What Difference do Derivatives Make?
From the Technical to the Political Conjuncture

By Randy Martin

Abstract

In the aftermath of the great bailout of capital in 2008 (and still ongoing) finance has often been seen as external and parasitical to the real economy. Instead, finance and other forms of capital have become more closely articulated and interwoven. A critical social logic of the derivative is offered here, following on Marx's analysis of the commodity, to consider what is meant by dominance of finance, what difference finance makes and the politics of debt. The derivative provides key insights into the apparently detached process by which money seems to beget more money, and at the same time discloses the internal socialization and interdependence that is at the root of a politically generative mutual indebtedness.

Keywords: Derivatives, financialization, debt, socialization, capital, commodities, Marx, sociology.

Introduction

The capitalism in which finance prevails presents all manner of challenges – at once conceptual and political. In what follows, a critical look at derivatives will provide a portal through which to engage the antinomies of finance. Derivatives give form to that contradictory relation between the move to money as such, and the moves deeper into social materiality and interdependence. Unpacking derivatives, not simply as a technical device of finance, but as a key to the social logics and relations that inhere in the current conjuncture of capital, will address three cardinal riddles of finance. First, what does financial dominance mean for an understanding of how capitalism works (or doesn't); second, what historical difference does this prevalence of finance make; and third, how to understand the social and political implications of the preponderance of financial debt?

Following Marx a critical social logic begins with the way wealth presents itself, today most emblematically in the form of the derivative, an instrument for pricing risk, and then moves to the mutual interdependence, now evident in debt, which discloses the historical agency of associated producers. Analytically speaking, the internal logic of the derivative shifts attention from understanding the world selectively on capital's own terms to value instead the labor that is constitutive of society; the socialism that is immanent to capitalism. Before moving to the three conundrums of finance, some conceptual groundwork needs to be established regarding crisis, Marx and the meaning of derivatives.

Contrasting Crises

The financial crisis evident in the implosion of subprime lending and the subsequent bailout of certain corporations did much to fix attention on the politics of debt without yielding much by way of unity of analysis or course of action. Rather, two contrasting vistas are evident. In one, finance seems to exist in a world apart from most people's everyday lives. In this realm, money is made from money, seemingly out of thin air that never comes down to earth. Finance in this regard is speculative, fictitious, metaphysical and immaterial. And yet from that very ground upon which finance supposedly does not tread, people are feeling great pain, not least because they are collectively paying for what has been taken from them, in this case trillions in public monies being used to underwrite the rescue of purportedly deserving capital. This is the other perspective on finance that is identified as all too real: it bites, cuts, makes itself felt and known in every nook and cranny of experience the world round. These material effects are not restricted to public sacrifice for private gains, but extend to all manner of weighing what is worthy and valuable, from childrearing, education, healthcare, retirement; really any kind of life outcome to which people might be oriented. From this perspective, far from being an unproductive deviation from the actual economy, finance is as real as it gets.

For long-time critical observers of these dynamics, all this might look like business as usual. Capital accumulates by denying access to means of subsistence that subsequently forces labor into mutual association, as was a consequence of the feudal enclosures of the European peasantry that extended from the 13th to the 17th centuries (Perelman 2000); then flees the demands that are made from any other than itself on the surplus that results (Brown 1987); and furthers the compression or annihilation of space by time (Harvey 1999). The complication would come if this flight is one from the commodity itself. Accordingly, capital is no longer productive, but cannibalizes itself (Soederberg 2011). Bypassing the hidden source of its wealth, labor power, it becomes merely speculative, and replaces surplus value with a series of bets in which the gain of one is the loss of another in a game of zero-sum. This is one understanding of what Marx called "fictitious capital," the promissory notes that serve as "capital for the banker," used for multiple loans in excess of actual deposits, that he saw as at once, "illusory" bearing its own "laws of motion" and representing the capital of "the public" as its own (Marx 1894/1967b: 463-75).

Like much in Marx, there is more to the story than a technical distinction among forms of money and capital. Not only does capital socialize labor – interchangeable and interdependent--but finance is a means by which capital itself is socialized, what he termed concentration and centralization, or the elimination of private property within capitalist relations:

> This result of the ultimate development of capitalist production is a necessary transitional phase towards the reconversion of capital into the property of producers, although no longer as the private property of the individual producers, but rather as the property of associated producers, as outright social property. On the other hand, the stock company is a transition toward the conversion of all functions in the reproduction process that still remain linked with capitalist property, into mere functions of associated producers, into social functions. (Marx 1894/1967b: 437).

Whereas for any individual financial hedge there appears only a winner and a loser, for capitalist accumulation as a whole, the realms of production where surplus value is made, and circulation where value is realized, move closer together. Seen from the perspective of the socialization of labor and of capital, the expansion of finance would variously disburse, implicate and elaborate relations of production and circulation internal to one another. More specifically it could be said that finance poses precisely this contradiction; namely, between what appears as capital for itself, money that makes money through speculation or pure circulation, and capital for (or really through) others that generates all manner of mutual entanglement, encumbrance, and debt in multiple forms and consequences. Most simply put the politics in *Capital* lies in how to get from mutual interdependence to free association; from debt as a burdensome chain, to indebtedness as a basis for creating society by and for those who collectively generate its wealth.

Marx's Mutual Indebtedness

How might this double movement be understood, toward what appears as the merely speculative on the one hand, and heightened indebtedness (with its attendant ambivalent meanings) on the other? Here, it makes sense to follow Marx's lead in his analysis of the commodity in the opening chapter of *Capital*, something at first sight easily understood as a thing-in-itself, that abounds in metaphysical niceties, which turn out not to be metaphysical at all, but direct us toward an understanding of the social basis of wealth and of life together. The commodity bears the labor that made it possible, but the single commodity is but a moment of an immense accumulation, not simply of capital, but of human activity treated as if it existed for and through its capacity to generate a world of exchange, one where the subsistence of each is contingent upon and mediated through an expansive, profit-taking universe of commodity production.

What Marx termed the "society of producers" laboring populations that exist for and through one another is the social basis for the alternative logic that lies within and against capitalism, its immanent condition of socialism (M Brown 1986). Much of course disrupts, displaces and redirects the political trajectories of this immanence; no particular outcome or trajectory is guaranteed. Mutual social indebtedness is for capital, an often intolerable excess of accumulation, in particular when expressed as calls for justice, equality, or new demands that emerge from various social movements that make their own claims on society's wealth.

