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Note from the editor

Dear reader,

Welcome to the latest issue of the *European Economic Sociology Electronic Newsletter*. The first article of this issue, by Bill Maurer, continues the series of pieces we have been carrying this year – by Ryan-Collins, North and Hart – on the diversification of money. Bill addresses something of a hot topic, Bitcoin, whose value has been soaring so much recently that it seems eminently reasonable to be talking of a bubble. He uses the phrase *money nutters* to refer to the frenetic activity and eccentricity that sometimes characterizes the development of alternative currencies. "It is a crazy time for money", he writes. Bill's dazzling piece is particularly interesting for the comparison he makes between *Really Really Free Day* and Bitcoin: both projects are informed by the belief that the era of government fiat money is coming to an end, although "end of the world-ism" has a different hue in each case. Maurer also considers related developments – mobile payment services like Google Wallet and Square Card Case, and M-PESA in the global South – in which it is the "profitability" of payment services that is the driving force behind supposedly "utopian" monetary developments bringing an end to the "evil" of government debt and fractional reserve banking. These developments might not be quite as positive as some of their advocates are claiming. Maurer poses an interesting question: whether we can coherently "defend the virtue of a public payments infrastructure" without necessarily retaining the flawed system of central banking and national capitalism whose prospective demise so inspires the *money nutters*.

Our next three pieces deal with the fundamental question of *time* in economic life, economic theory and economic history. The first, by Elena Esposito, addresses a challenge that has emerged from the financial crisis for regulatory authorities due to their failure to come to terms with open-ended monetary and financial futures. In her work more generally, Esposito uses the ideas of Luhmann to theorize the relationship between money and time. The argument she makes here is that the financial system is characterized by a feedback loop whereby risk models that were designed to take account of *all possible futures* were actually unable to take into account the impact of their own presence within those futures. This, argues Esposito, is the inherent circularity that was at the root of the financial crisis, which was in this respect a *crisis of the future*. Esposito argues that we need to develop systems that can learn to expect surprises. She describes these systems in Luhmann's terms as "techniques without defuturization, aiming … at multiplying possibilities and observing them" rather than simply trying to control them.

The article by Gustav Peebles tackles another issue of profound interest to economic sociologists as they deal with models of the future, namely the problem of time scarcity. Peebles offers a fascinating insight into this problem by considering Adam Smith's *Theory of Moral Sentiments*. This contains the argument, which Peebles also finds in Locke, that there is no such thing as natural scarcity. Rather, "scarcity is created by mankind in order to achieve very particular and cohesive social goals." As Peebles shows, Smith's key insight was that socially produced scarcity is the origin of morality itself. Smith realised, however, that the one key exception to this rule is *time* – which, although abundant for society as a whole, is naturally scarce for individuals. Peebles's argument looks at the conflict of interest that this distinction inevitably implies: between the collective and the individual when it comes to the valuation of time. While it is in the collective interest to undersell time, it is in the interest of individuals to value time more highly – a fact they invariably come to appreciate only when it is too late. Peebles ends with the suggestion that we should find a fair price for time, one that brings the collective and individual interest closer together. It is a provocative idea with some fascinating implications.

Time is a central issue, too, in our fourth piece, by Amin Samman. Whereas Esposito, as we have seen, characterizes the financial crisis as a crisis of the future, Samman invites us to think through "how the past has come to acquire such a strange presence during the crisis of 2008". As Samman points out, while orthodox economic theory tends to exclude time from its deliberations, the study of economic history has increasingly involved the use of cliometric methods which tend to exclude precisely those elements, such as the unfolding of narrative and plot, that should be integral to the analysis of economic events in historical time. Samman's central argument is that only by bringing *meta-history* into crisis theory can these deficits be addressed – and this means not only analysing previous

crises but the intersubjective constitution of such crises themselves as historical events from which we can learn.

Our final three articles return to a theme that has been dealt with in every issue of the *Newsletter* this year, the Eurozone crisis. Previously, we carried articles on role of the media making the crisis worse (Juko), the problem of collective interests and the sociological case for issuing Eurobonds (Dodd/Lenhard), the implications of the crisis for economic governance (Young), its roots in distinctive forms of debt (Deutschmann) and broader connections between this particular crisis and the emergence of new forms of money (Hart, North). For this issue, I asked authors based in three countries whose citizens have been at the sharp end of the crisis so far – Ireland, Portugal and Greece – to reflect on its causes, trajectory and possible outcomes. As a result, we have three up-to-the-minute, tightly-argued and insightful pieces which I am sure will attract a great deal of comment.

Niamh Hardiman's article tells the story of pressures that have been building up in Ireland for quite some time. As she points out, the key problems began with private debt: "It was the private rather than the public sector that engaged in a surge of borrowing in the wake of the low interest rate regime instituted by the Euro." This was not so much a problem of using over-sophisticated financial instruments that misconstrued risk, as a *plain vanilla* problem of exuberant lenders getting sucked into a bubble. But the key issues raised by Hardiman relate to the austerity measures that have been put in place to deal with the aftermath of the bubble, namely the huge public deficit that was accrued when those lenders had to be rescued. As she points out, the problem here is political, because the Eurozone lacks the architecture of decision-making, contestation and negotiation that appears to be required in order for necessary compromises and accommodations to be made. Without this, Ireland's new *politics of austerity* are unlikely to be sustainable.

In their analysis of the crisis in Portugal, Graça, Lopes and Marques take a similarly historical view – and like Hardiman, suggest that the problems we have been witnessing in the Eurozone of late are rooted in events that occurred just after the currency was launched. They also emphasize the specific conditions underlying Portugal's entry into the Eurozone which shaped its membership ever since. They suggest that the ideological case was always more persuasive than the economic one, indeed the Portuguese public lacked any detailed understanding of how the Eurozone would actually operate. In economic terms, the expectation that the lowering of interest rates made possible by Eurozone membership would encourage growth did not come to fruition: they encouraged higher levels of borrowing instead. Indeed the economic performance of Portugal was poor in the early years of Eurozone membership, contributing to the major structural imbalances that have been sharply exposed – and made progressively worse – as the current crisis has unfolded. Listing the austerity measures now being imposed on to Portugal, the authors suggest that there is a real danger that the patient will be killed by the treatment that has been prescribed. None of the three most likely alternatives to such deep austerity measures – greater integration, higher transfers, or simply exit – seems especially attractive. But what these authors see as the most sensible way forward – renegotiating the debt burden to allow time for smoother adjustment – also seems unlikely as creditors continue to be protected at the expense of "the sacrificed populations of the Eurozone periphery".

Whereas the problems in Ireland and Portugal have focused on the build-up of private debt (household and corporate, respectively), in Greece the situation fully justifies the description usually applied to the euro crisis as a whole: it took shape as a sovereign debt crisis from the very beginning. As Sokratis Koniordos shows in his paper, in order to uncover the roots of this crisis we need to probe deep inside the specificities of Greek society and politics, for example its *clientist* system of bartering for political favour, which account for Greece's severely damaged fiscal position. Koniordos argues that "an *us* and *them* logic and practice permeates all aspects of socio-economic life in which the state is involved". When seen together with a civil society that he describes as a *partitocracy* and a strong informal economy, it is possible to understand what has happened in Greece since the crisis began. Wealth has been shipped out of the country (to the tune of an estimated EUR 50 billion), the informal economy continues to operate, leaving employees within the public sector and large private sector organizations (alongside pensioners) as those whose working and paying conditions are sufficiently transparent to be "milked" in the name of the neo-liberal austerity measures being imposed by the IMF/EU/ECB *troika*. Given the general perception that politicians are "massively corrupt", it is hardly surprising that their "patriotic calls" for sacrifices to be made by this group of workers and pensioners are falling on deaf ears. As for the future, Koniordos's conclusion is clear: "either the neo-liberal markets decline or the country does".

It leaves me to thank everyone who has been involved in this issue, as well as those who have contributed to the *Newsletter* during such a fascinating year. We have commissioned and published twenty articles in total, and I am extremely grateful to our many authors for taking time out from their busy schedules to write especially for this publication, and for submitting pieces that have unfailingly addressed themselves to the issues and problems of the day. This is exactly what I believe the *Newsletter*, offering rapid turnaround to authors and free access to readers, ought to be doing. I would like to offer special thanks once again to Christina Glasmacher, who works tirelessly behind the scenes, keeping the *Newsletter* in good shape and ensuring that its publication happens on time – and for doing so with such unfailing patience, enthusiasm and good humour. The editorship now moves on to Vadim Radaev of the Higher School of Economics in Moscow. I look forward to reading the *Newsletter* during his year at the helm.

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Money Nutters

By Bill Maurer

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It began, as all good things do, with a drumming circle. The two young women walking with me toward Long Beach, California's first ever "Really Really Free Day" from their church were discussing how the pastor had "mixed it up" at the service that morning, with new music and a sermon that mentioned this event. Their interest piqued, they decided to see what it was all about. We heard the drums as we approached. About fifty people had occupied a short city block. Regulation-issue wooden saw-horse barricades blocking the traffic indicated to me that the proper permits had been applied for and received. So these were not anarchists, or, at least, they were very well behaved anarchists who had successfully secured the city's permission for this event. The drummers were in the center of the block. Most of their instruments were made from repurposed and recycled items – wooden crates, plastic tubs, and such. In front of them, some women in wispy homemade-looking sundresses were dancing in a manner I had only ever seen on television and in news footage from the late 1960s. I was born in 1968, and felt fortunate to be witnessing people younger than I embodying the habitus of that era in a way that they and I have come to share through the multiple mediations of those who were there, then, and who have spent considerable time and money for all of our own lives repackaging their memories for us to emulate. A flashback to a time and place I had never known, except, here it is again. Much like the money nutting that occupies me in this essay.

I am taking liberties with the expression, "money nutter," turning in into a verb to capture the frenetic activity around money, currency, payment, value storage, and exchange that chases after and possesses an anthropologist of money like myself, especially in times such as these. And I really, truly do not mean the expression in a pejorative sense. A "nut" is an "eccentric," the OED tells us, and in geometry eccentricity is a measure of how far something deviates from a perfect circle defined by a central focus. One might imagine that central focus, for our purposes, to be a central bank. The first person to use the expression to me was none other than Keith Hart. In 2008, I had noticed a guerilla art project cropping up on telephone poles throughout Long Beach: anonymous artist(s) were stapling banknote-shaped placards labeled "MONEY" and "CURRENCY" and inviting viewers to visit a website where they would learn about *"bringing an end to the New World War-Bank Order, i.e., the World Bank, the International Money Fund, and America's Central Bank, THE FEDERAL RESERVE."* I emailed Keith. He replied, "Well I have checked them out. They are pretty eclectic American money nutters. Liberty dollar. Money as debt. Some funny ideas that haven't got very far yet" (email, 2 July 2008). I had never heard the expression before – maybe "nutter" is an *English* English term? – but I liked it.

Back to the dancers and the drummers. Around them, people were in the process of setting up stalls. Some had arts-and-crafts supplies available for anyone who felt the urge to make something beautiful while they listened to the drums. There were informational brochures and sign-up sheets for a handful of interrelated community organizations. Other stalls displayed used clothing, live plants, grapefruits and cookies, and other random items, all being offered for free. And this was the point of the event. Trying to instantiate a "gift culture," Long Beach's Really Really Free Day provided an occasion to "give it all away" in order to build something new.

As the global economic system flutters and fails, leaving many without jobs and dependent on government assistance, a new type of economy is emerging.

This system, known by social theorists as a "gift economy," or gift culture, holds a radically different set of values.

Instead of stressing independence and competition with a currency based on debt, a gift culture is one that incorporates interdependence and cooperation.[1]

As I walked with one of the founders of this movement locally, he explained that the event was connected to the Long Beach Time Bankers, a new time exchange community founded about a year ago according to the principles of time banking as set out by Edgar Cahn, the visionary and author. His nonprofit, Time Banks USA, promotes labor time as currency and helps community organizers set up time banking schemes with the aid of computer software called Community Weaver. Community Weaver al-

lows time bankers to post their availability and the services or skills they are willing to share, and to seek other time bankers whose services they might need. It keeps track of everyone's account, measured in units of time. Every person's hour is equal to everyone else's. Time itself is envisioned as a "new currency" which in turn is helping to "evolve" a new society.

It is a crazy time for money, not just money's conceptual status or constitution but its very materiality. Tufts University held a conference titled, "Killing Cash" in April, 2011. The conceit of the conference was that mobile phone-enabled money transfer and payment services could replace cash and provide benefits to the world's poor. Cash is expensive to count, store and transport; it can be lost or stolen; it leaves no record of its movements. The conference posed the question, is cash the "enemy of the poor?" Separately but around the same time, a consultancy firm interviewed yours truly for a promotional video touting a cashless payment service. They wanted an academic talking head speaking in general terms about the history of money. When I saw the first cut of the video, however, I refused to allow them to use my voice or image: rats crawling over filthy bills on the ground (who leaves banknotes on the ground?), a baby about to eat a US quarter dollar coin (who gives babies coins to eat?), the voiceover ominously intoning, "It's covered in bacteria and carries disease… it's killing our children…"[2] And Bitcoin adherents – about which, more below – debate the physicality of their creation, analogizing the computational power and electricity needed to generate this virtual currency to the engraver's work in designing a new banknote. An internet rumor circulated in late May that at least one Bitcoin "miner" had been raided by the police; his excessive electricity usage had raised suspicion that he was running an indoor marijuana farm.

Keith Hart argues that we are witnessing the "unraveling of the social organization of money" (2011:4). Spend some time online, or at a Really Really Free Market event, and you will soon agree. At the same time, there are important differences among people experimenting with novel currency forms. And there are efforts to extend the reach and enhance the stability of finance that are trying to reweave the social organization of money, but not necessarily according to the same old patterns of national capitalism. I'd like to dwell on these differences, on the varieties of money nutting rather than the elementary structures discussed by Hart in these pages in March, 2011, not just to create a typology but to track a movement or a trajectory I see taking place in the orbits of contemporary money nutting. Eccentricity in geometry is a quality of conic sections like parabolas and hyperbolas. I imagine experiments with money taking the form of conic sections with an eccentricity greater than zero. The more eccentric experiments mark hyperbolic functions in two senses: in the sense of generating two curves that never meet but are mirror images of each other (hyperbola); and in the rhetorical sense of exaggerating the import of the experiment, the crisis in money, or both (hyperbole).

So, consider Really Really Free Day and Bitcoin as defining the two arms of a hyperbola. Some participants in each may be aware of the other, but so far in my experience it has mainly been my own circle of academics (and a few artists) who note the parallels. Really Really Free Day and its associated time bankers have created a self-described "peer to peer" (P2P) currency, one that is denominated in terms of, and, indeed, is units of time. They differentiate what they are doing from barter. In barter, the parties to a transaction seek an equivalence point outside of the transaction, an imaginary factor that will allow for a conversion between unlike items or services (three pairs of pants for two bushels of grapefruits; one hour of babysitting for 15 minutes of word processing assistance). Time banking cannot be used for goods, only for services, and services are denominated in equivalent units of time, always (one hour of babysitting for one hour of word processing assistance). Paraphrasing a conversation with a time banker, one person's hour should be equivalent to any other person's hour, even if people feel strange about it because they sense that their hour is maybe "worth" more or less than someone else's. Still, every person has only a limited amount of time on this earth, and so there is no justification for valuing any one person's hour over any other's. Community Weaver allows participants to see each other's contributions as well as their own current savings or debts in hours. It is not an anonymous system, but only participants who register can view the other participants' status. Time banking creates new and sometimes unlikely friendships and relationships – this is one of its key virtues. In weaving community, it is imagined to provide a bulwark against societal degeneration. It is also meant to be an alternative to both the welfare state and the unfettered market. Dependency on government support is as anathema as dependency on "debt-based" currency.

On the other arm of the hyperbola is Bitcoin. Bitcoin's adherents also decry dependency on governments and their debt-based currencies. Rather than being pegged to

lifetimes, it hinges on the cycle-times of computer central processing units (CPUs) and graphics cards (which are much faster, and can handle many more computations per unit time). Like time banking, Bitcoin (BTC) is also a P2P currency. Bitcoin is an experiment in creating a cryptographic online money system. The brainchild of Satoshi Nakamoto (which may or may not be a pseudonym), it went viral in May, 2011, and its value has grown dramatically from around US$8/BTC to US$31/BTC as I have been writing this essay (see where it is now, and available at https://mtgox.com/, the Bitcoin exchange).* Bitcoins are bits of programming that reside on participants' computers. They can be exchanged with others using a P2P file transfer program, like the file sharing protocol BitTorrent (banned by most university campus networks because it takes up so much server time and may be used to evade copyright restrictions on digital content). An algorithm creates new Bitcoins at an ever-decreasing rate, to an upper limit of 21 million BTC. Its adherents explicitly reference gold: as there is a limited amount of gold in the universe, so there will be a limited number of Bitcoins. Like gold, Bitcoins are created by a process called "mining," whereby some adherents devote processing time to solving complex cryptographic puzzles in order to win new Bitcoins (again, at an ever-decreasing rate). There are people who are daisy-chaining multiple graphics cards together, running them constantly, and running up huge electricity bills in the process in the race to mine new Bitcoins. In addition, every Bitcoin contains a record of its transactions, and all transactions are stored in a public transaction log distributed throughout the network of Bitcoin users. Although it has been touted as an anonymous P2P currency, it is not entirely so: a clever and determined user could probably trace back a transaction to an individual address, and from that address to an actual person. As of June, 2011, one can use Bitcoins to purchase from a limited number of online merchants offering digital and design services, server hosting, educational and gaming software, and also for "real world" goods (which the Bitcoin Trade wiki dubs "Material Products," available at the website https://en.bitcoin.it/wiki/Trade) like books, clothing and coffee. At least two people are offering real estate for BTC, in Tokyo, Japan and Tijuana, Mexico.

Why would anyone accept Bitcoins? Each transaction is verified by the programming and a "proof of work" chain of numbers to demonstrate the authenticity of the coin and its transactional history, authenticated in real time (or, actually, in about 10 minutes) by every other node in the network. So, the utopian answer is that one need not have trust in another person or a central authority like a reserve bank for the system to work.**3** The algorithm takes care of ensuring that no Bitcoin is double-spent, and the public log of transactions verifies for every Bitcoin user the sanctity of the transaction chain. The practical answer is because they can be traded for various national currencies (as of June 5, 2011: US dollars, Euros, Japanese Yen, British pounds, Russian rubles, Australian dollars, Swiss Francs, Polish zloty, Israeli shekels, Thai bhat), a virtual currency (Second Life Linden dollars), and other payment instruments (British postal orders) on a number of online exchanges. The other practical answer is: because there is a Bitcoin bubble, and early adopters are hoping to cash in on their mining and trading. That said, some miners are beginning to take seriously the cost of their activity in terms of high electricity bills (hence, some take advantage of current "freely" supplied in workplaces or college campuses!).

Like time banking, Bitcoins do not depend on any central authority. There is no central bank. There is no debt and new money cannot be created by debt. Time bankers trade in the limited amount of lifetime available in the world; Bitcoin traders in the limited amount of Bitcoins. There are anarchist, libertarian, "privacy" and "liberty" tendencies here. A Bitcoin critic nicely draws together the diverse motivations for using the currency:

Maybe you hate the US government, or all governments. Maybe you want to avoid bank interchange fees, or perhaps avoid tracking altogether because your payment is for something illegal, or because you're a particular [sic] private person. Or perhaps you just think that the world currency regime is going to collapse and you see Bitcoin as a technological salvation (Cohen 2011).

The sense of impending (or already extant) collapse unifies Really Really Free and Bitcoin as two arms of the same hyperbolic function. These money nutters truck in "prophetic time" (Guyer 2010:414) and the "evaporation of the near future" (p. 410) for an end-times to come or already here. But their eccentricity has a certain regularity to it. Fixed money supply based on scarcity, no debt, no government or central authority, no fractional reserve banking… and, for Bitcoin, built-in deflation. Not a few critics of Bitcoin have noted the irony of the current Bitcoin bubble, which may have been sparked by an online post about the (unverified) use of the currency to buy illegal drugs in an anonymous online market.**4** Time banking and Really Really Free are a kind of "quiet" end-of-the-worldism: we sit in our drum circle and give things away,

we use Community Weaver and face-to-face monthly meetings to create new relationships and support one another as the world falls apart around us, growing organic vegetables in each others' backyards… Bitcoin is "loud:" boosters declare it to be "the most dangerous project we've ever seen" which "could topple governments, destabilize economies and create uncontrollable global bazaars for contraband" (Calacanis and LAUNCH 2011). While deflaters tweet: "@me_irl: explaining Bitcoin to girl, who is not enough of a nerd to intuitively understand: 'well it's basically MonetizeMyAspergers.Net'."**5** And a regulator friend/informant of mine writes, "Tell me this is a bad joke for a late Friday afternoon!"

The distance of any point (P) on a hyperbolic curve to a focus (F) and any point (N) on line called a directrix always has the same ratio. This ratio (PF/PN) is called the eccentricity (e) of the hyperbola, and is always greater than 1. Increasing eccentricity opens the curve so that it becomes closer and closer to the directrix (which has an eccentricity of infinity). The arms of the hyperbola themselves move outward toward infinity, creating an ever-widening space between the arms but maintaining the curve defined by the focus, directrix and eccentricity ratio. A hyperbola also always consists of two mirror-image, separate curves on either side of the directrix. We can consider Bitcoin and time banking as two curves of a hyperbola defined by the ratio of the distance between the curve and a focus – say, central banking – and a directrix – say, apocalypse. Increasing eccentricity gets you closer and closer to that apocalypse…

Let's take one more cut through the cone of money and finance and define another hyperbola. This one is less eccentric. But one of my intuitions is that the e of this hyperbola is shifting toward the e of the one I have just sketched.

While Really Really Free Day was taking place and the Bitcoin bubble was inflating, May, 2011 also witnessed the widely publicized launch of Google Wallet and Square Card Case, two salvos into the card-dominated payments industry by the information technology sector. Despite the fact that Google Wallet almost immediately became embroiled in an intellectual property squabble with PayPal, and that Square Card Case is only available in very limited areas, these announcements heightened what was already a frenzy of activity around the rethinking of money in the payments industry, itself a vast and underappreciated sector of the world economy.

Also in May, also in the mobile space,**6** the World Economic Forum – the organizer of the yearly Davos conclaves for the rich and powerful – released a report on the potential of mobile phone-enabled financial services for the "financial inclusion" of the world's poor. Viewing mobile phone money transfer and storage applications ("mobile money") as an onramp to conventional financial services for the millions without access to banking institutions and infrastructure, the WEF provided a rubric for assessing "country readiness" for mobile financial services (WEF 2011).

