



RETHINKING CAPITALISM

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Going Forward: The Perpetual Crisis of Finance

Dick Bryan

“*Going forward (formal, especially business): in the future starting from now.*”
Oxford Business English Dictionary http://www.oup.com/elt/catalogue/teachersites/oald7/wotm/wotm_archive/going_forward?cc=global

“*They are always going forward, always looking to release the ball.*”
French rugby coach describing the style of play of the New Zealand (All Black) rugby team <http://hello.news352.lu/edito-59883-french-coach-lievremont-in-awe-of-all-blacks.html>

The Bank for International Settlements triennial survey of foreign exchange and derivative market activity shows a significant growth in financial turnover between 2007-2010. Turnover has been relatively unaffected by the Global Financial Crisis. This paper contends that these markets have become integral to capitalist financial markets, and they are integrating households into accumulation in new ways. The contradictions and tensions of global financialization are to be found in the dynamics within finance--the way it is transforming social calculation--more than in market volatility per se.

Use of the term “going forward” as a way of saying “in the future” has spread from the world of finance and business into the popular lexicon. For politicians and economic soothsayers “going forward” now seems to be the preferred term. Perhaps it sounds sophisticated. But the term is, of course, not an innocent neologism. It has within it a conception of purposeful momentum, which embodies a discourse of competition.

The origin of the term, while never formally attributed, is thought by some to lie in the New Zealand office of global management consulting firm McKinsey & Co.¹ This is entirely credible. The term “going forward” has long been used in the sport of rugby. New Zealand is a rugby-mad country, and the sorts of people who strategise futures in global management are also the sorts of people who like to talk rugby over expensive wine and to occupy corporate suites at international rugby contests.

Rugby is a game of territorial conquest where the objective, as in American football, is to break through opposition defensive lines and reach an end zone. To go forward means to carry the ball towards the end zone. Going forward in this context is a spatial (territorial) concept involving (partial) conquest, but more than that it signals that the present (“now”) is contested in a way defined by reference to what awaits “forward.” In finance and wider popular use this spatial terminology has now taken on a temporal meaning, and with the same connotations.

There is nothing particularly novel about a blurring of the concepts of time and space. But it is important to note here how it serves uncritically to cast time in a competitive discourse. The future is framed as innately imbued with profitability, and it presents a future in terms of winning and losing on rates of return on capital. Temporality itself becomes framed with particular dimensions that portray distinctly “capitalist time.” The CEO who announces, “Going forward we will . . .,” is invariably seeking to equate the future with competitive success. It is hardly surprising that the term caught on in financial discourse, for finance is, in its simplest meaning, money with a rate of return, and hence is itself a competitive conception of time.

But “going forward,” and all it connotes, has indeed changed the meaning of finance. The etymology of the term finance lies in the French word *fin* (end). Finance was the transaction that occurred at the end of a deal (or, we might say, at the risk of creating another

incongruity, at the “end” of a “circuit of capital”). When the commodity is exchanged for money, or the loan repaid, the transaction is ended and the competition is over. That was, essentially, a mercantilist conception in which money is either (both) means of exchange and credit: buying and selling, borrowing and lending: an M-C-M’ circuit.

In recent decades finance has left that essentially mercantilist origin behind because money is transcending the roles of means of exchange and credit – or it is transcending our ordinary conception of those roles. Competition for rates of return is now a more diffuse process. Finance is searching out and constructing what is liquid (saleable / convertible) in all “assets” and in the process giving once-non-financial things a liquid, financial dimension to which a rate of return attaches. Something as fixed as a house can be reconfigured as liquid in the form of a mortgage-backed security. Telephone bills and health insurance payments become the income-generating assets which underlie highly liquid asset backed securities. The calculation of finance consumes more and more facets of social life. It is making all different sorts of assets commensurable and in the process broadening the concept of capital itself. This is, surely, the substantive meaning of “financialization.”

This process, rather than inflated asset prices followed by the bursting of bubbles, constitutes the crisis of finance. It is a crisis of valuing an unknowable future: a process that occurred long before and will continue long after the financial crisis of 2007-09: the so-called “Global Financial Crisis.” Framing crises as events depicts a discrete period of failure. It denotes financial contradictions as having beginnings, ends, and returns to non-crisis. It has led to calls for a return to “normalcy,” often involving sentimentalizing the past role of finance or at least going back to old practices – the world before derivatives. But going forward, there is no going back. Our agenda is to not to find the flaw which led to crisis (as if crises are to be cast as failures), or the key to end the crisis (as if failures could have been

avoided), but to identify the newly-framed contradictions of the present.

The issue is not just that the future cannot be known, and that commodified risk is innately bounded. It is also that there are not stable units of measurement. The conventional global unit of account – the US dollar – is itself both volatile and unpredictable. The fragility of the dollar has exposed that the only units of measure are relative ones – and hence measurement is itself an innately competitive process, where benchmarks are measured not in units (dollars, or ounces of gold, or even labor time), but rates of return. The US dollar may still be a preferred store of value, but its value is continually commensurated with a vast range of other asset values. Financial markets price US dollars relative to Euros, and both relative to GM bonds, Google equities, the likelihood of interest rate changes on the yen, and the likelihood of frosts in Florida. And those securities backed by houses, health insurance, and telephone bills come into these calculations too. In effect, everything is being priced relative to everything else in terms of their anticipated future rate of return. So the crisis of valuing the future is a perpetual crisis: it has no solution. Occasionally it manifests as a “global financial crisis.”

This relative valuation process is what goes on within markets for financial derivatives (including financial securities.² When we strip away the issues of lack of transparency (the features of derivatives made prominent in Enron) and excessive leverage (the features of derivatives made prominent in Lehman Brothers), derivative markets are the site where the different attributes of capital (framed as commodified risks) get priced relative to each other. Moreover, when the attributes of capital are framed as commodified risks, capital’s very definition is being framed in terms of the future: the likelihood of future events. It’s about going forward. The present relative values of dollars, yen, GM, the Florida orange crop, home loan, and telephone bill repayments, and Google are all cast as discounted versions of future expectations of each of these assets.

Within this process, labor and households become incorporated into capital in new ways: not just as workers (paid and unpaid), nor just as borrowers (the mercantilist conception of finance), but now also as providers of income streams on which financial securities are based. Household payments on mortgages, credit cards, auto loans, education loans, and so on, are all integral to global finance and asset diversification and commensuration. The effect is to turn labor from a class in production also into a form of financial asset with a distinctive risk profile.

Herein lies a potential power of labor and households, akin to, and parallel with, its potential power in the workplace. Just as labor is essential in production, so it is now essential in financial markets. It is a battle now being played out in many parts of Europe as state fiscal austerity cuts employment and living standards, but the potential lies not just in relation to state budgets, but to a politics of resistance also in financial markets themselves.

But this is not the popular radical political agenda, which has predominantly focussed on reforming the financial sector, on making finance more compliant via constraints on salaries and derivative trading by investment banks. A prediction in the midst of the global financial crisis was that financial derivative markets were in disrepute: they had been “outed” as sites of speculation, “weapons of mass destruction,” to quote Warren Buffet, and sources of volatility.³ It was contended they would diminish their role in a post-crisis world. The argument goes that financial derivatives are too fragile a form and too inexact a science to be relied on to express relative values.

The Bank for International Settlements *Triennial Survey of Foreign Exchange and Derivative Market Activity* provides evidence of what happened to derivative markets before and after the Global Financial Crisis. The 2007 survey was held in April, a clear margin before the global financial downturn in

September. The April 2010 survey may have been conducted in fragile business and economic conditions, but a clear margin after the 2008 defaults and bailouts. From 2007 to 2010, turnover on foreign exchange markets increased 20 percent, and turnover in OTC interest rate derivative markets increased by 24 percent. Growth was not as rapid as between 2004 and 2007, but there is not evidence in 2010 of a post-Global Financial Crisis retreat from derivatives. On the contrary, it is evident that derivatives have now to be understood as integral to capital markets, to the commensuration of capital values and hence integral to how we understand the concept of “capital.”

Within the foreign exchange market, the growth in turnover was predominantly undertaken by what the Bank for International Settlements terms “other” financial institutions: predominantly hedge funds, pension funds, mutual funds, and insurance companies. Between 1998 and 2010, their collective share of turnover in foreign exchange markets has grown from 20 percent to 48 percent, while the share of big banks has declined from 63 percent to 38 percent.⁴ Compared with the big banks, whose *raison d’être* is “credit” (our traditional conception of finance), these “other” financial institutions play different roles in financial markets. They have diverse constituencies, but it could be reasonably said that the one thing they share in common is that they are engaged in the “search for yield”: their investing is focussed on new forms of asset markets, discerning “mispricing” and hence arbitrage opportunities. Even the smallest “mispricing” can generate large returns if it is backed by large enough investments. They can generate large losses too.

This “search for yield” is the form taken by the relative valuation processes that commensurate different future asset values and provide us with our unit of measure. In effect, hedge funds and pension funds can be seen to be emerging as the custodians of the

valuation of capital. They are the ones who oversee the unit of measurement because they are at the center of the commensuration process that binds all asset markets together. Once it was gold, then it was central banks. Going forward it is hedge funds and pension funds. Finance creates the social world in the image of capital, and the social world becomes the anchor of finance. Going forward, this precarious regime is the perpetual crisis of finance.

Notes

¹ Personal communication, former McKinsey New Zealand consultant.

² Securities are derivatives in the sense that what gets traded in a securities market is exposure to the performance of an asset; not the underlying asset. A mortgage-backed security trades the performance of the mortgage (rates and levels of loan repayment), but the owner of a security has no ownership of the mortgage itself.

³ Nonetheless Buffet’s hedge fund, Berkshire Hathaway, is an active user of derivatives, and not simply as “hedging” instruments. Even when he was warning about derivatives Buffet explained, “At Berkshire, I sometimes engage in large-scale derivatives transactions in order to facilitate certain investment strategies.” More recently, in response to observations about the company’s extensive derivatives trading he noted somewhat less allegorically, “[W]e’ve used derivatives for many, many years. I don’t think derivatives are evil, per se, I think they are dangerous... We use lots of things daily that are dangerous, but we generally pay some attention to how they’re used.” Cited in Alex Crippen, “Democrats Reject Warren Buffet’s Bid for Derivatives Exemption,” CNBC, 26 April 2010, available at <http://www.cnbc.com>

⁴The other 15 odd per cent is non-financial institutions: essentially corporations and states. For further discussion of these categories, see Dick Bryan, “The Global Foreign Exchange Market: An Interpretation of the Bank for International Settlements’ Survey of Foreign Exchange and Derivatives Market Activity, 2007,” *Global Society*, 22 (4), 2008.