This in a nutshell is the internal contradiction Marx finds in the accumulation of capital, that the pursuit of wealth in the form of burgeoning quantities of commodities also expands and deepens the interdependence and capacities to express the social from those very populations that capital depends upon but disavows and denies. The terms of political contestation are formed between capital's denial of its debt to labor and labor's recognition of its own mutual indebtedness. While productive activity goes by many names today, more and more labor continues to be performed – albeit under various guises and conditions, as those activities that comprised social reproduction and intellectual labor (the so-called knowledge economy) become increasingly integral to the overall accumulation process. The ascent of finance needs to be understood in the context of this expanding realm of the kinds, scope and scale of activities – both across the globe and within the recesses of the human psyche – that constitute the continuation of the immense accumulation that drives capitalism.

Derivatives Now

If the commodity itself proliferates where capitalism initially prevails, derivatives lead the charge when finance dominates. Derivatives can be construed narrowly as technical instruments of contemporary finance, but also as emblematic of the complex of historical logics of motion and social relations that shape present circumstances. In the first, technical sense that obtains within financial services, derivatives are conventionally understood as contracts to exchange a certain amount of something at a determinate future time at an agreed upon price. For example, a furniture manufacturer in Europe is making tables for a U.S. retailer that will be ready in six months and will charge a million Euros at an exchange rate of a euro and a half to the dollar. But should that rate change if the dollar appreciates or goes up against the Euro, the manufacturer stands to lose money when the tables are ready for shipment. The agreement to exchange at a fixed rate acts as insurance that hedges against this risk. By so doing, the risk, or possibility of a deviant but predictable outcome is also priced through a contract that can be exchanged, and therefore becomes an instrument of investment. The sale of tables can be subject not only to currency fluctuations, but also to the possible cancellation of the order, or a bank's inability to pay, or any number of other circumstances for which derivative contracts can also be generated. Each potential failure to execute the contract at full notional or face value can be hedged through a derivative contract. As a consequence, the sum total of all derivative contracts far exceeds the actual or underlying price of the assets being traded. As global transactions have increased, more and more kinds of risk are priced – from exchange and interest rates, to changes in temperature and the weather. The total notional value of derivative contracts between parties and traded on exchanges has grown enormously (some 25% per year in the past twenty years) to stand now at over a quadrillion and a half dollars or nearly twenty-times the world's gross domestic product (Bank of International Settlements 2012).

While derivative contracts for agricultural prices have been in existence for thousands of years, derivatives in their current guise date from the seventies and began to be traded extensively on formal exchanges in the 1990s. The quantity of publicly traded derivatives is exceeded by Over the Counter contracts made directly between parties. The contracts do not terminate the exchange; only small percentages are actually paid when they come due. Rather, the contracts are kept open or in ongoing exchange through what are called clearinghouses. The result is a continuous circulation of debt instruments and a further integration of local production into global markets. The advent of increasingly complex mathematical models since the early 1970s when Merton, Black and Scholes crafted the first formula for pricing derivatives, and more and more computational capacity to process ever more intricate trades more quickly are among the technical factors that has driven this process of expansion (Finel-Honigman 2010).

Of course this standard account from within finance treats growth and expansion as axiomatic to continued business activity. Investment entails risk, techniques have been devised to ameliorate that risk and even profit from it, supply meets demand and growth results. In this regard, derivative markets are just like every other, and while the notional values are extraordinary, the actual amounts outstanding through derivative exchanges is considerably smaller ($27 trillion at the end of 2011, and the trades themselves generating revenue in the tens of billions), and less than global markets for financial assets like bonds or stocks, which together exceed $200 trillion (McKinsey 2011). What makes derivatives significant is that they trade in risk, but also manufacture risk; they disclose the internal logic of financial expansion as well as the social entailments of mutual indebtedness. Hence, like Marx's account of the commodity, starting with derivatives gets us to the internal workings of social interdependence that is the basis for society. As with Marx, this basis is ultimately social and not economic, it is immanent and not causal; it is an internal relation, and not a platform upon which the rest of society is built.

The trick for any critical analysis of finance is how to get from the technical to the social and historical aspects (LiPuma & Lee 2004). Staying within the technical finance remains tautological and deterministic, to say nothing of exclusive to those who make the deals and master the mathematical models. Money that makes money avoids labor, and is either magical in doing so, deceitful in swindling people who do not know any better, or so complex that this world must be left to the experts. The result is a highly moralistic approach to finance, a wishful impetus shared across the ideological spectrum to punish the transgressors and bad actors, and to set things to right by reasonable regulation. As scandal follows scandal, such moralism does little to rectify what has taken place or reveal much about how the malfeasance persists – a few apples will be pruned and the orchard can return to its prior splendor. Here a critical social logic of derivatives can be more fruitful analytically and politically.

There is a rich and varied Marxist literature on the precipitants and consequences of the financial crisis (Albo, Gindin & Panitch 2010; Foster & Magdoff 2009; McNally 2010; Panitch, Albo & Chibber 2010; Wolff 2009) where the failures of accumulation provide the occasion for a stirring call to political mobilization. Marxist analysis of financialization also provide searing accounts of a profit squeeze (Tabb 2012) or a speculative syndrome of "Madoffization" (Monaghan & O'Flynn 2012), while the question of how mutual indebtedness itself might create opportunities for political mobilization is left open. The events of recent years have made what were taken as special insights into potentially public considerations – this at least has been the tantalizing if unrealized promise of crisis. Clearly there have been all manner of responses from the rebellions in the Arab world to mobilizations of students and Occupy activists to similarly global displays of reaction whether Tea Party or coarsely labeled fundamentalisms. The riddles of what to make of the present, of what continuities and ruptures are evident, of what opportunities are present have now become especially freighted and call for further attention.