I'd like to consider new mobile payment services like Google Wallet and Square Card Case, and mobile money for the world's poor, as two arms of another hyperbola. The focus point is still central banking and the directrix is still apocalyptic predictions of the end of … whatever (money, the state, world society, etc.). But the e of this curve is smaller and the curve more closely hugs that focus point. Yet there is a growing tension within the communities that create payment and mobile money systems, one that pulls them toward the directrix in search of greater profitability. As they draw closer to the directrix, they also start to get, well, a little nuttier. Dreams of increased profit and increasing capabilities of the technology itself pull some technologies and communities away from that focus point and toward a vision of peer-to-peer money, the disintermediation of central banks, an end to fractional reserve banking and debt-based money, and an end to government (and/or public) infrastructures for payment like cash. The idea of mobile money for the unbanked – to provide greater access to banking for poor people, and greater access for banks to poor people's money – presents a countervailing tendency. It reduces the e and pulls folks and their devices back toward that focus point. But, perhaps, only until the opposing forces from the payments industry pull it back toward the directrix.

Mobile money for the world's poor began with the observation that many people in the global South had discovered that they could use airtime minutes as a form of alternative currency. A person could buy airtime from a local vendor, and either send the secret code that "loads" the phone with airtime to a friend via text message, or load up the airtime directly into her phone and send it to another person's phone using the mobile network service (if the service permits airtime sharing). In either case, "minutes" have been sent. But if one can back-convert the minutes into money, or one can trade the minutes for some other commodity or service, then "money" has been sent. Services like M-PESA in Kenya, a money transfer via cellphone

service offered by Kenya's largest mobile network operator, Safaricom, follow this basic model. M-PESA is now used by over 14 million Kenyans, about a third of the population. Here, however, rather than airtime, customers of M-PESA are loading and sending money, specifically, "e-money." E-money is a representation of value, essentially an electronic coupon, backed in a one-to-one ratio with funds held in a trust account by Safaricom that represents the ever-changing sum total of all the value in the M-PESA system as people "cash in" and "cash out" between cash and e-money (see Maurer 2011, Zerzan 2010).

Mobile money services like M-PESA leverage existing mobile communications networks, which have far greater reach than banks or other financial infrastructures, and people's existing "informal" practices involving those networks, for payment and money transfer functions. My colleagues and I have been exploring the transformation of M-PESA itself into a platform for other payment, savings, and insurance functions developed by third parties (see Kendall et al. 2011). An emerging issue, however, is whether mobile money services start and stop at payment and transfer functions, or can be transformed into "real" means of value storage. And in this context, this means whether the funds stored in mobile accounts can be intermediated and earn interest for a new class of "depositor," who currently does not have bank accounts but does have access to mobile phones (see Ehrbeck and Tarazi 2011). The arms of the hyperbola pull toward that focus point, fractional reserve central banking, money as debt, and poor people's money, in particular, as poverty capital (Roy 2010).

Regulators worry about this possibility, of course, since mobile network operators are not regulated to the extent that banks are – the current financial crisis notwithstanding, banks operate according to certain prudential standards, while mobile operators do not, at least not yet. If a network operator wants to intermediate the funds held to back its issuance of e-money, should it have to apply for a banking license? What level of reserves should it hold? There are no capital adequacy norms for mobile telecommunications companies. Those promoting the idea that mobile money should earn interest – framed as a benefit to the world's poor, the same benefit first-world "banked" people supposedly earn from having access to financial services – want regulators to stop treating mobile money as a payment service. This would, probably, mean opening the door to intermediation and fractional reserve mobile banking. A good idea? A bad idea? Forestall your cynicism for just a moment, and let's move further north.

Rather than mobile money services like M-PESA, which run on low-end phones and rely on text-messaging, mobile payment services like Google Wallet often seek to complement or replace credit and debit cards as the means of payment at the point of sale. Google Wallet will run on Android phones enhanced with a special Near Field Communication (NFC) chip which can communicate with a special point of sale device. Instead of swiping your credit card or offering cash, you tap or wave your phone over the device and the Google Wallet application directs the account from which the payment is to be charged. Square's Card Case goes a step further: by registering an existing account, shopping at merchants who have signed up to accept the service, and registering with the merchant (all done with a smartphone or tablet device and Square's plug-in card reader) you can pay simply by providing your name: the merchant receives a picture of you at his terminal, and you receive a text message confirmation that a payment has taken place.**7**

Google Wallet is currently mired in an IP dispute with PayPal. Square Card Case is currently in a very limited rollout (six cafes in San Francisco, six in New York, and between one and three other establishments each in St. Louis, Los Angeles, and Washington, D.C.). But both represent new developments in the payments industry that seek to mine value from the act of payment. Payment – the act of value transfer – has been largely ignored by economic sociology and anthropology. Yet it is an enormous source of value. By 2006, as Adam Levitin notes, interchange fees levied on non-cash and check payments made the payments industry "larger than the entire biotech industry, the music industry, the microprocessor industry, the electronic game industry, Hollywood box office sales, and worldwide venture capital investments" (Levitin 2007:2). By 2009, it had also surpassed the airline and lodging industries (Brown 2009:130).

It is an often overlooked fact that the exchange of goods or services for money in today's world often does not occur at par. Merchants bear the cost of accepting all alternative forms of payment besides cash or checks. For the US$100 I offer a merchant, he receives a net of around $97 after paying the merchant discount, a fee comprised of a number of parts, the largest of which is usually interchange, with an additional ad valorem component based on the purchase price. Merchants pay the merchant discount in exchange for enhanced sales and convenience.

Par clearance during exchange was, in earlier days, a monumental technical and political achievement. With the centralization of Federal Reserve Banks throughout the United States, the costs of transporting currency and paper were diminished and were absorbed by the Federal Reserve banks themselves. The Federal Reserve – here operating as a public institution creating a public infrastructure for check clearance and currency reserves – eliminated the justification of exchange fees. Regional and local banks, remember, *fought* the Fed, even if today, as many argue, the Fed has largely been captured by private financial entities. That capture may be more apparent in the financial rather than the regulatory functions, however. I can hear the complaints from my colleagues on this point, but, as social scientists have learned about the state, stock markets, corporations, and other organizations of national capitalism and industrial society, these are always many-headed and many-tentacled creatures, often working at cross-purposes to each other and to divisions within themselves. I want to hold onto the public function of par clearance and payment infrastructures.8 Par clearance was instituted by the political decision and the technical operations involved in asserting the non-ownership of the means of value transfer. *No one would own payments;* the value chain in payment was cut when checks had to be cleared at par. Even today, payments industry professionals refer to cash and check as "virtual" payment systems because no one "owns" them.

Corporate entities and banks very quickly found new ways to mine value in the act of payment: credit cards were born, followed by debit and now mobile payments, each seeking to profit from the act of value transfer. Credit, debit and mobile payments do not occur at par. For all new entrants into the payments industry, it is the promise of non-par settlement that generates the value proposition. The card companies still dominate. The fact that most new entrants leverage existing card accounts and, sometimes, card network infrastructure means they will continue to do so for some time yet. But competitors are challenging the card networks almost every week.9

Challenges are also coming to the financial intermediaries. As more and more information technology and other non-finance professionals get into the business of payments, they are starting to pry open the black boxes of banking and money, unraveling its social and sociotechnical organization. The Institute for the Future, a Silicon Valley think-tank, has included in its Ten Year Forecast, "the future of money." Put new means of payment together with virtual world currencies or Bitcoin, and you start to feel the ground shaking a bit, or the arms of the hyperbola pulling toward greater and greater eccentricity.

I had just given a lecture on mobile money to a group of about 100 design and information technology professionals in a trendy studio in San Francisco. During the question and answer period, a member of the audience asked whether I thought the "intangibility" of mobile money would be a problem in its adoption, "because it can't be held, like cash." I responded that a little history lesson might be in order. Paper cash has long been the target of political agitators, artists and "sound money" advocates precisely because of its "insubstantial" quality – it is "mere paper," as Thomas Nast's nineteenth-century political cartoons remind us – and yet it has been on balance phenomenally successful. Her reply caught me off guard: "Yes, but that had the *government* behind it!" The word government was uttered with that tone of contempt that I am used to hearing from television commentators on the far right of the American political spectrum, not young, hipster kids working for a cool design firm. Now, of course, she was correct, and a national government can do things that a private enterprise sometimes cannot do, or cannot do as easily. Yet at the same time, we have entire international payment infrastructures created by private entities that are nearly ubiquitous in the global North and much of the rest of the world, and gigantic multinational corporate actors vying with one another to create, from whole cloth, such infrastructures for entire regions in one fell swoop (see: central Africa). The invective is reserved for government money, for government in general, for the central authority imagined to emanate from reserve banks and especially the "evil" of fractional reserve banking that generates debt, debt and more debt and keeps these governments afloat. Afterwards, during the reception, I was surrounded by people wanting to talk about abolishing the Federal Reserve, and also people devising new payment systems and devices that have since become "real," or at least piloted in a few cities around the country.

One of my regulator buddies once accused me of being a "Fedophile." Yet I think one can defend the virtue of a public payments infrastructure, owned by no-one, operating in the public good, without also buying lock, stock and barrel every element of central banking and the national capitalism described by Hart in the last issue of this Newsletter. Certainly, one can at least document the existence of public infrastructures before they are enclosed, and reflect analytically on the quality of public goods or of

publicness as an aspect of infrastructures.10 Further, if nothing else, I would exhort members of our scholarly community to pay some attention to payment. It is ironic that both Marx and Weber wrote of bills of exchange and the credit system without noting that the non-par clearance of such bills created a huge source of non-exchange and non-debt based profit. We may need a better vocabulary for fees, rents, taxes, tribute – not everything, as the Islamic bankers remind us, is usury. In the *Wealth of Nations*, Adam Smith took a short digression on the topic of fees charged by the city of Amsterdam at Amsterdam banks for opening accounts, transferring funds and other services. He noted that the amounts collected through such fees had become considerable, but that this was an "accidental" revenue stream incidental to the operations of the bank itself. The levying of such fees, he wrote, was supposed to serve the interests of "public utility." And, to underscore, this was revenue that accrued to the public coffer, not the bank (Smith 1776, IV.3.29).

Keith Hart writes that pluralism in money is "rapidly becoming the case again" (2011:8). He also observes that "there will have to be as many monies as there are communities. The digital revolution has begun to make that technically feasible" (p.9). He is correct. But there are patterns, similarities, reconfigurations of "elements that are well known already" (Guyer 2010:416; see Maurer 2005). One can't help but to feel that we have seen this dance before, even if we were not yet born when its moves were last performed.11

A gravitational slingshot is when an object falls toward another object exerting a heavier gravitational pull and whips around that object, accelerating in the process and hurtling out into space along a hyperbolic curve. Astronomers can use the gravitational slingshot effect to send space probes to new regions of the solar system. In the tension back and forth between the focus of central banking and the directrix of apocalyptic time the monetary experiments I have described here may also be hurtling us toward uncharted territories. Call me a Fedophile, call me nutter! Let's join in the drumming and see where it takes us!

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Endnotes

1 Available at http://www.meetup.com/LBTimeExchange/events/18162791/ , last accessed June 6, 2011.

2 I have slightly altered the exact wording to protect the guilty.

3 There is also a "radical privacy" utopia here, for those that believe in that kind of thing.

4 Less than a week after the rumor circulated, US Senator Charles Schumer of New York called for an investigation of the alleged online drug market, and said of the use of BTC on this market, "It's an online form of money laundering used to disguise the source of money, and to disguise who's both selling and buying the drug." (http://www.nbcnewyork.com/news/local/123187958.html). The story ran on June 6, 2011. The original story about the drug market appeared on the online site, Gawker, on June 1 (http://gawker.com/5805928/the-underground-website-where-you-can-buy-any-drug-imaginable). Apropos of this essay, in response to the Schumer story, one commentator wrote, "Cryptocurrency being used to peddle drugs? Shut it down! I heard drug dealers also accept cash. Ban cash!" (see link above).

5 The disparaging yet self-deprecating nod to gender and neurodiversity is par for the course in the communities of interest around Bitcoin.

6I adopt "industry" jargon here, where fields of inquiry and activity are "spaces," thus, the mobile space, the IT space, the payments space.

7Use of Square before Card Case was and remains widespread among small-scale merchants like food truck owners who need a low-cost alternative to a full-fledged POS terminal.

8Lana Swartz reminds me that here, I sound like a "network neutrality nutter." Indeed.

9Challenges are also coming from the regulators: Europe's Single Euro Payment Area (SEPA) reduces interchange on debit card transactions to the amount required to maintain the networks, in effect, compelling debit network providers to act more and more like a public utility. In the US, Congress continues to debate new rules on interchange proposed in the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act, passed in response to the financial crisis.

10Julia Elyachar is exploring this aspect of publicness and has described the communicative pathways of one kind of public infrastructure (Elyachar 2010).

11In email messages two days apart from one another, Keith Hart and Jane Guyer asserted the near-ubiquity of money nutting, in response to my sending them a website of Biblically inspired money conspiracies: "Isn't everyone a money nutter these days?" asked Guyer; "Maybe I am a money nutter, too" mused Hart.

*****This endnote was added after publication of the *Newsletter*: As this article was going to press, Mt. Gox was hacked and a huge sell-off began, bilking Mt. Gox users of at least US$9 million and leading to a suspension of trading and a collapse of Bitcoin's value. By 2 July, 2011, Bitcoin's value had stabilized somewhat at around US$15. Mt. Gox and the currency appear to have survived this assault.

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Using the Future in the Present: Risk and Surprise in Financial Markets

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Circularity in economics

The financial crisis still involving us has many distressing aspects. On the theoretical level, however, it is also a great opportunity: not only because it gave rise to a new interest in finance and its enigmas, but especially because of the stimuli it offers to sociological reflection. New problems appeared, which must be studied and analyzed, and there is apparently a new openness to consider approaches different from those of classical economics, which during the crisis have proved if not insufficient, in any case not able to offer an orientation.

The success of the studies on performativity and of the social studies of finance (McKenzie 2006; Callon/Millo/Mouniesa 2007; MacKenzie/Mouniesa/Siu 2007; MacKenzie 2009), which offered an alternative reading of the course that led to the crisis and of the peculiar blindness of economic theories, is undoubtedly linked to this condition. It is a however a sobering success. On the one hand because the attitude of markets did not change much: after the most acute shock related to the crisis, and despite a continuing state of instability, the mode of operation remained more or less the same. Despite some doubts, the ones who followed models go on following models (often the same), as if one had not yet understood whether and where they are wrong or the confidence in models is wrong - and there are no convincing alternatives. Negative results are often attributed to undefined categories as "greed" – an accusation that in finance does not explain anything. On the other hand the scope of the concept of performativity remained limited: it still lacks a connection both with general sociological theory (the Actor Network Theory it refers to remains fairly isolated) and with other voices raising similar criticism inside and outside economics**1**.

This extension, however, would be possible, and presumably very useful. The strength of performativity lies after all in having highlighted the component of circularity, or reflexivity, which is hardly without precedents - particularly in sociology, which not only has always known it (think only of Mead or Simmel) but also learned to study its practical consequences for the construction of the world and of society – in a positive (social constructivism since Berger and Luckman) as well as in a negative sense (such as Merton's self-defeating prophecies). Many other examples could be mentioned; the awareness of circularity is deeply rooted in the discipline and in some cases is precisely its point of departure and its constant reference. The theory of social systems, in Niklas Luhmann's version, grounds the social on the basic condition of double contingency ("I do what you want if you do what I want": Luhmann 1984: 148ss. – in reference to Parsons 1951: 16) and on the assumption of autology (Luhmann 1997: 16ff. – the awareness that theory is inevitably part of the world it observes and cannot be placed outside it: its own observation has consequences on its object, and it should be able to consider them). The tools developed to take account of it, primarily the theory of second order observation**2**, can be seen without forcing as integrations or developments of the idea of performativity – in the broader context of a general theory of society**3**.

Even outside sociology there are many trends going in the same direction: voices external to economics such as Benoît Mandelbrot, but also internal theories (often even awarded with the Nobel) that emphasize the operational effects of circularity. Asymmetric information, moral hazard, various kinds of market failures, can all be read in a performative key (communication affects the world it talks about), and one cannot help looking for connections with the corresponding theories, by now equipped with an established tradition: information economics (starting from the Austrian school, and then Stiegler, Akerlof, Stigliz) or the reflections on uncertainty (in the various versions of Simon, Knight, Shackle or Davidson).

Money and time

How can we go a step further, inserting performativity into a broader context? And how can we usefully combine so different approaches and traditions? Again, the crisis can be an opportunity, because it powerfully brought to the fore a classical topic of economic reflection, in a new and particularly dramatic form: *time* and its significance for the economy.

That the reference to time is crucial to economy is obvious to everyone. Often this awareness takes the form of a critique of the static attitude of the discipline and its inability to take account of dynamic elements, transformation and innovation. Time appears as an additional complexity, a further factor requiring more difficult and complicated theories. Other authors, however, evaluate time positively as a resource, indeed as the fundamental resource of economic behavior: time, understood as the openness of the future, hence as uncertainty, is according to Shackle what enables creativity, initiative and profit. Uncertainty is not an obstacle but rather the real engine of economic action, which feeds on uncertainty in order to build the future it looks to. The economy, oriented to the future, produces the future and renews it continuously.

In this perspective money itself, which is the basis of modern monetarised economy, in its essence is nothing else than time and is useful precisely because of this (before the three classical functions of medium of exchange, medium of payment, or measure of value): money is primarily a "medium of deferment and of search" (Shackle 1990: 213; 1972: 160) that allows to delay to an indeterminate future the satisfaction of needs – providing thereby a surrogate of security. In front of the obscure and unknowable future of our risk society (Beck 1986), where no one knows what he will need but knows that he will have needs and would like to be equipped to satisfy them, the possession of money allows us to postpone the decision and to collect the information produced by the course of time. Whatever these needs are (which don't have to be foreseen today, nor must we know when they will arise), if one has money one knows that he will be in the condition to meet them. There is no need to know today tomorrow's needs. Money stays for the indeterminacy of the future and therefore is never sufficient: the future is still not there and one can't know what one will need – therefore one always needs money, and money is never enough. We always need more money because thereby we acquire more indeterminate possibilities, i.e. finally more future.

Selling and buying risk and future

This temporal nature of money**4** has been greatly emphasized in financial markets (which as we know sell money), especially since the 1970s with the cancellation of the Bretton Woods agreements, the spread of uncertainty and the availability of new tools to deal with it, such as the models for the management of risk and especially the explosion of derivatives. The mysterious movement of structured finance explicitly gave up any reference to the world and to concrete goods (which for derivatives become at least the "underlying", which can be anything and often gets lost in the dizzying traffic of transactions), to become an autonomous field of operations - and it is not clear what they are dealing with. In this virtual finance, one wonders, what is the relationship between Wall Street and Main Street? What is sold and bought in financial markets that move a mass of capital exceeding by 20 times the entire world GDP, which then clearly does not refer to the goods (even if they were available, they would not be enough)?

The answer requires two steps. First risk: as many say (Arnoldi 2004; Li Puma/Lee 2005; Pryke/Allen 2000), the "new finance" of recent decades is new first of all because it became evident that in markets one sells and resells risk – an abstract and formalized risk, objectified and "commodified" (Bryan/Rafferty 2007: 136) with the use of elaborate techniques like models for the computation and management of volatility**5**. In the markets one sells volatility; volatility, which measures the turbulence and unpredictability of the markets, stays for risk; in the esoteric markets of structured finance, then, one sells risk.

But why are we interested in doing it? What motivates this huge circulation of risks in the form of financial exchanges? Here we move to the second step, going back to the roots of economy and money, i.e. to our issue of time: in the form of risk finally one buys or would like to buy the future – a future that is made of indeterminate possibilities, of open options that cannot yet be known. In the traffic of risks one buys and sells the availability of open possibilities in an unknown future, the guarantee that when the future becomes present one still will be able to operate and to make decisions. The models for portfolios management, with their promise to operate in "risk-neutral" markets and to handle the different risks and riskiness in general, provide a warranty with respect to risk – and do it in a fairly complex and refined way, because they do not pretend to know the future. Like the Black-

Scholes formula, which succeeded in offering a reliable method to price options referred to a future date by renouncing the claim to know the future, so the models of structured finance promise to offer a general guarantee with respect to the threats and the events to come without claiming to know what will happen. The future remains unknown, but it should not be threatening any more for those who use the models and their complex formalizations. The calculus of volatility, the use of leverage, diversification and complicated hedging techniques**6**, contribute to build models that promise to consider all possible future courses and offer a guarantee for each of them, with no need to know which one will occur. Of course risk remains, in the sense that in the future adverse events can always occur and today we cannot know them – but it is neutralized (not deleted): for the one who uses models, risks (bought, sold and combined with one another) should no longer be risky. What is sold in the form of volatility is finally the riskiness of risk, i.e. the openness and availability of the future.

Present and future present futures

If this is true, or is believed, then the exasperated use of techniques like securitisations, which are mechanisms for using the future in the present, also makes sense: they translate a future credit in present liquidity, used then to build the future that will allow greater wealth for everyone – with an investment, an enterprise, any activity requiring liquidity to generate profits (which would not be there if one had not resorted to future wealth). In the economy this has always been done, and is the basis of the ability to exploit uncertainty and to use the future as a resource: all forms of credit rely on a circuit of anticipation of the future in the present – tomorrow's money is used today in order to produce the wealth that tomorrow will (also) allow to repay the debt. In the recent financialization of credit, however, this mechanism has been radicalized up to its extreme consequences: it is not limited as in the past to *one* future course considered reasonably reliable (for which actually warranties were required and information was sought) but uses *all* possible futures – all those considered by the models of risk management, combining and compensating them with the help of financial techniques. There is no need even to find too many guarantees of the solvency of creditors (also NINJA – No Job, No Income no Asset – loans were granted) because one believed to be protected in any case, since the models consider every possibility and are equipped to deal with it. Then it is convenient, and does not appear hazardous, to use in the present all this future availability, which is no longer risky and can be relied on – as it happens with the sale and resale of risks and risks of risks in the circuit of securitizations, ABS, CDOs, CDOs of CDOs and so forth. According to the logic guiding it, this should not be a multiplication of risks but rather a conscious construction of the future and of its opportunities: anticipating it in the present, the models promise to increase the variety of the future they make possible.

It should not be forgotten, in the mistrust that followed the crisis, that for several years this mechanism actually worked, greatly reinforcing its dynamics: in the "performative" phase of finance described by McKenzie the models were able to shape markets, which confirmed the models and built a future compatible with their promises - and financial wealth grew for everyone. As we know, however, with the crisis this mechanism was reversed, turning into a counter-performativity as effective (i.e. capable of building the future), but contrary to the promises. It remains true that the models shape the future (which without them would not have come about in the same way), but not necessarily the future they expected. How can we explain this reversal (that with the tools of ANT remains rather obscure)? Why at some point performativity turned into counter-performativity, confirming itself but not the promises of the models?