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Under New Management: Universities, Administrative Labor, and the Professional Turn

Randy Martin

These last thirty years, academia has witnessed the assertion of a potent managerialism associated with the shift in proclaimed purpose of higher education from a public to a private good, from an ends in itself to a means for professional employment as part of a broader knowledge sector that makes of intellectual work a form of property. Students of a widening age span continue to attend college in increasing numbers and come away with credentials of uncertain efficacy—to say nothing of mounting debts. These mutations to higher education have been part of a broader array of changes in which the

ascent of finance has been deeply imbricated. It is not simply, as we learned in the recent credit and debt debacle, that banks assumed unsustainable risks and disparate kinds of institutions became entangled in the activities of investment. Government sought to get out of the business of providing security for all, and instead encouraged a form of personal risk management. Bellwethers of a reliably safe future, like home-ownership, college savings, defined-benefit pensions, where transformed into the gambits of personal finance.

The spectacular sums traded daily--trillions of dollars in exchanges and over the counter between firms--made finance seem ethereal and esoteric rather than fundamental to the conduct of human affairs. In actuality, these financial operations have made far-flung values commensurable in the global economy as well as in the ordering of our lives. Finance has made the connections between us at once deeper and more volatile, distant and mutually entangling. The logic of the derivative, a portion or attribute of some underlying value leveraged to make for greater systemic volatility in the name of managing unexpected outcomes, is a potent force not only in finance but also for other kinds of relations. The rippling effects of small variations in value could be seen in the subprime mortgage business, where default on the riskiest investments caught fire and spread through the rest of the system. The effects could also be seen in the war on terror, where small

deployments of force on either side multiplied the dangers for all. Similarly, principles of arbitrage, the exploitations of minor variations in an environment that are leveraged to large effect, could be seen in the emphasis on flexibility, reinvention, and creativity that new management insistently promotes. An organization's success or failure is tied to a few strategic initiatives, the leaders or stars can make or break an entire institution's reputation, openness to an unexpected synergy can yield great advances throughout.

Finance is not simply the marshaling of capital for others, but also bears certain social principles, logics of association and partition, that travel in other domains. The seemingly arcane perquisites of finance may prove crucial to understanding the character of a new interdependence among productive endeavors that share select attributes and specifiable circumstances. The process by which social logics of finance come to bear on human affairs is known as financialization. The interdependence among strangers whose efforts are coordinated by operational approaches to working together--and that amass great wealth that transcends the needs of any individual—also goes by the name of social class.

Class has been variously conceived as an individual's location on a graded, hierarchical scale of income, education and status, as an aggregated mass sharing a common interest, as an objective situation mapped onto a stable subject position, even as a future enlightened

reign extrapolated from the deficiencies of the present. Alternatively, deciphering and interpreting the social logic evidenced in derivatives permits an understanding of class as a principle of association. The emphasis of such an analysis is on how linkages and interdependencies among separable and distinct attributes of persons and things are established in the midst of circulating and indeterminate relations while, at the same time, locational and other qualitative differences are maintained. At the same moment that derivatives render some aspects of spatially dispersed values commensurate (but not the same), they also orient expected or future events as something to be evaluated and acted upon in the present. This is the temporal dimension of risk management.

For an ensemble of labor that is as internally differentiated as the professional managerial class, presuming or relying upon a commonality of circumstance, self-understanding, or opportunity may prove difficult. Most professional occupations, from doctoring to teaching, have experienced a loss of autonomy and the intensification of accountability protocols without losing their mandates to practice specialized expertise. (Loss of the ability to practice specific labor skills was the claim once made to explain otherwise interchangeable factory workers.) Industrial capital's concentrating tendencies of the prior two centuries placed the image of a massed

proletariat on the historical horizon. The expansive centralization of finance has more dispersive—but just as significant—associational effects. Derivatives hint at the ways we can be together, affect one another, but not necessarily be as one. This is a complex class optic that moves from a settled mass to a diffuse yet consequential web of entanglements.

The recent meltdown of stock and credit markets shed light on the high-end finance professionals' inability to use their sophisticated arsenal of mathematical models to reap profit from market volatility. It had long been noted that four-fifths of the hired stock pickers did worse with their portfolios than the broad market average (i.e. doing nothing at all). Professors in all manner of fields may be confronting their own versions of this knowledge failure. We may not be losing the ability to create new idioms, but rather undergoing a loss of control over what happens, who masters intellectual authority, and how knowledge is valued and governed. This disconnect between the expansion of professional fields and a confrontation with the limits of professionals' ability to govern their own affairs (a conundrum here referred to as the professional turn) is especially poignant in financial services. But it represents a larger predicament faced by experts in many fields including academic ones. Within higher education, the professional turn has re-oriented traditional liberal arts disciplines toward market-derived outcomes. This is pressing the ever-expanding years of professional training to become devoted to what constitutes each discipline's distinctive knowledge base.

When applied to politics and daily life, financialization introduces a schism between those who can benefit from assuming risks through effective self-management, and all those who fail to do so—the enormous populations considered to be "at-risk." Higher education faculty have themselves experienced a version of this cleavage between the risk-capable and the "at risk." Stars and leadership are deemed worthy of additional investment, while

casualized full-time and adjunct faculty perform most of the instruction, attended by administrative indifference toward their fate. These faculty, many graduate students among them, have been quite active in organizing themselves in the face of these circumstances. Professional training is coming to include a course in the politics of academic labor. Far from being a remote ivory tower, the university has been a model of new management's labor policies. It has also been the scene of a vigorous response, the ground of myriad activisms and mobilizations. It has sponsored diverse organizational initiatives, some reminiscent of earlier industrial formations, others promising something still to come.

The shift from permanence to precarity among the bulk of faculty positions makes vivid the changes going on in the professions more broadly. As the vestiges of former prestige become ever scarcer, new kinds of association are emerging among growing numbers relegated to service positions. The autonomy that new management takes away comes back as a political and social claim on how the institution itself should be run. The pervasive administrative logic becomes part and parcel of academic labor. Yet rather than creating a unity of experience or outlook, the organizational effect and implications of this managerial work results in myriad combinations and potentially new understandings of what knowledge work is, how it is done, and what it is for. Of course the traditional disciplines, academic titles, institutional and national educational rankings are still very much with us. But these have become reordered, lost purchase on once secure realms of privilege, or become de-centered from prior claims to authority and influence.

The limits of the U.S.-based research university to serve as a model for global higher education are becoming increasingly apparent. Constricted access and affordability have cast a shadow over the university's once meritocratic ethos. Proprietary deliverables jostle with civic engagement in defining purposes.

Chronic student indebtedness compromises the calculus of value-added to life-long earnings. The power of credentialing to establish professional security is eroding. Expansive and diverse approaches to critical understanding sit uneasily with homogenizing "metrics" defining what education yields.

For all this, higher education continues to be a site where divergent conceptions of the future are contested, combined and played out. In the cauldron of pressure and promise, the expressions of active dissent—and examples of intervention and mobilization, both here and abroad—bear a resonance beyond their immediate circumstances and duration. In this the university joins a host of other institutions whose light as beacons of autonomy and social reciprocity has dimmed. (These institutions include market-based financial and multinational corporations whose legitimacy is grounded in conceptions of trust financialization is eroding.) Whether the institutions themselves are in ruins (or their shine has merely lost its luster), conversations about important questions—What kind of organization is now possible? How do we speak for others? How can specific political initiatives be made comprehensive?—have opened anew.

Note: This essay is drawn from my book *Under New Management: Universities, Administrative Labor, and the Professional Turn* forthcoming from Temple University Press next fall.

CONFERENCE ANNOUNCEMENT

RETHINKING CAPITALISM

APRIL 7, 8, & 9 2011

UC SANTA CRUZ CAMPUS

FREE AND OPEN TO THE PUBLIC

<http://rethinkingcapitalism.ucsc.edu/post/2011-conference-update>

RESEARCH UPDATE

Paolo Quattrone

Last year I moved from Oxford (Said Business School and Christ Church) to a position at IE Business School in Madrid. In between I was a visiting scholar at the School of Education at Stanford where I had a Fulbright to work on the future of business education and education's increasing business orientation. Unless we construct new ways of linking and formally articulating the rationales of education and business, I believe, the present business logic will prevail.

In my previous work I have argued that the humanities played an important role in the genesis of modern management and capitalist forms of accounting and accountability. I believe the study of late Medieval and Early Modern accounting practices—developed primarily within religious institutions—can reveal fascinating things about our own theological commitments to arcane dogmas of finance and market-based economics. I believe these can be seen, in part, as the residual, ossified remnants of now-forgotten, once potent forms for interrelating social, religious, political, and economic values. The multiple purposes served by accounting—pursued by translating into an organizational context techniques developed in rhetoric to help memory—are nowadays made irrelevant

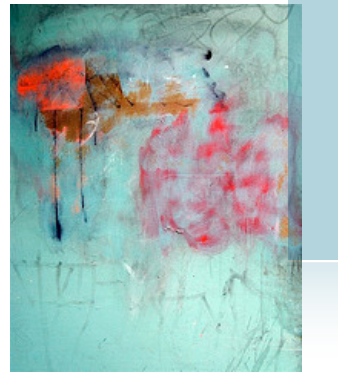
due to their “purified,” mathematized versions, which have been put to questionable and unquestioned uses that need to be deciphered. I would very much like to discuss doubt, education, accounting, and capitalism at the April conference. I hope to use our discussions to make my confused ideas clearer—first and most of all to myself.

RESEARCH UPDATE

Nelson Lichtenstein**Three Projects in Labor history**

During the last year, my professional life seems to have been divided into three parts, related of course, but each distinct enough to warrant its own heading.

In February of 2010 Richard Appelbaum and I received word that we were the new MacArthur Foundation Chairs at the University of California, Santa Barbara. These offer five years of supplemental support for work that involves the understanding and advancement of human rights at home and abroad. Our joint proposal emphasized that in a world of global capitalism characterized by retail-dominated supply chains, the locus of human rights scholarship and advocacy must be at the workplaces and among the subcontracted supply firms that today constitute so much of the world of East Asian, Central American, and U.S. labor.



