Finance is Society! Conference report on "Intersections of Finance and Society", London, 3.-4. November 2016

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Finance is Society!

Conference report on “Intersections of Finance and Society”, London, 3.-4. November 2016

The financial crash of 2008 already seems very much a thing of the past. One indication is the fact that some of our students in university seminars have no conscious personal memories of the crisis. Nonetheless, financial market dynamics now not only figure prominently in national and international media coverage but also form the core of an emerging field of academic inquiry, namely, finance studies outside the narrow realm of mainstream economics. Arguably, the collapse of Lehman Brothers and its consequences has had an impact on this emerging area of scholarship that is similar to the significance of 09/11 for security studies and related segments of International Relations. In both security and finance studies, significant events and crises now seem to unfold at an ever-increasing pace, rendering academic analyses even more important and outdated at the same time. This impression, however, might merely be a result of historical blindness, since both terrorism and financial crises have been around for quite a long time. Nonetheless, both the scope and consistency of the ongoing spread of the logic of finance to more and more parts of society, referred to in the literature as financialization, might indeed be unparalleled in human history. Either way, financialization poses serious challenges to the ways in which businesses, politics, and all sorts of social relations function to date in contemporary capitalism.

The various links between finance and security will be explored in an upcoming special issue of *Finance and Society*, an exciting open-access journal launched in 2015 that provides a platform for interdisciplinary exchange on “interrogating the social substance of finance”.[1] This journal recently hosted the “Intersections of Finance and Society” conference[2] at City University London, organized by Martijn KONINGS (University of Sydney) and Amin SAMMAN (City University London). Since I was a visiting researcher at Manchester Business School at the time and also work on financialization of the state, I took the opportunity to attend this event that brought together renowned and emerging scholars. Its bad timing, however, with the EAEPE[3] Annual Conference held parallel in Manchester, made it a rather tough decision. After two days of exciting panels, keynotes, and round tables I concluded that I probably made the right decision (without knowing what I would have learned at EAEPE). However, such an overlap should be avoided in future, since it meant that two conferences that otherwise would have perfectly complemented each other were forced to compete for attention.

This report can, of course, only partially summarize the conference and focuses on contributions that have shed light, theoretically and empirically, on the various interrelations between finance and society. The program could have easily filled four days, but the conveners decided to instead run four parallel panels for most of the conference, again creating some hard choices for participants. Contributions varied not only in terms of content and discipline but also offered a refreshing mixture of presentations with and without slides, exceptional formats like a money-burning performance, numerous references to pop culture, and even some impersonations of vampires and zombies in the context of the “monsterology of post-crisis capitalism” presented by Ole BJERG (Copenhagen Business School). Conferences on finance usually leave you with the feeling that this is a predominantly male field of inquiry (corresponding to the dominance of males in finance itself). This conference, however, managed to give more credit to the countless women who contribute to our common research agenda and who are far too often less visible. Nonetheless, gender equality on most panels should be a priority for next year’s program.

What does it mean to think of finance as society? Certainly, there is no straightforward or unequivocal answer to the conference’s guiding question. Anastasia NESVETAILOVA (City University London) opened the event with a first keynote on “Financial innovation and the meaningless of money”. Addressing the massive social ramifications of the last financial bust in 2008, she projected more trouble to come due to Brexit. Today’s even higher levels of financialization could make the next crisis even worse. Nesvetailova identified, as current imaginaries of future finance, a) back to the past, b) the same as before but with better regulation, and c) evolutionary change through Fintech. Maybe these paths do not represent all the options for future trajectories, but different ongoing or emerging political projects can be easily attributed to one of the three. Whether Fintech really poses a fundamental challenge to financialization remains quite debatable.

The conference’s first roundtable set out to map new directions for the study of social aspects of finance. Ronan PALAN (City University London) started the discussion by provoking the audience and blaming current scholarship for asking the wrong questions. Apparently without really looking at the program, he claimed that the conference ignored the most important current issue, namely, quantitative easing. Palan claimed that at the core of this policy is the efficient market hypothesis, which needs to be challenged. Actually, a whole industry of asset and fund managers is trying to disprove this theory, which still is at the heart of finance. Lisa ADKINS (University of Newcastle, Australia) argued that financial dynamics challenge us to rethink the social, since changes in finance are triggering a re-ordering of the social in terms of control, debt relations, and the transformation of social rights to social debts under austerity. Paradoxically, the expansion of finance has rendered money less social through dematerialization and deterritorialization. However, money still is social but in new ways that need to be explored. Yuval MILLO (Warwick Business School) suggested turning to the supposedly less interesting aspects of finance since they might prove to be very important. He called for studying what he calls the “plumbing of finance”: the social-technical infrastructure (e.g. algorithmic trading), financial intermediaries, and accounting. Marieke DE GOEDE (University of Amsterdam) called in her contribution for more thorough analyses of networks and product chains in finance. By thinking of securitization as a chain, we can not only gain a better understanding of debt but also trace social relations and follow the processes of sensemaking. Melinda COOPER (University of Sydney) delivered an impressive overview of current literature on finance, including contributions from heterodox economics and critical literature on public debt. Cooper pointed out that we witness an exciting and productive time for social theory of finance.