The weak point (if you want the error) is the image of time and of future assumed by the models, which is very complicated computationally but too simple conceptually, especially in a complex and self-referential society as the current one and in a nervous and reactive sector as finance. We know since centuries that the future is not a given nor a repertoire of given – the field of Augustine's "things to come", already decided in advance and known to the higher perspective of God (who can access eternity), but unknowable to the limited vision of men, condemned to earthly time. Also economists are aware of it and orient their models to a multiplicity of future courses (of possibilities), knowing that today no one can know what will occur tomorrow. The future, however, is not even a repertoire of already given possibilities, from which the course of time can choose, actualizing some and disregarding others - as implicitly assumed by risk management models that aspire to consider all possible options. Even if one succeeded in considering all possibilities, one still would not be dealing with the future, but always with the present and its projections: what is considered (and what models consider) is

only the "present future" (Koselleck 1979), i.e. the image of the future and of its opening as they appear from today's perspective and on the basis of the information available at the moment – maybe even in the form of a multiplicity of present futures, taking account of all possible combinations of possibilities (but still those accessible to the present).

Risk management models are oriented to this future, which remains open because it is articulated into a multitude of available present futures, but is not the complex and self-referential future afflicting our risk society: a society knowing that today the future does not exist as a given but not even as a possibility, because it will be constructed by present decisions and actions – the possibilities that will be processed and selected in the future depend on what we do or don't do today, thinking of the future we want to anticipate (which will usually surprise us). What will become real in the future is usually none of the present futures, but a "future present" (Luhmann 1991: 48ff.; Esposito 2011: 23ff.) different from each of them, because it results from the very attempt to prepare it and react to it. The only future the models are not able to consider is what actually occurs: a future in which past there are the models trying to predict it. The models weren't wrong (and even the crisis did not normally lead to the discovery of mistakes), but paradoxically did not work precisely because they were correct and have been followed: we can say that they correctly predicted all possible future courses as they would have occurred if no models had been formulated – and then self-falsified themselves. The future is the more different from the predictions of the model the more the model is right. Or more correctly: if the unpredictable future confirms the predictions of models it is only by chance. It can happen ("performativity") or not happen ("counter-performativity"), but in any case this discrepancy constitutes a risk factor that can not be considered by the models of risk management – and then the world is no longer "risk-neutral".

The expectation of surprise

With all their revisions and corrections, the models fail to consider this circularity – therefore the warning of performativity is still ineffective and the markets go on operating in the same way. They fail to consider and to valorize the inevitable circularity of the orientation to the future – which is also what makes it always open and surprising. This circularity is the basis of the specific "model risk" produced by the use of risk management models (Rebonato 2001) and of the much discussed "volatility skew" afflicting the attempts to calculate the movements of volatility with statistical tools (MacKenzie/Millo 2003, MacKenzie 2006: 202; Mandelbrot & Hudson, 2004): contrary to the assumptions of the models, volatility seems to show more and more often a pattern (the skew or ironically the "smile") which reveals that markets seem to expect improbable events to happen, while deem less probable that probable events occur. Probability becomes improbable and improbability probable: in other words, it seems that markets have learned to expect surprises.

How can we explain this enigmatic performance? This happens because markets begin to observe no longer or not only the future/futures prefigured by models, but the very prefiguration of the future by models, i.e. the fact that models are used and certain things and certain possibilities are expected. One can then look at this given rather than at the projected futures and expect the improbable, i.e. what the models don't expect: the attitude registered by the volatility skew, which leads to falsify the models and to multiply risks – not the unpredicted ones (the models did not overlook anything), but more radically the unpredictable ones. The markets become then counter-performative, i.e. performative but unpredictable.

From this perspective, the financial crisis appears as a crisis of the future: with all the careful planning and the control of investments, one found oneself in a situation where one had the impression of being left without a future – to have no available future to shape any more, because all possibilities had already been used and bound by past operations. The lack of liquidity and the fear of deflation show it: they are phenomena resulting from the refusal to use the future in the present – exactly the opposite of what one previously did. Whereas formerly there was an excessive use of the future, during the crisis one moved to the opposite excess – paralyzing the economy, which as we have seen relies on time and on the construction of the future.

Obviously the future will be produced all the same, but without control. From a certain point of view it is true that less future is produced, because fewer possibilities of action and decision are generated. The future, as we have seen, results from the present, and this should be considered: if today we don't do and don't project anything, the future will be less rich with opportunities, and presumably we will be less able to meet and exploit them. This does not mean however that the future should be foreseen and

determined (the classical idea of control), but rather (in the sense of cybernetics) that one should be able to trace how today's choices and decisions generate the (always unpredictable) possibilities that we will face in the future. Performativity, basically, means that the future results from the present – but precisely for this reason it is uncontrollable and always surprising.

The crisis is linked to the fact that we didn't learn to expect these surprises and to use them to direct our behaviour – we didn't learn to use the production of the future without claiming to control its possibilities. Luhmann (1976) labeled as "techniques of defuturization" the various attempts to bind in the present the openness and uncontrollability of the future: first the current use of statistics, but also many utopian constructions and of course morals. What today's markets require is not the refusal of technique (in the form of Taleb 2001), i.e. giving up the construction of the future (quite useless, since the future results in any case from our actions and omissions), but rather a use of techniques without defuturization, aiming on the contrary at multiplying possibilities and observing them – just because it doesn't pretend to control them. This kind of attitude is already present on the markets (e.g. the cases described by Preda 2007, or even the practice of "reflexivity" in George Soros 1987; see also Esposito 2007: ch. 13) but still lacks a theory that describes and frames it: a task that today more than ever seems to be up to sociology.

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Endnotes

1 Also because of this, probably, they curiously still maintain that performativity is limited to theory ("do economists make markets?"), without extending it to the circularity and reflexivity of economic action in general. They rather introduce doubtful distinctions like confined economists and economists in the wild (Callon 2007: 336; Callon Çalişkan/2009).

2 Observation of observers, who themselves observe the world and other observers with their worlds, which include also the first observer: von Foerster (1981).

3 ANT is not interested in a theory of society, and has its reasons. This however has costs: the reference to society allows for example to show that similar mechanisms are at work in different fields of society – performativity in economics reminds to the reference to public opinion in the political sphere, to the "newsmaking" of mass media, to positive law, to formulas like "learning to learn" in education, to the very use of "performances" in art, and many others. One can then make comparisons and see the differences, or even study the structural factors underlying this type of orientation in modern society.

4 Not only time is money, as people have always said, but much more radically money is time.

5 Especially the curious implied volatility, measured in an adventurous way with the help of the Black-Scholes formula to price options (McKenzie 2006, ch. 5) – a device to calculate the unpredictability of the future starting from the (now known) unpredictability of the past.

6 Together with a variety of techniques that not by chance became widespread in the same years, like fair value, mark-to-market, the calculations of ratings – all mechanisms that moved from a historical assessment (from the past to the present) to a perspective estimate (from the future to the present).

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For a Love of False Consciousness: Adam Smith On the Social Origins of Scarcity

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For Americans, there can be few better lines in the history of philosophy than Locke's cavalier assertion that "in the beginning all the world was America" (Locke 1992: 753). Taken out of context, it affirms our infamous "exceptionalism," by effectively transforming our country into The Garden that we have always known it to be. Taken in context, it affirms our equally infamous anarcho-capitalism, for herein lies an intricate claim that, whenever not hemmed in by government, our country houses an eternal abundance.1 Government thwarts our easy access to bliss, casting us out of our Garden and into a world of artificial scarcity that demands endless toil.

Thus, embedded within Locke's logic lies the revolutionary possibility that social equality could be conjured forth in an instant, were we to simply wake up to the true abundance offered by the natural world. Scarcity, according to him, has been produced by mankind and was simply not present in antediluvian America. The foundational ideas of modern economics – supply and demand – turn tail in the face of a world wherein all necessities can be effortlessly plucked from the nearest tree. Given a Garden of natural abundance, the equilibrium price of all goods drops to zero.

Adam Smith, I will argue, picks up on this Lockean strand in *The Theory of Moral Sentiments*, but morphs it in significant ways. In so doing, Smith clearly believes that society itself is *co-constitutive* with the creation of scarcity. For him, there is virtually no "natural" scarcity, save for the market in one keystone good, with which I will conclude. Instead, scarcity is created by mankind in order to achieve very particular and cohesive social goals.2 Reopening the laissez-faire lineage of the social production of scarcity might not only help us to work through some foundational concepts in the dismal science, which, at least since Malthus, has famously and adamantly insisted that the world is constituted by natural scarcity; it might also allow us to move beyond certain prototypical impasses between the proverbial left and right, by showing that both sides of the political spectrum have a deep grasp of the social origins of inequality.3

Trinkets and baubles

Smith begins his inquiry into the social causes of scarcity by bluntly asking, "For to what purpose is all the toil and bustle of this world? What is the end of avarice and ambition, of the pursuit of wealth, of power, and prehemi-nence? Is it to supply the necessities of nature? The wages of the meanest labourer can supply them…." (Smith 1984: 50). Wondering why people avert their eyes to poverty, he queries, "Do they imagine that their stomach is better, or their sleep sounder in a palace than in a cottage? The contrary has been so often observed and, indeed, is so very obvious" (ibid: 50). We are already seeing at this early stage in the text that Smith believes that most needs are quite ready-to-hand. Indeed, even the most impoverished, he says, spend a great deal of income on "superfluities" (ibid: 50).

But there is more. In many spots throughout *The Theory of Moral Sentiments*, Smith shows a deep disdain for much of the material wealth of this world. In fact, he believes that people are quite inane and misguided for chasing after it at all. Anyone who can see the world for what it "truly is" quickly discerns that most material wealth is actually constituted by mere "trinkets of frivolous utility" (ibid: 181). Modern society, however, is rife with an incessant drive for fake distinction over ones' peers, by which individuals hope to magnetically attract flattery. Individuals believe that the enhanced social status gained thereby will improve their material condition and happiness (though, as we saw above, Smith insists that it does not). The wealthy and the powerful delve headlong into this process, but the poor are not completely immune to its pull either.4

Acquiring this flattery, it turns out, is achieved most efficiently by obtaining gaudy material wealth. Someone *outside society* would never be so dumb as to hunt after the shallow distinction afforded by material wealth: "To one who was to live alone in a desolate island it might be a matter of doubt, perhaps, whether a palace, or a collection

of such small conveniencies [sic] as are commonly contained in a tweezer-case, would contribute most to his happiness and enjoyment" (ibid: 182). Or, as he puts it more abstractly elsewhere, "bring him into society, and all his own passions will immediately become the causes of new passions" (ibid: 111). The needs and tendencies of "Natural Man" are corrupted by the pernicious influence of "Artificial Society."**5**

Out of this endless competition for distinction blossoms a world of socially-produced scarcity. Individuals begin to chase after wealth despite its lack of utility to their survival. Indeed, *society creates wholly artificial and unnecessary needs* only to ensure that a complex symbolic apparatus of distinction exists. The scarcer the sign, the better it is at attracting much coveted flattery: "How many people ruin themselves by laying out money on trinkets of frivolous utility? All their pockets are stuffed with little conveniencies [sic]. They contrive new pockets, unknown in the clothes of other people, in order to carry a greater number" (ibid: 180).**6** Worse still, individuals wrack their own bodies with pain and suffering in order to attain supposed pleasures that never quite manage to equal the sacrifice they have made to acquire them. By chasing after baubles, individuals willingly (but stupidly) walk away from a natural world of abundance that could have readily supplied them with ease and plenty, if only they had not been interested in shallow distinction. As he succinctly explains, "In ease of body and peace of mind, all the different ranks of life are nearly upon a level, and the beggar, who suns himself by the side of the highway, possesses that security which kings are fighting for" (ibid: 185).

One particularly lucid description of this cyclic tendency to walk away from the vagrant's manifest life of ease discusses a "poor man's son, whom heaven in its anger has visited with ambition":

It [high social status] appears in his fancy like the life of some superior rank of beings, and, in order to arrive at it, he devotes himself for ever to the pursuit of wealth and greatness. To obtain the convienciencies [sic] which these afford, he submits in the first year, nay in the first month of his application, to more fatigue of body and more uneasiness of mind than he could have suffered through the whole of his life from the want of them…. Through the whole of his life he pursues the idea of a certain artificial and elegant repose which he may never arrive at, for which he sacrifices a real tranquility that is at all times in his power, *and which, if in the extremity of old age he should at last attain to it, he will find to be in no respect preferable to that humble security and contentment which he had abandoned for it (ibid: 181; emphasis mine).*

This logic, at first blush, appears almost as the precise inverse of the veneer of Smith that has been handed down to us by his followers. Here is homo *un*-oeconomicus, expending vital resources in order to acquire useless products that do not improve his condition one iota.

But all is not lost despite this bleak, hamster-wheel, assessment of the human condition. Taking a crucial next step, Smith insists that this socially-produced scarcity is, in fact, the origin of morality itself. Without scarcity, ease and tranquility would prevail, thereby stultifying humankind, since "Hardships, dangers, injuries, misfortunes, are the only masters under whom we can learn the exercise of this virtue. But these are all masters to whom nobody willingly puts himself to school" (ibid: 153). The abundant natural world enjoyed by the vagrant would allow the individual to abandon virtue, since there are few hardships in the abundant Garden that would allow her to develop it.

In fact, it is more dramatic than that. For this socially-produced scarcity can only produce morality out of thin air by first producing civilization itself. Smith explains,

And it is well that nature imposes [this artificial scarcity and its ensuing misguided chase] upon us in this manner. It is this deception *which rouses and keeps in continual motion the industry of mankind. It is this which first prompted them to cultivate the ground, to build houses, to found cities and commonwealth, and to invent and improve all the sciences and arts, which ennoble and embellish human life (ibid: 183; emphasis mine).*

While hoping to embellish themselves with luxurious distinction, people actually deny their own bodies ready pleasure while increasing the embellishment and luxury of the social body. They individually sacrifice themselves under an artificial scarcity in order to, via an "invisible hand," produce an artificial abundance for the benefit of society at large.**7** In short, the veil that nature has placed over the world to deceive humankind has the merit of advancing "the interest of the society, and afford[ing] means to the multiplication of the species" (ibid: 185).

The deceptive veil actually serves to transform individuals into proper humans, by granting them all the fruits of society such as relationships, language, arts, and sciences, etc.**8** Laboring under the artificial scarcity of daily life,

though misguided at the individual level, segregates humankind from the rest of the animal kingdom – "ennobling" it with both virtue and intelligence in one fell swoop.9 By forcing individuals to earn their keep by work and exchange, artificial scarcity builds a bulwark against the standard tendency of all animals to seek out "natural indolence." Without it, individuals would be mere doltish and complacent beasts, harvesting without sowing from an abundant nature as they happily eschew the Social Contract.10 In light of this logic, we can make a pithy distinction between Smith and Marx: Both believed in the reign of false consciousness; it is only that the former hoped to preserve it, while the latter aimed to explode it.

But even Smith argues that, in older age, people are no longer duped by this ultimately beneficent false consciousness – it is exploded on an individual rather than a society-wide level. Old age ushers in the illuminating real-world truth delivered by what he colorfully terms "splenetic philosophy." This little known subdiscipline of the contemplative arts allows "Power and riches [to] appear then to be, what they are, enormous and operose machines contrived to produce a few trifling conveniencies [sic] to the body" (ibid: 182-83; emphasis mine). Having recognized this truth, the splenetic old man finds that "the pleasures of the vain and empty distinctions of greatness disappear…. In his heart he curses ambition, and vainly regrets the ease and indolence of youth, pleasures which are fled for ever, and which he has foolishly sacrificed for what, when he has got it, can afford him no real satisfaction" (ibid: 182).

According to Smith, then, societies and individuals both rationally seek out ease and efficiency correspondent to the needs they envision for themselves. The youth work themselves to the bone because they believe they will achieve distinction that will make their lives better; wizened spleneticists stop working once they realize that nature already provides for them in a thoroughly satisfactory manner; finally, like a lazy slave master, society itself swindles multitudinous luxuries off the backs of its citizens that greatly improve its own distinction and luxury vis a vis other societies. In other words, society and individual are both behaving rationally, but tragically, each can only do so at the expense of the other.

In this model, society behaves just like an individual – as an agent with a will, following the most rational path possible for itself, given the reality that it knows. Unfortunately, in Smith's model, society's rationality – howsoever useless to the individual – always has the upper hand over the latter. It takes over the individual's brain in much the way that Durkheim (1984) describes the historical battle for cerebral territory between the collective and the individual consciousness, only to give quarter when old age has made that particular body and mind useless to its own material production.11 Splenetic philosophy never achieves this same wide social purchase, remaining forever on the margins.

If spleneticism, then, is a solid truth for the individual who seeks to rationally maximize his ease and efficiency, it remains wildly dangerous for society.12 Were the youth to subscribe to it in actual practice – having been duly counseled in it by reading Smith's own writings13 – the socially useful and individually underpriced energy of youth would dissipate into "listless and insipid indolence" (Smith 1984: 56). Here we can clearly see how *The Theory of Moral Sentiments* links up with Smith's far more famous *Wealth of Nations*: Splenetic philosophy is a sharply honed tool for killing capital.14 Spreading the truthful poison of spleneticism would cause cultural and material production to cease, as all would recognize that they could simply fall back into the Garden that lies just behind a clouded veil.15

Time ain't cheap

As I have detailed, Smith believed that people could not make decisions that were good for society without the aid of an artificially-imposed scarcity, which aided them in making decisions that were as misguided for the individual as they were essential for society. Crucially, however, there is one item that is naturally scarce for the individual in Smith's vision: Time. Suddenly noticing its extreme and real scarcity triggers the truth of spleneticism. In her dotage, the individual finally values time properly, and it makes her realize that she has been wasting her time away, casting away the precious joys of natural indolence for the idiocy of work. The equilibrium price of time shoots up as its supply rapidly dwindles.

But by then, it is too late: "It is then, in the last dregs of life, his body wasted with toil and diseases, his mind galled and ruffled by the memory of a thousand injuries…that he begins at last to find that wealth and greatness are mere trinkets of frivolous utility" (ibid: 181). In youth, when time appears abundant, individuals make unsound decisions for themselves that are fruitful for society; in old age they make sound decisions for themselves that would cast humankind back into the anti-social Garden were they to

become universally practiced. The scarcity of time brings lucidity, just as its abundance delivers delusion.16

But as we have seen, Smith believes that society and individual can interpret the world in different ways. Unlike individuals, society itself never dies, and thus rightly views time as an abundant resource. In this sense, society is not even intentionally imbuing false consciousness into the individuals who comprise it. Rather, it is merely passing along its own existential truth to anyone who will listen.17 Treating time as eminently abundant is perfectly rational from the perspective of the collective consciousness. Society rarely experiences a dotage that would bring the predictable flash of splenetic insight.

Combining this understanding with Smith's insights from *The Wealth of Nations* allows us to go one step further and find a co-constitutive feedback loop in Smith's theory of artificial scarcity. Because society itself views time as an abundant resource, most of the individuals who constitute it do as well, for they are imbued with the social values that emanate from society's own needs and constraints. Pricing time at near zero guarantees that individuals will always misprice the true costs of acquiring distinction. This foundational mispricing causes them to endlessly chase after baubles, which thankfully increases the "stock" and "material opulence" necessary to eternally sustain society. Other than the rare and always deteriorating phalanx of splenetic philosophers, all humans are driven to seek distinction, and "[a]n augmentation of fortune is the means by which the greater part of men propose and wish to better their condition. It is the means the most vulgar and the most obvious; and the most likely way of augmenting their fortune, is to save and accumulate some part of what they acquire, either regularly and annually, or upon some extraordinary occasion" (Smith 1976: 363).18 And as we all know, Smith holds that it is this capital arising out of personal sacrifice that supposedly conduces to increased public opulence and, thus, the better long-term survival of one nation over another.

In economistic terms, because individuals are taught by society to devalue time, they are constantly underselling it to society. Durkheim and others have always proposed that society graciously gives individuals countless traits and skills without asking for anything in return, thereby putting them forever in debt to society. But seen from Smith's system, it is a rational exchange: Society takes care to segregate individuals from the beasts by gracing them with humanity. In return, individuals grant society eternity in the temporal realm. When the price of time rises exorbitantly during their rapid decline toward death, they opt out of a bargain that no longer attracts them.19 Individuals finally recognize that they have "forfeited for ever by the acquisition [of distinction]" "all that leisure, all that ease, all that careless security" (Smith 1984: 51). Suddenly, it appears more rationally appealing to be splenetic, and they take their precious time off the market.

But we must conclude where we started, with Locke. If Locke built his social theory upon the natural abundance of space, Smith built his upon the natural scarcity of time. Locke claims that society only comes into being when the individual sees the price of space as exorbitant; as long as space remains freely available, the individual naturally refuses to join society.20 Smith provides a complementary, but inverse, model, wherein time must be cheap in order to inaugurate society. This actually seems to make some intuitive sense, insofar as societies are generally not bounded in the temporal realm but are circumscribed in the spatial one. In other words, seen from the perspective of society, the price of time is low while that of space is high. Given this, "false consciousness" might not be the operative term here. Society is not so much actively seeking to delude individuals. Rather, it is sharing its own perception of the truth of its world with them.

We are therefore left with the intriguing possibility that Smith's and Locke's theories both imply that society and individuals (in their "natural" or splenetic state) price time and space on entirely separate supply and demand curves. In Kantian terms, this means that their *a priori* categories of the understanding are deeply at odds. For this reason, they cannot help but to see the world in foundationally different, even oppositional, ways. But could social thought open up this marketplace, breaking through its tariff barriers so that society and individual could find a fair price that they both agreed upon? Why is it smart for societies to compete with each other for distinction and luxury, but dumb for individuals to do the same? And just what would a splenetic society look like? These questions and more would begin to provide a pathway to an Adam Smith salvaged from his countless followers' dismal belief in the natural scarcity of the world, complete with its necessary corollary, naturalized inequality.

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Endnotes

1This and other intriguing matters have been brilliantly elucidated by Caffentzis (1989).

2Mostly, this essay will cover *The Theory of Moral Sentiments*, but it is worth noting that such a view of scarcity accords well with Smith's *Wealth of Nations* and his well-known attacks on the corn laws (see Rothschild 2001: Chapter 3 for a very helpful discussion of the fate of Smith's writings during the corn laws debates). In The Wealth of Nations, we find Smith asserting that the world would produce enough corn, were it not for the meddling of ill-informed governments. Even with regard to monetary policy, he tells us that "It is not any scarcity of gold and silver, but the difficulty which such people find in borrowing, and which their creditors find in getting payment, that occasions the general complaint of the scarcity of money" (Smith 1976: 459).