The MacArthur funds will help sustain the UCSB Center for the Study of Work, Labor, and Democracy which hosts a dozen speakers each year and which administers the Labor Studies minor at our campus. We also convene academic conferences. In February 2011, graduate student Jill Jensen and I organized a conference "West Meets East: The International Labor Organization from Geneva to the Pacific Rim." We brought together 35 historians, social scientists, and activists from a dozen countries to discuss how and if labor standards might be raised and made more uniform in China and elsewhere. This conference was supported, in part, by the ILO with which we hope to have continuing good relations.

Two additional conferences are planned for next year. "Caesar Chavez and the United Farm Workers: An Academic Reappraisal" is scheduled for October 14. It will bring together a number of academics and journalists who have published books on the rise and demise of the farm worker movement during the era when Chavez played a leadership role.

Then, in February 2012, Dick Flacks and I are hosting "Port Huron at 50" which will bring together younger historians and New Left veterans to discuss the meaning and legacy of the Port Huron Statement.

The second project I am working on flowed from my work on Wal-Mart and transnational supply chains. This is an essay, "The Return of Merchant Capitalism," now being revised for publication and possible expansion into a book. The argument is that, as in the early 19th century, we live in a world of commodity production in which a merchant elite plays the key role, over and above the commodity producers (cotton or tobacco producers in one century, East Asian and Central American contract manufacturers in our own time). That merchant elite is constructing or reconstructing a capitalist order in which labor is not just exploited but is often unfree in the same way imposed by 18th- and early 19th-century merchant capitalists who depended upon and defended slave societies in the American South and elsewhere.

Finally, I have been active as a writer and commentator on labor issues, especially as a result of the recent events in Wisconsin and other Republican-dominated states. A number of my recent interventions can be found here:

<http://www.history.ucsb.edu/projects/labor/opinions/index.html>

RESEARCH UPDATE

Eleanor Kaufman

I've spent most of this past year studying Medieval philosophy--above all Aquinas--under the auspices of a Mellon New Directions Fellowship which allows leave time to pursue a new field of study. I have been studying at UCLA, St. Louis University, and in Paris. I hope to link certain questions posed by Medieval ontology (particularly around ideas of univocity, equivocity, and analogy) to my work in twentieth-century French philosophy. Also this year I signed a contract with Johns Hopkins University Press for my book *Gilles Deleuze: Dialectic, Structure, and Being*, now near completion. I have a book on Badiou that is also near completion forthcoming from Columbia University Press. I'm embarking on a new project on the legacy of the libidinal economy moment in French thought (1968-1974), above all as its particular synthesis of Marx and Freud is taken up--or not taken up--by Derrida, Badiou, and Rancière. ΔΔΔ

The World Food Crisis

Prabhat Patnaik

While the advanced capitalist countries are currently hit by an acute crisis of recession and unemployment, the developing world is facing, apart from the fall-out of *this* crisis, an acute food crisis. Hunger afflicts the developing world today with a virulence not seen in decades. World food prices, not just in nominal but in real terms (relative to manufactured goods' prices), are at a record high. These prices which had shot up in 2008, came down in 2009, but to a level that was nonetheless higher than in any year before 2008; they have resumed their upward march thereafter. Food riots have broken out in several third world

countries; and in the Arab world, rocked by popular uprisings, the last straw has been the escalating food prices.

When the food price upsurge (led by food grains) occurred in 2008, George Bush, then President of the United States, attributed it to the improving living standards in India and China. As people become better off, their diet gets diversified away from the direct consumption of food grains towards animal products like chicken and meat. But since these products themselves use grains intensively as feed, the direct and indirect consumption of food grains per capita (including also as processed food) increases with per capita income. Bush's argument was that the rapid growth in per capita incomes in India and China had therefore created excess demand pressures in the world food grains market, causing the price rise.

Nothing could be further from the truth. Per capita food grain absorption, *taking direct and indirect absorption together*, has declined in India since the beginning of "liberalization," first gently and of late precipitously, so much so that the level in 2008 itself was lower than in any year after 1953. In China too, there was a sharp decline in per capita total absorption of food grains between 1996 and 2003. It improved thereafter but even by 2005 had not reached the 1996 level; it could not have jumped suddenly in 2008. Since the population growth in both these countries has come down substantially, even their absolute absorption in 2008 could not have been much higher than, say, in the mid-nineties. It is not the increase in food grain demand therefore that can possibly explain the 2008-11 food inflation.

Many have rightly emphasized speculation as an important underlying cause. But while speculation can no doubt conjure up an inflationary upsurge out of thin air; it typically operates on an underlying demand-supply imbalance, accentuating its consequences. We therefore have to look at the underlying output and demand trends; and here we come across two startling facts.

First, per capita cereal output, and also food grain output, has declined significantly *in absolute terms* for the world as a whole since the eighties. The average annual per capita cereal output for the quinquennium 1980-85 was 335 kilograms; for 2000-05 it was 310 kilograms. Since this decline in output has also meant decline in consumption, hunger in the world has been on the increase long before the price upsurge of 2008. Or putting it differently, *the world food crisis is a matter not of the last two years but of the last two decades or more.*

The second fact is even more startling. Since per capita income in the world economy has been going up, and since therefore the demand for food grains in real terms should have been going up, the decline in per capita food grain output should have meant a rise in food grain price after the eighties, relative, say, to the price of manufactured goods. But we find that cereal price relative to manufactured goods *declined by 46 percent between 1980 and 2000.* Indeed, between 1980 and 2008, the year of price upsurge, food grain prices in general fell relative to those of manufactured goods, even though per capita food grain output declined in absolute terms.

How could this happen? The answer is simple: a massive squeeze on the purchasing power (an "income deflation") imposed on the working population all over the world, and especially in the third world, by the universal pursuit of "neo-liberal" policies. Consider an economy with 100 workers each earning a wage income of Re.1, where the marketed food grain output is 100 kg. If, for simplicity, all wages and only wages are spent on food grain, then its price will be Re.1 per kg. But if the output drops to 50 kg, then the excess demand at the old income-price configuration can be removed in either of two ways: either through a rise in price to Rs.2 per kg, *or through a reduction in wage income to 50 paise per worker.* In other words an income deflation can play the same role in getting rid of excess demand as a price inflation. Neo-liberal policies impose an income deflation not just on workers but on peasants, petty producers, and

agricultural workers in several ways: through cuts in government expenditure on health, education, and welfare (which forces them to access more expensive private facilities); through cuts in input subsidies by the government (which squeezes peasant incomes); through cuts in government expenditure on rural development (which dries up rural purchasing power); through the unemployment generated by imports out-competing domestic production and by the changing demand-pattern of the increasingly affluent elite (e.g. corporate retail outlets displacing petty traders); and through increasing corporate and MNC control over the distribution of peasants' and petty producers' output (which reduces their share in the final price).

Income deflation, however, even as it squeezes demand via restricting purchasing power, also has the effect of restricting output and supply in so far as it is directed against peasants and petty producers, by reducing the profitability of their activities. This fact, together with the general withdrawal of state support and protection from peasant and petty production sectors (the virtual winding up of agricultural extension activities by the government in India is a case in point), which also characterizes neo-liberalism, means that the output of this sector atrophies. Income deflation therefore traps the food grain sector of the economy at a low level of demand *and supply*.

A consequence of this is that while food grain prices can remain low or even fall relative to those of

manufactured goods, even in the midst of declining per capita food grain output, a sudden shock to the system in the form of an injection of demand can cause an inflationary spurt; and if speculation builds on it, the spurt can be quite lethal. Such a shock has been provided to the world food economy by the sudden diversion of late of substantial amounts of grains for the production of bio-fuels. In the U.S. alone, which is a large food grain producer, more than a fourth of grain output is currently diverted to the production of bio-fuels.

This is what underlay the 2008 food price upsurge: with oil prices touching dizzy heights because of speculation, large-scale diversion of food grains for bio-fuels occurred, which pushed up food grain prices. What is more, because of this bio-fuel link, food grain prices now have got hitched to oil prices in the minds of speculators. When oil prices rise, so do food grain prices, *in anticipation of higher diversion of grains to bio-fuels*, even before any actual increase in diversion occurs. Not surprisingly, the very person who encouraged the diversion of food grains for bio-fuel, George Bush, also started the false explanation for food inflation, namely that the Indians and the Chinese were eating more, to divert attention from his own culpability.

It is often argued that to overcome the world food shortage, agriculture everywhere should be opened up for corporate capital. Even if we assume for argument's sake that such a move will augment food output, it will only compound world hunger by imposing a

massive squeeze on the purchasing power of the peasants and agricultural laborers who will get uprooted to make way for corporate agriculture. There is no escape therefore from the fact that overcoming the world food crisis requires a revamping of *peasant agriculture*, through land reforms, through state support, through protection from encroachment by corporate and MNC capital, and through state-funded transfers and welfare expenditures for improving the quality of rural life. The point is: Will neo-liberalism allow it? ΔΔΔ



Interview with Robert Meister: Capitalism, Confession, and the Initiative

Peter Dimock

Q: We're speaking a few weeks before the second Bruce Initiative Conference on Rethinking Capitalism. The Keynote Panel to be held on Thursday night is titled "Telling the Story of 2008: Realistic, Utopian, and Apocalyptic Narratives of What Could Have Happened."

Appearing on this keynote panel, among others, are Kim Stanley Robinson, a distinguished science fiction writer, Graham Ward, a theologian known for his interest in the relation between postmodernism and the language of contemporary religion, and Lynn Stout, an internationally recognized legal scholar of corporate governance and ethics, who early on warned against the hazards of speculative derivatives trading.

You yourself, a political philosopher, have just published a book on human rights as a dominant global discourse after 1989, interpreting it as a profound shift in the way the time of history is experienced by the present and one that restricts the political project of global social justice. You are also the author of a forthcoming article to be published by *Representations* on universities as a major global industry being transformed by derivatives-based finance to the detriment of their potentially important role as places in which new critical thought about the future could and should be created and debated.

One of the goals of the Bruce Initiative is to bring together some of the best thinkers across many scholarly disciplines grappling with the implications of the global financial crisis for the future of global capitalism. More specifically, the Bruce Initiative has as a goal to create expert, formal, and technical knowledge about the future of capitalism at the highest levels of thought, delivered and made public in a form—

and within a frame of address—that makes that knowledge both useful and resonant across many communities not usually in direct conversation with each other. These communities include bankers, financial traders, regulators, policy-makers, politicians, journalists, activists, students, and general educated readers as well as the many relevant disciplines within the academy.

I sense there is a deep method in the intellectual range represented by the Keynote Panel and subsequent conference sessions listed in the program. It seems to me to exemplify your interest in creating a new way of thinking and a new community of discussion and debate about contemporary global capitalism. Could you say something about how you came to choose the subject of the Keynote Panel specifically—and how you hope it will set the tone and intellectual agenda for the rest of the panels at this year’s conference?