Financial Dominance

Two general claims are made for finance – roughly speaking a synchronic one that it dominates or colonizes other spaces of social and economic life, and a diachronic or conjunctural claim that this power of a particular kind of capital is relatively new and has been consolidated over the past forty years. The distinction is of course heuristic, there is no clear demarcation between what belongs to space and what to time, yet it remains useful to conceive of how financial logics are asserted throughout society and how they have come to be. There are several measures of what dominance entails. The most general would be the value of assets held by financial versus industrial firms, as this would be a standard indicator of how economic activity is distributed. Since the early 1970s, the vault of financial activities has exceeded the value of industrial products (Guttmann 1994). On the eve of the financial crisis in 2007, 40% of profits came from financial services, up from 7% at the end of the Second World War (Krippner 2011). The impact on the global economy of the failure of collateralized debt obligations tied to subprime mortgages is taken as further evidence of the extent to which finance prevails over productive activity. This increasing prominence of financial motives and markets is described as financialization (Epstein 2006). Dominance however is a stronger claim than relative growth or redistribution from one sector of the economy to another. Rather there is a sense that finance colonizes or orients all other activity. This comports with other accounts of a post-industrial society, in which the emphasis on producing physical or material commodities centered on key industries of steel, oil and automobiles gives way to immaterial or nonphysical entities (Bell 1973; Moulier Boutang 2011).

While these broad indicators are useful in drawing attention to the increasing space occupied by finance, they may not go as far in clarifying what this shift signifies. The notion that the locus of economic activity has moved from one sector to another is belied by the increasing integration between industrial production and circuits of credit and debt that are part and parcel of the recent ascent of finance. The most profitable division of General Motors came to be its financing of automobiles through the General Motors Accounting Corporation (GMAC, now Ally Bank). A similar trend held for General Electric, through GE Capital. Yet in neither case is this simply a matter of shifting from industrial production to finance, but rather an extension of credit to labor to compensate for declining wages and benefits, and integration through firms of various operations of capital.

Marx had observed the tendency for increased concentration or monopolization of a given line of business in fewer and fewer enterprises, and a centralization of various economic activities among ever-larger conglomerates (Marx 1867/1967a). He saw finance, then expressed through the emergence of the joint stock corporation, as furthering this socialization or interdependence of capital as well as the associated functions of the producers. Cars and refrigerators are, after all, consumer products--use values that are realized not simply over the duration of their operation, but over the period in which they are paid for with interest. Labor's capacity to serve as a medium of circulation for this credit economy renders it part of the realization of value but also of the extension and elaboration of financial services. Participation in these debt relations means that labor is also exposed to and must manage the risks that these markets bear. Labor is thereby exposed not only to risks of unemployment, declining wages, or ill health that emanate from work; now it is subject to risks of capital circulation and realization, to which it provides a second shift, as deferred wages, but compelled to pursue for access to expanded costs of reproduction like education and retirement. The labor of this second shift consists of all the research, information, and deliberation that adds value and maintains circulation for financial capital. Expanding these terms of participation, as was the case for home ownership through subprime mortgages, subjects labor more fully to the circulation of capital and its volatile processes of realization.

Labor's incorporation into the circuits of realization of capital points to the way in which financialization is itself a framework for crafting new frontiers of accumulation internal to capitalist social relations. Just as colonialism and enclosure of common feudal lands forced populations into market relations that channeled them into wage labor, and consumer markets and personal credit delivered workers to the products of their production, financialization extended the risk operations of capital to labor within the very spaces of social reproduction, the home, school, health care, retirement, once treated as separate and secure from market machinations. Just as for capital, financialization does not simply transfer production into circulation but brings the two closer together, not only consumption and activities of social reproduction, but the activity of labor itself becomes part of larger financial circuits (Martin 2002).

The Social Logic of the Derivative

The social logic of the derivative has a special role to play in rendering capitals commensurate with one another. The derivative not only subjects local production to global market vacillations, but places labor in the crosshairs of potential risk exposures. Indeed, part of the reason that unemployment has remained so stubbornly high after 2008 is that employers are using their existing work force as a buffer against future or potential market risks, like increased taxes, tightening credit, or a change in the regulatory environment. The reluctance to hire is then translated back to the existing workforce as an expectation of higher productivity. Indeed, increased profit rates have been extracted through productivity demands that make labor bear these market risks (Bryan & Rafferty 2006). The derivative in this respect does not simply hedge against a potential outcome, but treats that possible future outcome as something that can be acted upon in present real time.

These protocols of risk assessment are not therefore restricted to the operations of financial services, but have become a more generalized approach to the management of any organizational process. School children are continuously tested; those in need of social services are tested; credit profiles are continuously adjusted – populations are sorted and ranked according to their expected outcomes of risk and failure and public policy operates through and is crafted accordingly. It is not simply that resources once separated as public and private are now allocated through market mechanisms, but that each instance of exchange is already assigned a risk market before the activity in question – childhood, hunger, ill health, even death – comes due (Blackburn 2002). In this respect, financialization is not a total departure from earlier processes of accumulation. Rather, it deepens, extends, and intensifies an array of spaces whose autonomy and integrity it violates, whose boundaries it crosses, through an imposed and imposing association.

Now as in other processes of association, interdependence does not mean homogenization, flattening, or smoothing out, as was claimed in the conventional account of globalization (Friedman 2006). This is both because the energies and efficacies of slavery and colonialism, industrial manufacture and wage labor, are far from spent, but also because derivatives themselves constantly parse and separate, and make much from what other would be minor differences in price or fluctuations in market circumstances. Financialization then, is ultimately not simply more finance everywhere, but also more socialization, more interdependence, more mutual debt.

Marx keenly observed that occasions and opportunities for accumulation were pursued around the world and those spatial arrangements were themselves transformed in the process – the aphorism “all that’s solid, melts into air” captures this poignantly (Marx & Engels 2002). The solidity that appears to have melted for many (clearly for many more it was never there to begin with) is the sense of security that government would protect them from the excesses of the marketplace, and that a horizon of ever expanding affluence would animate a secular dream space called the middle class would deliver them to a steadily more promising future. Recall that the Communist Manifesto offers a paean to the dissolution of small property holders, and this theme of class decomposition is explored as well in the 18th Brumaire where Marx ties the weak socialization of the French peasantry to the authoritarian and violent, even self-destructive rampages of the Bonapartist state (Marx & Engels 1848/2002; Marx 1852/1969). To the contemporary dysfunctions of government and the dimming horizons of white male middle class privilege, we might inquire as to what socialization of the sort imagined here means for relations of state and class. Doing so would compel a confrontation with what is decomposing and what being formed in the present conjuncture that would deepen an understanding of what it means for finance to dominate.