A further keynote speech was delivered by Perry MEHRLING (Columbia University), an economist with an obvious passion for teaching, which meant that his contribution at times resembled a lecture for undergraduates and might not have been everyone’s taste. Mehrling began with the claim that today finance is society in the sense that it represents a web of mutual promises that tie everything and everyone together. He then presented his financial theory of society, which identifies credit relations as the main fabric of our society. Personally, I would have been much more interested in a social theory of finance that aims to understand financial dynamics through social and cultural institutions and (power) relations, in line with Lisa Adkins’s thoughts. This was clearly not Mehrling’s agenda, however. Given that the title of his talk was “Financialization and its discontents”, one question from the audience on Mehrling’s own discontent with respect to a deeply financialized society seemed to be right on the mark. Mehrling’s answer showed that, in contrast to the many critical scholars he cited, he himself is much more indifferent and prefers learning through crises (whereas to my mind we still lack proof that this kind of learning even exists in the finance sector).

On the contrary, many panel contributions showed how pre-crisis dynamics have recovered and re-emerged recently in various domains. Caroline METZ (University of Manchester), for instance, showed how European institutions, in particular the European

Central Bank , have contributed to a revival of securitization markets. A recent proposal by the European Commission even aims to further deregulate this market, introducing a distinction between good and bad securitization. In a similar vein, Oliver LEVINGSTON (University of Sydney) stressed how, despite prominent markers of Keynesian ideas in post-crisis policies and the shift towards macro-prudential risk management, many pre-2008 financial practices continue to exist. This is true not only for the securitization of student loans and equity lending[4] but also for household credit scoring that now includes much more surveillance but is also subject to micromanagement by specialized financial services. Both Metz and Levingston would certainly reject the idea of learning through crises and rather stress evidence for further financialization as a response to the crisis.

Another panel on dimensions of financialization brought together possible political answers to inequalities produced by and through finance. Max HAIVEN (Nova Scotia College of Art and Design) re-read the settler-colonialization of Canada as an instance of financialization and in doing so also offered an interpretation of contemporary financial expansion as a form of colonialism (e.g. land grabbing, gentrification). If Canada were to acknowledge that the land stolen by settlers constituted a financial obligation, then the Canadian state would face a debt that exceeded its capacity to pay. Thus, instead of accepting this debt, Canada focuses on policing and containing indigenous protest. Johanna MONTGOMERIE (Goldsmith University) made the case for a broad cancellation of household debt based on her work on financial melancholia, a socio-psychological state that comes from being trapped in past debt. The future of many people is already colonized by debt, since a significant share of their income is directly transferred to the financial sector in order to service past debt. Debt cancellation, according to Montgomerie, could not only help overcome financial melancholia but also re-vitalize new imaginaries of other economic futures.

In the same panel, Adrienne ROBERTS (University of Manchester) showed how financialization interacts with the separation of predominantly male production and feminized reproduction. Recently, finance has increasingly immersed itself in the reproductive economy, (purportedly) giving women access to capital but also exposing them to financialization. In the case of microfinance, which is usually presented as granting women access to finance, Roberts stressed that often the contrary is true. Microcredits from for-profit institutions overwhelmingly go to men. Moreover, female borrowers often need two male guarantors and most microcredits granted to women are actually directly passed on to male relatives. Like Montgomerie, Roberts shows how finance shifts resources from households to the financial sector. She concludes that much more research is needed on the gendered consequences of financialization.

Another vibrant theme was temporality as a central feature of finance and its repercussions for society. In a third keynote, Elena ESPOSITO (University of Modena) talked about pricing the future. She started with the observation that, from the point of view of systems theory, (everything in) finance is society. That does not mean that (everything in) society is finance. Esposito further argued that finance makes uncertainty a resource and that structured finance commodifies uncertainty by giving it a price and pretending to be able to manage that price reliably. This is particularly true for derivatives, which exploit the difference between what we expect today ("present future(s)") and what might happen in the future (the "future present"). In a panel contribution, Adam LEAVER (Manchester Business School) presented related work on temporality that he carried out together with Julie Froud, Colim Haslan, Sukhdev Johal. and others. Their research showed how shareholder value as a new dominant mode of corporate orientation relies heavily on extracting projected (but fragile) future income streams. Contemporary accounting supports this by inscribing temporalities into the valuation of firms and by treating predictions of future income as if they were much more reliable than used to be the case with earlier practices. Therefore, in order to better understand financialized capitalism at the level of specific firms, we need to think about the balance sheet more theoretically, Leaver and his collaborators argue.

To sum up, the conference underlined how finance has become an important influence in society and driver of change in many ways. So what makes finance society after all? Well, finance, like society, is made up of institutions, organizations, networks, conflicts, promises, and, most importantly, power relations. Arguing that finance is society can thus constitute a claim that is ontological, analytical, or normative.. However, whereas I would argue that there is hardly such a thing as a global society to date, global finance is a reality deeply inscribed into all our lives. How much we depend on finance became quite apparent to me when I tried to use my credit card to purchase a tube ticket in London. The card had been blocked by the bank due to suspicious transactions. Being in a foreign country without access to cash feels strangely awkward and to a certain extent even frightening. However, this is nothing compared to the devastating ramifications that financialization entails for so many people in so many different spaces. A final remark concerns London as a conference venue. While it certainly is a great place for studying how finance is inscribed into the built urban environment, choosing a smaller and less expensive town would not only save universities and research funds a lot of money and presumably allow more scholars without funding to participate. It would also make it possible to spend less time on public transport and more exchanging ideas with other scholars. Maybe the next “Intersections of Finance and Society” conference should move to another place and also avoid overlaps with other exciting events.

The conference program can be found here:
https://financesocietyconference2016.files.wordpress.com/2016/08/intersections_conferenceprogramme.pdf

Endnoten

1. See financeandsociety.ed.ac.uk
2. Conference website: https://financesocietyconference2016.wordpress.com/
3. European Association of Evolutionary Political Economy
4. Borrowing against the (supposedly rising) value of one's own house.

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