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Globalization, Neoliberalism, and Financial Issues

Review Essay by William Benton PhD, Virginia Commonwealth University, wbenton@vcu.edu

Gago, Veronica. (2017) *Neoliberalism from Below: Popular Pragmatics and Baroque Economies*. Durham, NC: Duke University Press.

LiPuma, Edward. (2017). *The Social Life of Financial Derivatives: Markets, Risk, and Time*. Durham, NC: Duke University Press

In an era of rising populist nationalism, understanding the sedimented techniques, connections, and resistances to the post-Cold War wave of globalization is all the more important. Recent works by Veronica Gago and Edward LiPuma survey this landscape from diametrically opposed initial positions but together provide a compelling parallax view of the machinery of the capitalist present. Whether examining derivatives or picking out strands of neoliberal life practice, these two books report on the conditions and analytic tools through which the conditions of the present economy are generated and circulated.

LiPuma's thesis is that we are in an era of financial and circulatory capital, rather than productive capital. His objective is to compose a theory of the sociality of the derivative. He sees this as being opposed to both neoclassical economics and to Marxist theories of economy. He argues that "derivatives are not concrete objects...; they are relational objects working within the socially imaginary one of the market" (p120). His core argument challenges Polanyi's (1944) account of modernity, in which the relative embedding of economy and society are reversed, and the logic of the economy, of the relation between strangers, comes to predominate over the logic of society, of mutually recognizing people. LiPuma asserts that social relations and roles underwrite the seemingly mechanical rules of economy. It is the social complexity that is "deeply buried" (p. 19) that drives the surface effects, and this burial creates gaps in the explanatory capacities of most finance observers. His data come from a variety of sources, including interviews with finance workers, an ongoing review of finance mass media, and his own work in finance. His argument, like Gago's, unfolds through the conjecture that crises uncover hidden socialities, relations that are obscured in the making of a financial product. In this case, lines of connection between banks, individual people taking out mortgages, and derivatives traders creating exotic instruments out of pooled debt were obscure until the collapse of the system threw them into sharp relief.

Gago, by contrast, begins not with a tool of finance practice but with an alternate vision of the historical trajectory of neoliberalism's advance in Argentina, "holding cells were installed in the headquarters of the Bank of the Argentine Nation that functioned alongside a clandestine trading desk"(p. 1)¹. From here, she pivots to her primary site, an informal marketplace. It is this conjunction of state and financial power that Gago explores, the financial assemblages of the present haunted by the authoritarian government of the past. The shock of neoliberal reform did not last; it became a more broadly normalized part of life in the country. Her interest is in rethinking neoliberalism, particularly in Latin America, not as a process of top-down structural adjustment but as a complex assemblage of practices and relational stances. Her site is a market in Buenos Aires, *La Salada*, a site that "grew out of the financial crisis, and cemented itself after it."

These two books explore the institutional underpinnings of the economic globalization that intensified after 1991, which have endured a series of crises beginning at the start of this century. Nominally, LiPuma explains the financial derivative and Gago, neoliberalism. In both cases, the authors are left to explain how these concepts find ground in actual lives and how they come out of communities re-formed around them. These books are likely to appeal to researchers working at the intersection of economy and society—in centers of finance practice in LiPuma's case and in contemporary Argentina in Gago's. Ultimately, both authors are concerned with humans—with actual people who are subject to and in some cases produced by these massive abstractions. Both treat human conceptual constructs as objects but see them as independent of their makers. By beginning from moments of crisis, 2008 in the US for LiPuma, the early 2000s in Argentina for Gago, the authors examine mechanisms in rupture.

The neoliberal era is often conceptualized (cf Harvey 2005) as a change in the attitudes and presumptions of elite actors and institutions. While Gago does not contest the origins of the concept, she explains its maintenance and proliferation through its appearance in individual lives and imaginations of community. In taking this approach, she demonstrates, following Foucault's insights, that the Neoliberal era is productive across scales of social complexity, from the individual to the state. Gago's work explores what she terms "baroque economies," which she describes as "transindividual productivities expressed in a dynamic informality" (p. 14). She develops this initially from a reading of Foucault's work on the greater economy of the postwar present and later through Rivera-Cusicanqui's theory of the *chi'xi*, the motley. In thinking about the composition of *La Salada*, the massive "informal" market, and the informal brands, living spaces, financing schemes, and regulatory entrapments that are woven through it, she destabilizes the boundaries of the formal state and its national boundaries. She considers as well the feminization of an economy, what a theory of gendered labor and gendered space does for theories of normative economic legitimacy. In doing this, she also considers the space between extraction (a core part of national industries) and looting, seeing varieties of consumption knitting seemingly disparate practices alongside each other.