3As Rothschild (2001) shows so clearly, Smith should not necessarily be considered a conservative thinker or a partisan of laissez-faire himself, even if he has been hijacked by the conservative side of the political spectrum. Similar arguments could be made with regard to Locke. But here I am speaking of the way his followers have interpreted him, and the way he has generally been brought forth into the present by these followers.

4Consistently, however, Smith holds up the poor as people who can often see through this idiocy, telling us that "honesty is the best policy" is the maxim that holds "almost always perfectly true" for the poor. And therefore, "In such situations… we may generally expect a considerable degree of virtue" from these quadrants of the economic ladder (Smith 1984: 63). Rothschild digs up considerable evidence that, during his own lifetime, his contemporaries openly viewed him as a "friend of the poor" (2001: 61ff).

5It should be recalled here that Smith is operating on the Hobbesian/Rousseauian model of a supposedly pre-social "natural" world in which individuals roam freely about until they choose to enter into the Social Contract. We are far away from Durkheim here.

6A recent example of artificially-imposed scarcity would be the suffixes of URL domain names, where people covet a ".com" or a ".org", but the mechanical infrastructure of computing could easily house an infinite number of suffixes. Smith would predict that, as too many people acquire ".org", it will lose its cachet and people will seek news modes of distinction in the digital realm. I thank Jennifer Jacquet for pointing out this example.

7Here is a clear point of harmony with Marx, for this operates largely on the same principles as his theory of alienation. The logic also abounds with the Protestant theology of denial as a path to purity, providing us with the vague lineaments of a Weberian analysis avant la lettre. For a deep study of the invisible hand metaphor, see Rothschild (2001; chapter 5).

8In the *Discourse on Inequality*, Rousseau says that individuals cannot even know love in the pre-social state.

9The notion that an artificial scarcity is the very thing that crafts individuals into human can be traced within the social sciences over the years. Levi-Strauss's *Elementary Structures of Kinship* makes an identical argument (Levi-Strauss 1969), and Derrida's ongoing insistence that an illusory "center" strictly delimits meaning within a structure that is as necessary as it is untrue seems to me to also be a direct descendent (e.g., Derrida 2001).

10Savages and barbarians, according to Smith, actually live a life of want and suffering. This is because they have already entered the Social Contract, but have yet to start sufficiently chasing after baubles (Smith 1984: 205-210). Chasing after baubles, we learn, creates a better and more egalitarian distribution of resources than the savages and barbarians would manage (ibid: 184-85).

11Although Durkeim's historical trajectory the inverse of Smith's: For Durkheim, the individual consciousness becomes more and more powerful as society progresses, whereas Smith argues that humans become more and more duped by the hunt for distinction as society progresses.

12Like many good folk traditions, the American one abounds with subterfuge, questioning whether our famous ideology of work might somehow be a ruse designed to trick us, and that the natural abundance of America lies ready-to-hand as Locke suggested long ago. Here is a song, entitled "Tall Buildings," by one of the most famous masters of the American folk tradition, John Hartford. It is so perfectly resonant with spleneticism that one is forced to wonder whether Hartford was himself steeped in Smith:

Someday my baby, when I am a man,
And others have taught me
The best that they can
They'll sell me a suit
They'll cut off my hair
And send me to work in tall buildings

[REFRAIN]:
So it's goodbye to the sunshine
Goodbye to the dew
Goodbye to the flowers
And goodbye to you
I'm off to the subway
I must not be late
I'm going to work in tall buildings

When I'm retired
My life is my own

I've made all the payments
It's time to go home
And wonder what happened
Betwixt and between
When I went to work in tall buildings

[REPEAT REFRAIN]

13"Are you in earnest resolved never to barter your liberty from the lordly servitude of a court, but to live free, fearless, and independent? There seems to be one way to continue in that virtuous resolution; and perhaps but one. Never enter the place from whence so few have been able to return; never come within the circle of ambition; nor ever bring yourself into comparison with those masters of the earth who have already engrossed the attention of half mankind before you" (Smith 1984: 57).

14At least since Hirschman (1997: 109), people have been questioning the plausibility of the "Adam Smith Problem," which had long purported a wide gulf between these two texts. This "problem" has been further put to bed by the excellent and essential texts recently published by Rothschild (2001) and Phillipson (2010). I might also add, following the strand of logic presented by Phillipson in footnote 14 below, that *The Wealth of Nations* is largely about the race to achieve distinction and luxury among societies, while *The Theory of Moral Sentiments* is largely about the race to do so amongst individuals.

15If it seems to harmonize with *The Wealth of Nations*, it positively buzzes with connections to Rousseau's *Discourse on Inequality*. Phillipson has done us the immense favor of precisely detailing the points of congruence, and how Smith's review of the *Discourse* marked "his debut in print as a philosopher" (Phillipson: 145). He explains that Smith's great achievement in *The Theory of Moral Sentiments* was "to turn it [the Rousseauian concept of sympathy, which leads to the drive for distinction] into the governing principle of a theory of sociability on which a general theory of commerce could be based" (ibid: 149).

16Incidentally, seeing time as the one naturally scarce good in Smith's writing explains the fetishization of efficiency over all else in the economic thought that derives from Smith. According to that logic, economic actors are constantly seeking out efficiency because they are always seeking to save time – a virtually priceless good that needs to be spared as much as possible, so that individuals can revert to their default "natural indolence" as frequently as possible.

17This is akin to Smith's near contemporary, Fichte, who explained that individuals were willing to die for society because it was their only method of becoming attached to the eternal (Fichte 1922: 130-151). In *The Theory of Moral Sentiments*, Smith says something nearly identical when he writes, "Men have voluntarily thrown away life to acquire after death a renown which they could no longer enjoy. Their imagination, in the mean time, anticipated that fame which was in future times to be bestowed upon them. Those applauses which they were never to hear rung in their ears; the thoughts of that admiration, whose effects they were never to feel, played about their hearts, banished from their breasts the strongest of all natural fears, and transported them to perform actions which seem almost beyond the reach of human nature" (Smith 1984: 116).

18This quote pairs nicely with a similar comment from *The Theory of Moral Sentiments*: "Two different roads are presented to us, equally leading to the attainment of this so much desired object [distinction]; the one, by the study of wisdom and the practice of virtue; the other, by the acquisition of wealth and greatness" (Smith 1984: 62). This sentiment appears to be another example of the venerated high saint of capitalism hinting at a distaste for it.

19Even turning to Smith's opinion about savagery and its lowly state of material progress confirms this, for he tells us that the savage values his time very highly. He is always cognizant of the unpredictable arrival of death and therefore "is said to prepare himself from his earliest youth for this dreadful end" (Smith 1984: 206).

20This same argument can be found in the last chapter of Volume I of Marx's *Capital*, where he discusses Wakefield's colonization plan, which sought to artificially inflate the price of otherwise free land, in order to force the replication of the motherland's social relations in the colonies (Marx 1990: 931-940). I am aware that Locke's theory also relies on money as a tool for transcending the ravages of time (see Caffentzis 1989). But the abundance of space still lies at the root of his theory.

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History in Finance and Fiction in History: The Crisis of 2008 and the Return of the Past

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Introduction

During the peak of the financial crisis in late 2008, the *Economist* began one of its article sections by inviting readers to view 'Smoot-Hawley in the rear mirror' (The Economist, 2008). In effect, it sought to use a simple visual metaphor in order to bring the 1930s into the present and emphasize the dangers of protectionism. With the collapse of Lehman Brothers some two years behind us, the time has come to view such appeals to history as part of a broader socio-historical phenomenon: after all, more than any before it, the crisis of 2008 was marked by a violent return of the past to the capitalist imaginary.

On a superficial level, this has not gone unnoticed, and in the academic literature it is now routine for articles to begin by acknowledging a return of the 1930s to contemporary debate. But if 'the Great Depression analogy *refuses* to go away', as historians Michael Bordo and Harold James have rightly observed (2010: 127, emphasis added), then it is for reasons that few have found cause to investigate. Indeed, the fundamental puzzle opened up by the return of the past (What is its *function*? Why has it occurred in this present?), has yet to even find the form of a question. The purpose of this paper is to grasp together these two paradoxical developments, and to ask what they might mean for our theories and histories of finance and crisis. In order to do this, I take inspiration from attempts to understand historiography through psychoanalytic concepts, using the idea of a 'return of the repressed' to construct a new meta-history of the recent crisis.

For Freud, the 'return of the repressed' operates at the level of the individual subject, and it is marked by the double-occurrence of a traumatizing event, requiring the contingent incidence of two or more psychic shocks that are seen to be affiliated with one another. For Lacan, however, it is a persistent and trans-individual phenomenon that can be traced back to the traumatic constitution of the subject, which is as inevitable as symbolic order itself. At least initially, then, it would appear that Freud and Lacan provide quite distinct theories of 'return', and that neither have much to offer us in the way of tools for approaching History.**1** But as Hayden White has recently pointed out, Freud's theory has a distinctly historical element which, among other things, invites us to interrogate the kind of 'schizo-historiology' (2008: 28) through which an individual or group might become *obsessed* with the past, and yet remain *unable* or *unwilling* to confront it. Meanwhile, as Michel de Certeau has suggested, the establishment of History as a modern science has involved the same kind of foundational loss that Lacan associated with our entrance into language, requiring historians to repeatedly disavow their own past in order to remain 'authorized to speak in the name of the "real"' (1986: 208). Taken together, these points suggest that if we focus on the groups of individuals that are constituted through *specific historiographical operations*, then there is a potential synergy between psychoanalysis and our object of interest.

Taking this synergy as its starting point, this paper provides a reading of how the past has come to acquire such a strange presence during the crisis of 2008. Using de Certeau's methods to address White's puzzle, it focuses how the past has figured within three fields of scientific enterprise: namely, *financial economics, economic history,* and *constructivist or cultural political economy*. It argues that each of these fields – which are central to our understanding of financial crisis, and thus implicated in the contemporary operations of capitalist historiography – have been structured around an exclusion of the 'practical past', and that this has been revealed by the crisis of 2008. It then suggests that in order to move beyond the 'schizo-historiology' of recent years, crisis theory must confront this history of exclusion and begin to come to terms with it by creating a place for the practical past within its visions of History.

Thesis I: History is the repressed other of financial economics

Neoclassical economics in general and modern finance theory in particular has sought to exclude historical time from its models. This has long been observed and criticised by heterodox scholars, who have sought instead to situate finance within history, but the sequential logic of chronological time has still continued to function as a limit to historical thought.

Since the 'marginalist revolution' of the late nineteenth century, economics has been indelibly shaped by the rise of formalism. Although Menger was in many ways a subjectivist, both Jevons and Walras saw themselves as mathematical theorists, and the radical change their work produced was a 'penetration of mathematical discourse into economic theory' (Mirowski, 1984: 362). In the wake of this change, modern physics became a model for economic science, and mechanical models of equilibrium – which entailed an impoverished conception of temporality – became the basis for a neoclassical turn in both micro and macro economics. For example, in the influential model of 'general equilibrium' put forward by Léon Walras, all markets are born equal, and equilibration is an immanent tendency which is set in motion by external change. Time is reduced to a path for variables, and the change that prompts adjustment remains a mystery, as does the historical genesis of the market system itself.

Of course, the world of economic thought has never been as homogenous or closed as the one envisioned by general equilibrium theory, but following its introduction into the field, formalism came to acquire a kind of 'ecological dominance' in the study of capitalist economics.2 For example, in addition to recruiting a new generation of scholars to neoclassical theory, it also served to influence the development of Marxian economics, luring it into an increasingly technical debate over production, which by some accounts turned out to be quite unproductive. Even more visibly, though, it was able to domesticate Keynesian theory, transforming it into the infamous 'IS-LM' model of the neo-classical synthesis. Hence, despite the persistence of a range of more subtle approaches to historical time within political economy, it has become possible to tell plausible stories about 'how economics forgot history' (Hodgson, 2001).

In the study of finance, the transformation has been especially pronounced. Again, while one can certainly unearth a long string of heterodox theories, mainstream approaches have come to view finance as a market for loanable funds which tends towards equilibrium. Jan Toporowski has characterized the 1960s as a kind of tipping point in this process, arguing that finance theory has since been reduced to 'the most abstract and other-worldly axioms of pre-Keynesian microeconomics' (2000: 2). Meanwhile, Duncan Wigan has observed a similar 'expurgation' of Keynesian ideas, emphasizing how modern portfolio theory has transformed uncertainty into an object of calculation (2009: 160-63). Insofar as this development has its roots in probability and general equilibrium theory, it reproduces the reduction of time to 'inter-temporal choice' that defines formal microeconomics more generally. But as Wigan points out, it also involves a *fantasy* of finance without history – in the form of a world with 'fungible prices for all times, places and things' (2009: 161) – which has been central to the rise of modern financial derivatives. Somewhat ironically, then, the near-total annihilation of time within mainstream finance theory has coincided with the emergence of a finance industry which trades almost exclusively in claims on the future.

The fundamental consequence of this is that conventional financial economics has been unable to comprehend the historical dynamics of capitalist development and crisis. Of course, heterodox scholars have long been aware of this shortcoming, but even their attempts to situate finance within history have been hampered by a limited conception of historical time. In post-Keynesian theory, for example, to be within history is simply to be *carried forward* by the flight of time's arrow. This idea, which can be traced back to the work of Joan Robinson in the 1960s and 1970s, was both presented and received as a basic critique of neoclassical economics. Contrasting the smooth mechanics of equilibrium theory with the 'turbulence of actual history', Robinson argued that a model based on the former would sink the moment it was 'set afloat in historical time' (1977: 1332, 1323). In other words, its assumptions and axioms would always be immediately nullified by 'an ever-moving break between the irrevocable past and the unknown future' (Robinson, 1977: 1322).

The theoretical legacy of this critique has been twofold. Firstly, within mainstream economics, there has been a renewed attention to context and process, as evidenced in the literatures on spatial agglomeration, scale effects and path dependency; and secondly, on the margins of the field, there has been a revival of older traditions that were always suspicious of equilibrium doctrine, as evidenced in the emergence of post-Keynesian institutionalism. These

are quite distinct legacies, but both nevertheless reproduce the flaw inherent in Robinson's conception of time and the past. Specifically, by emphasising the difference between logical and historical time, Robinson reduces historical time to chronological time, thereby obscuring the subtlety of historical change, and the role that the living past might play in such a process. Michael Turk puts it well when he suggests that 'the set nature of the past ... must be tempered by its retrospective reconstruction as history, [which is] affected in turn by ... the comprehension, consciousness, and memory of it' (2010: 489). Neither of the two strands of work indicated above has achieved this. On the one hand, both the 'new historical' and 'new institutional' economics are too focused on the literal bequest of the past to the present, conceiving of institutions as either 'carriers of history' or machines for uncertainty-reduction. Meanwhile, by focusing on the strictly forward-moving evolution of legal and financial structures, scholars working within Veblenian or Minskyan traditions have failed to ask whether historical time might loop back on itself. Thus, even after Robinson's critique, the idea of history in economics remains ensnared by a sequential logic. History, however, is fraught with strange loops.

Thesis II: Fiction is the repressed other of economic history

For some time now, the study of history has been conceived as an objective and scientific enterprise. Since the 1960s, however, philosophers and meta-historians have steadily undermined this vision, emphasising the necessary and productive relation between fiction and history. This insight has yet to find its way into the mainstream of economic and financial history, where it remains obscured by neoclassical frameworks and cliometric methods.

The story of history and narrative goes back a long way, and it has already been reconstructed in a number of influential meta-histories. For our purposes, the key point is that in the wake of new theories of language and discourse, various thinkers began to ask what it might mean to use the same word – 'history' – to connote both a series of phenomena, and the narration of that series. Before long, this line of questioning produced a pronounced shift in the substance of methodological debate surrounding history, and gave rise to a new concern with the relation between time, narrative and historical consciousness. The scope of this literature is now vast, but its origins can be traced back to the pioneering work of Hayden White and Paul Ricoeur.

Hayden White has become famous for emphasizing the function of narrativity in historical study, and the necessarily fictional representation of reality implicit in narrativized histories. In his *The Content of the Form*, for example – which is a collection of essays dating back to 1980 – he makes the point that although past events, structures and processes may indeed have really existed in one present or another, a plot is something that can only be imposed upon them through acts of selection and figuration that are essentially imaginative and retrospective. Moreover, it is precisely such a narrative form, he argues, that enables us to endow a series of factual statements about the past with a properly historical meaning and significance. For White, then, narrative discourse has a trans-historical truth-producing function at the level of the social, and when belief in this power begins to wane, 'the entire cultural edifice of a society enters into crisis' (1987: x). The coherence of history, in other words, hinges on the ability of historians to tell plausible stories, and the past is a resource they are impelled to draw upon in this pursuit.

Paul Ricoeur also observed the structural unity of fictional and historical narrative, but rather than a kind of meta-code, he saw narrativity as something rooted in our being 'within-time'. Specifically, drawing upon Aristotle, St. Augustine and Heidegger, Ricoeur emphasized the intertwinement of experiential and historical time through narrative. In one respect, plot is something that allows us to experience time as something other than a series of unrelated instants: that is to say, in both sequencing and configuring these instants, it 'provides a transition from within-time-ness to historicality' (1980: 178). And yet by virtue of this very function, plot is also something that is always-already in a process of development, and within which we necessarily find ourselves enmeshed: 'Historicity … comes to language only so far as we tell stories or tell history', but at the same time, 'We belong to history before telling stories or writing history' (1981: 294). For Ricoeur, then, emplotment is not only a figuration of temporality as such, but also an act that refigures the time of the present within which human action must always occur. The coherence of life itself, then, hinges on our ability to see the present through the lens of narrative time.

Despite their differences, what both White and Ricoeur effectively underline is the interpretive interdependence of events disjoined by chronological time. If narrative alone

can invest history with meaning or time with history, then because narrativity entails the 'grasping together' of more than one event, all events contained within a narrative necessarily find their historical meaning in relation to one another. Moreover, because history never quite stops – that is to say, because the arrow of *chronological* time continues to fly forward – new events can always destabilize old narrative understandings by prompting a re-emplotment of the past. In this way, then, both White and Ricoeur speak directly to the debate on time in economic theory. Specifically, they suggest that there can never be a final word on the past because its mutability is precisely what enables Robinson's 'ever-moving break' to be transformed into historical consciousness. Conversely, and in light of this, Robinson's concern with the destructive effect of time upon models should alert us to the practical function of narrative in the face of crisis.

Unfortunately, even though each of these debates has been influential in their respective fields, neither has engaged the other, and their co-produced insight into the fundamentally practical function of past has yet to penetrate the discipline of economic history. As we have seen, the broad legacy of Robinson's critique has been a new institutional turn in the study of economics, accompanied by a somewhat less visible return to the old institutionalisms of the early twentieth century. But if the latter remains the preserve of heterodox political economists, the success of the former has been achieved through its application of neoclassical tools to history. In methodological terms, this has prevented the renaissance in narrative history from reaching economics, which in turn has served to keep the relation between history and fiction from view.

As Michel de Certeau rightly points out, in the wake of the Great Depression, the writing of history becomes the writing of *economic* history. But one consequence of the rising neoclassical tide during the 1930s was a sea change in the study of economic history itself: the so-called cliometric revolution. Taking shape in the 1960s under the leadership of figures such as Douglass North and Robert Fogel, this 'revolution' saw a new cohort of economists come to history armed with a combination of neoclassical price theory and statistical technique. For these scholars, history was an objective science, and the past was 'a giant experiment station for economic ideas' (Goldin, 1995: 191). Hence, at the same time that Robinson was arguing that a 'new historical economics' was needed in order to overcome the limits of neoclassical formalism, cliometricians were already in the process of developing one by bringing a hypertrophic version of that formalism into historical study. At least in the US, then, economic historians took flight from the narrative form just as other historians did the opposite. In terms of financial history, this development can be seen in the literature on the Great Depression, where the landmark study of Friedman and Schwartz helped to inaugurate a shift from the tales of Galbraith and Kindleberger to the tests of Temin, Eichengreen, Bernanke, Bordo and Calomiris.

Of course, even cliometrics involves recourse to style, metaphor and story. But to focus strictly on the rhetoric of economic historians would be to miss a broader transformation in the emplotment of economic history itself. Specifically, with the formalisation of theoretical and historical economics, plot has been pushed out of written academic history. This has undermined the ability of individual histories to perform the narrative function, which in turn has forced narrative practice onto a higher plane of abstraction. Moreover, in this space between histories, the theories of White and Ricoeur encounter their own limit: What, we might ask, are the practices that enable cliometric findings to form the basis properly narrative understanding, and precisely how do these practices interact with the living plots of History? While some post-Keynesians have begun to approach this question by casting the history of economic thought as an input into historical process, practical historiography has yet to be conceived in similar terms. Thus, despite key changes in the study of historiography, economics remains largely oblivious to the fiction of history, producing an entirely new puzzle for the metahistorian.

Thesis III: Historiography is the repressed other of crisis theory

In recent years, political economists have begun to acknowledge the fictive dimension of crisis by focusing on processes of construal and social construction. But in seeking to root such processes within a historically specific conjuncture, they have ended up obscuring the intersubjective constitution of historicity itself.

Much like 'history', the very notion of 'crisis' contains a rich and productive ambiguity: It connotes a critical juncture that requires decisive action, but it also indicates how such action requires subjective intervention. In contemporary (International) Political Economy, this has led scholars to consider crises as potentially transformative moments in

which interpretive struggle conditions institutional evolution. Mark Blyth, for example, has consistently argued that agents need ideas in order to make sense of a crisis, and that this in turn situates ideological contestation at the base of any subsequent institutional change (see 2002: 27-37). More recently, like-minded scholars have begun to focus more closely on the practices and processes through which one interpretation of a crisis may come to prevail over another (see Widmaier et al., 2007). Blyth himself has written on 'inter-elite attempts at persuasion', which he suggests are waged in the name of various 'crisis-defining ideas' (2007: 761), while Leonard Seabrooke has argued that these inter-elite debates may be held to account by 'everyday discourses constructed by mass public agents' (2007: 795). In this 'constructivist' perspective, a crisis is not simply an event that agents perceive as necessitating institutional change; it is one that also serves to 'ignite processes of persuasion' both within and across different institutional domains (Widmaier et al., 2007: 749).

Colin Hay has also observed the subjective indeterminacy of crisis, but drawing on Marxist state theory, he conceives of decisive subjective intervention as a contingent and non-necessary response to the objectively over-determined failure of an economic regime (see 1999: 323-327). Before a crisis as such can be said to exist, he argues, the various contradictions that underpin systemic failure must be discursively recruited as 'symptoms' and incorporated into a 'meta-narrative of crisis' (Hay, 1999: 333ff.). However, once such a meta-narrative does emerge, it opens up an uneven space of struggle between itself and other competing narratives, mapping-out a 'discursively selective terrain' that privileges some constructions of crisis over others (Hay, 1996: 261). Hence, for Hay the very constitution of a crisis moment is itself a moment of crisis, and initial meta-narratives articulated in the media can be decisive in determining the nature of any subsequent institutional transformation.