A: There are now at least ten important books revealing—I would say confessing—the fragility of a financial system that people like Alan Greenspan once described as natural and self-correcting. I don’t regard “Rethinking Capitalism” as the best place to debate the policy recommendations of each writer. What we can do, instead, is to ask how this entire genre of literature should be read. Now that we know how fragile capital markets are, and how much backing they may ultimately require from states and taxpayers, what attitude toward the present should follow from such knowledge?

As a philosopher my lifelong project has been to understand the connections and distinctions between confession and critique. What does it mean to acknowledge historical injustice—or perhaps even our responsibility for global warming—and then go on as though everything has changed now that we know? One view of confession is that the time of the present is becoming short for redemption of the past and that a final judgment would be apocalyptic. Another view is that our greatest imperative *now* is to prolong what we had as long as

possible, but without any illusions that it can go on forever. Here the implicit critique is directed at the *hypocrisy* of those who believe the present can be prolonged without confessing that there is nothing just or natural about it, and that as post-hypocritical realists we nevertheless keep going at all costs because the alternative is apocalypse.

Much as I’ve learned from the books on 2008, I think that many of them do imply that economic justice would be apocalyptic and that the capitalism we have has to be preserved in the final analysis at incalculable cost to governments and civilians. All of the policy recommendations are attempts to avoid the “final analysis” (by which I mean that the U.S. government may have actually pledged up to \$13T—its entire tax base—as a guarantee required to prevent additional financial institutions from collapsing).

The final analysis of capitalism is of course what interests all of us in the whole “Rethinking” project. To introduce this year’s conference, I’ve invited speakers who will come at this from very different perspectives. Lynn Stout is not only a major scholar on securities regulation—she also works on behavioral finance and moral philosophy. One question I would ask Lynn is whether our post-2008 narratives of market behavior and collapses have become “realistic,” rather than utopian, in a way that requires the state to either regulate derivatives contracts or withdraw its support for them in the form of enforcement. Stan Robinson’s *Mars Trilogy* presents a post-apocalyptic view of economics—the apocalypse having occurred on earth. Is this the form utopian thought should take? Graham Ward’s work melds post-modern philosophy and pre-Thomistic theology. My Marxist question to him would be about the relation of confession to conversion, and what role critique has in this process.

I should hasten to add, Peter, that I’ve not yet met any of these three panelists, and that what I really expect is to be surprised.

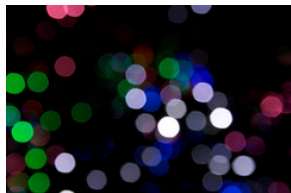
You’ve asked how all this relates to my recently published book, *After Evil*. The book treats human rights discourse as the affective, political side of capitalist triumphalism between the fall of communism in 1989 and the conceivable collapse of capitalism in 2008. It’s original focus was on the question of beneficiaries in the late 20th-century era of transitional justice: Does a moral consensus that the past is evil require a political consensus that the evil is past, allowing beneficiaries to keep their gains? But because the book took too long to write, it also spans the early 21st Century doctrine of R2P (Responsibility to Protect), and encompasses the moral theory that turns beneficiaries into would-have-been rescuers and compassionate witnesses of suffering that is always in the process of becoming past. “Rethinking Capitalism” is an obvious sequel to my work on human rights discourse in that it deals with the material side of capitalist globalization.

But in a broader, methodological sense, “Rethinking Capitalism” also deals with questions of the temporality of justice, its post-confessional deferral that is an underlying theme of *After Evil*. The concluding chapters deal with the weaknesses of political theories that deal only with interpersonal dimensions of justice—those involving the declension of nouns (who does what to whom, for whose sake and at whose expense). A critical approach to options theory would allow us to consider the inter-temporal aspects of justice, the part that deals with the conjugations of verbs, and that is usually the province of classicists and theologians. Part of my goal in this conference is to bring critical political economy—particularly as it applies to derivatives—into conversation with political theology and ethics.

Q: Am I right that the vision you and Steve Bruce have come up with for the Bruce Initiative is the creation of intellectual and deliberative space in which scholarly knowledge in the contemporary humanities and social sciences directly and specifically engages the question of the consequences of the

financialization of the world economy over the last 30 to 40 years? Could you say something about why you and Steve believed two years ago that such an institution as the Bruce Initiative was needed?

A: Options theory was the way capitalism rethought itself in the late 20th century. If the kernel of capital was the option form



rather than the commodity form, then there seemed to be no mystery of surplus value (you were simply in the money)—and no reason to think about long term tendencies except for the purpose of managing the shorter-term “uncertainties” they create. I don’t think you can do a critique of capitalism today unless you at least consider the paradigm of a pure “financial product,” something that is always already capital and subsequently gets traded as a commodity.

Steve spent his career in the world of financial products, and when we reconnected some years back, he thought it would be fun to do a conference on derivatives in Santa Cruz. My question was “Why UC--Santa Cruz rather than someplace with a law school, a business school and all the networks that connect to them?”

The financial collapse of 2008 answered my question: UC Santa Cruz *was* a center for rethinking capitalism when I arrived to

teach in 1973 and Steve was an undergraduate. We had on our faculty Norman O. Brown, Gregory Bateson, Maurice Natanson, Herbert Marcuse, Hayden White, James O’Connor, Robert Alford and by the ‘80s Richard Musgrave, Fredric Jameson, and Harry Harootunian. It seemed to me we could restart the kind of conversation we had at UCSC in the ‘70s and ‘80s by inviting some of today’s most provocative thinkers about capitalism--people like Karin Knorr, Bob Brenner, Bill Maurer, Nelson Lichtenstein, Prabhat Patnaik, Karen Ho, Randy Martin, Andrew Barry, Shyam Sunder, Philip Goodchild. Steve and I both hoped that “Rethinking Capitalism” at UCSC would provide a venue for them to discuss their current research and also to reflect more broadly on the heightened *self*-consciousness of capital markets about the material conditions under which they can survive.

Capitalism’s growing self-consciousness is now everywhere apparent—sometimes expressed in a voice of looming danger and sometimes in form of reassurance that the danger has past, now that we know. Steve and I believe that other voices must be found—voices that find political opportunity where others see only threats to the status quo; voices that see danger in the measures taken to preserve what we have. It makes perfect sense for UC Santa Cruz to be a place where such voices can emerge.

Q: Once these different constituencies are

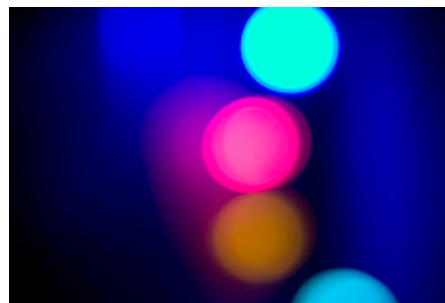
talking to each other—once they are in the same room together, as it were—how do they speak to one another?

A: They speak hesitantly at first. At the beginning of last year’s conference we all met around a table and every participant seemed curious about why he or she was invited, given who the others turned out to be. Quite early in the conference, triggered by a bravado performance by Dick Bryan, people started to speak outside their prepared presentations. And by the end most of us were saying things we hadn’t planned in response to each other.

A tone was set at last year’s conference that will make it easier for those returning to take up where we left off. And thanks to the website developed by Bernie Richter and Courtney Mahaney, everyone who comes can see in advance the kind of conversation we all hope to continue.

Q: What common language do they speak?

A: Last year there was a great willingness to speak a common language,



rather than illustrate what this or that discipline can contribute to understanding capitalism. Marxism is of course the most obvious choice for a common language for criticizing

capitalism that crosses disciplines. But one theme of last year’s conference was the need to “rethink capitalism by rethinking Marxism” as well. Our discussions addressed many Marxian questions, but did so in a language that owed as much to Foucault, Keynes and behavioral economics as to Marx.

Q: Who sets the agenda of the conversation?

A: We ask each presenter on a panel to make an argument of about 20 minutes; many of them have never met each other and have no idea what will be said. It’s gratifying that participants are so willing to think outside their comfort zone, and to welcome surprise. To the extent that this happens the panel sets its own agenda.

Q: To what audiences are they speaking?

A: In the first instance we hope that our presenters will start speaking to each other in the presence of a wider audience. We don’t invite them merely to hear the views for which they are known; we ask them to think out loud with people whom they don’t normally encounter at conferences. The real challenge for each panel is to imagine an audience for the kind of discussion about capitalism that the Bruce Initiative is trying to initiate. Last year we

had impressive participation by an audience who were actually present, which included undergraduates, grad students, activists, people from the town, and some journalists.

Their passionate participation made it a lot easier for onstage panelists to imagine a broader audience for the conversations they were having.

Q: Who is overhearing what they say to one another? Well, there's our streaming webcast, the live audience of 200 or more, and the website, www.rethinkingcapitalism.org, where videos of our conference panels can be found. Our ultimate goal is to produce a body of work, you could call it research, that rethinks capitalism in an enduring way—a body of work that perhaps (with your help) through publication can protect and extend more broadly the critical spirit that comes out of our conferences and the personal interactions of those who meet there.



In my opinion, however, the first task is to find a voice in which capitalism can be rethought. Most post-2008 writing on the fragility of capitalism has an ironic voice—it's ironic that financial markets turn out to be so dependent on regulation, government guarantees, and perhaps, ultimately, sovereign debt. But, as I said in answering your earlier questions, it's not clear that this is any kind of critique, much less a transformative critique. This is not just a problem afflicting so-called mainstream economists. My UCSC colleague, Hayden White, describes Marx's *Capital* as itself an ironic text, suggesting that irony is an attitude toward capitalism that enables us to live with it in the midst of our failures to transform it.

Q: How can these conversations be translated into

choices to be acted upon (or not) by individuals, institutions, publics?

A: Well, how would one read Marx's *Capital* non-ironically—perhaps as a threat to the existing system or at least an expression of historical urgency? A big hurdle is how to deal with Marx's own apparent claim that the collapse of capitalism is historically inevitable. My teacher, Isaiah Berlin, insisted that this false claim was all that distinguished Marx from any other bourgeois historian demonstrating that capitalism first emerged as the future of a highly particular past. Isaiah had no interest in Foucault, and would not have thought that a philosophy that stressed historical contingency, rather than historical necessity, could restore critical force to Marx's account. "The plasticity of power" (to use Roberto Unger's phrase) is not something he had much patience for. Is historical determinism all that distinguishes Marx from Foucault, when both are properly understood? I don't think so—at least not in the deadly, shorthand way "determinism" is often used.