In particular, she is interested in what she terms a "vitalist pragmatic" (p. 6), a practice of calculation that bridges communal and individual actions in the operation of the informalized economy. "Communitarian Capital" is her term for the mode of work and wealth that bridges the gaps, complicating the formal and informal, entangling work and domestic spaces as well. The boundary of the formal and informal is similarly de-composed as she points out the multiplicity of sites through which both formal and informal goods are manufactured. Moving the "community" from Bolivia into urban Argentina allows for analyses of the "disciplinarian logic of the city" and the "servile type of exploitation" (p. 79). Developing a perspective from Rivera-Cusicanqui, Gago argues that exploitation and slavery aren't relevant concepts in the communitarian shops of *La Salada*, as they are undergirded by the expectation of wealth to come—a "calculation of progress." While this explains the logic at hand, it might have been useful to have comparisons to other sites where this calculative logic and embodiment of neoliberal selfhood has taken place, such as Carla Freeman's work on Caribbean entrepreneurship (2014) or Marla Fredrick's investigation of enactments of faith and wealth (2010) ramify the interminglings of person, market, and status.

Like Gago, LiPuma also examines destabilization. He explains several times throughout his book that he is interested in the destabilization of the derivative: It is his conjecture that the traditional tools of anthropology and of neoclassical economics are not sufficient to the task of explaining the nature of the derivative. Despite this, the most persuasive explanations of the

social embedding of this type of contract come late in the book, where he explores the social worlds and cultural values of the finance workers responsible for generating them. He describes the shortcomings of the popular narrative that finance workers are “greedy” in the sense of wanting to personally gain from the contracts they arranged. Rather, he argues that they have conditioned themselves into a specific mode of calculation—a specific register of value in which money is the sole measure of worth. In this sense of self-fabrication, he follows work by Ho (2009) and Zaloom (2006). Previous chapters made circular assertions of the nature of the derivative, of the history of financialization, and the instability of an economy after production. For a general reader, a slightly more developed contextualization of the nature of the derivative, with specific examples of firms, trading desks, contract assembly techniques, and the like would have aided in grasping the terrain into which LiPuma quickly moves. As his theory of the derivative develops, he comes to some compelling conclusions: that the derivative itself, once it becomes a fundamental element of a market, will drive ever greater risk (p. 144) (a phenomenon he terms the treadmill effect), making instability inherent to both the grounds for and outcomes of derivatives contracts. Coupled with the analysis of the derivative as a tool of instability and increasingly rapid circulation of capital, it suggests the technique of the social embedding of the derivative.

LiPuma’s book is both an analysis of the derivative and an essay on the means by which the social underpinnings of finance can be analyzed. Authorial attention moves between these aims and is caught up in an analysis of the techniques of local analysis, as well as an attempt at re-grounding a study of finance in tools other than those popular with finance workers. Complexity and simplicity have thematic weight in both books; they each begin their inquiry from financial crises in their countries of interest, LiPuma with the 2008 stock market collapse and Gago with the 2002 Argentinian Peso crisis. In each of these crises, LiPuma seeks to explain the seeming complexity of derivative contracts in the context of the social frame that allows them to exist. Gago, by contrast, seeks to explain the post-crisis capitalism of Argentina through naming the assemblage of practices that constitute the present.

For Gago, La Salada is a complex assemblage, mixing a variety of economic and social bases, denying any homogeneity of the globalized present even as globally traded brands and currencies appear in the market. In her work, a sweatshop is a community; an informal market is both a regulatory problem and a site of valorized entrepreneurs. It is in their calculations and in the sometimes exploitative bonds of community among the Bolivian stall sweatshop workers that the neoliberal appears. In her work, simplicity is a goal of planners and bureaucrats, undercut by the realities of the actual, physical market on which the city materially depends.

Both authors are interested in shaking assumptions common among researchers and writers in their areas of inquiry. LiPuma argues that the tools to critique capitalism were adequate to the era in which they were forged but that as the primacy of production has been replaced by that of circulation, we need new theoretical frameworks with which to assess the conditions of the present. Gago’s interest in undoing the formal-informal binary through which economic activity is commonly perceived operates on similar lines, offering instead the “baroque economy” as an alternative. As she focuses in on more specific topics, however, she draws on theorists whose work comes out of the specific conjunctures of power in post-Bolivarian states. LiPuma’s engagement with the trajectory of debate in the social studies of finance is superficially slight, and some elements of his writing have been worked through in a similar manner by other scholars.

The community foundation and formation of finance informs each work, contrasting the “communitarian wealth” of the Bolivian market workers and the deracination of the derivatives traders’ approach to monetary value and temporal horizons. In both books, it is a logic of association that underpins the modeling of society. LiPuma’s work begins with a seemingly narrow type of contract and expands from it a theory of contemporary capitalism founded on circulation, rather than production of goods. Gago begins with a predominant theory of contemporary political economy and demonstrates how it lacks a fundament outside of the embodied and is rather dispersed through social scales, practices, and geographic locations.

Considering the problems of global economies through the lens of specific concepts and tools of the present era gives grounds for further comparative work. The social framing that allows the “laws of the market” to operate and the messy realities of the propagation of neoliberal practice are both crucially important components of the world order that emerged following the collapse of the Soviet Union, and their durability even in the present era of nationalist sentiment and anti-globalization rhetoric from left and right alike is explained through the cases Gago and LiPuma consider.

Notes

¹The comingling of state and market, covert and overt are a key feature of Gago’s subsequent analysis

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