More recently, Bob Jessop has sought to incorporate Hay's notion of 'discursive selectivity' into a more avowedly Gramscian theory of crisis by situating it alongside his own notion of 'structural selectivity'. In this 'cultural political economy' perspective, once the contradictions of a capitalist social formation are construed as constituting a systemic crisis, there is a proliferation of different 'economic imaginaries' across a variety of sites and scales. These imaginaries are then subject to mechanisms of selection, retention, and institutionalization that include both discursive and extra-discursive factors (Jessop, 2004: 162-166). A crisis therefore, is a potential moment of hegemonic transformation during which different agents vie to re-make social relations from within (see Jessop and Sum, 2006).

By way of summary, it would be fair to say that for Blyth, Hay and Jessop alike, a crisis gives rise to a necessarily circumscribed but fundamentally underdetermined process of meaning-making that conditions any subsequent institutional transformations.**3** For our purposes, however, it is important to point out that all three authors emphasize the centrality of narration to this process. Hay does this most explicitly through his notion of 'meta-narration', but the other two effectively anchor their key concepts in an appeal to the power of the narrative form. Blyth, for example, suggests that 'attempts at persuasion take the form of developing and deploying "causal stories" about the economy' (2007: 762), while Jessop speaks of the need for 'productively vague stories that connect past, present, and future' (2008: 83). The logical implication of this is that crisis-narratives and the ideas or imaginaries they support might very well involve the representation of past crises. But despite its immanent presence in the new crisis theory, the practical past remains repressed by the prevailing parameters of meta-theoretical debate. Specifically, due to their abiding concern with the relation between ideas and material interests, constructivist and cultural political economy scholars have neglected the role of historical representation during times of crisis, focusing instead on developing a nuanced understanding of the context in which meaning-making takes place. But if the context of crisis – however conceived – conditions the selection and retention of narratives, ideas, or imaginaries, then the relevant features of that context are also likely to condition the selection and retention of historical representations. The implication of this is that contemporary crisis theory might actually furnish some of the tools needed to address the question of the living and practical past. Unfortunately, much like financial and historical economics, it has been hampered by its carefully negotiated identity and self-image.

When lined up against equilibrium finance theory and cliometrics, contemporary crisis theory in political economy looks infinitely better placed to tackle the complexity of historical time, and it is. But despite the obvious points of epistemological and methodological difference, crisis theory is held back from full engagement through the same kind of mechanism that keeps history from finance and fiction from history – namely, the disciplining function of its field-specific meta-discourse. Constructivist IPE, for example, which grew out of constructivism in IR, has been

forced to model its challenge on that of its older sibling, justifying its right to exist through increasingly banal debates over old dualisms: structure vs. agency, ideas vs. interests, materialism vs. ideas, etcetera. Such debates were clearly part of an attempt to engage the dominant realist and liberal paradigms, and they effectively functioned as a means to make 'ideas' safe for IPE, distinguishing constructivism from more radical postmodern theories. A consequence of this accession, however, has been an empirical bias towards topics that are more easily tractable in methodological terms – hence the silence on the (re-) construction of the past, where two presents are in play.

Cultural political economy has had a very different genesis. Rather than operating within the parameters of contemporary IPE, its advocates have sought to draw on a 'predisciplinary' tradition combining a wide range of different theories. But despite this wilful eclecticism, the avowedly Gramscian core of the project has meant that all of its theoretical imports have effectively been filtered through a base-superstructure distinction, becoming distinct tools in an ultimately singular quest to think the dialectic of discourse and materiality. While such an approach is in no way incompatible with questions of practical historical interpretation, its emphasis on the difference between construal and construction has meant that the ontological depth of the present has been its primary theoretical concern. In this way, the debates surrounding Marxian theory and philosophy have performed the same function as those around ideas and interests in IPE, effectively keeping the past from the present in cultural political economy. Hence, despite being implied in its theoretical frameworks, the new crisis theory has ended up blind to the imaginary constitution of historicity.

The crisis of 2008 and the return of the repressed

The global financial turmoil that erupted in 2008 was accompanied by a proliferation of contending explanations, effectively placing the idea of crisis at the heart of public and academic discourse (see Samman, 2011b). Most scholarly accounts of the episode have tended to identify the undoing of a particular phase or modality of global capitalism, providing us somewhat ironically with an endless parade of 'end-ist' narratives: the end of greed, the end of liberal finance, and the end of money-production; the end of neoliberalism, the end of Anglo-Saxon capitalism, and the end of debt-driven accumulation. What is clearly missing from all of these accounts, however, is an acknowledgement of the sustained and widespread appeal to the past that has characterized the crisis. As Gillian Tett (2007) has rightly observed, even as the problem in subprime markets was just beginning to become visible, those on Wall Street were gripped by a 'violent thirst for historical knowledge', seeking parallels and lessons in previous crises. And as the crisis spread, so too did this thirst, with politicians, technocrats and journalists alike becoming obsessed with the 1930s. Indeed, by the time of Lehman's collapse, the Great Depression had become a kind of strange historical oracle – a figure or object from the past, summoned forth to decode the mystery of the present (see Samman, 2011a). In light of this, the events of 2008 should be recognized not simply as a crisis of global finance capitalism, but also as a related and broader crisis of historical consciousness. Quite simply, the return of the past represents a fundamental breakdown in the machinery of capitalist historiography, which has operated through a systematic repression of the fiction that necessarily underpins historical understanding.

In terms of academic economics, this breakdown has been revealed in two distinct but related ways. Firstly, a growing chorus of orthodox scholars have begun to acknowledge their failure to anticipate the crisis. Some have gone so far as to announce the onset of a 'Dark Age' in macroeconomics (Krugman, 2009), while others have been somewhat more optimistic, observing that 'in general, history rather than economic theory seems to offer a guide in interpreting wildly surprising and inherently unpredictable events' (Bordo and James, 2010: 127). Either way, the upshot is that the models that failed to predict the crisis – and perhaps even helped to cause it – are now being recognized as uniquely unsuited to the study of historical dynamics. Secondly, this basic shortcoming has been reiterated by the turn to analogy in policymaking. As some have already argued, financial regulation is a fundamentally pragmatic enterprise that rarely involves the neat 'application of theory-based prescriptions' (Nesvetailova & Palan, 2010: 808). With the onset of the 2008 crisis, however, the unprecedented response of policymaking organizations has relied on a thoroughly historical form of pragmatism, with fiscal and monetary authorities grounding their decisions in the 'lessons' of the past. For example, in the US and the UK, the decision to pursue quantitative-easing was surrounded by discussions of Japan's experience with the technique during the late 1990s. In this way, then, the crisis has forced economists and policymakers to

recognize the limits to formal modelling, prompting them to take the idea of historical knowledge more seriously.

In terms of economic and financial history, the signs have been subtler but no less telling. Quantitative study remains alive and well, but its promise to uncover the 'truth of the past' is buckling under the weight of the competing insights it is proving able to generate. This is especially the case when it comes to the Great Depression. Although that episode first emerged as the holy grail of financial cliometrics during the 1980s, the recent crisis has seen the publication of a wealth of new studies that seek to address the policy dilemmas of the present. Work in this vein has focused on topics as diverse as the relation between monetary policy and asset-price bubbles, the effectiveness of monetary and fiscal stimulus, and possible exit strategies from crisis-response measures. Of course, when understood as a reflection of the complexity of the Great Depression, this diversity is not a challenge to the field. In fact, if anything, it shores up the claim to objectivity that enabled quantitative history to flourish in the first place. But when viewed as an illustration of the sheer multiplicity of meaning that the past that can bestow upon the present, which it surely is too, then it hints at the kind of historical time that has been systematically repressed within the study of economics. Moreover, when situated alongside other developments in the writing of history, this polyvalence of the past becomes even more obvious. A quick scan of recent financial bestsellers will reveal a return of the Great Depression to narrative history, with new revisionist accounts garnering attention in *Forbes Magazine* at the same time as reprinted old classics are celebrated on the pages of the *Financial Times*. In effect, these developments indicate the increasingly fragile nature of historical certainty in economics through the mutability of the past in the present. Reinhart and Rogoff's (2009) recent book may have temporarily succeeded in obscuring this, but its sarcastic title – *This Time is Different* – is starting to look as though it would be better read literally. In the varying form and content of historical representation that the crisis has unleashed, it has effectively opened up a new and different temporality. And within this wormhole-like present, the practical past has become the substance of an ongoing and contested historiography.

In terms of crisis theory, the impact of 2008 still remains to be seen. The puzzle of historicity has been brought to the fore, but for the time being, the question of practical historiography remains conspicuously absent. In this author's view, one way of addressing this would be to bring meta-history into crisis theory. As we have seen, the meta-historical literature on narrative focuses on the interpretive interdependence of different historical events, but it has failed to address the ongoing and socially situated practices of historical representation through which this might play out in the present. Conversely, the political economy literature on crisis does precisely the opposite: it focuses on the diverse and contested practices through which an unfolding event is ascribed historical meaning, but has yet to address the role of past crises in this process. Put differently, while the former's concern with the historical past has come at the expense of addressing the function of the practical past, the latter's preoccupation with practical imagination has come at the expense of addressing what it is truly historical about the intersubjective constitution of crisis. From the perspective of crisis theory, then, the challenge is to put the insights of meta-history to work and begin treating moments of crisis construal and construction as something other than unrelated presents in time. Bob Jessop (2011) has recently begun to do this, focusing on the relation between learning and crisis, and more such work is needed. However, in order to come fully to terms with the puzzle of historicity, difficult ontological questions will need to be posed. The objects of analysis are uncontroversial, i.e. the practices of historical representation that bring accumulated facts and histories into the interpretive orbit of the present. Their relation to that present, though, might not be readily grasped through frameworks that posit a trans-historical logic of institutional and ideological change – after all, what we are dealing with are competing abstractions of historical change, generated through the recall of more or less distant events. Again, more work here is needed, so I leave the question hanging.

As is only fitting for an essay on the fiction of historical science, let us close with an appeal to a deeply historical work of science fiction. At one point in William Gibson's *Pattern Recognition*, the young protagonist Cayce offers an unexpected aphorism to a table of avant-garde advertising executives:

"The future is there," Cayce hears herself say, "looking back at us. Trying to make sense of the fiction we will have become. And from where they are, the past behind us will look nothing at all like the past we imagine behind us now." (Gibson, 2003: 57)

As the crisis of 2008 recedes into the past, we are in now a position to see it for the breakdown of capitalist historiography that it was. Going forward, the task is clear. The historicality of finance lays splayed out before us, the fic-

tion of historiology is an open secret, and crisis theory is on the cusp of coming to terms with the intersubjective constitution of historicity. The time for the past has come. History is there for the remaking.

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Endnotes

1Although Freud did attempt to construct a history of the Hebrew people using his theories of trauma and repression, this came at the cost of a weakened distinction between a person and a people (see *Moses and Monotheism* in Freud, 2001: Vol. 23). Meanwhile, as Caroline Williams (2001: 88) has observed, Lacan's structuralism effectively leaves no room for such a 'phylogenetic analysis of history'.

2The notion of 'ecological dominance' employed here is borrowed from the work of Bob Jessop (2000).

3In one way or another, all three authors suggest that perceived systemic failures require new ideas; that certain groups might be in a better position to articulate these than others; and that all agents must speak to and through existing (extra-) discursive structures if they are to offer persuasive and actionable maps for institutional change. Blyth and Hay tend to restrict their focus to national economic systems, whereas Jessop's framework seeks to address multi-scalar processes.

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Economic Crisis and the Politics of Austerity in Ireland

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The countries of the Eurozone periphery – Greece, Ireland, Portugal, and Spain – tend to be grouped together because of the severity of the crisis they have experienced since 2008, and because the first three of these are now in EU-IMF loan programmes. All are now required to implement fiscal retrenchment to address their government deficits. While the Greek sovereign debt crisis dominates the news in summer 2011, what is often overlooked is that Ireland's is a very different kind of crisis, and that Spain and Portugal are rather more like Ireland than they are like Greece.

Despite its massive accumulated debt – which has grown from 25% of GDP in 2007 to a projected 120% of GDP in 2014 – Ireland's main problems at the moment do not stem primarily from poor management of the public finances (though many weaknesses can certainly be identified in hindsight), but rather from the collapse of the banking system (Dellepiane and Hardiman, 2011). It was the private rather than the public sector that engaged in a surge of borrowing in the wake of the low interest rate regime instituted by the Euro. This also meant that other European banks, especially German and French, are now very exposed to the fragile banking sectors of the peripheral economies, greatly increasing the interdependencies within the European financial system. The problem was greater in Ireland than elsewhere, where the so-called light touch regulatory regime to which Ireland was committed, along with Britain, turned out in effect to mean little or no regulation at all. In a small society in which personal connections were highly valued, close links developed between the banks, property developers, builders, and the dominant political party (Fianna Fáil) that had been in power since 1997. The massively over-extended Irish banks had very little involvement in the complex trading products that were the undoing of the major US financial institutions. As three official investigations have now confirmed, theirs was a 'plain vanilla' problem of over-lending on over-priced assets during a boom. Regulatory oversight and risk assessment had been scaled back, by domestic as well as foreign-owned institutions. A form of group-think or herd mentality set in which allowed them to believe that property values could never fall and that irrational exuberance would end in a soft landing.

This is not to overlook the fact that there is also a sizeable deficit in the public finances in Ireland as well, and indeed public spending is estimated to exceed public revenues by about 40% in the current year. The collapse of the building industry and the dearth of credit in the economy choked off growth, and exposed the degree to which surging public spending commitments had been dependent on cyclical revenue sources. As in the other peripheral economies of the Eurozone experiencing asymmetric shock, revenues slowed while automatic stabilizers pushed spending up; just as one might expect, a gap opened up in the government's budget. But in Europe's monetary union, ongoing fiscal imbalances are not permitted. In October 2008, the European Commission launched excessive deficit procedures for Ireland, Greece, Spain, France, Latvia and Malta, under the Euro Stability and Convergence Programmes (SCPs). From a small surplus in 2007, the Irish deficit was estimated at 6.3% GDP in 2008, and was expected to widen to 9.5% in 2009; it was required to reduce this to below 3% by 2014. In 2010, Ireland's recorded fiscal deficit was 32%, mainly due to the obligation government had assumed to rescue the banks; but the public component was still over 12%. This is not due to any failure on the part of Irish government to engage fully with fiscal stabilization measures. From the outset, it accepted the imperative to reduce the deficit, and has engaged vigorously in adjustments that rely on spending cuts and revenue increases in a ratio of about two to one. Indeed, it has done this pre-emptively, and has been praised as a very model of government commitment to regaining market credibility. Ireland has already made very significant fiscal adjustments: between 2008 and 2014, on current projections, a total of €30bn will have been taken out of the economy, two-thirds through spending cuts. This is equivalent to about 18% of the total GDP of 2010, or 22% of GNP.

However, in current circumstances, the prevailing orthodoxies about how the politics of credibility works do not match the experiences of countries that have tried it. There is no crowding out of investment opportunities that needs to be curbed, and investor confidence is not at issue. Public spending cuts have even damaged the credibility of governments' borrowing capacity, as the ratings agencies have responded to cuts with downgraded credit ratings, arising from the probability that economic growth will be dampened. Growth in Ireland has been negative for three consecutive years. Government reported in Budget statements that the massive fiscal effort was stabilizing the deficit, but projections of the effort required to reduce it, and of the total debt accumulated as a result, continued to increase.

The dual experiences of an economic shock and a banking crisis would be difficult to manage for any government. The option of postponing retrenchment, let alone engaging in expansionary measures, is not only politically constrained, but has little credibility in Ireland in view of prior experiences in the 1970s and 1980s. The constraints on Irish government options come from another source, which is the tension between politics and markets not only nationally but internationally. The transnational consequences of monetary union escape effective regulation and management by national politics, but the international governance of monetary union is only partially institutionalized at European level (O'Rourke, 2011). Domestic decision-making must engage with what Vivien Schmidt has called the 'unfinished architecture' of European integration (Schmidt, 2010). European Union politics may be thought of as having a range of equilibrium points involving the assorted actors and institutions affected by the crisis. The politics of austerity in the European periphery is not necessarily the optimal strategy for resolving the various issues that need to be addressed. But it is the one that is politically possible at the European level at the moment (Dellepiane and Hardiman, 2010). What is not so clear is whether and for how long this new politics of austerity will be sustainable in Ireland.

The President of the European Central Bank, Jean-Claude Trichet, recently restated his views about how best the stability of the Euro is to be ensured: 'We emphasise the three pillars necessary for European governance, all three of which must be improved substantially: supervision of fiscal policies, supervision of competitiveness indicators, and structural reforms' (cited in the irisheconomy.ie blog, 10 June 2011). What is striking about this is what it does not say. It makes no mention of economic growth as a priority. And it makes no mention of the fact that none of these three sets of measures – all entailing stringent compliance conditions in the countries in the EU-IMF loan programmes – has any direct bearing on the underlying problems of the European banking system. Sticking with these three targets provides an indirect means of preventing a wider banking crisis from emerging for the time being. The problem for Ireland is that it comes at a heavy cost.

Ireland's slide into the EU-IMF loan programme can only be understood in the context of developments at a European level. Fallout from the Greek crisis in May 2010 worsened the market assessment of Ireland's risk rating. The government, having undertaken a blanket guarantee of the banks in September 2008, believing this bailout would be 'the cheapest in the world', in the words of former Minister for Finance Brian Lenihan, found itself saddled with responsibility for their ever-mounting losses. The full scale of rescuing and recapitalizing the Irish banking sector rose from an estimated €5.5bn in September 2008, to €11 billion in the first half of 2009, to €35 billion in March 2010, to €46 billion in September 2010, to a total of about €70bn, in what was announced as the last and final upward revision of the cost of bailing out the Irish banks in March 2011. In an ironic though unintended reversal of Lenihan's earlier view, the Governor of the Central Bank Professor Patrick Honohan called this 'one of the costliest banking crises in history'. The hidden underside of this is that the ECB has been the guarantor of the liquidity of the Irish banking system, at very low interest rates (of about 1%), amounting to some €170bn by 2011, both directly and indirectly.

The EU-IMF loan programme did not require any more stringent adjustment conditions than the government was already committed to in the National Recovery Plan 2011-2014, which had been approved by the European Commission in November 2010, as the latest instalment of the stability programme. But other terms and conditions associated with the EU-IMF loan programme were more controversial. The European element of the loan contained an interest rate premium which the Fine Gael-Labour government, elected with a resounding majority in February 2011, had vowed to renegotiate, an issue with which it has had little evident success to date. But in addition, no review of 'burden-sharing' was to be permitted, that is, no write-down of the returns to bondholders which had become the responsibility of the Irish government. Brian Lenihan was reported to have been 'crestfallen' by the ECB's intransigence on this matter; the IMF was reported

to have been surprised at the ECB position; the Governor of the Central Bank confirmed that 'no political room was offered to him by the people' (that is, the official 'troika' who concluded the loan agreement). The reason behind this tough position on Ireland's banking system appears to be to ensure that other European banks, especially in Germany, do not suffer a write-down in their position, which could open further unwelcome scrutiny of the robustness of their funding. It is also reported that US Secretary of State Timothy Geithner insisted that Irish bank bondholders be repaid in full, lest 'contagion' spread to the entire European system, to which American-backed credit default swaps are exposed to the tune of €120bn. Some commentators have suggested that Ireland should exercise a stronger bargaining stance in seeking to relieve the Irish taxpayer of the crushing burden of liabilities they face. But since the public deficit is still very large, and since the medium-term continuation of credit to the Irish banking system is still subject to ongoing informal goodwill on the part of the ECB, it could well be countered that the Irish negotiating position is not particularly strong.

Ireland is therefore required to implement the politics of austerity in full measure. What the eventual outcome will be remains open to speculation. Ireland's best prospects for achieving renewed growth come from its long-standing commitment to a low corporation tax, which has been a core pillar of the FDI-led export-intensive development strategy; but French criticism of this policy has stalled negotiations on interest rate modification. The government position is that the Irish debt can and will be fully repaid and that no default can be contemplated; but many commentators express doubt, since there seems little prospect that Ireland will be able to return to the borrowing markets at end-2012 as projected, in which case it may find itself in the position Greece is in during 2011, needing a further tranche of official lending. The domestic political management of Ireland's austerity programme has not as yet been deeply problematic. It caused the collapse of Fianna Fáil, one of the two main historical parties in Ireland, and since the incoming centrist Fine Gael-Labour coalition is also bound by the terms of the EU-IMF loan programme, this may leave political space open for a new kind of opposition politics that makes a more radical appeal to the politics of disaffection (Mair, 2009). The eventual outcome of the politics of austerity will be shaped by developments at European level, and by the challenge of building new coalitions of interest among European leaders to address the hidden problems of the European banking system that underlie the very visible issues of fiscal deficits.

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The European Sovereign Debt Crisis: the Portuguese Case

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Introduction

In Portugal, like in the rest of the Southern European countries that were part of the so-called third wave of democratization of the 1970s (Greece and Spain), the Euro was seen as a symbol of modernization, economic growth and stability. Its introduction was considered the culmination of a successful process of European integration accomplished in a very short period and against all odds. The ugly ducks were, at last, recognized by their capacity of adjustment. Accepting the Euro was a proof of work well done and that, at last, the Portuguese could be considered true European citizens. Being part of the monetary union and fulfilling all the economic and financial requirements previously established became a reason of pride, easily explored by all the political parties that supported the integration. The idea of catching up with the rest of Europe and economically converging with the rich neighbors became more or less credible. Some politicians went as far as using a cycling metaphor, underlining that the Portuguese were now a part of the leading European pack, meaning they were well prepared and could be considered good students of the European integration.

Unlike the northern European countries where the economic achievements are an important part of nationalistic pride and patriotism, in Portugal the allegiance to the country is much more memorial, cultural and linguistic than economic (Luna-Arocas *et al.*, 2001). This means that the attachment to the Escudo was more a practical issue or a question of habit than a matter of national pride. This lack of currency fidelity avoided any sense of loss and created a strong impetus in favor of the Euro. The new monetary unit also represented a strong currency that would eventually avoid the return of the high inflation rates experienced in the 80s, and stop the rise of unemployment. For the middle class, the Euro also epitomized a renewed chance of traveling abroad, without being caught in the traps of a devalued Escudo. Being part of a solid economic block was now more than a promise. Reinforcing this trend, most of the economist's discourses stood for the virtues of Euro adoption. The warning voices were few and far between. Just a handful of economists made some cautionary remarks on the possible downsides of the Euro introduction in a country with a fragile economy and an ongoing practice of competitive devaluations.