For me, "Rethinking Capitalism" is a way of getting beyond the question of how to read Marx after Foucault in order find choices that need to be acted upon. The first question, I think, is to find a voice in which these choices can be expressed as an argument about capitalism itself. This question of voice is the topic of our conference this year.

Q: Can the choices inherent in global financial decision-making be made subject to democratic deliberation?

A: Insofar as capital markets are global there is presently no political institution, whether democratic or not, that could possibly control them in a way that democratic states might once have tried to govern national economies. The lack of a procedural site for democratic deliberation about global capitalism is itself a problem—a topic for critique.

It became easier to make such a critique after 2008, when decisions

to *save* financial markets, by bailing out particular corporations, were made by central banks and treasury officials who were able to commit most, and arguably all, of their own state's resources for this purpose without any pretense of democratic deliberation about the future of capitalism. Surely, it is no longer possible to argue that the market now operates above the level of states, rather than through the deliberate suspension of democratic deliberation within states.

The remaining question is what democratic deliberation could mean in the absence of an institutional site for it. Is it any different from what some philosophers call *critical resistance* where the objective is to *find* sites, both virtual and geographic, in which deliberation *is* possible. Several of our participants, such as Andrew Barry, Karin Knorr, and Prabhat Patnaik, have a lot to say about this topic, coming from very different perspectives.

Q: How is democratic deliberation to be fostered?

A: How indeed. "The point," as Marx once said, "is not to merely interpret the world, but rather to change it." There's nothing to deliberate about, democratically or otherwise, in the absence of a politics in which both resistance and repression are already occurring. So, yes, we need to find the subject-position from which democratic deliberation is possible as a result of the endangerment that saving capitalism for the capitalists has now produced. I addressed this problem abstractly in my book on Marx, *Political Identity: Thinking Through Marx*. "Financing Public Higher Education" (which you've excerpted in this newsletter) gives a much more concrete sense of how rethinking options theory might be useful to an emergent student movement that now opposes privatizing public universities. That said, the kind of analysis I offer could not exist without the student movement.

Q: How do you see the work of the Bruce Initiative expanding in the future to achieve the goals you and Steve first set for it two years ago?

A: Two years ago, we didn't know whether this kind of conversation is possible outside the world of financial specialists. We now know that it clearly is. Today, the question is how to bring financial specialists, like Woody Brock, into the conversation we're having.

Things have changed a lot in the past two or three years. During the Wall Street bailout almost everyone in the financial sector was interested in what went wrong and how to fix it. Now that the financial sector has come back, even though the economy has not, it seems that governments will do whatever it takes, and at whatever cost to democratic institutions, to avoid such apocalyptic scenarios as "liquidity traps," which no economist knows how to fix. This has given those running large financial institutions enormous confidence. They would no longer need to rethink capitalism, or anything else, to the extent that they could ultimately control the state.

I think an opportunity was missed to exercise greater state control over financial institutions, which were shown in 2008 to be far weaker than anyone imagined. One reason this opportunity was missed is that the most powerful states happen to be run by bankers in the interest of banks. Another reason, however, is that no one in power had a political analysis of the crisis of capitalism as anything more than a liquidity problem for bankers. This intellectual vacuum needs to be filled. Initiatives like "Rethinking Capitalism" can help to fill it, especially because we're putting people like Lynn Stout, Shyam Sunder, and Paolo Quattrone who come from law schools and business schools into conversation with big thinkers about process like Karin Knorr and Nelson Lichtenstein, and

big thinkers about apocalypse like Stan Robinson and Graham Ward.

For the moment, Steve and I are no longer thinking we'll get much help from bankers--which may turn out to be ironic.

RESEARCH UPDATE

Robert Meister

In December I published *After Evil: A Politics of Human Rights*. The book treats human rights discourse as the affective and political side of capitalist triumphalism between the fall of communism in 1989 and the conceivable collapse of capitalism in 2008. It's original focus was on the question of beneficiaries in the late 20th -century era of transitional justice: *Does a moral consensus that the past is evil require a political consensus that the evil is past, allowing beneficiaries to keep their gains?* Because the book took too long to write, it also treats the 21st-century human rights doctrine of R2P (Responsibility to Protect), and discusses the implications of the moral theory that turns beneficiaries into would-have-been rescuers and compassionate witnesses of suffering that is always in the process of becoming past.

One chapter in the book, "Adverse Possession," is particularly relevant to Rethinking Capitalism. It addresses a common reason for letting beneficiaries off the hook—that historical restitution is conceptually or practically impossible—by arguing that property law is all about the effect of history on markets. (If possession is 9/10's of it, restitution is the remaining tenth.) Techniques for valuing in-the-money and out-of-the-money options on various revenue streams, I argue, make historical justice both conceivable and feasible in every dimension of value except the political.

But why not raise the political questions opened by these techniques? We've just had a huge transfer of wealth that had nothing to do with

justice, because of the need to honor derivatives contracts that nobody expected to pay off. Why not regard historical grievances as out-of-the-money puts that fluctuate in value depending on changing volatilities in indices of income dispersion, political stability, etc.? Viewing past injustice as a bought put rather than an unpaid debt can explain why its value fluctuates (e.g. it may be higher in a period of rising inequality and greater instability), and why there can occasionally be settlements--class compromises--between victims and beneficiaries of historical injustice. From the perspective of options theory, Rawlsian justice would be a sold call by the beneficiaries of future history that would cap the gains from practices that might otherwise be unjust. (My book is available from Columbia University Press (Discount Code MEIAF) and on Amazon. I would be happy to send a PDF of the options chapter to anyone who is interested.)

Since writing the book, I have been applying some of its arguments to higher education, especially UC, by arguing that "privatization" is an effort to get students at still-public institutions to think of tuition as containing an embedded option that hedges against rising income inequality. If, as during the high tech revolution of the 90's, all income growth is in the top 20%, then it might be plausible to think of tuition as a hedge against the possibility that the 20/80 spread would grow faster than GDP. Such a hedge would be a private good that even students at a public university should be willing to buy, especially if credit is easily available. My paper explores the fact that a rising 20/80 spread was only a transitional moment in the growing concentration of income. This recognition provides a political analysis of higher education in the context of the ratio of debt burdens to tax burdens--in California specifically, and perhaps more broadly. ΔΔΔ

RESEARCH UPDATE

Darel E. Paul

Since last year's conference, I have devoted much of my teaching and research to questions of the political and ideological power of finance. On the teaching side, in the fall, I had the task of revamping my introductory undergraduate course "Global Political Economy" and thus read some new work on finance including Paul Davidson's *The Keynes Solution*, Carmen Reinhart's and Kenneth Rogoff's *This Time is Different*, Barry Eichengreen's writings on the eurozone, and Michael Lewis's journalism on the financial crises in Iceland and Ireland. Last fall I also directed an independent study, which gave me the opportunity to read or re-read some of the classics in classical political economy including Smith, Ricardo, Marx, Keynes, Robinson, and Sraffa.

Last summer I employed a research assistant to help me study and digest material in two areas relevant to finance. The first was the Cambridge Capital Controversy of the 1960s, and the second was critical accounting. Through both literatures, I had the chance to develop a much better sense of how "capital" is conceived and measured in both corporate finance and national statistics. It convinced me even more of the importance of the work of Jonathan Nitzan and Shimshon Bichler, most recently published in their monograph *Capital as Power* which they have recently made freely available online.

Most of my research over the past year has been dedicated to my work with Michael MacDonald on the politics and ideology of neoliberalism. Our article on Milton Friedman, "Killing the Goose that Laid the Golden Egg: The politics of Milton Friedman's Economics," has been accepted for publication in *Politics & Society*. We are also moving forward on the first chapter of our book project which argues that the power of finance in the contemporary United States is founded upon two important pillars. The first is finance's historical rise from the ashes of the post-WWII "Keynesian" or "Fordist" system in the 1980s and 1990s, enabled by the demise of the post-war political coalitions formed in the crucible of the Great Depression. The second is the ability of finance to continue to occupy the central position in American politics (this ability was only *enhanced* by the 2008-09 financial crisis) thanks to the great political, economic and cultural gulf between the country's two major political coalitions: the professional class and its allies on the one hand, and a "republican" class composed primarily of the petty bourgeoisie and the established white working class on the other.

I am also currently involved in two other book projects. The first is as co-author with Abla Amawi of the third edition of the international political economy reader *The Theoretical Evolution of International Political Economy*. I also continue to make progress on a related but independent project on the professional class and the politics of same-sex marriage in the United States, which I have tentatively titled *Beyond Tolerance*. ΔΔΔ



In Praise of Doubt: Accounting as a Maieutic Machine

Paolo Quattrone

When at the end of a sumptuous dinner a delicious dessert is offered, it's hard for someone with a notorious sweet tooth to decide between yes or no. Economists might expect a rational choice, but that's unlikely.

(Peter Berger and Anton Zijderveld, *In praise of doubt*)

Is knowledge knowable?

If not, how do we manage to know this?
(Woody Allen, *Getting Even*)

Accounting research in the last thirty years has ventured into new realms which have moved away from conventional views of accounting as a functional, economics-driven, representationalist practice. This paper reflects on this move and takes this speculative attempt further. It explores the possibility of developing alternative forms of accounting drawing on the constructivist turn.

There is no doubt that accounting research, inspired by perspectives "other" than traditionally economic ones, has added a great deal to our understanding of how practices of accounting work in organizations,

Rethinking Capitalism



economies, and societies. However, it is also true that there is a certain general unease evidenced in recent scholarship concerning the seeming lack of impact these new approaches have had on how accounting is actually regulated, practiced, and applied (see, for example, the case of green accounting, Gray, 2010). I too have noticed tendencies by scholars to leave the perilous waters of constructivism to return to the realism that has long characterised empirical and market-based research in accounting. As some colleagues have commented *ad vocem*, constructivism and relativist perspectives, in general, are going out of fashion. I will argue that rewinding the tape to return to realist beginnings is not the right way to move forward.

The reasons for the failure to embrace constructivist approaches are many. In this paper, I will address only one, but one that I feel is important: alternative approaches have so far failed to provide feasible working alternatives to mainstream practices. Critical accounting scholarship has preferred to present *perspectives* on how accounting can be thought of to offering actual examples of alternative accounting practices. The new research has been subtly qualified by being labelled under headings such as “the sociology of accounting,” “the politics of accounting,” or “the history of accounting,” where the preposition “of” denotes that the critical point of view comes from somewhere else (sociology, politics, or history) rather than from within the procedures, institutions, and culture of accounting itself.