Perhaps the most potent critical analytic trope for naming the dominance of markets over every aspect of life is neoliberalism (Harvey 2007). As much as the term has served as a rallying cry for all that ails us, its use has tended to collapse an ideology that markets rule, with an acceptance of their victory in doing so and popular accommodation to this formation of power. The danger of proclaiming neoliberalism's success in these terms is in effect a critical version of Thatcher's "there is no alternative" (TINA). Maintaining the critical optic while crafting analytic openings to opposition and alternatives would entail challenging the key terms of privatization and deregulation. Financialization in general and derivatives in particular may be of some service here, especially in the aftermath of the massive bailouts. Far from government getting out of markets, the imagined border that polices the distinction between polity and economy appeared to be violated when public coffers were offered as collateral to market failure. The U.S. government, through the Troubled Asset Relief Program, purchased stock – expecting to profit without imposing mandates of ownership. And yet this act was far from a single magnanimous gesture, indeed the positioning of government on the part of presidents of both parties as the enemy of free enterprise has been used largely to replace entitlement programs with support of investors by means of regressive tax cuts (although certainly progressive for capital and its largest beneficiaries).

Toward Disintermediation

This shift from defined benefit to defined contribution public policy approaches – terms that come from the world of pensions which indicate the shift from a guaranteed annual income at retirement (which most pensions were at the end of the 1960s) to the advent of self-management through investment portfolios whose paltry returns for most are hardly a means of retirement. Now these once public goods of health, education and affordable housing, are themselves treated as investments, and citizenship is converted to a gambit of pay-to-play. Derivatives are of course all around these various investment-based goods, with student loan default swaps and securitizations of supplemental health care, to say nothing of collateralized debt obligations that borrow default rankings and trade them for different risk profiles. If privatization was really about crafting certain kinds of publics and social participation through government intervention, plowing the fields of finance proceeded not by deregulation, but through massive pilings of rules. During the reign of neoliberalism, through Republican and Democratic administrations alike, the Federal Register, official rulebook of the United States has swelled in girth (Roubini & Mihm 2010: 200-215).

But the fact that there are more rules than ever before, something consistent with the effervescent spirit of capitalism, becomes for finance, a factor of production, part of its materiality that can be factored as regulatory risk that banks could exchange on the basis of different appraisals of their legally versus actually required money reserves. The institutional effect of deregulation in financial services, whether for savings and loans in the 1980s or erasing the boundary between commercial and investment banking (codified in the depression era Glass-Steagall legislation), was to affect something called disintermediation. Disintermediation entails removing the exclusionary mandate of institutions that can legitimately broker financial dealings. Hence, many kinds of institutions can lend money, generate financial contracts (like OTC derivatives), or construct and sell bonds.

Disintermediation is a financial term for socialization of capital, for it means that the field of economic activity becomes more porous, open to more and more actors working from ever more complex webs of rules and risks. In light of this, privatization and deregulation could be renamed as processes of political and economic disintermediation, respectively. Investor-based, defined contribution, means-tested protocols for participation in decision-making aided and abetting through government acting as a medium for redistribution of wealth to the wealthy through tax cuts, renders those whose decisions affect the common good, de facto state actors. Government, however is not simply getting out of the economy, but creating conditions of political disintermediation, where those best positioned to do so make political decisions as to how public funds (deferred or reallocated tax monies) are to be allocated but also what kinds of decisions will serve as the models upon which the expected life course will proceed. Private or charter schooling, home ownership, private health care and retirement accounts would be part and parcel of this.

Derivative Class

While financialization socializes capital in particular ways, it also promotes a specific class. Indeed, the professional managerial class (PMC) displays many of the contradictory features of the petit bourgeoisie of Marx's day (Wright 1997). In the fable of post-industrialism after WWII, the PMC would serve as the class to end all classes, the clean, non-contentious, fully corporate and integrated individual in the white collar and gray flannel suit. The government policies that would allocate suburban homes to returning G.I.'s would also build the public educational infrastructure that would train a new generation of knowledge-based professionals. While clearly racially and gender based, this was to be a new social compact that claimed those who gained credentialed expertise through access to higher education would come to govern the terms of their employment as professionals whose careers guaranteed steady progress in status and income. While more can be counted in the ranks of the PMC than ever before, the compact around professional autonomy is eroding – not only for the professoriate who see tenure receding in their rear-view mirrors, but for physicians working in managed care and attorneys casualized through the dismantling of partner-based firms. Even financial services left many of its children behind when the going got rough. This is on the one hand, a story of security turning to risk par excellence, but it is also an account of the proletarianization or socialization of the professions. The performance-based test-driven, continuously assessed measures of life now define the professions more than their purportedly less noble kindred occupations. Doctors, lawyers, financiers all face the specter of do-it-yourself challenges to the monopoly of legitimate knowledge that once was managed autonomously and is now increasingly managed for them (Martin 2011; Brook 2012).

In this, the fate of professionals is tied less to their particular expertise than to the increasingly common protocols by which their work is attributed with worth. The irony of course is that theirs was the technical knowledge that made their own colonization possible, and theirs was the popular enthusiasm that made escalations of risk and reward the coin of the realm. At this point the derivative needs to be brought back in as a key figure in moving across these realms of autonomy lost and risk measurement found. Certainly professionals are not suddenly unified as one, doing the same thing at the same time, but something has happened to their means of ascertaining their worth, of governing the sobriety of their senses that relates certain attributes of their experience in ways that are leveraged across their respective situations.

The stars, celebrities, market-makers, and outliers have stripped away the grey flannel and oriented their gaze away from the norm, median and central tendency of their heretofore rational existence and oriented them toward the few that got away. While the wealthiest may still hold their islands, the figure of this success is projected as the hypermobile, unattached, and impermanently anointed Davos Man, a specter of volatility where privilege has its memberships but these come pre-stamped with expiration dates and must be used immediately (Rothkopf 2008). In opposition to this sensibility of placeless elite, living spaces, streets and squares are inhabited by the multitudes act to reinvest what has been spirited away.