If the symbolic dimension is certainly a cause for the lack of resistance to the abandonment of the "Escudo", it is not less important to mention that the easy calculation of the conversion rate created a smooth currency transition. Even those who were considered less receptive to the transition (old people and the illiterate) were able to make the necessary calculations and adjustments. For practical reasons, everyone used a rule of thumb by which one Euro was considered equal to two hundred Escudos.

Values, Beliefs and Attitudes towards the Euro

In the Eurobarometer fl 165 of 2004, Portuguese, Spanish and Greek were the European citizens with fewer difficulties in the recognition of Euro coins. Even considering the easy acceptance of the new currency and the apparent simplicity of the conversion calculation, it has been noted that the Portuguese were caught in a trap of miscalculation or monetary illusion. In the last years of the Escudo, people were using the 100 Escudos coin as a sort of basis for the calculation of many expenses, what

we can call the "tip reference". It was noted by many observers that the introduction of the Euro led many to substitute the basis of this elementary calculation by the Euro coin that actually doubled the value. Since the Dutch and the German are the ones expressing more difficulty, we can hypothesize that this problem is correlated with the levels of resistance towards the new monetary unit. The acceptance of the Euro is not followed by the use of the new currency as a benchmark for calculation. The Portuguese kept using the old Escudo for mental calculations and making inter temporal comparisons of expenses. Again, this was made possible by the easy mathematics involved in the conversion. Still, in most of the questions connected with information about the dynamics of the European Union, the Portuguese ranked at the bottom – the presence of coordination mechanisms, the existence of fees on the use of credit cards on other EU countries, the value of the Euro against the Dollar, or the adoption of the Euro by new members. Taking this data into account we can say that support for the Euro by Portuguese citizens resulted more from an ideological leaning and an aspiration than from a well informed choice. The lack of information can also be seen in the fact that Portugal showed the highest levels of no response in many questions. At the same time, the levels of pessimism in Portugal were the highest among the countries that were already part of the Euro. 83% of the Portuguese considered that the economic situation in the country was worse than in the other Euro partners and only 4% expressed the opposite view.

By 2010 (see Flash EB 306 of 2010), the attitudes of the Portuguese had changed a lot and the lowest level of support of the Euro occurred in Portugal, with only 61% of those interviewed declaring that the Euro was a "good thing". Despite this feeling that grew in parallel with the degradation of the economic situation, the Portuguese were still at the top in what concerns the easiness of handling euros and adopting them in the day to day life. After eight years of dealing with the new currency, the Portuguese were still the most likely to make calculations in the national currency. The lack of information remained an issue and the inability to answer several questions remained strong. The same can be said about the recognition of the existence of budget deficits, a situation that eluded an important part of the respondents. The inflation rate was also unknown for many Portuguese citizens. It is interesting to notice that the Portuguese showed the highest level of "hearing about the Stability and Growth Pact" (71%) and confidence of that knowledge (32%). This is certainly a by-product of the ongoing worries about the economic situation. The same can be said on the recognition of the need for strong economic reforms. The reforms that ranked on the top of Portuguese preferences were education and health. The respondents saw the inevitability of these reforms but also expressed that they will have a negative impact on their livelihood. This information should also be considered at the light of the low institutional confidence levels expressed by the Portuguese in other polls. In countries where levels of financial literacy are very low, most of the allegiances, attitudes, beliefs and values are very much dependent on the socio-political climate and vary deeply according to the perceptions of the economic situation, filtered by your own private condition at a specific moment. Data and objective results play a less important part in the shaping of the citizen's reactions, rates of approval and general feelings.

Macroeconomic imbalances

Trading perceptions for realities, and with some hindsight, we can enunciate the basic problem of the Portuguese economy as corresponding to a substantial overvaluation of Escudo by the time Euro was created, with subsequent loss of competitiveness of exports and excessive growth of imports, thus leading to a repetitive pattern of trade deficits. This situation, which, were it not for Euro's existence, would quite probably have been dealt with by means of a "competitive devaluation" of Portuguese currency, remained untreated. This way, the problem persisted, and indeed was aggravated, producing a situation that is *à la longue* unsustainable. Simultaneously, recurrent accumulated current account deficits (see Appendix, Table 1) have produced a growing external debt: private external debt, first, and afterwards also public external debt, the so-called "sovereign debt" (see Appendix, Table 2).

It's worth mentioning the fact that the European institutional framing of problems or, if you will, EU's official wisdom, has repeatedly formulated the basic problem as consisting of excessive budget deficit, in the name of the rule of "budget consolidation", demanded by the central goal of price stability. In what concerns this other subject, Portugal has kept a level of deficits consistently above the prescribed 3 per cent of GDP, in all years except 2003, but one ought to notice that the Portuguese

pattern of non-compliance is clearly below other more serious cases, as it is obviously the example of Greece. Portugal walked a path comparable to Spain and Italy, at least until 2008 (see Appendix, Table 3 and Table 4).

In order to tackle current account problems, the Portuguese authorities had previously, and more than once, carried out competitive devaluations. Devaluation, of course, is not in itself intrinsically good, since it can also bring problems, namely rampant imported inflation via "rigid" imports, such as oil (which is important in an energy-dependent economy). But in general terms it is acknowledged that it does contribute to the balancing of external accounts.

The main assumption, when Portugal entered the Euro zone – that it was possible to live without the "artillery" of competitive devaluations –, was that interest rates would become considerably lower, creating a boost effect on the productive investments, and therefore an increase in the "intrinsic" quality of Portuguese products. That effect would, in turn, keep external competitiveness alive. Still, the fact is that the lowering of interest rates did occur, but it has boosted much more a speculative real estate bubble (although not at the level of Spain or Ireland) than anything else. The intended stimulus on exporting sectors was feeble. More broadly, and associated with the lowering of inflation, the expenditure patterns shifted in such a way as to provoke a growing indebtedness of all sectors of the economy (families, firms, and the state). It is worth noticing that these growing levels of indebtedness occurred in a country that, until the mid-70s, had very low levels of money owing and where the virtues of parsimony, capacity to save and avoiding risk were part of the public credo of the dictatorship. At this level, it can easily be said that the aggiornamento of the Portuguese to the modern world and to a credit society happened at a very fast pace. What was once anathema became suddenly trendy and commendable, in order to establish an expenditure pattern emulating the significant others. Keeping up with the Joneses was now the rule.

Simultaneously, the evolution of unit labour costs in Portugal and the corresponding real effective exchange rate, relative to its competitors in EU (mainly Germany) and non EU countries (such as China), led to the stimulation of non-tradable sectors at the expense of the tradable ones. Some of these non-tradable sectors are not exposed to competition, with firms enjoying a quasi-monopolistic status (gas, petrol, electricity, water, telecoms). On the whole, these traits must have contributed to a rhythm of price growth that was bigger than the average of EU until 2008, and this feeds back upon the loss of competitiveness.

On the other hand, the very fact of belonging to the Euro zone does inhibit or prevent the adoption of active industrial policies aiming at the "positive discrimination" of exporting sectors. Taking into account this lack of competitiveness and the structural vulnerabilities, namely a sluggish productivity growth, the performance of the Portuguese economy during this period was indeed poor, with a rhythm of economic growth below EU's average, and in a trajectory of divergence.

This poor economic performance (see Appendix, Table 5) could not be compensated by the state, given the budget-balancing constraints, characteristic of the last decade, and the purpose of "public finance consolidation" induced by the EMU rules. Indeed the Euro and its institutional design meant the avoidance of possible tendencies to excessive price-growth, therefore also public deficit, presumably a big inducer of inflation. That was the main theory, and the main doctrine: price stability *über alles*. The rest, it was assumed, if stability allows agents to proceed rationally (according to reciprocal expectations), will come out of necessity, as a corollary. Of course, it was also cavalierly assumed that the private sector, and mainly private investment, would substitute with advantage what the state was inhibited from doing. Pulling the state out of the economy – or at least preventing its allegedly unmeasured growth – was supposed to be fundamentally a good option. What was probably a wise move in the case of northern European countries did falter in Portugal.

All the listed problems were made much more serious with the impact of the international economic and financial crisis of 2008-2009. Although the financial sector in Portugal was not excessively exposed to the toxic assets, it is however true that two minor banks (BPP, BPN) required public intervention. The last one was nationalized, with losses of Eur 4 billion assumed by the state, through the action of CGD (the public bank).

Regardless of the emergence of a financial crisis, we ought to remember that there is a basic imbalance (the external account), which must be tackled directly. That fact imposes some form of devaluation, either by an

"internal devaluation", that is to say, reduction of nominal wages, pensions, etc., or via getting out of Euroland, adopting a strict devaluation. But this, of course, doesn't tell it all. In what concerns the EU, diagnosis may assume the "excessive growth" of salaries in PIGS (Portugal, Ireland, and Greece) as much as the "insufficient growth" of salaries in Germany, and indeed the "excessive growth" of capital gains, in Germany or elsewhere. Obviously, this discussion has an inescapable distributive dimension, and also represents the omnipresence of the pressures exerted by "sound money" Euro policies on the labor/capital divide. Another element to take into consideration is the fact that the ratio US Dollar/Euro has passed from 0.9 to 1.4, approximately, during the decade. In other terms, this represents the existence of a huge "competitive devaluation" of the US Dollar, in face of which the European authorities didn´t proceed with the expectable "Tit for Tat". That is a direct consequence of the Euro being a candidate to a position of world-money, and so having to be indisputably "sound money", whereas US Dollar is the incumbent world-money. And, of course, also of Germany disposing of a productive structure capable of enduring the mentioned persistent overvaluation, whereas PIGS obviously don't. In the case of Portugal, there is also to consider, in what concerns the possible "internal devaluation", the specificities of a situation that already corresponds to levels of inequality that are bigger than in the average of the EU (see Appendix, Table 6).

The social costs of the sovereign debt crisis in Portugal

After several years of sluggish economic growth since 2001, with a mild recession of minus 0,9% in real GDP in 2003, the recent economic and financial crisis had a severe effect on economic activity, with null growth in 2008 and a 2,5% fall in 2009.

Despite the slight recovery of 2010 (+1,3%) the most significant social cost of this crisis was the large increase of the unemployment rate, attaining 9,6% in 2009 and a record high of 11,1% in 2010. But the stimulus measures of 2009 (an electoral year in Portugal), namely the 2,9% nominal growth in public wages (representing a real gain of 3,8%), the reduction of value added tax (VAT) standard rate from 22 to 21% and a huge package of public investment (in infrastructures and the renovation of hundreds of public schools), combined with a positive trend in private sector's wages, resulted in private consumption falling only 1,1% in 2009 and increasing 2,2% in 2010.

The serious deterioration of fiscal deficits, from 3,5% in 2008 to a record high of 10,1% in 2009, the unsustainable current account deficits (12,6% in 2008 and 10,9% in 2009) and the contagion of the sovereign debt crises of Greece and Ireland, with the corresponding external aid requests in May and November 2010 respectively, changed the macroeconomic policy approach of the Portuguese government.

Under the auspices of the European Union institutions and partners (Eurogroup and the German government) a successive chain of austerity packages (PEC1, PEC2, PEC3 and the rejected PEC4[1], leading to the resignation of the government, but subsequently incorporated in the EU and IMF external aid Program of May 2011) started a *via sacra* of policy measures and economic events that, searching to ensure fiscal and external consolidation and attaining a solid growth potential for the medium and long terms, have interrupted the fragile recovery of 2010 and will for sure be responsible for a serious and historically new double dip recession. So, after the mentioned contraction of 2,5% in 2009, the implementation of this draconian program is expected to cause a real GDP fall of 2,2% in 2011 and 1,8% in 2012, according to the (probably overoptimistic) projections of his own proponents.

The social costs of an economic adjustment of this magnitude have been and will continue to be profound. The main victims are the large thousands of persons losing jobs and those facing accrued difficulties in finding a new one, 619.000 according to the last numbers available (end of 2010) and around 750.000 or even more in the near future (the IMF projects an unemployment rate of 13,4% for 2013, a value never seen before in Portugal).

In 2010, or better still, until 17 May 2011, when the agreement for external financial support with the so called *troika* (EU, ECB and IMF) was signed, the austerity measures were relatively mild and, besides an increase in VAT's standard rate from 21 to 23%, affected mainly civil servants. The most emblematic measures in this context were a reduction of nominal public wages between 3,5 and 10% for salaries above EUR 1.500 per month, with projected savings of 5% in the overall wage bill and a freezing of all public pensions and wages un-

der EUR 1.500. With a Consumer Price Index (CPI) of 1,4% in 2010, these measures represented a large real income loss for active civil servants (between 4,9 and 11,4%) and a small loss for retirees.

The Memorandum of Economic and Financial Policies and the corresponding Technical Memorandum of Understanding, signed by the representatives of the *troika* and the Portuguese authorities (the center-left government of Partido Socialista), with the support of the main opposition parties (Partido Social Democrata and Centro Democrático Social), of the right political spectrum, that a few days later would come to win the general elections and will in fact apply the program in coalition) contain a far reaching set of fiscal and structural adjustment measures that constitute all of a government program (curiously, and unfortunately, almost never discussed and scrutinized during the electoral campaign).

With a financial support amounting to EUR 78 billion, the program focuses on the ambitious goals of enhancing competitiveness and growth, restoring confidence and fiscal sustainability and safeguarding financial stability. The growth-enhancing reform agenda has the usual tone of increasing competition, reducing labor costs and privatizing. The financial stability requests an increase in the capital position of banks through market-based solutions, supported by a fully funded capital backstop facility, as well as safeguards to support adequate banking system liquidity and for strengthening the supervisory and regulatory framework.

The fiscal policy, however, has the most relevant impact on the living conditions of the Portuguese citizens, and deserves a more careful examination. The fiscal adjustment for the period 2011-2013 is violent, particularly in the current year, aiming at a deficit reduction of 3,2% of GDP (from 9,1 to 5,9%), followed by cuts of 1,4% and 1,5%, in order to meet the Stability and Growth Pact requirement of 3% in 2013.

On the expenditure side, the public sector employees, active or retired, are again one of the most sacrificed groups. Following the mentioned 5 percent cut in public sector nominal wages included in 2011 budget, wages and pensions will be frozen in nominal terms in 2012 and 2013, and promotions severely constrained. The corresponding real wage losses average, for the active workers, 12% in 3 years and attain 17% for nominal wages above EUR 4.200 (according to the CPI projections of the IMF). This group will also be affected by the significant reduction in the overall health benefits schemes for government employees, lowering the employer's contribution and adjusting the scope of health benefits, with savings of EUR 200 million in 2012 and 2013.

Seriously affected are also the retirees (from all sectors of activity, public or private) receiving pensions above EUR 1.500, that will suffer an income reduction according to the progressive rates applied to the wages of the public sector in 2011, with the aim of yielding at least EUR 445 million. It was also decided to suspend the application of pension indexation rules and freeze pensions, except for the lowest pensions, in 2012. The concrete terms of this exception, aiming to protect the more vulnerable persons, are not specified, being an incognita if it applies to the minimum pensions around EUR 200 (800.000 pensioners) or pensions until EUR 419 (the value of so called Index for Social Support), affecting 1.600.000 persons.

Other expenditure measures with great social impact, but not concretely defined in the program, relate to the purpose of controlling costs in the provision of public goods and services, namely in health and education systems (augmenting co-payments) and in State Owned Enterprises of the public transport sector (increasing tariffs). But the intention of protecting more vulnerable groups (with exemptions and subsidies) is also mentioned for these cases. The significant reduction of transfers to local and regional authorities, however, may impact on the living conditions of these groups and the population in general. It is worth mentioning that many services and social support are provided by local authorities.

On the revenue side, several measures will impact on the real disposable income of the Portuguese tax payers, namely: the reduction of personal income tax benefits (health, education, rents, and mortgage interest payments for owner-occupied housing, etc.); changes in property taxation, reducing the temporary exemptions for owner-occupied dwellings and updating the notional property value of real estate assets; raise VAT revenues, not by changing the rates but by reducing exemptions and moving categories of goods and services from the reduced (6%) and intermediate (13%) VAT tax rates to higher ones (a very sensitive measure, for the more vulnerable groups of society); increase excise taxes (car sales, tobacco products and electricity, this last as yet not subjected to excise taxation).

On the structural adjustment side, it was decided to prepare an action plan to reform the unemployment insurance system, along the following lines:

- reducing the maximum duration of unemployment insurance benefits to no more than 18 months (not applied to those currently unemployed);

- capping unemployment benefits at 2.5 times the social support index (IAS) and introducing a declining profile of benefits after six months of unemployment (a reduction of at least 10% in the benefit amount, only for those becoming unemployed after the reform);

- reducing the necessary contributory period to access unemployment insurance from 15 to 12 months. And a large menu of measures follows, focusing on increasing the flexibility of working time, wage setting and individual dismissals.

One of the most controversial measures of the program is the so called fiscal devaluation (a major reduction in labor costs, by means of the employers' contribution to the Social Security system – *taxa social única*, currently at 23,75% – fiscally neutral, that is to say, compensated by other taxes (on consumption?) or expenditure reductions. The competitiveness impact of this measure is small (at least for the value of 4% that was mentioned, around EUR 1,6 billion) and the risk for the sustainability of Social Security is high.

Many other measures could surely be mentioned (the Memorandum of Understanding with the *troika* – the MoU, the acronym that nowadays, and for the worst reasons, is in the mouth of everybody, not only the economists – has 37 pages), as the unprecedented cut in public investment and reevaluation of all major projects (the so called PPP – *Parcerias Publico-Privadas*[3]) the most emblematic being the high speed train connection Lisboa-Madrid.[4] Or the demand of accelerating the privatization program of public companies (airline, the freight branch of railways, petrol, electricity, post, and the insurance sector of CGD, "as well as a number of small firms"…). Despite the sheer violence of the recipe, we should notice that the Portuguese voters conceded 78% of their votes to the parties that signed the agreement.[5]

However, the projected trends for real GDP and the components of demand in 2011 and 2012 seem overoptimistic. Looking at previous experiences of recessions in Portugal (see Appendix, Table 7) it is absolutely amazing the slowdown expected for private and public consumption. Were it not for the optimistic forecasts concerning export growth and import reduction, the global scenario would look much worse. And that these are indeed very complex and peculiar times for the macro economy of the peripheral countries of Euroland is the least we can say.

Concluding Remarks

Considering the depth and the persistence of the aforementioned structural weaknesses of the Portuguese economy, we can ask ourselves whether they may be overcome with a three year adjustment programme, even though draconian. Up to the present time, many attempts have been made to solve these problems internally, but with low levels of success. The current situation differs radically from the past, given the external ruling and close monitoring by the troika. With more than two hundred specific measures, the programme is not only very detailed but also imposes quarterly goals that should be strictly reached by the Portuguese authorities. However, the fact remains that the interest rate associated with the loan taken by Portugal is probably too high to be payable, since it corresponds to a level above the sum of foreseeable inflation and GDP growth. That is to say, the debt service has a crescent relative importance, meaning an also crescent burden on the economy in its whole. Therefore, we can wonder whether this shock therapy will cure the disease at the cost of killing the patient. As we know, these measures can provoke serious strain in a society that already ranks among the most unequal in all of the European Union, leading to social protest movements, political unrest (even in a scenario of a coalition government enjoying a majority support) and also – and crucially – the deepening of the current brain drain, especially youngsters, with its reinforcing looping effects on the declining competitiveness.

We must add to those traits the fact that in the case of previous IMF "interventions" in Portugal, during the 70s and the 80s, the main road to overcome problems has precisely consisted of monetary devaluation, and therefore of export enhancing, which is of course a strict impossibility within the present context. Alternatives to the prescribed medicine seem, however, for the moment, very far away, to say the least:

■ Be it the deepening of European integration, with the partial freeing of peripheries from present liquidity strictures by the emission of Eurobonds or some equivalent measures – which in turn would probably compromise the global position of Euro as a candidate to world-money, arguably inducing the raising of both interest and inflation for the whole of the European space.

■ Be it the fast growth of the relative weight of a truly European budget, allowing transfers capable of compensating EMU present imbalances – which would obviously cause various legal problems that would have to be dealt via a profound reform of the European institutions and forms of governance.

■ Be it, finally, an exit from Euroland (with a potential domino effect on a considerable part of Euro area) with the correspondent competitive devaluation – which would pose several problems, such as the likely reactions of both exports and imports to the exit, the need to carry on with capital controls as a way of avoiding or minimizing speculative vortexes, the need to go into default and proceed to several debt haircuts, the question of the "long" or "short" memory of creditors concerning Portugal's return to markets in order to obtain financings, etc. (As to this, see Lapavitsas et al. 2010a and 2010b, Krugman and Weisbrot 2011).

A less radical scenario, would be a voluntary renegotiation (not default) of sovereign debts, whether in maturities or/and interest rates, that would alleviate the financial burden, giving time to allow a smooth adjustment and reform of the real component of the concerned economies, particularly fiscal consolidation and competitiveness restoring. This is probably a strategic move that is being delayed beyond what is reasonable, for the protection of creditors (mainly banks) and at the expense of the sacrificed populations of the Euro zone periphery.

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Endnotes

1PEC is the acronym of *Programa de Estabilidade e Crescimento*, i.e. Stability and Growth Program, a request for every EMU member country to regularly communicate to the European Union authorities the policy measures undertaken to assure macroeconomic stability, if not necessarily (sustained) economic growth.

2This was one of the few measures of the program extensively discussed in the electoral campaign, but in an inconclusive way (besides the firm rejection from the left and the resolute apology from the right, but not with a single number).

3Public Private Partnerships.

4Another hot subject of political debate in the campaign, with the fierce opposition of the right that now on the government will have to decide on the matter.

5In the general elections of June 5, 2011, the political parties supporting the program (PSD, PS and CDS) obtained 78% of

the votes and the right wing parties caught more than 50% of the votes, forming a coalition in the incoming government).

