THOUGHTS ON THE CAPITALIST IMAGINARY: AN EXTRACT

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The following extract is from a lecture given by Professor Arjun Appadurai at the Johannesburg Workshop in Theory and Criticism, Johannesburg 2013. Drawing on the theoretical orientations of his recent book The Future as Cultural Fact: Essays on the Global Condition (2013), Appadurai evokes the logic of the derivative in order to rethink the possibilities and utilities of debt.

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Capitalism today surrounds and saturates us in a way it never did before. In its home regions, notably in the United States, it has taken the form of deep financialization. Finance now far exceeds the sphere of production and manufacture of industrial goods. Since the early 1970's we have had the rapid development of a host of financial instruments, which were barely imaginable in the time of Karl Marx. The breakthrough that made this financial explosion possible was the idea that risk itself could be monetized, allowing a small set of actors to take risks on risks. This is the core of the logic of the derivative, an instrument that has allowed financial technicians and managers to make virtually every part of our everyday lives susceptible to monetization. In this way, housing has now been turned into a machine for monetizing mortgages, the environment has been monetized through carbon trading and many other derivatives, education has been captured through sophisticated methods of creating student debt, health and insurance have been thoroughly penetrated by

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models of risk, arbitrage and bets on the future. In short, every day life is linked to capital not so much by the mechanism of the surplus value of labor but through making us all risk-bearers, whose aggregate risk can be endlessly combined and recombined to provide new forms of risk-taking and profit-making by the financial industries. We are all laborers now, regardless of what we do, insofar as our primary reason for being is to enter into debt through being forced to monetize the risks of health, security, education, housing and much else in our lives.

This situation is most visible in the advanced capitalist countries and hence the financial collapse of 2008 was primarily felt and amplified in these very countries. But very few countries in the world escaped the effects of the collapse, since finance capital had been spreading its activities worldwide for at least the last 30 years. Still, many parts of the global South, including South Africa, did not experience the shock of the collapse as profoundly as did the United States and Europe. The buffers that created this measure of insulation were primarily that the new derivative logics, creating multiple loops between debt, risk and speculation, were less advanced in these countries. Another way to put it is that in the countries of the global South, the process by which all debt is made potentially monetizable, through derivative instruments, has been less rapid and more uneven than it has been in the countries of the North Atlantic.

However, the global spread of the capitalist imaginary has by no means been arrested or compromised. Banks, hedge funds and insurance companies are aggressively pushing their way into new markets, seeking to lobby for legislation that will allow them to bring the same untrammelled debt markets from which they profited (and which also crashed in 2008) to the countries of the global South. Thus, it is only a matter of time before the countries of the global South also find themselves fully exposed to the volatility, inscrutability and extra-legality of the derivative-based financial markets of the North. As James Baldwin once said in another context, "no more water, the fire next time".

One of the many challenges we now face is how to resist the sense that this global process is inevitable and that it cannot be subverted. The question is: what sort of politics needs to be produced to resist it? The main answer that has emerged in various parts of the world is debt-refusal, as in important segments of the "Occupy" movement. Debt-refusal by mortgage owners, students, pension-holders and others certainly is a legitimate political tactic, insofar as it offers an immediate tool for starving the beast of financial capitalism. But is it enough? Is it even the best way of making capitalism work for the 99%?

In this lecture, I develop the outlines of a different view of financial capitalism, one that does not see the logic of the derivative as inherently inequitable or evil. My point of departure is to return to Marx, but through a financial lens. Marx's central insight about the workings of industrial capitalism was (in the three volumes of *Capital*) to notice the distinction between absolute and relative surplus value. In simple terms, absolute surplus value was to be found in increasing the amount of labor that a firm could apply to producing commodities for sale, as by increasing the number of workers or by increasing the length of the workday. Relative surplus value, on the other hand, was generated by improvements in technology, workplace organization or other means by which labor productivity could be increased without hiring more workers or paying for more labor time. This is how a given firm could compete with other firms which were producing the same commodity. The key to the appropriation of relative surplus value was to make a given amount of labor produce more profit, without increasing wages. The difference was profit in the hands of the capitalist.

Today's financial capitalism, which Marx could not have entirely foreseen in his day, does not primarily work through the making of profit in the commodity sphere, though a certain part of the capitalist economy still operates in this sphere. By far the larger portion works by making profit on the monetization of risk and risk is made available to the financial markets through debt in its myriad forms. All of us who live in a financialized economy generate debt in many forms: consumer debt, housing debt, health debt, and others related to these. Capitalist forms also operate through debt (since borrowing on the capital markets has become much more important than issuing stock or "equity"). The complex technical issue is how consumer debt becomes the basis of corporate debt and vice versa.

From this point of view, the major form of labor today is not labor for wages but rather labor for the production of debt. Some of us today are no doubt wage-laborers, in the classic sense. But many of us are in fact debt-laborers, whose main task is to produce debt, which can then be further monetized for profit by financial entrepreneurs who control the means of the production of profit through monetizing debts. The main vehicle for this form of profit-making is the derivative, and thus the derivative is the central means by which relative surplus value is produced in a financialized economy.

From this it follows that the key to transforming the current form of financial capitalism is to *seize and appropriate the means of the production of debt*, in the interest of the vast class of debt producers, rather than the small class of debt-manipulators. From this point of view, it is not debt as such which is bad, since it allows us to bring future value into the present. The challenge, rather, is to socialize and democratize the profit produced by monetization of debt, so that those of us who actually produce debt can also be the main beneficiaries of its monetization.

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