Financial Difference

Seen from the perspective of the derivative, dominance is both far and near, hugely scaled and intimate, so much explanatory power is being asked of these massive aggregations of small differences, minor fluctuations, and persistent volatilities. Certainly this narrative can quickly become a bit breathless. How could something derivative matter so much, could it really make all this difference? Just as there is a danger in over-consolidating an account of dominance so that resistance is futile, there is a temptation to proclaim an entirely new world from what could seem the top of a stack of turtles. There is certainly something new in these times, but much that is old and continuous as well. New forces are launched but few ever really disappear. Despite centuries of proletarianization, several billion souls remain tied to the land for their subsistence, and irrespective of the soaring knowledge economy, many, including those tethered to a keyboard still work with their hands. How then to make good on this caution regarding the ever forward march of time that casts its own amnesia on all the other temporal traces in its midst?

A key strategy here has been to remember what Marx saw and said when he regarded his world, and to extend his approach to imagine ways of understanding a capitalism that is itself in motion. While the imperative to accumulate is undimmed and the socializing effects making the world over to wealth are ever more expansive, capitalism itself is not an internally closed machine, a system that continues to run until it breaks down. For many around the world, capitalism never worked to begin with, or continues to fail them through exploitation and misery, or simply a denial of access to its vast resources and the politics of how they might be devised and deployed. The system metaphor, which is not part of Marx's own analytic vocabulary but has been spirited into many a Marxist account by means of conventional social science, betrays the functionalism of well-purposed parts serving to maintain the overall operation of the whole. Rupture, burst bubbles, crisis, even revolution would be conceived as catastrophic moments of total departure that set history on a new course (Parsons 1955; Edwards, Reich & Weiskopf 1972; Brenner 2006).

Marx's own dialectics grasps social relations in "fluid motion" but with a particular trajectory of transformation in mind so as to not collapse social and political revolution (Marx 1867/1967a). History is made from the received weight of encountered circumstances. In the straightforward circuit of accumulation, these historical encumbrances disappear, the commodity labor power is concealed and the surplus it generates expressed in the increased magnitude of capital. In one way, derivatives follow this logic. They are detached from their underlying commodities or assets and traded independently as attributes of those original commodities. But in another respect, the underlying continues to weigh like a "nightmare on the brain of the living" in Marx's vivid phrase (Marx 1852/1969). Production is amplified not curtailed through derivative trading, and conversely, when the derivative risk is realized, the underlying is also effected. This was certainly what the subprime dynamics demonstrated; namely, that collecting risk attributes stimulated housing construction, but also shut it down when prices fell short.

Risking Space and Time

If derivatives are a central instrument of risk management, then the generalized turn to acting upon risk differentials speaks to this more engaged relation between what has been and what could be, between continuity and change. In this the derivative augurs a different temporal sensibility than the smoothly progressive time of commodity accumulation, of one magnitude added to another that underpins the conception of growth. Clearly much economic activity is still oriented by and calibrated through linear progressive time. Households, firms, nations remain robust social and statistical categories. Calendars and second hands have yet to be abolished. Rather, if linear time is the underlying pulse of the capitalist calculus, variations of speed, duration, and scale act upon what were once treated as the stable markers of past, present, and future (Zerubavel 1981). The promise that the future would be different and better than the present, that it would be allochronic or an other time, had been capital's claim for progress, but also for its own version of utopia – that market growth would deliver populations from want and universalize prosperity (Fabian 1983). The insistence on deficit reduction over stimulus would seem to reflect a flight from a utopian future and a universalistic claim that all could get to this better place together. Instead, utopian claims are inverted, and future promises must be sacrificed to present debts.

The derivative makes certain aspects of the future actionable in the present. Rather than abiding an anticipatory mode scanning the temporal horizon for opportunity, trying to get out ahead in the race, the future does not exist as something absolutely different from the present, but actions taken now are meant to form what that future could be. Pre-emption hence becomes a key policy logic, whether this applies to the Federal Reserve Board's altering of interest rates on signs of changes to inflation and unemployment, or the invasion and occupation of countries before a threat to security can manifest (the doctrine for the Global War on Terror) (Martin 2007). This radical constructivism, intervening with a targeted intervention on some risk factor in order to prevent or mitigate the negative effects of an unwanted occurrence before it takes place has been described as a kind of performativity (MacKenzie 2006). The pre-emptive signal in the present is meant to bring about the desired future state. Needless to say, derivatives not only manage risk, they also amplify risk opportunities. The Federal Reserve and the Federal Government has become more interventionist in pursuit of economic and political security. Yet doing so has had perverse effects.

Algorithms of Volatility

Modeling behavior, even on the basis of complex algebraic equations, imagines the future to consist of an array of discrete outcomes and independent variables that have no will or at least parallel capacity to read the signs around them. Yet volatility creates not only more risk that can be priced and acted upon, but also more uncertainty, and unknowable circumstances that elude the methods of forecasting and recognition. The collective effect of so many acting upon and anticipating signs and signals amplifies uncertainty and generates opacity – in contrast to the model of decision that posits a lone rational actor who stands outside and is independent of observable phenomenon, and can therefore predict the future. To the spatial unevenness of development in different parts of the world in which the capacities of the margins are sacrificed to the enrichment of the center, the derivative logic adds variegated times where present, near and long-term collide.

The future is not one unbroken horizon, it is not approached steadily, and it does not open before us. The actionable future stitches together many durational terms, as it continues to trade in these multiple times, deferring closure, keeping the deal in motion. Finance, however does not simply consolidate these various time frames, it also disburses and disarticulates the beginning and ending of when a good is made, and when it can generate a revenue stream. As such, the derivative breaks-up the integrity of all manner of productive units, keeps them flowing, but also maintains and depends upon the underlying values' capacity to generate something productive.

Derivative Materiality

Derivatives are not less material or physical, but they violate what had been the integrity of material and physical forms in space and time. One symptom of this violation is the collapse of the distinction in the financial world between investment and speculation (Bogle 2012). Supposedly, investment was a decision to allocate capital on the prospect of a long-term perspective for growth, and speculation was an orientation toward short-term gain. The villains would be shareholder value, mergers and acquisitions, short-selling, and the bevy of greed-mongering financiers whose only interest was in arbitrage, not in creating real worth in companies.

There is no doubt a moralistic tenor to these assessments of current woes that conceals an analytic challenge. The distinction between investment and speculation is typically made in hindsight with the former associated with the growth it predicts, and the latter tarred with loss. But if the derivative slices and dices not only whole units into bits and pieces but the flow and order of time as well, then the very distinction between short and long term upon which investment is separated from speculation would tend to implode as well. Development, after all is a combination of smoothly expanding volume (growth) and linear time (progress), in which primitives are to imitate the mature moderns in order to achieve the promised land of the future. Origins can be many, but the developmental path will not diverge.