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Appendix

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Euro zone	-0,4	0,6	0,3	0,8	0,1	-0,1	0,1	-1,5	-0,3	-0,4
Portugal	**-10,3**	**-8,3**	**-6,5**	**-8,4**	**-10,4**	**-10,7**	**-10,1**	**-12,6**	**-10,9**	**-9,9**
Greece	-7,2	-6,5	-6,6	-5,9	-7,4	-11,2	-14,4	-14,7	-11,0	-10,4
Ireland	-0,6	-1,0	0,0	-0,6	-3,5	-3,6	-5,3	-5,7	-3,0	-0,7
Spain	-3,9	-3,3	-3,5	-5,3	-7,4	-9,0	-10,0	-9,7	-5,5	-4,5
Italy	-0,1	-0,8	-1,3	-0,9	-1,7	-2,6	-2,4	-2,9	-2,1	-3,5
Germany	0,0	2,0	1,9	4,7	5,1	6,5	7,6	6,7	5,0	5,3

Table 1 Current Account Balance: Portugal and other Euro zone countries (% of GDP)
Source: AMECO – Annual Macro-economic Database, EU

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total economy	**46,9**	**55,2**	**57,2**	**61,8**	**67,9**	**78,6**	**89,0**	**96,1**	**110,4**	**107,5**
Monetary Authorities	-12,3	-11,2	-13,8	-8,1	-6,3	-9,6	-10,0	-2,8	-2,3	13,3
State	27,2	32,8	33,1	36,7	42,7	42,0	42,7	47,9	54,5	46,2
Banks	39,2	42,1	44,6	37,7	36,7	49,1	55,0	43,8	46,2	32,8
Other Financial Inst.	-18,6	-18,9	-14,7	-13,3	-16,8	-19,3	-16,1	-2,5	-3,6	-2,4
Households + firms	11,3	10,3	8,0	8,8	11,5	16,5	17,3	9,6	15,6	17,6

Table 2 Net International Investment Position: Portugal (% of GDP)
Source: Banco de Portugal, Annual Report, 2010

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Euro zone	-1,9	-2,6	-3,1	-2,9	-2,5	-1,4	-0,7	-2,0	-6,3	-6,0
Portugal	**-4,3**	**-2,9**	**-3,0**	**-3,4**	**-5,9**	**-4,1**	**-3,1**	**-3,5**	**-10,1**	**-9,1**
Greece	-4,5	-4,8	-5,6	-7,5	-5,2	-5,7	-6,4	-9,8	-15,4	-10,5
Ireland	0,9	-0,3	0,4	1,4	1,6	2,9	0,1	-7,3	-14,3	-32,4
Spain	-3,1	-2,9	-3,5	-3,5	-4,3	-3,4	-1,5	-2,7	-5,4	-4,6
Italy	-3,1	-2,9	-3,5	-3,5	-4,3	-3,4	-1,5	-2,7	-5,4	-4,6
Germany	-2,8	-3,7	-4,0	-3,8	-3,3	-1,6	0,3	0,1	-3,0	-3,3

Table 3 General Government Fiscal Balance (% of GDP)
Source: AMECO

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Euro zone	68,2	68,0	69,1	69,5	70,1	68,5	66,3	70,0	79,4	85,3
Portugal	**51,2**	**53,8**	**55,9**	**57,6**	**62,8**	**63,9**	**68,3**	**71,6**	**83,0**	**93,0**
Greece	103,7	101,7	97,4	98,6	100,0	106,1	105,4	110,7	127,1	142,8
Ireland	35,6	32,2	31,0	29,7	27,4	24,8	25,0	44,4	65,6	96,2
Spain	55,5	52,5	48,7	46,2	43,0	39,6	36,1	39,8	53,3	60,1
Italy	108,8	105,7	104,4	103,9	105,9	106,6	103,6	106,3	116,1	119,0
Germany	58,8	60,4	63,9	65,8	68,0	67,6	64,9	66,3	73,5	83,2

Table 4 General Government Fiscal Debt (% of GDP)
Source: AMECO

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Aver.
Euro zone	1,9	1,0	0,8	1,9	1,8	3,2	2,8	0,3	-4,1	1,7	1,1
Portugal	**2,0**	**0,7**	**-0,9**	**1,6**	**0,8**	**1,4**	**2,4**	**0,0**	**-2,5**	**1,3**	**0,7**
Greece	4,2	3,4	5,9	4,4	2,3	4,5	4,3	1,3	-2,3	-3,4	2,4
Ireland	5,7	6,6	4,4	4,6	6,0	5,3	5,6	-3,6	-7,6	-1,0	2,5
Spain	3,6	2,7	3,1	3,3	3,6	4,0	3,6	0,9	-3,7	-0,1	2,1
Italy	1,7	0,5	0,1	1,4	0,8	2,1	1,4	-1,3	-5,2	1,2	0,2
Germany	1,4	0,0	-0,2	0,7	0,9	3,6	2,8	0,7	-4,7	3,5	0,8

Table 5 Real GDP Annual Growth Rate (%)
Source: IMF (2011), Country Report No. 11/127 – Portugal

	2005	2006	2007	2008	2009
Euro zone	29.2	29.1	29.9	30.1	30.0
Portugal	**38.1**	**37.7**	**36.8**	**35.8**	**35.4**
Greece	33.2	34.3	34.3	33.4	33.1
Ireland	31.9	31.9	31.3	29.9	28.8
Spain	31.8	31.2	31.3	31.3	32.3
Italy	32.8	32.1	32.3	31.0	31.5
Germany	26.1	26.8	30.4	30.2	29.1

Table 6 Inequality of Income Distribution – Gini Coefficient
Source: AMECO

Years	GDP	**Personal Consumption**	**Public Consumption**	Investment	Exports	Imports
1984	-1	0	0	-11,8	14,3	-2,1
1993	-0,7	0,6	0,5	-8,8	1,5	-1,8
2003	-0,9	-0,2	0,4	0,4	3,6	-0,4
2009	-2,5	-1,1	3,7	-11,2	-11,6	-10,6
2011	-2,2	**-4,3**	**-6,8**	-9,9	6,2	-5,3
2012	-1,8	**-4,4**	**-4,8**	-7,4	6	-3

Table 7 Real GDP and Demand Components on Recession Years: Portugal (year on year percent change)
Note: Source for values until 2009 – AMECO and own calculations;
source for values of 2011 and 2012 – projections of IMF (2011), Country Report No. 11/127 – Portugal

Living on Borrowed Money: On the Social Context and Response of the Current Greek Crisis

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Introduction

In this paper I am concerned with the present Greek crisis. In the present text, some information about the current Greek crisis is selectively presented and the forms the crisis assumes are outlined. This is followed by a look at some social structural features that revolve around the local variant of clientelism and lead to generalised mistrust. These features are considered essential for grasping the particular course of developments in Greece in relation to the crisis as well as of the kind of domestic response to the crisis and its effects.

Brief overview of the ongoing economic crisis

Greece is undergoing a severe crisis and there is no doubt about it; nonetheless a question that needs clarifying is to designate what sort of crisis this is.**1** The current crisis has been perceived as potentially threatening the whole Eurozone.**2** In this sense, it has definite international and even globalizing dimensions, which explain the (ongoing) involvement in the deliberations and bargaining about ways to counter the crisis not only of EU and Eurozone leaders, but also outside Europe. The crisis is a fiscal crisis of the state, to start with! It has developed gradually as a difficulty the Greek state had in financing its own expansion be it for providing welfare policies, infrastructure projects or direct investments, or other interventions in the economy and society.**3** To meet the gap, successive governments, in the course of the last 35 years (roughly the period since the downfall of the dictatorial regime in 1974, known as Metapolitefsi in Greece), particularly since 1981 when today's ruling political party first came into office, resorted to borrowing from abroad. In fact, borrowing developed into a short-term acceptable way out of the problem of expanding state-related costs and limited revenue – much in line with practices followed in other countries in the western developed world. Then, upon Greece's joining the Euro, the country's borrowing position was substantially upgraded. This development became possible since the various rating agencies (invariably of US origins) came to consider Greek bonds, without much probing, as reliable thanks to what the country's participation in the Eurozone signified, and with little hesitation even went so far as in granting it the much desired AAA status.**4**

The turning point that triggered the current crisis came when the present government, which is of socialist pretentions, took office in early October 2009 and announced that the country's deficit was much higher than the outgoing centre-rightist government had assured it was just a few months before the elections. Thus, instead of a 5.4% of the GDP, it was announced that it was about 12% (a figure much closer to the Bank of Greece official estimate of late summer 2009). And after the dissolution of the Statistical Service of Greece (for producing false statistics on government demand) and its reinstitution as an independent authority under the close supervision of Eurostat, it was announced by mid-2010 that the deficit for year 2009 stood at 15.4% of the GDP; it stands at 10.5% for the current year (Sofocleous 10, 13/05/2011).**5**

Following the first announcement about the real size of the debt the underlying crisis burst into the open, as it became apparent that the debt was not sustainable. The crisis assumed the form of a sovereign debt crisis as Greek bonds were substantially devalued. Thus, credit default swap spreads took the uphill by leaps and bounds: from standing very close to those of Germany – considered as a kind of standard – to the current ones that stand at 1,575 base units (Panagopoulos, Avgi, 12/06/2011). As spreads were rising, it became impossible at the time to keep

Greece's borrowing by continuing its recourse to money markets for new loans.

Specifically, banks that held Greek bonds which they used as collateral for borrowing money were discovering that they could not continue doing so. In addition, rating agencies decided to take now a harsh stand vis a vis Greece's ability to repay its loans. Thus, they unmistakably signalled out that the country was moving fast towards becoming bankrupt and borrowers were informed that they would risk losing their money if the country defaulted on repayments. Besides, the Greek state could not continue the usual practice of borrowing from international money markets to cover its expenses, and debt-related obligations. The " markets" , reified as they are in the dominant economic and political thought and discourse, were reluctant to lend Greece more money. The risk was considered as substantial, and lead to a spiral of heightened spread prices that made further funding still more difficult due to the harsh interest rates demanded. Furthermore, as this was happening in a country within the Eurozone, the danger of instigating uncertainty about the common currency itself, the danger of exposing the Euro to speculative attacks, and the danger of a trickle-down of the crisis to other weak countries of the Euro in southern Europe or Ireland, became all too real.

Patently, instrumental in the deterioration of borrowing conditions in the Greek case has been a lack of confidence as well as of trust in the ability of the Greek state to repay its mounting debt.6 Mistrust towards Greece was the outcome of revelations about the true situation, and of the fact that an EU member country has repeatedly been untruthful to its own partners. Then, negative publicity involving images of Greeks alternating between a Zorba-like exciting lifestyle and being lazy abounded,7 generating public discontent in many European countries with the unruly partner and its habits.

It was the realization of this situation and of the possible effects it would have on the Eurozone countries as a whole that prompted the organization of a huge bail-out in May 2010.8 The bail-out, organised by a consortium consisting of the IMF, EU-zone countries and the European Central Bank (known as the Troika), consisted of a EUR 110 billion interest-bearing loan, that the Greek government presented as a great success in the struggle to "save" the country. The interest rate this loan carries is less than what could be obtained in the open money markets – interests there have risen significantly, as already noted, partly because of the speculative attacks, or have become almost unavailable. Nevertheless, it is significant that the interest the bail-out loans bear is about four times over the Euro Interbank Offered Rate (i.e. the Euribor).9

As part of the bail-out deal, Greece and the Troika signed a Memorandum of Understanding that includes a series of both austerity measures and concrete actions to be taken that pertain to the state's expenses and organisation and reforms (state-organizational, as well as towards liberalising and privatizing public enterprises and the state sector at large). The Memorandum, under the expressed aim to restore the country's competitiveness and aligned with the dominant neo-liberal dogmas, has formed the basis for substantive cuts in the salaries of public sector employees (additional to those already undertaken since January 2010).10 It also outlines tax increases as well as the introduction of a set of new taxes affecting all aspects of social life; it anticipates an enhanced tax harvesting by more systematic control of tax evasion and avoidance; it introduces extensive changes that enhance work flexibility, but not job security, and severe cuts in public enterprises.11 Part of the deal is also that Greece's finances and policies are to be undergoing regular inspections and reviews by the Troika's representatives who have undertaken a supervisory role, visiting Ministries and holding discussions there on how to better achieve relevant Memorandum objectives. In a nutshell, via the Memorandum, which was passed in the Parliament, the Troika creditors are allowed to intervene in order to safeguard that the changes they consider necessary for securing the viability of the country take place and, in the end of the day, that their money will be repaid. This situation has become unbearable for some officials and citizens alike; it is being perceived as a reduction of sovereignty.

Troika representatives' inspections check whether the programmed reforms are taking place and with what effect, issue recommendations, and on the basis of an assessment of what has been achieved so far they recommend payment of the next instalment of the loan (on the basis of which salaries and pensions are paid) or, as it has been the case for the last couple of months, they signify that they will not proceed to pay, unless there are some dramatic interventions and changes along the prescribed path are effected immediately.

It is true that the current government has been striving hard to improve its image as a truthful, credible and trusting partner in relation to its EU partners. To do so, it has

been more than willing to accommodate Troika's demands. Accordingly, it has been complacent and not particularly successful in bargaining to achieve the best possible deal, as opponents have been most vociferous in pointing out. However, to the extent that its trustfulness is established at the interstate level with the EU partners/countries, it loses any credibility it might have had with its own citizenry. As indicated, the Memorandum involves a whole gamut of changes, some of which could be agreed upon had they been introduced in the domestic scene on a consensual basis. For instance, the attempt to reduce waste and economise on various state expenses, or to rationalise expenses and render them transparent are issues not inherently difficult to agree upon. Instead, the government's attempt has been in the direction of enforcing its measures/policies in a commandist way, with the constant use of dividing and threatening dilemmas, by utilising power rather than argument to put them through.

Not surprisingly, such attempts have been met by successive waves of protest which do not seem to subside. The government on its part is trying to continue with the imposition of measures announced, but not implemented, and to push forward with additional ones it agreed with the Troika in a so-called "medium range" programme (medium-range as it exceeds the life-span of the current Parliament and government), that will be voted for in the end of June 2011. What from the beginning of the reforms has been a cause of anguish is that despite claims that the Memorandum related changes will put the country back on its track, this has not materialised. Accordingly, policies and measures taken are seen as benefiting the creditors mainly or solely, and do not address the issue of growth in a positive way. This feature has gradually become one of the major points raised by those opposing the current policies of the government of the day, which, so they argue, has no mandate to take the measures it pursues.

At the time (May 2010) of the Troika intervention to bail-out Greece and of the Memorandum, the official expectation was that Greece could return to the money markets for borrowing in the course of 2012. Currently, and only 13 months after the bail-out agreement, it is quite evident that it is not realistic to resort to them in the foreseeable future and not at least until 2015. Reforms, as already indicated, have not borne the expected fruits, which means that Greece cannot "go to the markets", and thus repayments are in jeopardy, and so are the payment of state employees and pensioners. The need to counter the threat, given the potential of affecting other Eurozone economies and of wider repercussions, led to the organisation of a second huge loan scheme to Greece, undertaken by the same Troika organisations. Indeed, a second bail out is currently being organised involving additional sums rumoured to be in the order of EUR 120 billion, approx. The new bail-out scheme, still under negotiation, would have a different structure than the previous (current one), possibly involving private banks that would accept a repurchase of the Greek bonds they hold (known as "rollover"). It will be accompanied by a Memorandum II, the basic provisions of which are described in the government's "medium-term" programme. It emerges that on all counts this is more harsh and severe than the previous scheme; it is involving a set of draconian measures plus the much anticipated privatizations.12

Therefore, a fiscal crisis of the Greek state has been real enough and in operation for some time. A way out has been provided, in the form of foreign borrowing, and has been enhanced by participation in the Eurozone, even if that meant that the country has been living on borrowed money on an ever increasing scale. Later on, the crisis reached other dimensions even if the underlying causes driving it have not been altered. It became a debt crisis, one accompanied by an inability to obtain loans at affordable prices to finance the state's ongoing operations and the repayment of the debt.

Social context

As a result of the crisis, "development", by which growth is meant, was negative in 2009. The situation has been exacerbated in 2010 – reaching a minus 4.2% of the GDP, and will be probably be negative in 2011 too. Development is expected to return at 1.1% of the GDP in 2012, according to optimist accounts (Eleftherotypia, 29/11/2010). In the meanwhile, registered unemployment has reached a new record: it stands at 16.2% for March 2011, whilst it was at 11.6% in March 2010. Needless to say that unemployment hits youths the hardest (ERT, 08/06/2011). Moreover, an estimated one in every four shops in retailing – usually micro-businesses – has closed down. Indeed, recession has arrived.

The current situation, even with the upcoming new bail-out deal, seems to be that of stagnation. The realisation that borrowing is going on ad infinitum without some concrete results or prospect for recovery, which the government explicitly promised to the citizenry in return for

bearing the burden, is spreading, and is a pre-eminently important factor in explaining the opposition to the Memorandum-related changes. But it is not the sole reason for the discontent.

I would now like to turn to some social structure features to see how they affect the context in which the crisis is perceived, and lived. I touch on two sets of such features here. The one concerns repeated social practices "from below", i.e. it relates to the daily social modus vivendi and operandi. The other set relates to practices "from above", i.e. party political contestation and non-cooperative traditions, as well as the dominant condition of partytocracy. The starting point between the two has been clientelism, and the meeting point the widespread lack of trust or mistrust. Obviously, in what follows there is a real risk at oversimplification.

Clientelism may be seen as the common matrix that affects such social practices. Clientelism, involving the exchange of votes with favours by politicians, has a long tradition in Greece (Mouzelis 1978). Its roots are to be found in the universal (for males) franchise obtained in 1844, which was "early" when considering the backward pre-industrial economy and tradition-oriented society in which it occurred. The patron-relation link has been a major basis for the organisation of political life but of social life too – getting a job or having a local project done were dependent on it. In this sense the course traversed under its influence may be seen to be path dependent and leading towards the emergence of a variant of Western modernity (Katzestein 2011).

In the process the voter carried along his family's votes as bargaining chips. Given that social welfare measures, less developed when compared with EU norms, are largely a post 1950s phenomenon in Greece, the family remained as the only consistent welfare provider, and still remains so to a most significant extent (Ferrara 1996). A social contract, so characteristic of western countries, has not been agreed upon or "signed" in modern Greece (Alexakis 2008). On the contrary, voters-citizens have been accustomed to see political elites as "rackets"; essentially the way M. Mann (1986) describes dominant power networks. Towards them, the spirit is that one should take what s/he can in exchange for the vote s/he will grant, and this means that the population is accustomed into bargaining, which has become a pre-eminent and constant feature of Greek social life, waived only within the family.

Given the turmoil of seismic proportions of war, occupation, starvation, resistance and civil war in which Greeks went through in the 1940s, with the eventual mutual destruction of the competing forces as it happens with civil wars, the ensuing political elites were and still are largely perceived by the citizenry not as bearers of social peace, but rather as the thugs that managed to "make it" big, and cater for their descendents too! In which case one may have to follow them for purposes of survival, but certainly not trust them, especially if one's original political identification was with the defeated left, as was the case with the majority of Greeks in the end of the 1940s and 1950s. Hence the family and the untrustworthy, but necessary for survival, clientelistic relations have remained two basic social mechanisms around which much depended in daily social life.

By default these have generated on a mass scale daily practices that have been described as free-riding (Tsoukalas 1993). This means that, instead of following a procedure, in the conviction or knowledge that many others will just not follow it by finding recourse and a helping hand from someone they know (i.e. by using *μέσον*, meaning the means; also intermediary), one would also rush to mobilise any available connections to have it done at the minimum cost, be that in time, money, effort, or other. The belief or knowledge that this is a system exonerates in the conscience of large numbers of members of the public those that evade paying their taxes, or avoid following the rules. Accordingly, the state is perceived as an alien apparatus in the hands of untrustworthy others with which, nevertheless, one has to live – this necessitates a search for compromises and manoeuvring. The exception is when a state apparatus is run by friendly forces, in which case one is advised to take out what they can, this being a temporary situation. Hence an "us" and "them" logic and practice permeates all aspects of socio-economic life in which the state is involved.

The flip-side is what has been termed Greek formalism (Mouzelis 1978), i.e. a system found among officers in state bureaucracies in which the detailed ritualistic observance of the letter of complex rules is demanded. This formalism is but a form of power exerted towards those who are less protected rather than the power-holder – it evaporates toward the in-group members and is enforced towards the out-group members.

Clientelism, as a system, has had its own particular trajectory. In the course of the last 35 years, i.e. after the resto-

ration of parliamentarianism in Greece, it has been developed. One important difference with the past is that the individualist and personalistic patron-client relationship has been substituted in good measure by the local party political committee that intervenes to distribute favours, jobs, benefits (Lyrintzis 1984). In other words, the patron-client relation has been bureaucratised and this is a process in which A. Papandreou's PASOK party has played an essential role in effecting and spreading. The prevalence of bureaucratic clientelism explains why even when measures and policies that have a universalistic dimension, appeal or claim are put forward, in essence they are aimed at specific audiences/clients – examples just abound.

I now turn to social practices "from above", i.e. party political contestation and non-cooperative traditions, as well as the dominant condition of partitocracy. The state has been the major battleground of political forces in the country's political trajectory. It has been the locus in which the initially quite fragmented socio-political forces and interests that comprised modern Greece due to segmental localism met (Mouzelis 1999, also see Gellner 1994). From the outset, relations have been contested and polarised to the utmost as the benefits involved the distribution of spoils, i.e. public sector jobs, preferred positions and transfers, state contracts, favourable laws, or other benefits. While this legacy has mellowed in its harshness over recent decades, it has not changed in essence. The clientelistic system that forms the basis of the Greek political system requires those holding power to be able to distribute benefits to political clients – otherwise clients and their support will be withdrawn – and to self-serve the political elites. Obviously, in this line of practice, the more exclusive the hold of power is, the better. Accordingly, a constant aim has been the cornering and bushing of one's political adversary – a series of political acts over the last 25 years confirm that this remains the case.**13** Given this context, which is one of profound mistrust among political elites and constellations, the ongoing repeated calls by Troika participants or other interested parties to the Greek political elites to emulate Portugal's political elite's consensus stand in following a single course to counter the crisis, so that they may continue with the bail-out project, urgent and pressing as it is falls in deaf ears. Indications to the contrary have until now proven to be token only.

Besides, the political parties in Greece, particularly the more influential ones, have been actively penetrating civil society trying to control the social field. This has been designated as partitocracy (*κομματοκρατία*).**14** Partitocracy is a system of institutional arrangements that resides in the state and strengthens the ability of political party(ies) in power. It is materialised through the enforcement of arrangements that by-pass the autonomy of social spaces and as a prerequisite delegate decisions to political overseers that have a specific party political identity. In this sense some expressions of civil society are penetrated by the party system (Koniordos 2006). In turn this system spreads distrust in various civil society initiatives; they are considered as state/party controlled.

One should add that the claim that generalised mistrust, or very little generalised trust, is a feature of society in Greece finds repeated empirical verification in the successive waves of the European Social Survey that show the very low scores recorded in samples from Greece when answering relevant to trust questions (European Social Survey DATA, various years).

Social responses – the trust deficit

Mistrust, the material base of which in the Greek case, may be partly related to the persisting, still widespread and intensely antagonistic environment of small or petty property (Koniordos 2001), is a social structure feature embedded in the post-civil war experience, and because of repeated practice has acquired an autonomy of its own. Given the above-mentioned non-trusting traditions (e.g. free-riding as a social structure feature and mistrusting hostility among political elites), the current economic crisis, as far as social responses to it are concerned, may be seen as also a crisis of trust, one that negatively impacts on the calls about putting aside differences to cooperate and achieve consensus for countering it.

