and business literature focused on the Silicon Valley business models, one which sees in companies such as Google, IBM and many high technology companies based in Silicon Valley the perfect realisation of the open source business model of creating value from “free stuff”.

What Marazzi and the Italian *Post-Autonomists* call “cognitive capitalism” is therefore an attempt to conceptualise the ways in which life and social relations are “put to work”. This is what in managerial terms is called the “externalisation of production”, which includes processes of the co-creation of value together with users and costumers, or the phenomena of *open innovation* (exploiting sources of knowledge that are located outside the boundaries of the firm) and *crowdsourcing* (using the crowd to solve difficult problems or to access sticky knowledge). Integrating users into the innovation process, and putting the consumer to work as co-producer of what he consumes is a strategy that lies at the core of knowledge-based service-driven capitalism enabled by digital technologies and flexible global networks. A perfect example of this production process is the so called web 2.0 or the “Google model” that Marazzi identifies as paradigmatic of the mode of producing goods and services in the age of *cognitive capitalism*. In this model it is the “*relationship* between the production and circulation spheres, between the production and consumption, that shapes the modalities of producing goods and services” (57).

The production of forms of life is becoming the basis of added value and it is what Paolo Virno calls “the exploitation of a mass intellectuality”, referring to the dominant form in which the general intellect is manifest today, and the way in which financial markets try to valorise capital by exploiting social cooperation and the rent of the general intellect. The exploitation of “the commons” is therefore realised in the Silicon

Valley and Washington models as financial rent, and in this sense we are witnessing a becoming-rent of profit and wages.

In the chapter on “A Crisis of Global Governance”, Marazzi talks about the macro geopolitical scenario with its power struggles and struggles for resources, and with the multiplicity of wars that are constantly reconfiguring global politics. Here he talks about the impossibility of an institutional governance of the current system. From the end of the 1990s until 2008, the big corporations reported high increases in non-reinvested profits, an accumulation of liquidity due to private indebtedness. Marazzi traces the problem back to the neo-liberal turn in the economy at the beginning of the 1980s, which gave rise to the deregulation of the markets, resulting in the crisis of the Welfare State and the privatisation of the deficit spending, turning consumption and private indebtedness into the fuel of this system. But in Marazzi’s view this crisis goes well beyond the world diffusion of toxic assets, and its specificity consists of the crisis of governance of American monetary authorities and other political institutions. This also shows that the autonomy of politics in respect to financial capital is very low and that the crisis of governance is a political crisis – a crisis of legitimacy of this governance system. The mechanisms that we have seen until now – such as the governments’ rescue plans, the G8 and G20 summits and the Copenhagen Summit – showed the failures of global regulatory attempts that proved on the contrary to further strengthen the processes of financialisation.

In the last chapter, “Geomonetary Scenarios”, Marazzi traces possible political scenarios and strategies to come out of this economic collapse, all based on the “decline of the *empire without credit*”: the paradox of the US superpower that is at the same time the strongest economy and the largest global debtor (86). The problem here is again the one of multilateral global governance, in this moment of crisis of political legitimacy. All hypotheses delineated by Marazzi are political rather than economical. He critically evaluates various hypotheses to reform the international monetary system, in order to avoid reproducing global imbalances such as creating a “new Bretton Woods” with the objective to create a supranational exchange currency in the place of the dollar, as suggested from the Chinese monetary authorities; or even the institution of a real supranational currency as proposed by Keynes at Bretton Woods in 1944.

Marazzi is partially optimistic about some of the actions of the New Deal proposed by President Obama in the health care and the housing market. For example, according to the author, the provision of mortgage refinance funds for American families is a historic plan because it shows the need to reform the monetary system starting from the base. The central issue is to recognise the question of *the right to social ownership of a common good* or in other words a *social rent*, as opposed to the only right recognised today, which is the right to private ownership. This plan is also recombining a “*local intervention*” with a “*global dimension*”, and with a long-term investment in the future, beyond the anxiety of immediate profit, putting human wellbeing at the centre.

To sum up, one of the main ideas that we can synthesise from this book is that the current financial crisis is a systemic crisis of the entire capitalistic system, which is today a “cognitive capitalism”, based on interconnected global financial markets. This is a fundamental shift that represents the *financialisation* of the reproductive sphere of

life itself. Furthermore, Marazzi emphasises that in cognitive capitalism the frontiers between rent and profit begin to disintegrate. As argued by Vercellone, “the role of rent not only is a mode of collecting the wealth generated by labour, but also constitutes a mechanism of de-socialisation of the common and of political, spatial and socio-economic segmentations of labour power inextricably” (2008).

Therefore, when knowledge becomes immediately a “productive force” the critique of knowledge as a commodity is not different from the critique of political economy. This tightly links Marazzi’s book with this journal issue on the Business School and its educational models. If the boundaries between education and production are porous and tend to be more blurred, when we criticised this socio-economic and financial system we are also criticising the educational system and thinking about alternative organisational and pedagogical models that can help us to move beyond this crisis.