If it was not apparent in the emergence of financial dominance over the past forty years, after the global bailout of finance, these promises and the populations enclosed through them have met a sturdy indifference. It is important, however, not to maintain all focus on the vagaries of capital. The long march of colonialism that drove capitalist expansion worldwide proceeded through these various enclosures: of communal lands to propertied estates, open territories into bounded nations states, and persons into the self-possessed beings called individuals. And yet colonialism bears its own counter-history, its often transgressive and creative process whereby the colonies are re- or mis-appropriated, where associations are directed toward ends other than the dull mandates of accumulation. The United

States and Haiti both emerge through national de-colonization which would inspire liberationist impulses for centuries to come. Socialist, communist, anarchist movements arise through various sunderings of the integrity of wage labor. Movements around identity, difference, need, desire, sense and nature, would all erupt as the private sphere of social reproduction was itself ruptured by socializing productive activity in a refusal of the voiceless subject without political agency, but also an expansion of the sphere of the political as such.

From Decolonization

The three vectors of decolonization named here: of the times and spaces of territory, production, and social reproduction, constitute the conjuncture in Fredric Jameson's (1984) formulation of what would become the various social movements of the 1960s. In Giovanni Arrighi's (1994) seminal study of the successive historical conjunctures of financialization as the geo-political axis of capital accumulation shifted from The Netherlands, to England to the United States, two dramatic internal shifts take place. One is an explosion of financial activity that proves ruinous to the extant social order, and the other is a dramatic strain on the social compact that attached to the particular middle class. The current inflection of this strain would attach to what was discussed earlier in terms of the professional managerial class and its attendant expansion in number and decomposition of its forms of solidarity and autonomy. The international financial architecture devised by John Maynard Keynes and his cohort at the end of the Second World War known by the New Hampshire resort of Bretton Woods where the plans were drafted was certainly an effort to introduce financial colonization of the globe through the sovereignty of a single currency, the dollar. The seventies recession and the fall of Bretton Woods that brought the sixties impulses to a close provided a basis for financialization. While OPEC and Eurodollars are assigned culpability for making dollar sovereignty unsustainable, the larger inability to contain the flows of currency can also be taken as decolonization in its own right.

By decentering the account of financialization the expression in financial flows of the wider currents in social relations starts to emerge and the appraisal of the politic landscape of the past forty years also shifts appreciably. Rather than unmitigated failure and defeat at the hands of a triumphant neoliberalism, the optic of a derivative logic provides a far more uneven assessment. The decolonization of territory, labor and social reproduction seemed to have passed with the heady days of the early seventies (with the victory in Vietnam, a renaissance of socialist theory and practice, radical and substantive reforms driven by the equality and difference agendas of gender, sexuality, race, environmental and other movements). Yet the longer view is that these contestations and movements never went away, and that they continue in their expressions, albeit without the same clarity of assessment and valuation that accompanied their earlier appearance under the sign of unalloyed freedom (i.e. movements for liberation) (Young 2001).

This last problem, of how to value existing mobilizations, if there is evidence that the horizons of the political have not in fact receded, returns us to the question of the derivative, but now as an analytic term. One purpose in seeing financial derivatives as a response to movements of decolonization is that it allows us to revalue what otherwise might be dismissed as fragmentary, disunifying, or generally insufficient in the political responses to the circumstances at hand. Just what would such a derivative approach to a valuation of the political consist of? Attending to that question, necessitates a return to and re-invention of the question of debt.

Financial Debt

As with finance itself, the sums and magnitude of debt now receive increasing public attention. Student debt in the U.S. at over $ 1 trillion has surpassed credit card debt, ignited a debt refusal movement with a more militant tone than the debt forgiveness appeals to Congress that have made the rounds over the past decade (Occupy Student Debt Campaign 2012). The idea of a debt moratorium, championed by Fidel Castro and other so-called debtor nations during the 1980s has both been complicated by the United States itself assuming the mantle of the largest debtor, but also of a geographical fluidity across countries of publics who are asked to make sacrifices of development, retirement, infrastructure or other markings of the social economy to the perquisites of capital accumulation. In many ways, debt bondage has replaced development as the promised route out of poverty. Payday lending, microfinance, credit profiling, all become part of the expansion of large financial services and carry with them a critique of what they see as the moralism of public assistance. They trumpet their own moralistic claims that indenture to profit-taking investors is a more noble form of self-sufficiency (Roy 2010). The sorting of legitimate and illegitimate debt justifies the limits to small business underwritten by large multinationals in lieu of general social benefits. Already those who had championed microfinance are suggesting that at 150 million small enterprises, the approach may have reached its limits as to how many more can be drawn into its debt circuits (Rosenberg 2011). Similar moral assignments of blame were heard through the subprime debt process that those who signed mortgage agreements did so as responsible adults, or that they had no business assuming more debt than they could pay, or that their profligacy made the world unsafe for everyone else.

Moral Economies

Two temporalities of moralism tend to separate debts of capital from those of labor. The large bank and corporate bailouts triggered the concern of moral hazard; namely that publicly funded bailouts would reward bad behavior and prompt the bad actors to repeat their mistakes rather than taking their licks from the purifying stream of market discipline. Yet these consternations are invariably voiced after the fact of massive public assistance. Corporate aid is treated the general will, as if were action not taken, the whole economy would be effected. With deals struck behind closed doors and little evidence presented as to how the public good would be served by the rescued firms, the transparency said to be part of democratic deliberation is absent and the rectitude of the decision is a fait accompli. For what is typically referred to as consumer debt, all norms of culpability remain in force, as these are the actions of willful knowing individuals, not those blindsided by the invisible hand of the market. Yet there is a persistent anxiety among those who refuse to assist the poor and laboring debtors; namely that in doing so they would cease to act as individuals and morph into an unruly and contentious mass.

The fear of contagion, of bad debt suffocating and sullying the sterile efficiency of markets is known as moral panic (Hall 1978). Whereas moral hazard is backward looking, moral panic is pre-emptive; a fear of what is to come that must be punitively thwarted before it gets out of hand. The specter of debts being spoken of not from their disparate sources of origination – as so much credit card, or student loan, or mortgage, or microfinance, or sovereign debt, or government debt – but as social debt as such indicates where a derivative logic may lead us. The derivative both removes values from their originating sources and aggregates the total value to which they are attached. The notion of a global face value of debt begins to get at what it would mean for the derivative dialectic to enter fully into the public discourse.