The Parmalat scandal of 2003, in which accounting played a very large role, gives us the chance to consider the advantages of accounting methods underpinned by non-representationalist epistemologies. The roles played by actors in the Parmalat scandal simply do not fit with the roles of stakeholders as depicted by mainstream accounting frameworks. This scandal seems a particularly interesting theoretical space for reflection given that what accounting is and should do is now largely taken

for granted in practice (and in some research traditions in accounting). I will argue that this state of things in fact creates the conditions for accounting scandals.

If things were representable they would not need to be represented: there is no need for representing what is visible. Rather one needs to *re-present* things for they are constantly absent and thus one needs to make them present *again*: a sign always re-presents the world in its absence (Latour) and accounting is full of things which are never visible (e.g. a cost) and thus in need of being made present. Assuming the impossibility of representation (of faithful testimony, Levi, 1986) is the only way representation is thinkable, possible, and indeed, is the only reason it is sought and needed. Assuming that representation is impossible makes accounting necessary, not the other way round. If these are valid statements, accounting needs to be rethought.

If accounting always refers to something which is intrinsically absent, to a lacuna, then it is from this empty space that we need to begin to think of new forms of accounting and accountability: from the absence made present by this lacuna rather than from the presence of a fact.

I do not want to offer a new definition of accounting and define, for example, what the interest pursued by shareholders is and therefore in need of

being safeguarded by accounting numbers. This would reduce the enormously complex nature of the problem. Instead I want to leave this notion undefined and argue that it should remain so and thereby become the object of a continuous questioning without closure. It is from instilling doubts, rather than from delivering alleged truths, that accounting can regain a central ethical role in economies and societies. Accounting needs to be rethought as a maieutic machine, an instrument which, as much as Socratic maieutics, seeks knowledge through a constant interrogation and dialogue concerning what is right and what is wrong without ever reaching any final ground. If such ground were claimed, we would be back to falsely imposing a view of reality based on signs’ ability to embody truth.

14.5 billion Euros. This is the hole that Parmalat left in the financial market when it became clear that it was insolvent in December 2003. How could this happen? How was it possible to dig a hole as big as 1% of Italy’s GDP? If you open a textbook on financial accounting, chapter 1 will very likely provide you with a representation similar to Figure 1.

Figure 1 shows various stakeholders with interests in financial reporting. Typically the textbook will list the stakeholders in the following order: shareholders, managers, banks and financial institutions, government and other authorities, workers, unions and others, investors, auditors, customers and suppliers.

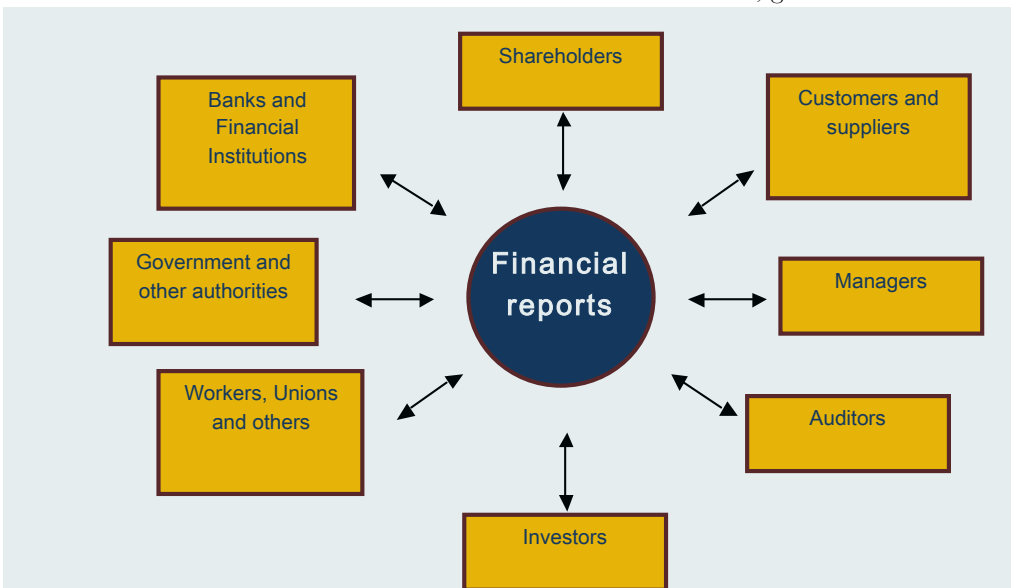


Figure 1. How the accounting framework frames social actors

other authorities, customers and suppliers, auditors and rating agencies, workers, and other investors. Financial reports, the textbooks maintain, contribute to the transparency needed for the efficient and effective functioning of financial markets. Let's look at what happened in with the case of Parmalat.

Shareholders. Parmalat's main shareholders were Calisto Tanzi and his family. Mr. Tanzi had a dream that is difficult to fulfill without huge financial resources: to build a big multinational corporation by buying and selling milk, a product with relatively low margins and returns. As long as Parmalat stayed within its core business (i.e. until the end of the 70s) things were not going badly and margins were as high as 9%. However, with the expansion into other non-core businesses such as bakery products (biscuits, snacks, etc.) and as far away from the core as TV, tourism and sport, things became problematic. Mr. Tanzi was also driven by objectives other than those conventionally described in economics, finance, and accounting textbooks. Mr. Tanzi enjoyed close relationships with politicians, and other powerful people from elite sectors of society, including members of Opus Dei, and was rumoured to want to please them all.

Parmalat's drive for expansion was driven as much by these relationships as by the pursuit of profit. Expansion provided a rhetoric and rationale to sustain the growth of debt: expansion needs cash. Mr. Tanzi had in

his CFOs able collaborators with creative ideas on how to raise it.

Managers. One man played a key role in creating the system by which continuously expanding debt could be sustained. His name was Fausto Tonna. Fausto Tonna became Parmalat's Managing Director in 1987 and then CFO in 1991. Under his administration Parmalat's debt rose from 164.32 million Euros, in 1987, to 6,340.15 million Euros in 2002. Key to the whole scandal was the fact that cash and liquidity grew at a similar pace: from 8.95 million Euros in 1987 to 3,363.56 million in 2002. Cash and liquidity jumped substantially in 1990, when Parmalat was quoted on the *Borsa di Milano*, the Italian stock exchange. The question that many analysts asked themselves in all of those years of growing debt was: why did Parmalat rely on financial markets (through the recurrent issue of various kinds of bonds) and pay an increasing interest rate when it could have slashed its debt by reducing this enormous liquidity?

The answer was always that Parmalat wanted to be ready to take buying opportunities on the market and thus needed liquidity for these eventualities. This could have been a convincing answer in the first years of the expansion but not when the level of debt rose to unsustainable levels. Merrill Lynch analysts were the first and only ones who looked with suspicion at this liquidity and suspected that it was fictitious. They were right, but unfortunately, it was too late.

Mr. Tonna and his collaborators had devised a series of techniques to boost revenues (faking invoices of powdered milk sales to Cuba), increase assets (through the sale of not existent intellectual properties and technologies among off shore subsidiaries) and decrease losses and debt (by shifting uncollectable receivables, sometimes artificially created, to off-shore subsidiaries in the Cayman Islands and other fiscal havens where accounting controls were virtually not existent). These are only a few examples. The actual list is much longer. Parmalat was growing debt to repay its debt. In the absence of a sufficient cash flow



generated by genuine sales, the only way to repay the debt was to generate other debt. This continued from the early 90s' with no one raising doubts until early 2000.

Banks and financial institutions. Many of the most important world banks had business relationships with Parmalat (Citigroup, Morgan Stanley, Deutsche Bank, Bank of America) and of course all of the main Italian ones (Banca Intesa, Capitalia, San Paolo-IMI, Unicredito). Some of these banks were overexposed and tried to

reduce the credit extended to Parmalat. They had to have been in a position to know Parmalat's true situation. Despite this, they endorsed Mr Tonna's plan to keep buying Parmalat bonds and resell them to an unaware public. Banks, just as any organization, are a coalition of different agencies, and it could therefore happen, for example, that the same bank (Banca Intesa for example) was trying to reduce the exposure towards Parmalat in one office and buying Parmalat's bonds in another. There were simply too many institutional and personal interwoven ties of interest to allow Parmalat's irregularities to emerge into view before it was too late. These relationships did not exclude politicians and members of all the various governments in power during the long period of the Parmalat saga.

Similar historical detail could be given for all the other players in this story: governmental and regulatory authorities, customers and suppliers, auditors and rating agencies. The people whose welfare is not measured in the representation of relations represented by Figure 1 are those it nominally is supposed to protect above all others: the unaware small investors. But they, along with workers, are the ones who are paying the real social cost of the scandal. The forecast is that only 4 out of 100 small shareholders and bondholders will get a partial refund.

The absurd mismatch between our accounting models and what transpired

inside Parmalat challenges us to notice such mismatches everywhere.

Accounting never works as an answer machine that truly represents the financial situation of a company. The transparency which representation aims to achieve is, in fact, impossible to achieve. The “tyranny of transparency,” as it has been called, is quite ubiquitous in contemporary societies. So we live in “orgies of calculations” all directed to make our actions auditable and to make us accountable. But these attempts work backwards. They assume what needs to be represented and account only for the limited range of possibilities permitted by those assumptions.

We therefore must learn to view accounting, accountability and governance as instruments which, rather than giving answers, raise questions about what is not known, about the logics which drive shareholders and managers that do not fit within the dynamic of maximising profit alone. They have to be seen as maieutic machines in homage to the Socratic practice of producing knowledge by asking questions rather than giving answers. This would alert us to the possibility of actions beyond those of maximising profit and to the range of motives that can be at work--but at cross purposes with--the assumptions our accounting procedures create with their measures.

Creating accounting methods and governance systems based on the idea of the impossibility of representation will force us to ask for more knowledge--and more revealing knowledge--than we now have. Out of such knowledge will come the applied alternative practices of accounting that the constructivist turn still has the potential to make good on. ΔΔΔ

Note: This article draws on arguments made in Norman Macintosh and Paolo Quattrone, *Management Accounting and Control Systems: An Organizational and Sociological Approach*, Second Edition (Wiley, 2010).