To conclude, Marazzi’s sharp analysis represents a fundamental contribution for those who are seeking to understand the nature of this crisis and who are looking for new political tools and strategies to face this extremely complex political situation. His analysis clearly shows that this crisis can be used as an opportunity to pursue radical changes and to open new terrains of conflict and sites of struggles, and it is only through struggles that we can identify common perspectives outside and beyond the crisis. This is an invitation to further enquiries into the role of knowledge in the production systems and its relationship with transformations in the capital/labour relation and the collective self-management of common goods.

It is in this attempt at radical change that we have to position the claim for a guaranteed income, or a “rent” attached to social needs that would reverse private debts into social income. The struggle for a *citizens’ income* is a struggle generated by the growing awareness of the contradictions of financial capitalism between social needs and the enrichment of social relations on one side, and the private market logic of finance on the other, the contradiction between the *right to social ownership* of a common good and the private right of property. It’s within these transformations of contemporary capitalism that, according to Marazzi, social conflict can be articulated. It is in the ability to produce innovation of life forms and autonomous forms of valorisation that financial capitalism will be overcome. If we agree with Marazzi that the weapons for a project of *reappropriation* of the commons, are available today more than ever, it seems to me that the key question that needs to be addressed is how to organise it.

references

- Agamben, G. (1998) *Homo Sacer, Il potere sovrano e la nuda vita*. Torino: Einaudi.
- Arrighi, G. (1996) *Il lungo XX secolo*. Milano: Il Saggiatore
- Braudel, F. (1979) *Civilization and Capitalism 15th–18th, 3 Volumes*. New York: Harper and Row.
- Dockès, P. (2006) ‘Metacapitalismo e trasformazione dell’ordine produttivo’, in C. Vercellone (ed.) *Capitalismo cognitivo*. Roma: Manifestolibri.
- Fumagalli, A., and Mezzadra, S. (2009) *Crisi delle economie globali. Mercati finanziari, lotte sociali e nuovi scenari politici*. Verona: Ombre Corte.
- Minsky, H. P. (1992) *The Financial Instability Hypothesis*. The Jerome Levy Economics Institute Working Paper No. 74.
- Vercellone, C. (2006) (ed.) *Capitalismo cognitivo*. Roma: Manifestolibri.

- Vercellone, C. (2008) 'The new articulation of wages, rent and profit in cognitive capitalism', Presentation, Queen Mary University of London, London, 29.02.
- Virno, P. (2001) *Grammatica della moltitudine: per una analisi delle forme di vita contemporanee*. Roma: Derive Approdi.
- Wallerstein, I. (1989) *The Modern World System, III: The Second Area of Great Expansion of the Capitalist World-Economy. 1730-1840*. New York: Academic Press.

the author

Francesca Bria is a researcher on Innovation theory and on the Information Society. She's a policy advisor on Innovation policy and she teaches at the Queen Mary, University of London and at the Catholic University in Rome.
E-mail: francesca.bria@gmail.com



www.ephemeraweb.org

editorial collective

Armin Beverungen
Bent M. Sørensen
Casper Hoedemaekers
Chris Land
Damian O'Doherty
Lena Olaison
Martyna Sliwa
Michael Pedersen
Nick Butler
Peter Svensson
Stephanie Schreven
Stephen Dunne
Stevphen Shukaitis
Sverre Spoelstra

affiliates

Akseli Virtanen
Alessia Contu
Alf Rehn
André Spicer
Anthony O'Shea
Campbell Jones
Christian De Cock
Katie Vann
Ruud Kaulingfreks
Sian Sullivan
Samantha Warren
Steffen Böhm

Special thanks to our reviewers in 2009

Akis Gavrilidis, Ann Rippin, Antonis Vradis, Arianna Bove, Becky Taylor, Charles Booth, Christian Maravelias, Christine McLean, Craig Prichard, Dan Kärreman, David Collins, David Harvie, David Knights, Donncha Kavanagh, Eamonn Molloy, Emma Dowling, Hugh Willmott, Hugo Gaggiotti, Jacqueline Colleary, Jana Costas, Jo Angouri, Karin Berglund, Kate Kenny, Kelum Jayasinghe, Leo McCann, Marc Jongen, Marcus Lindahl, Matteo Mandarini, Miguel Imas, Mike Bresnen, Nick Marshall, Olivier Ratle, Pauline Gleadle, Pernilla Nilsson, Peter Case, Peter Zachariasson, Rene ten Bos, Robin Klimecki, Rowland Curtis, Sam Warren, Sara Louise Muhr, Sheena Vachhani, Simon Lilley, Sophia Jones, Stefano Harney, Steve Brown, James Fitchett, Slawomir Magala, Geoff Lightfoot, Glenn Morgan, Anders Raastrup Kristensen, Torbjörn Stjernberg, Ulrica Nylén... and all those we forgot to mention!