Claiming Surplus

The derivative as a social logic directs attention at the debt that can be seen, of the legers that make explicit what people owe one another. The financial bailout presented the spectacle of enormous wealth – first the $787 billion in Troubled Asset Relief Program, and eventually what would become the equivalent of the entire U.S. tax base of $14 trillion dollars offered on behalf of what was considered a social necessity (Sourcewatch 2012). The terms of exchange for this massive wealth transfer would be permanent austerity for all manner of social expenditure. The Occupy movements, but also the ongoing debate over continued Bush era tax cuts, certainly rendered the question of whose debt a political issue (Graeber 2011; Dienst 2011). But perhaps the more suggestive avenue of debt politics is not in the direction of blame and refusal – as much as these have brought the issue to the fore – but in a consideration of what it means to be able to suddenly muster trillions of dollars and to undertake a public deliberation over what might be done with a social surplus that was never acknowledged as such to be one. Permeating all aspects of social life with metrics of risk not only shifted burdens for social production from government security programs onto individuals as managers of their own fates (Hacker 2006); it also created a vast second shift of risk productive activity as well as a nascent literacy in the face of a manufactured illiteracy around what finance is and does.

In one respect, the derivative is the pure idiom of the numerate vision of social life: that all outcomes and appreciations can be calculated, foretold, made legible, and acted upon. Once wealth is presented in the aggregate and a language exists for making claims upon this mountain of debt made in common, questions of inequality and therefore of redistribution can be brought to the fore. That which is invisible can be rendered transparent; that which is frozen in the vaults of private equity, hedge funds, proprietary trading, can be released to liquidity. This is certainly a way of understanding the politics of debt refusal on the one hand and the refusal to lend, invest or employ that marks the current capital strike. The difference is that now the illiquidity of capital confronts the fact of a social surplus that was explicitly assigned to get the economy moving again.

A Politics of Excess

But the derivative is not simply a process of making money appear as self-expansive and therefore to direct collective attention to the universe of number. The derivative also unbundles what was bound and treated as an integral, indivisible unit, an isolated monad, and interweaves, associates and renders these circulating attributes as implicated in one another's fates. This is not a matter of the debt that can be seen, but of a debt that is sensed. Identity, or derivative attributes of selfhood, it can be observed is borne through bodies, not simply marked on the surface, but detectable in ways of moving, of shared sensibilities, but also of creative and emergent stylistic innovations. Certainly these attributes that comprise styles are also crucial to the expansion of cultural commodities, the imperative to look to identity through personal collection and social consumption.

If for capital, this cultural turn has been a factor in the expansion of consumer debt, also apparent is the expanded realm of political demands, of equal rights surely, but also of recognition of difference that augur an expansion of social forms as such. Taken together as part of the broader movements of decolonization, a significant outcome is the expansion of social indebtedness as what eludes, escapes, and exceeds measure. Hence, the anxieties over the mobilizing masses, the concerns of contagion that attach to moral panics, register an unseen debt and expanding sociality to sets capital to flight. If accessing the social surplus prompts a resolution of the liquidity crisis through which more just distributions of wealth might be made; there is also the risk of an insolvency crisis, an inability to trace through all of the circuits of debt in order to find the value there. The greatest contradiction of the derivative has been to efface the distinction between illiquidity and insolvency, to make it impossible to know whether valuable assets exist but cannot be sold, or whether say, home mortgages are so under water, the prices have declined so steeply, that all value has escaped the vault that had held it – but to where did it escape?

Conclusion

The derivative brings attention to the excess of the social as the very basis for new needs, demands, and desires that shape the political horizon. Such excess generates not a clear object that can be seen, but opacity, an unrecorded debt precisely of the sort that Marx named for the commodity labor power. Again, one direction of that labor's surplus was reclaimed as surplus value, but another becomes the basis for the continuous effort to reduce, elude, contain the debt to labor that yields the tendency for the rate of profit to fall. The derivative points to the ways in which finance, which seemed to be sheer self-expanding quantity, of money making money, also bears the internal relations of socializing labor through commodity production. If the derivative performs such a double session of the social; of surplus value and an excess of the social itself, then the politics of debt would consist in rearticulating these two moments. One is where debt is refused in order to make a claim upon it. Another where debt is embraced in order to be claimed by the abundant sociality that ultimately decides what the wealth of a given society might be if it is to be a "society of the producers." Re-aligning and re-valuing the relation between abundance and excess would perhaps open the horizon of communism that the derivative poses.

Randy Martin is professor and chair of Art and Public Policy, New York University and director of the graduate program in arts politics. He is author of *Performance as Political Act: The Embodied Self; Socialist Ensembles: Theater and State in Cuba and Nicaragua; Critical Moves: Dance Studies in Theory and Politics; On Your Marx: Relinking Socialism and the Left; Financialization of Daily Life; An Empire of Indifference: American War and the Financial Logic of Risk Management; Under New Management: Universities, Administrative Labor and the Professional Turn* . E-mail: randy.martin@nyu.edu

References

Albo, Greg, Sam Gindin & Leo Panitch (2010): *In and Out of Crisis: The Global Financial Meltdown and Left Alternatives*, Oakland: Spectre.

Arrighi, Giovanni (1994): *The Long Twentieth Century: Money, Power and the Origin of Our Times*, London: Verso.

Bank of International Settlements (2012): http://www.bis.org/statistics/derstats.htm (accessed 15 August 2012).

Bell, Daniel (1973): *The Coming of Post-Industrial Society: A Venture in Social Forecasting*, New York: Basic Books.

Blackburn, Robin (2002): *Banking on Death, or, Investing in Life: The History and Future of Pensions*, London, Verso.

Bogle, John (2012): *Clash of the Cultures: Investment Vs Speculation*, New York: Wiley.

Brenner, Robert (2006): *The Economics of Global Turbulence: The Advanced Capitalist Economies from Long Boom to Long Downturn, 1945-2005*, London: Verso, 2006.

Brooks, Robert Andrew (2012): *Cheaper By the Hour: Temporary Lawyers and the Deprofessionalization of the Law*, Philadelphia: Temple University Press.