RESEARCH UPDATE

Philip Goodchild

In a recent televised interview, Paul Tucker, Deputy Governor of the Bank of England with specific responsibility for banking regulation, said: “*If we have a system where banks take the upside, but the taxpayer takes the downside, something has gone wrong with capitalism, with the very heart of capitalism, and we need to repair this.*”

What has gone “wrong,” and is the error purely technical (e.g. mispricing of risk) or moral? It seems to me that this comment appeals to the justice of Adam Smith’s invisible hand that operates through the logic of the market: profits should reward moral behavior such as prudence, innovation, efficiency and hard work, while punishing through losses excessive risk-taking, stagnation, waste, and idleness. In some way, profit and risk have been separated, and this is nowhere more evident than in the massive public spending cuts in the name of deficit reduction pursued in many of the world’s most developed states. It has become more urgent to satisfy the demands of finance capital than to satisfy the demands of the people because without investment in government bonds there will be no economy for the people. Finance capital takes the upside, and the taxpayer the downside.

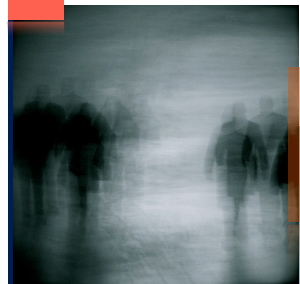
Yet such a separation of upside (in other words, profit) from downside (in other words, risk) is no rare accident: it is the essence of the insurance contract as well as of the use of derivatives. As a result of the extensive trade in derivatives, risk is spread throughout the economic system as a whole, including states, taxpayers, and public sector workers, as well as anyone whose employment is at stake in a downturn. Yet only the financial elite can take the upside, and the intelligent elite gain even from a downturn. Nevertheless, since derivatives are a form of leverage, they also embody credit as well as insurance, and it is credit that oils the wheels of the economy. A modern economy works by separating upside from downside. What is lacking

then in an economic crisis, when the same resources, people, institutions, assets and money are available as those that exist during a period of prosperity? There is a crisis of confidence and credit: confidence in the system, including the market and state; confidence in others, especially in their prudence, justice, and capacity to meet obligations; and confidence in one’s own capacity to take on risks and obligations.

It therefore seems to me that to pose the problems raised by the recent crisis in either technical or moral terms is to misunderstand the nature of contemporary credit capitalism. What is at stake is a theological issue, the basis for confidence in oneself, in others, and in institutions. Confidence in economic life cannot be entirely ensured by economic science, by past performance, by moral character, nor even by religious belief. Credit capitalism prioritizes profit above all else, where profit is a function of efficiency, or monetary return on monetary investment. Yet such efficiency is pursued at the expense of resilience, and credit capitalism is a highly brittle structure, prone to crises, requiring frequent intervention to restore the semblance of stability. This is not a strong basis for confidence. Instead, an economic system that generated genuine confidence may perhaps be characterized by stability, resilience, utilization of potential, justice, inclusion, and flexibility – not primarily by maximization of self-interest, nor by increased consumption, nor by levels of risk-taking. Such a system would be very different from our own. How do we construct a system in which we can have true confidence?

The ecologist Robert Ulanowicz has suggested that there is a trade-off between efficiency and resilience in ecosystems, and I am eagerly awaiting his new book (with Bernard Lietaer) on economics that pays particular attention to alternative currency systems. In the meantime, I have been preoccupied with the age-old philosophical question of how thought can be liberated from its illusions – especially the question of whether most of our strategies for liberating thought and ourselves in the modern

world may be the source of our continuing chains. Apologies to miss the Santa Cruz conference this year – a prior engagement in Syracuse speaking on the liberation of thought has kept me away. I look forward to learning what takes place. ΔΔΔ



Financializing Public Universities

Robert Meister

What is the crisis in U.S. public universities? They now expect most future revenue *growth* to come from tuition rather than taxation. But they don't expect tuition to cover the decline in per student spending on instruction as enrollments rise to fulfill their state mission. Their financial plan is to increase total revenues from enrollments by getting their median student to borrow more even though median family income, and hence ability to pay, has not increased.

In effect, public universities are selling debt (and other financial products) to prospective students on the assumption that the income gap between college graduates and non-graduates will continue to increase as it did in the 1990s. Public higher education faces a financial crisis because this gap has not increased over the past decade and because an even greater income gap has recently appeared among recent college graduates. Now that income growth

is concentrated in the top 1%, the plan to finance public universities through greater borrowing by those expecting to be in the top 20% seems to reflect a transitional era (1978-1998) when all income growth occurred in the top quintile.

The moral crisis occurs as public universities lose their way now that this moment has passed. They still plan to increase revenue by, in effect, claiming to be principal drivers of growing income inequality, even though an ever-smaller percentage of graduates are beneficiaries of the income gap. Obviously, this is a different mission than the taxpayer-financed system that claimed to be the principal engine for greater income equality between 1950 and 1970.

I want to defend the specific virtues of a mid-twentieth century model of taxpayer-funded higher education that is best exemplified by the 1960 California Master Plan for Higher Education, which tied the growth and quality of public universities, especially the University of California (UC), to a rising prosperity in which all Californians expected to share in different degrees. It was a successful compromise between class reproduction and class mobility that even Governor Ronald Reagan could support at a moment, the early 1970s, when California reached its demographic peak in the percentage of its population attending public schools (K-16).

The present model eclipses the Master Plan by treating public university tuition as partly a financial product that allows students to hedge against falling too low, and to speculate on rising to the top, as income gaps increase. This hedge, embedded in tuition, would be a private good that public university students can be expected to purchase outright or to add to the educational debt for which all students are eligible because of federal guarantees.

Debt financing of higher education is not a coherent alternative to the Master Plan vision in an era when the median income of college graduates is stagnant or declining. The median student does not in fact borrow more to attend four-year public universities during a decade in which tuition has doubled: he/she “transfers down” within the public system causing a downward cascade of enrollments that impacts community colleges in ways that ultimately benefit for-profit institutions where low-income students take on enormous debt.

But unmanageable debt burdens are now a principal reason many families are unwilling to assume greater tax burdens to pay for basic needs like healthcare and education that drive them into debt. The answer to the taxpayer revolt against the public sector must include a debt revolt against the financial sector. This is an issue on which defenders of public higher education can take the lead.

My forthcoming article in the fall issue of *Representations* develops a critique of the debt-financed model of public higher education in the context of the University of California (UC). Here I omit most of the historical detail that will appear there and summarize three of my five main arguments.

I. A Privatizing Public University is not En Route to Becoming Private

The State of California is not selling off its most valuable universities to the private sector or to foreign governments. This is one form of privatizing higher education but not the only one. Another form of privatization is for still-public universities to finance their growth through increased reliance on the same private credit markets that have financed the growth of for-profit higher education.

UC has had such a plan since 1999. It increased in-state enrollment by 40 per cent between 1999 and 2004. Then, between 2004 and 2010, it doubled the tuition it charged those in-state students. Because one third of this tuition increase was “returned to aid” the lowest income students (who in effect didn’t pay it), the net effect of UC’s enrollment growth combined with tuition increases was to increase the “unrestricted” (non-state) income generated from higher enrollments by 84%. UC now receives more of its total revenue from students than from the state.

UC’s business plan was simply to maximize the total revenue generated by enrollment growth. It never had a plan to restore per student funding to the pre-growth level of 1999-2000. By now, that would require in-state tuition of \$23,000 which is more than twice the \$11,500 that UC presently charges, and much more than UC has ever believed Californians would pay to attend the campuses that absorbed the enrollment growth. Its real plan was to cut instructional spending—especially on those campuses—and then try to justify higher tuition as a defense against even greater cuts. There was thus no claim that higher tuition would be used to restore educational quality—instruction is the only area where university costs continue to go down. The assumption was that UC students are underpaying for the private good of public higher education—the income gap it produces—independently of the classroom experience.

Today, UC plans to remain a public university by charging less than privates for its contribution to rising income inequality. But as a public university it also plans to increase enrollments as tuition goes up—and to do this without using endowment funds to reduce or eliminate student debt as 55 private universities with stable enrollments have been able to do.

II. Privatization is Not Simply Commodification

One frequent criticism of privatizing public universities is that it turns public

higher education into a mere commodity rather than a public good. This is indeed objectionable to the extent that it occurs.

A further objection is that public research universities, like UC, cannot commodify the educational component of their public mission and still get the revenue growth they expect from higher enrollment. Commodification on its own might be expected to drive the tuition of public higher education down through cheaper delivery and a glut of graduates on the job market. But the plan of very large public university systems, such as UC, is to increase enrollments while charging more per student—and to leverage its ability to do so on capital markets that will finance its growth plans independently of the state. UC’s ability to borrow on bond markets much more cheaply than the State of California depends upon the access it provides to student loans and its ability to charge a higher access fee (tuition) as income disparities increase. Without reliance on student loans it would not have been possible for public colleges and universities, where 76 per cent of U.S. students enroll, to raise tuition by 59 per cent in a decade when median family income rose by only 2 per cent. Funding the *growth* of public higher education through capital markets rather than taxation does not assume a broad rise in incomes as the California Master Plan did. Whether *mean* income rises or falls, UC now wants to charge a premium, over and above what the state will pay to subsidize enrollments, for the growing *variance* in income attributable to higher education.

III. Privatization is also Financialization

The desire of public universities to reap a premium from growing income variance brings us into the realm of options pricing theory. Modern options theory, which developed in the 1970s, allows us to price changes in the variance of any number (in technical terms its “volatility”), which in the context of university tuition is a measure of present uncertainty and how high the highest incomes will rise, how

low the lowest incomes will fall and how likely the average income will be.

Privatization, as a scheme for funding the growth of public universities, thus means more than simply *commodifying* the educational experience: it also means *financializing* the effect of growing income gaps. The core assumption of privatization-as-financialization is that rising income inequality increases the fear of falling behind and thus the willingness of middle-income students to borrow more. If this reasoning is correct, UC students should be indifferent to the choice between paying for the education premium up front (as equity) or taking on debt—higher tuition would simply move some students further up what financial economists call the “debt-equity frontier.” This argument opens the door to greater convergence in the prices charged by publics and comparably ranked privates.

Considering higher education as partly a financial asset is the abstract model under which both public and private providers can expect its price to rise even as the cost of delivering it continues to fall. By following this logic, UC kept growing through enrollment-generated revenue while lowering the quality of instruction both according to the budget and in actual practice. Getting worse was actually part of its strategy for raising tuition. Ever-privatizing, but never private, UC could theoretically raise revenues from enrollment growth, and gain greater access to financial markets, for as long as Californians were more willing to pile on debt than to pay higher taxes. They would do this because borrowing makes them feel richer (at first) and taxation always makes them feel poorer, and because debt for higher education can be considered an “investment” in their own human capital—or, at least, a hedge against the fear of proletarianization or worse.