Brown, Brendan (1987): *The Flight of International Capital: A Contemporary History*, London: Croom Helm.

Brown, Michael E. (1986): *The Production of Society: A Marxian Foundation for Social Theory*, Totowa, NJ: Rowman and Littlefield.

Bryan, Dick and Mike Rafferty (2006): *Capitalism With Derivatives: A Political Economy of Financial Derivatives, Capital and Class*, Basingstoke: Palgrave McMillan.

Dienst, Richard (2011): *The Bonds of Debt*, London: Verso.

Edwards Richard, Michael Reich & Thomas Weiskopf (1972): *The Capitalist System: A Radical Analysis of American Society*, Engelwood Cliffs: Prentice-Hall.

Epstein, Gerald (2005): *Financialization and the World Economy*, Northhampton, MA: Edward Elgar.

Fabian, Johannes (1983): *Time and the Other: How Anthropology Makes Its Object*, New York: Columbia University Press.

Finel-Honigman, Irene (2010): *A Cultural History of Finance*, New York: Routledge.

Foster, John Bellamy & Fred Magdoff (2009): *The Great Financial Crisis: Causes and Consequences*, New York: Monthly Review Press.

Friedman, Thomas (2006): *The World is Flat: A Brief History of the Twenty-First Century*, New York: Farrar, Strauss and Giroux.

Graeber, David (2011): *Debt: The First 5,000 Years*, Brooklyn: Melville House.

Guttmann, Robert (1994): How Credit Money Shapes the Economy: The United States in a Global System, Armonk, NY: M E Sharpe.

Hacker, Jacob (2006): *The Great Risk Shift: The Assault on American Jobs, Families, Health Care, and Retirement and How You Can Fight Back*, New York: Oxford University Press.

Hall, Stuart (1978): *Policing the Crisis: Mugging, the State, and Law and Order*, New York: Holmes and Meier.

Harvey, David (2007): *A Brief History of Neoliberalism*, New York: Oxford University Press.

Harvey, David (1999): *The Limits to Capital*, London: Verso.

Jameson, Fredric (1984): “Periodizing the Sixties”, Sohnya Sayres, Sanders Stephanson, Stanley Aronowitz & Frederic Jameson (eds): *The Sixties Without Apology*, Minneapolis: University of Minnesota Press.

Krippner, Greta (2011): *Capitalizing on Crisis: The Political Origins of the Rise of Finance*, Cambridge, MA: Harvard University Press.

Moulier Boutang, Yann (2011): *Cognitive Capitalism*, Cambridge: Polity.

Lipuma, Edward & Benjamin Lee (2004): *Financial Derivatives and the Globalization of Risk*, Durham: Duke University Press.

MacKenzie, Donald (2006): *An Engine Not a Camera: How Financial Models Shape Markets*, Cambridge: MIT Press.

Martin, Randy (2002): *Financialization of Daily Life*, Philadelphia: Temple University Press.

------ (2007): *An Empire of Indifference: American War and the Financial Logic of Risk Management*, Durham: Duke University Press.
------ (2011): *Under New Management: Universities, Administrative Labor and the Professional Turn*, Philadelphia: Temple University Press.
Marx, Karl (1852/1969): *Eighteenth Brumaire of Louis Bonaparte*, New York: International Publishers.
------ (1867/1967a): *Capital: A Critique of Political Economy Volume 1*, New York: International Publishers.
------ (1894/1967b): *Capital Volume III The Process of Capitalist Production as a Whole*, New York: International Publishers.
Marx, Karl and Friedrich Engels (1848/2002): *The Communist Manifesto*, London: Penguin.
McKinsey (2011): "Mapping Global Capital Markets, 2011": http://www.mckinsey.com/Insights/MGI/Research/Financial_Markets/Mapping_global_capital_markets_2011 (accessed 15 August 2012).
McNally, David (2010): *Global Slump: The Economics and Politics of Crisis and Resistance*, Oakland: Spectre.
Monaghan L and M O'Flynn (2012): "The Madoffization of Society: A Corrosive Process in an Age of Fictitious Capital", *Critical Sociology*, 39:6, 869-887 (Published Online July 2012): http://crs.sagepub.com/content/39/6/869.full.pdf+html (accessed 15 January 2014).
Occupy Student Debt Campaign (2012): http://www.occupystudentdebtcampaign.org (accessed 15 August 2012).
Panitch, Leo, Greg Albo & Vivek Chibber (2010): *The Crisis This Time: Socialist Register 2011*, New York: Monthly Review Press.
Parsons, Talcott (1955): *The Social System*, New York: Free Press.
Perelman, Michael (2000): *The Invention of Capitalism: Classical Political Economy and the Secret History of Primitive Accumulation*, Durham: Duke University Press.
Rosenberg, Richard (2011): "Is Microcredit Over-Indebtedness a Worldwide Problem?", Http://microfinance.cgap.org/2011/11/07/is-microcredit-over-indebtedness-a-worldwide-problem/ (accessed 20 August 2012).
Rothkopf, David (2008): *Superclass: The Global Power Elite and the World They are Making*, New York: Farrar, Strauss and Giroux.
Roubini, Nouriel & Stephen Mihm (2010): *Crisis Economics: A Crash Course in The Future of Finance*, New York: Penguin.
Roy, Ananya (2010): *Poverty Capital: Microfinance and the Making of Development*, New York: Routledge.
Soederberg, Susanne (2011): "Canibalistic Capitalism: The Paradoxes of Neoliberal Pension Securitization", Panitch Leo, Greg Albo & Vivek Chibber (eds): *The Crisis This Time: Socialist Register 2011*, New York: Monthly Review Press.
Sourcewatch (2012): *Total Wall Street Bailout Cost*: http://www.sourcewatch.org/index.php?title=Total_Wall_Street_Bailout_Cost (15 August 2012).
Tabb, William (2012): *The Restructuring of Capitalism in Our Time*, New York: Columbia University Press.
Wolff, Richard (2009): *Capitalism Hits the Fan: The Global Economic Meltdown and What to Do About It*, Olive Branch Press.
Wright, Erik Olin (1997): *Classes*, London: Verso.
Young, Robert (2001): *Postcolonialism: An Historical Introduction*, Oxford: Blackwell Publishers.
Zerubavel, Eviatar (1981): *Hidden Rhythms: Schedules and Calendars in Social Life*, Chicago: University of Chicago Press.