But what is the value of the embedded option (or “education premium”) on which UC and other public universities hope to capitalize? In post-Master Plan California it would be an option on the possibility that in California the spread between the top 20

per cent and the rest (the 20/80 spread) will increase as the economy grows. Suppose one could actually buy an option, tradable on public markets, that would protect against a rapid increase in the 20/80 spread. The price of such an option would probably be low in times like these when the 20/80 spread may not be growing; but the option could be worth a lot during another period, such as California's transition to high tech, when broadly educated people could get jobs for which no prior training was available. My theoretical point is that the "education premium" is essentially a purely financial idea (based on changing income dispersion) that has no necessary relation to the price public universities should be able to charge. One should thus be able to buy cheaper and more effective income insurance directly from financial markets without having to become a student, thereby cutting out UC (and every other public university) as the middleman. If such income protection insurance were available to everyone, not just the educated, then there should be no willingness to pay a premium for public higher education.

But we do not need this kind of abstract argument to show the flaw in a funding model for public higher education that focuses on an 20/80 income gap that just happens to approximate the participation rate in California's public universities. In California between 1998 and 2008 the 20/80 gap in incomes (aka the "education premium") did not significantly grow: there would have been *no* growth in the incomes of the top 20 per cent if we were to subtract the income growth of the top 1 per cent. California's economy grew between 1998 and 2008, but the price of an option on the relative income growth of the top 20 per cent minus the top 1 percent would have fallen to nearly nothing. Financializing the growing risk of being in the bottom 99% is no way to pay for a system of higher education for which 33% of Californians qualify and in which 20% participate, especially now that many students are increasingly debt-averse and many parents are trying to pay down their total borrowing.

To understand the role that capital markets play in the democratic politics of states like California we have to compare *how much in taxes people could afford to pay if they had no debt service and how much more debt they could take on if they paid no taxes*. This question is the kernel of the struggle over privatization and its relation to public values.

Many students who borrow for higher education will end up paying more in debt service on those loans than they pay in state taxes. In aggregate the amount they owe is approaching \$1 Trillion on which they pay compound interest to the financial industry of 6-12% plus massive penalties and collection charges in the event of missed payments. To put this in perspective, \$1 Trillion is roughly the amount the U.S. government has borrowed to finance its wars in Iraq and Afghanistan; it is also roughly the amount of U.S. Treasury obligations owned by China. The total debt of all U.S. cities and states is only \$2 Trillion. It is clear that capital markets benefit much more from the expansion of student debt than public universities, which

collect only a small portion of what is owed in the form of tuition and other fees.

But it is also clear that public universities have used private capital markets to cost as much as they can. Since the 1980s the cost of instruction has not risen—instructional salaries are now more unequal, but have remained on average the same and cost per credit hour has declined. Yet what students pay for public higher education in the U.S. has grown at twice the rate of the economy, three times as fast as consumer prices, and at more than double the cost of health insurance. The inflation-adjusted price of higher education has risen by 200 per cent since the 1980s despite the fact that inflation adjusted median income has risen by less than 10 per cent. And the most rapid rise in public higher education has occurred since the late 1990s, a period in which median family income fell.

Note: The longer version of this paper goes on to make two further arguments: 1) Public higher education as a whole is not benefitting from the federal support for student borrowing and 2) To defend public higher education we must articulate the links between debt burdens and tax burdens. I conclude on an optimistic note: Because California is a relative latecomer to financialization and because California's strong tradition of free tuition has given rise to significant early political protest and push-back, it is not too much to hope that California may be the place where public universities stop capitalizing on the growth of income inequality and become, once again, a vehicle for reversing it. ΔΔΔ

RESEARCH UPDATE

Bill Maurer

Over the past year, I have divided my research activity between two separate projects: one, a continuation of work I have been doing in the offshore financial services sector of the Caribbean since the late 1990s, and the other, a project on the emerging regulatory frameworks and business models for mobile phone-enabled money transfer and savings services. The latter are being devised primarily by mobile network operators (MNOs) in collaboration with banks in "developing world" countries.

The Caribbean project included fieldwork in the British Virgin Islands, where I explored the efforts of the Commercial Court in the territory to handle the increasing volume of cases related to foreign corporate insolvencies, disputes over ownership and, sometimes, fraud or money laundering. I also observed a sitting of the Eastern Caribbean Supreme Court, an itinerant court of appeal made up of West Indian judges who, when they come to the BVI, get a crash course in multinational subsidiary formation, tax evasion, and the use of principles from equity, not law, in arguing corporate cases. The BVI is a country of about 20,000 residents and around a million registered corporations. By taking commercial cases off the regular High Court docket, the BVI has enabled a kind of re-proliferation of

equity or chancery, harking back to Dickens' *Bleak House*, perhaps, or the period before the consolidation of the common law.

Meanwhile, there are other big changes afoot in the offshore. A snapshot of trust company services businesses and offshore law firms in the BVI from 1990 reveals a dense network of linkages, via Panama, into South America, and via the Channel Islands and Bermuda, into the UK and continental Europe. This pattern indexes tax avoidance strategies of wealthy Latin American and European clients. A survey I conducted in 2010 shows a very different picture: connections to the Far East, the Gulf States and the UK, with tendrils to Brazil and Russia. The geography – and jurisdictionality – of the offshore thus is in the process of being reconfigured. The BRIC countries (Brazil, Russia, India, and China) are getting a foothold in the offshore. “India will be big,” said one informant. This is about an investment strategy based on the desire for incorporation under the jurisdiction of a commercial court hearing cases according to equity. The BVI is thus becoming the world's Delaware. I am going to be writing about what this means from the point of view of the proliferation of topical, not spatial, jurisdiction, and the involution of equity and law in this new Caribbean Chancery.

The mobile banking project has moved in several different directions over the past year, including my involvement in a newly formed mobile financial services consumer protection working group, made up of regulators from the US Federal Reserve and USAID—and an anthropologist! It has been fascinating to watch how anthropological and ethnographic knowledge becomes important in this venue, not just for insights into what I have come to call the “arts of cash,” the things people do with their paper money and coin that both befuddle regulators and provide fodder for them to reflect on “consumer” oriented regulations. I put “consumer” in quotation marks, because here the assumed consumer is a consumer of—cash; or, of payment systems more generally, the varied forms of the means of exchange.

In this work, I have been focusing on the means of payment subtending the means of exchange -- and the creation of business models based on collecting fee revenue from the act of transacting. This is the interchange model, which supports the credit card industry and about which the US is in the middle of an important but sleeper political debate: should private entities own and/or profit from the means of payment, or is payment a public good? This, in turn, has led me to reflect on the incredible political and technical accomplishment of settling transactions at par -- that is, clearing a check or settling a bill with cash for the amount intended to be transferred *in toto*, instead of that amount minus a fee or *ad valorem* percentage. In the US, par check clearance was an achievement of the Federal Reserve system in the early 20th century. But we are now witnessing a proliferation of private forms of payment—not just credit cards but smart phone applications and new devices promising value transfer—for a fee. This is the sort of thing that

is not captured in Marx's account of the means of payment as *credit*. In this field of payments -- mobile or otherwise -- and in the payments industry, within which I have been doing fieldwork this past year, the credit relation is bracketed, obviated by the promise of a fee-based value chain “within” the act of payment itself.

The early 20th-century achievement of par clearing made Marx's account of the credit system more true by eliminating (much of) the noise accompanying it. I want to try to write the story of the augmentation of the noise of payment via an account of “mobile money.” ΔΔΔ

An Editors' Note in Anticipation of the April Publishing Discussion

Peter Dimock and Bernie Richter

In his 1906 essay, “On Reading,” originally published as the introduction to his translation of John Ruskin's *Sesame and Lilies*, Proust starkly contradicted his beloved author, whom he was making available in French, by categorically denying that the value of reading lay in what readers got from writers by way of knowledge or wisdom. What was valuable about reading, Proust said, was the way it created a disciplined communicative solitude in which minds touched each other in a space of freedom unimpeded by the constraints of conventional social interaction. What the reader found in this space, Proust



contended-- having come to the author for truth and finding out that all she had received from the author's last, best efforts at meaning was a passionate desire for her own answers—was the knowledge that the only truth worth having is the one we create

ourselves.

Maryanne Wolf, a neuroscientist who studies the brain science of print literacy, believes that Proust characterizes accurately, if intuitively, the cognitive breakthrough literacy represents. Fluent literacy, Wolf contends, is the way the brain gives itself milliseconds of “extra time” (freed from the tasks of

mastery accomplished through memorization in orality) for internal scansion in which consciousness monitors its internal state and compares it against that of another mind's which it has joined in the free solitude of processing its voice in the form of written language. Those extra milliseconds of literate, self-reflective time, Wolf shows, create the time in which the self thinks for itself—and constitute the time of intellectual originality. The highly literate reader starts to think for herself beginning at the furthest reaches of an author's best thought because of the external storage capacity enabled by the technology of writing.

Proust's essay on reading was a trial run for his great modernist project to capture the multi-layered temporalities and their inter-subjectivities created by the impact of twentieth-century history on consciousness. We talk about reading in this complicated, charged way because it seems to us that one of the projects now facing quality publishing is to think seriously and well about how to recreate—or extend—the utopian dimensions of the freedom of high modernist book culture in a moment in which the physical book as a commodity no longer seamlessly or self-evidently mediates, through public institutions of education and scholarship, a non-commercialized Enlightenment space of rational freedom. The new communication technologies allow the attention of literate internal conversation to be sold to advertisers and the social logic of scientific knowledge to be discounted and financialized through a consumerist logic of information.

The Bruce Initiative on Rethinking Capitalism is creating an experimental intellectual space in which the humanist logic of contemporary economic experience and the economic logic of contemporary humanist knowledge and institutions can creatively, productively—and starkly—confront each other. How the results from this orchestrated collision become a public discussion and a public good is

very much, it seems to us, a “publishing” question in the strongest, most basic sense of the word. This newsletter is one beginning in the search for a way “forward” in creating a not-for-profit space of reading and thinking and deliberating along the lines of a freely created imaginative and social truth Proust articulated as an ever proliferating temporality of subjection, liberation, and imaginative decision.

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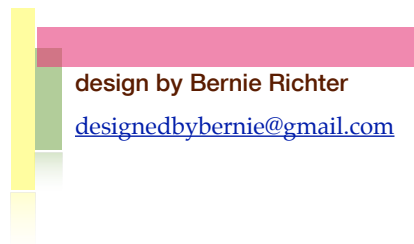
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