On the one hand, it is estimated that since the eruption of the present economic crisis, the wealthy in Greece have shipped out of the country, in secure bank accounts in other European countries and elsewhere too, a volume of approximately EUR 50 billion that used to be deposited in local banks. These deposits left the country patently to avoid taxation and/or a possible insolvency and signify caution and a lack of trust towards the country's ability to overcome the crisis – pure and simple. On the other hand, the current government maintains that it intends to arrest and tax the informal economy, which variable estimates consider it represents, depending on the method of calculation, anything from about 27% to 40% of the official economy, or EUR 54 billion, or about 26% of the country's

GDP (Koniordos 2008). (It is noteworthy that the deposits that fled the country to avoid taxation and the informal economy, to be taxed, involve roughly equivalent sums of Euro.) However, such an expectation is probably unfounded. Nor does it seem to fully consider that if these figures are close to the mark then it means that a sizeable section of the indigenous population is involved with informal economic activities. In addition, a significant segment of the estimated 1.2 million migrants that are in the country are employed in business enterprises that do not officially declare them, or, at least in part, work informally. Therefore, it is difficult to see how trusting relations can be developed between those involved with the informal economy and the politicians and state functionaries who are attempting to obtain additional tax revenues from them.

Those that can be milked are those whose working and paying conditions are transparent, namely the public sector employees, plus employees in the larger private companies whose accounting offices tend to follow the laid down rules. Such employees, of course, also form key segments of the middle classes who vote for the major political parties. However, these political clients cannot be expected to comply with what their political patrons command, given that the latter's ability to reciprocate is currently restricted, which gives way to the possibility of an outwardly expressed conflict between them.

A political discourse that is directly related to the ongoing crisis, one propagated by today's government, as well as by the main opposition party, has been in use during the last year. It stresses that the various measures and practices being adopted have been formulated with the explicit aim "to save the fatherland" (*να σωθεί η πατρίδα*), and maintain to political audiences that "we are at war"! Indeed, this discourse directly invokes economic nationalism. It attempts to interpellate, and thus constitute subjects as patriotic citizens, by highlighting the noble aim of saving the country from bankruptcy, which by itself would render the country volatile to hostile neighbouring countries! Obviously, once the subjects' acquiescence is secured, in some measure at least, they would also have to bear the burden of sustaining the harsh measures themselves. However, it just happens that politicians are massively considered corrupt and thus patriotic calls coming from their lips do not seem to be particularly persuasive.

Mass demonstrations in protest to the Memorandum and its imperatives, strikes (three general strikes this year so far), and its public denouncement have repeatedly taken place and continue to happen expressing opposition to the effects of the debt crisis. These invariably are organized by unions and opposition leftist political parties too. However, of particular interest seem to be the repeated instances of denouncements by citizens of various ministers and MPs of the ruling party when they are identified in a restaurant or a public space. Denouncements against the identified persons in authority are ethical and in anger; they are regularly being named "thieves" – the government usually blames members of a leftist party, but it seems that these are uncoordinated instances that multiply, which is indicative of public discontent.

Interestingly, one form of resistance which has taken the form of a social movement of European proportions is that of the "indignant". These, coordinated largely via e-mails, SMS messages, Twitter and Facebook, make a point of operating outside existing political parties which they see as part of the problem and explicitly deny to be placed under their tutelage. They convene meetings every evening, and for the last 30 days, in the squares of main cities exchanging views, practicing forms of direct democracy, and expressing their anger with the harshness of the measures that accompany the Memorandum. With them, resistance means opposition to the Memorandum and the corruption of the political elites; it signals a disengagement from party political affiliations, while a return to the drachma is not ruled out (a prospect that virtually all political parties and experts consider suicidal). Characteristically, one of basic slogans chanted by such demonstrators is, in rough translation, the following: "we owe nothing, we sell nothing, we pay nothing!" It appears that free-riding has turned into a mass movement that attempts to do away with the problem of debt by denying its existence, on legal-constitutional or ethical grounds, and demonizing those perceived as the opponent, be it the political elites, the Troika, the Memorandum or the debt.15 The issue is that such a stand of negation attracts a following. On the other hand, the constituents of the political system, as most recent developments confirm, continue their accustomed practices of attempting to corner the opponent elites.

Concluding remarks

Currently Greece is undergoing a most severe crisis, which is economic, but permeates other areas of social life too, and is exacerbated by the disorienting effects of a generalized lack of trust. The exact proportions of the crisis and particularly the prospects are not clear. In part, this is due

to the dilemmatic, conflicting, and nerve-racking picture the political elites emit. In part, it is media generated confusion; the media bombastically present news-items and analyses that are often contradictory, agony laden and reflect a bleak picture that terrorizes audiences. Restructuring of the debt, insolvency, bankruptcy, or even return to the drachma are words continually used, alongside recommendations and prompts on the appropriate course of action to avoid catastrophe, which nevertheless is portrayed to be in the corner. Intellectuals on their part fail to present a clear picture of what is happening, while some economists have been replacing astrologers in their predictive capacity. In the meanwhile, audiences, simply put, are confused and puzzled, finding it very hard to form an opinion, and just magically wishing that the nightmare goes away. On the other hand, solidarity expressed by EU partners is played down, or presented as the solidarity of usurers to their borrowers, i.e. just interested in getting their money back.

Given that political forces in Greece opposing the government and Memorandum are either converts to liberal markets or in disarray (the Left), the prospects seem to be very gloomy indeed about the near and the not so near future. To my mind, there is no credit-worthy or at least convincing alternative plan to carry Greece away from the crisis. As the political class is holding fast to its essentially neo-liberal market-oriented solution, it does not really question the austerity schemes and the pumping of extra resources from a flabbergasted citizenry, despite clear signs that this cannot be anymore. Thus, it may well be that the Greek crisis is a case in which, as it has been predicted (Mann 2010), either the neo-liberal markets decline or the country does.

In this context of perpetual confusion, it appears that citizens realize the adverse side of living on borrowed money. If a solution and way out of the debt crisis cannot be agreed upon by major domestic political forces, if collective mobilization does not bear fruit, then the only alternative that remains is individualistic and that of time-honored trusting familism: to further reduce one's consumption level, economize even more, or/and support those who can escape the debt stranglehold by migrating abroad.

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Endnotes

1The notion of "crisis" comes from the ancient Greek word for decision; it has a close association with tragedy (Habermas, 1980: 2). The understanding of crisis in social sciences has made extensive use of the medical analogy, partly drawing from relevant references by ancient Greek authors of medicine (Online Etymology Dictionary, OED). Thus, a crisis refers to something extraordinary – a turning point – like a high fever, a physical condition that exceeds the condition of health; certainly the current perception of normalcy. In the medical metaphor a crisis may be addressed, e.g., by applying the appropriate medicine and the organism may return to a situation that allows it to keep its usual operation, might result in the death of the crisis laid entity, or may maintain being in crises – in varying degrees and kinds – without perishing for a longer or protracted time-spans, without resolution of the conflicting situation. Besides these two senses (i.e. decision and turning point), a crisis also implies intense difficulty or danger. In the case under discussion all three meanings are relevant and pertinent. By contrast, in Marx's and Habermas' use crisis is tautological to a turning point in the development of a contradiction that affects a social entity's systems integration, and which may be threatening to it once social integration is in jeopardy (Habermas, op.cit.: 3).
A facet that this crisis brings to the fore is that of European socio-political un-development. The economic union of Europe and the Euro, lag significantly in terms of European political integration, arguably part of systems integration and one could add social integration, which appears to be lacking almost completely.
2Greece during the near-180 years of its independent existence has had its share of economic crises as well as of bankruptcies. The latter have left a negative legacy epitomized in the 1893 statement by the then Prime Minister Harilaos Trikoupis in Parliament (Voulē): "gentlemen, unfortunately we are bankrupt". The most noteworthy and remembered bankruptcy is that of 1898, which resulted in the imposition of an international financial control, via a six-member Commission Internationale Financiere that had substantive powers. Repayment included reserving income from the country's monopoly items (such as salt, petroleum, cigarette paper, matches or playing cards) for the next sixty plus years. The international financial control expired in 1956, and technically only in 1964.

3For a sober and informative presentation of the debt crisis by an economist, see Tsakalotos 2010. Additional analysis is available in Kouretas and Vlamis (2010).

4Greece's entry in the Eurozone has been the outcome of good performance shown by the pertinent economic indices. At the time it was hailed as a most important achievement – Greece a county of the semi-periphery was succeeding in upgrading its economic performance so much so as to enter the monetary club of economically advanced countries. This happened despite the fact that the country's productive base and real economy has not deepened or expanded substantially and that, arguably, the reverse has been the case, which cannot but lay open and into question the criteria used. Besides, in the course of the unfolding of the present crisis and the antecedent media probing and coverage, it was revealed that Greece, as an entity, did conceal logistically a part of its debt so as to meet the nominal criteria for entering into the Euro; it did so with the active assistance of "Salomon Brothers" whose recommendations it followed. It is worth noting that Greece was not alone in adopting such practices.

By contrast, "Standard and Poors" rating agency devalued Greece's position from "B" to "CCC" status, which is the world's lowest (on 14/06/2011).

5I will mention some relevant figures that may highlight the problem situation. By mid-2009, the Greek deficit was forecasted to reach almost 6% of the country's GDP (with only up to 3% allowed in the countries of the Eurozone), according to the official ESYE statistic service. Once the new government that came out of the elections of October 2009 (5th October) was in office, it officially announced new budgetary and fiscal statistics setting the forecasted deficit for 2009 at 12,7% (announced on 21-10-2009). By April 2010, Eurostat drawing from revised Greek statistical data raised the figure to 13.6%. It also calculated that the debt-to-GDP ratio would reach 115.1%. In November 15, 2010, Eurostat revised these figures. Thus, on the one hand, the Greek deficit for 2009 has now been established at 15.4% of the country's GDP. The public debt was calculated at 126,8% of the GDP, on the other hand (data drawn from dailies H Kathimerini, To Vima, Eleytherotypia, The Guardian, and Juko 2010: 41). For 2010 the deficit was expected "not to exceed 10%" (G. Provopoulos, Governor of the Bank of Greece, 08/10/2009, Nooz.gr), with the European Commission giving the more optimist figure of 9,6%, whilst the Memorandum expected a 7.6% (Skai.gr, 29-11-2010, Sofocleus 10, 13/05/2011). Needless to say more sanguine forecasts are also available: for example Ronald Jiansen cites an IMF forecast that Greece's public debt for 2014 would be at 145%, which himself considers as "optimistic" (To Vima, 01-08-2010). More recent forecasts present a bleaker picture: debt will reach 157.7% of the GDP in 2011 and will go at 166.1% in 2012 (Sofocleous 10, 13/05/2011).

6The literature on trust is quite extensive large. Here I draw from Sztompka (2003) and Koniordos (2011).

7Southern "laziness", which has been considered as one of the major factors underlying the crisis in Greece, is but a myth. In fact, on the basis of Eurostat data, Greeks did work more hours that anyone else in EU-27 in 2009 and the second longest, after the Czechs, in 2010 (various newspapers).

8It may be worth noting that the Governor of the Bank of Greece, Yiorgos Provopoulos, (TV interview in Greece's Sky Channel, in February 2010) revealed that he had warned both the then Prime Minister and the head of the major opposition party (i.e. the current Prime Minister), respectively one day before (02/09/2009) and one day after the call for General Elections was announced, that the dept was already running at 7.8%, as published in the Bank's interim report for year 2009. In these meetings he informed both of them that he anticipated that unless drastic measures were taken, the debt would reach a double-digit figure by the end of 2009, probably at 12% or more (in Greece's Sky Channel, February 2010; also Eleytherotypia, 26/11/2009). However, the current government, while in office since early October 2009, started taking some measure to counter the bleak situation only in January 2010. At that time, the speculative assault on the Euro and Greece has fully developed. Interest rates climbed by leaps and bounds, and the various rating agencies successively and repeatedly downgraded Greece as its credit risk was now, and belatedly, perceived to be high (Juko 2010).

This means that the present Greek government knew that there was a serious problem, but said nothing in the course of the election campaign period, misleading the electorate with fraudulent promises. Once elected, true, it did inherit the debt problem from the previous government, but did little to address it for about four months. Then, it took another four months of discussions, deliberations and negotiations with reluctant EU partners (primarily Germany, as info on US diplomatic cables, made available through "Wikileaks" in late November 2010, indicates), to arrange a bail-out (which explicitly was not to be allowed to take place for a Eurozone country). The irony is that the Greek government when negotiations with Eurozone members and the EU were initiated threatened with going to the IMF if they did not lend a helping hand; in the end was quite happy with the bail-out agreement in which the IMF is a central partner.

9On the repayment side, the bail-out agreement anticipates that within four years the IMF-EC loan should be repaid and Greece would have to go gradually back to the "markets" to meet its borrowing needs. However, after the Irish crisis has exploded and that country's bail-out has been agreed, Greece obtained approval for an extension of its repayment period; it was to last until 2013-2014, subsequently extended until 2021-2024, according to the Greek Minister for Finances Yiorgos Papakonstandinou (Hmerisia On-line, 29-11-2010).

Very recently, it was announced that an agreement between Greece and Eurozone countries has been reached to elongate the repayment time span for the EUR 80 billion loans out of the EUR 110 billion. The period extended is by 4,5 years, and interest will be reduced and paid on the basis of the three month Euribor average plus 3% for the first three years, and three month Euribor average plus 4% for the remaining years. The saving is calculated at 800 million per year (Sofocleous 10, 15/06/2011).

10Nominal so-called horizontal salary and pension cuts are at 20%. The figure rises to an effective 30% when indirect taxation increases and inflation, are calculated.

11Greece contributes 2.7% of the Eurozone's GNP. The government, in alignment with the IMF/EU/ECB Troika, is changing the law so that the weekly work hours in the public sector will be raised to 40, claiming that doing so will contribute in resolving the country's economic problems by substituting for the workload of tenured public sector employees that would be fired. Arguably the latter, as a result of successive waves of clientelistic hiring of personnel, are superfluous although a census of public sector employees conducted in mid-2010 showed that they are slightly below the EU average. At the same time, and by way of comparison, France, which provides 20% of the Eurozone's GNP, maintains the 35 hours working week. This is only an indication of the excessive pressure exerted upon Greece, which besides being unfruitful, it probably has aims other than the expressed ones.

12Privatizations, considered a source of funding the debt, have not progressed at all despite being inscribed in the Memorandum because of variable resistance. This is to change dramatically. During the past fortnight one such privatization is progressing involving the selling 10% of the state-controlled "OTE Telecom" network to "Deutsche Telekom", which already has a substantial share of it. However, the current selling price is one third of what was obtained four years ago, which of course is widely taken to be a sell-out, and thus strengthening opposition to privatizations.

13The tit for tat in the contestation of the two major political parties in Greece, i.e. of PASOK (socialist party) and "New Democracy" (ND, centre-rightist party), with the aim to oust the opponent from power or/and put him in the corner for a long period is quite characteristic and in fact limitless. Thus ND was instrumental in bringing the leader of PASOK before a special tribunal with charges of corruption in 1989. Later on, PASOK, denounced the ND governance calling for EU intervention; the ND government was accused in 1993-94 for presenting a false picture in relation to the absorption of sums originating from the EU. In 2004 ND, while fresh in office, instituted what was termed "inventory" to demonstrate how the previous PASOK government when in office, used "creative accounting", to alter the real picture as portrayed in the state budget, by fraudulently transforming the mounting deficit into a surplus. Lastly, the current PASOK government blew the whistle in 2009 about Greece's real debt, thus exposing ND as the perpetrator of the crisis, being untruthful with EU partners, etc. This confrontation goes on unabated as the most recent (15/06/2011), and operatic (failed), attempt to reach a political party agreement to counter the crisis demonstrates. The confrontation matrix aims by cornering the opponent to earn political capital and a free hand to rule exclusively; it certainly is part of the country's political culture, which negates the possibility of reaching a consensus among contesting political forces.

14The notion has an affinity with the Partitocrazia in Italy or relevant practices in Austria. However, to my knowledge, no systematic conceptual or empirical comparison has taken place.

15A section of the protesters in Athens every evening practice a particular gesture, namely "muntza" (*μούντζα*), a form of cursing. It involves extending their hands in palm-like fashion against the building of Parliament. Munza is considered a very offensive gesture in Greece. It originates from the period of iconomachy in Byzantium, when opponents of icons that considered them as vile representation used soot with their hand to darken-destroy icons; hence indicating that they were the work of devil who was perceived to be black.

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Book Reviews

Book: Vatin, François (eds), 2009: Evaluer et valoriser. Une sociologie économique de la mesure. Toulouse: Presses Universitaires du Mirail.

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The question of value has been at the core of an increasing number of publications in the field of economic sociology within the past ten years. The volume edited jointly by François Vatin constitutes an original peace on this agenda. The book is the result of a three year research seminar which gathered several researchers on the topic of measurement. Its main objective is to assess economic action through the elementary activities and technical devices that produce measurement. The main argument is that value of goods comes from a process of institutionalization of the way the measurement activities and the calculative instruments operate in economic activities. The most original feature of *Evaluer et Valoriser* is to propose a sociological approach to the production of measure instruments and calculative capacities involved in economic activities, articulating economic sociology with sociology of work. Profoundly inspired by the *French School of Conventions* that demonstrated that a theory of market cannot be sufficient to explain how the economy works, the book also reconciles with the classical economics approach of valuation that considers the evaluation of goods stemming from the value created through production. Namely, the different authors of the chapters show in a broad range of different empirical studies that the process of value creation on the market is deeply connected with some upstream activities carried out by production organizations which aim at elaborating measure instruments and calculative competencies that progressively become institutionalized and help actors to evaluate commodities. As defended by Vatin, in this perspective, and contrary to the assumption made by conventionalist academics, it is not evaluation activities which come first to produce value, it is valuation activities, largely equipped by measurement devices, which render possible evaluation of goods by economic actors.

The different chapters of the book are organized in three parts which focus each on three different dimensions of these activities of measurement. The first part is dedicated to the construction of technical and management standards that show the articulation between the work performed by engineers and the work performed by managers. The case of the design of a domestic steam cooker (cocote-minute) allows Claire Leymonerie to show how the creation of a market for such a new device, and the convincing of consumers, requires firms to cooperate to build technical and market standards. Alexandra Bidet analyzes the strong articulation between the technical optimization of the technology and the market valuation of a phone call as a new commodity. This value evolves along the lines of technical optimization. In the case described by Nicolas Belorgey, it is the expert evaluation of medical activities performed by doctors in hospitals that have to conform to the new managerial standards emerging in health care. This case is particularly interesting because it helps to illustrate another important argument of the book, which is the conflictual dimension of these valuation activities. Drawing on another important tradition, in the French sociology of work, inherited from Jean-Daniel Reynaud, *Evaluer et Valoriser* defends a vision of the ruling power as neither downstream or unilateral, but rather negotiated, demonstrating how the production of measure may be at the core of some conflicts and power relations.

The second part of the book focuses on the measure instrument at work. Once the devices and principle of measurement are defined, the study of their condition of implementation and usage produces important information about the process of value creation. Mathieu Gregoire shows in the case of the valuation of the compensation paid by the French government to unemployed artists, how this evaluation of the value of unemployment (non-travail) depends on the definition of the value of an artist as a worker that is incorporated in the mathematical formula used by the government. The idea that measure instruments include a specific definition of the value of people is also at the core of the chapter by Delphine Remillon and Antoine Vernet who study the devices used in organizations to evaluate unemployability of workers. The two next chapters show two other examples of instruments aiming at measuring competencies that may be valuated in the market: Martin Giraudeau focuses on the valuation of entrepreneurship competencies, and Thomas Le Bianic and Gwenaële Rot describe two attempts to rationalize two very contextualized working activities: psychologists and

researchers. These different cases show how the rationalization process of measurement may adapt to activities that seem rather to defy such an economic evaluation.

The last part of the book goes to the product side to describe the condition of valuation of the qualities of the product. The newspaper economy studied by Stéphane Cadoré is an interesting case of a double market system, selling a newspaper to readers and selling space for advertisement to firms, in which the valuation of the newspaper comes from a complex activity of measuring and articulating costs and benefits from both activities. The two next cases are interestingly contrasted. Thierry Escala describes how the valuation process of the different ships commercialized by farmers goes through a process that makes the commercial value of premium standard lamb (AOC) going upstream along the supply chain, from the butcher to the farm. Homogeneity is created by the valuation process. In the case presented by Etienne Nouguez, pharmaceutical companies try to rely on a subjective valuation of their medicine to differentiate their products and create heterogeneity while the French government attempts to impose a generic definition of drugs to regulate the consumption of reimbursed medicines. This conflicting and controversial dimensions of the valuation processes that may be at stake within the same markets, between different options for qualification of products and activities, is at the core of the chapter by Pauline Barraud de Lagerie who shows how the actors themselves, in the case of the implementation of new standards of corporate social responsibility, may be willing to resist to the idea that everything may be measured and valuated.

The book ends with a stimulating postface by Michel Callon, who introduces an in-depth discussion about the notion of valuation, which he proposed to define as the different devices, instruments and narratives that contribute to build value and at the same time its possibility of measurement. Among all the different valuation activities that may arise in social lives, economic valuation has, states Callon, a specificity stemming its monetary dimension: economic valuation goes through prices and monetary value. This characteristic explains the important role that formula and calculative devices play in economic activities, and probably the reason why science studies inspired so much the recent developments in economic sociology.

Evaluer et valoriser is interestingly contributing to renewing the agenda on the issue of value. Following previous research that also focused on activities and devices that precede transactions (see for example Dubuisson-Quellier and Neuville, 2003; Trompette, 2008), the book edited by François Vatin introduces an approach that articulates sociology of work with economic sociology to analyze the role of measurement activities in the creation of economic value. Of course, the attempt is not free of limits, and it is not always easy to identify how the measurement activities assessed in certain cases will impact the transaction and the valuation of the product. The book lacks also some methodological proposals about how to follow the way some measures may be institutionalized and contribute to stabilize the value of a commodity in economic transaction. But it certainly introduces very interesting threads about the political and conflictual dimensions of valuation, and studying the struggle about the production and use of measure instruments definitely appears as a fruitful way of analyzing valuation processes.

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Book: Apitzsch, Birgit, 2010: Flexible Beschäftigung, neue Abhängigkeiten. Projektarbeitsmärkte und ihre Auswirkungen auf Lebensverläufe. Frankfurt/Main: Campus.

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In her study, "Flexible Work, New Dependencies. Project-based Labor Markets and Its Effects on Life Courses", Birgit Apitzsch presents an informative investigation about the risks of project-based labor markets. The core question aims at analyzing how "flexibility processes of job market, working organization and mobility intertwine and are stamped institutionally" (18) in relation to the film- and architecture branch. As a "helpful starting point" (18) she refers to Boltanski/Chiapello's concept of Project-based Polis to better capture the dynamics of project-based labor markets. Moreover, using qualitative interviews Apitzsch explores the effects of project-related employment relationships on flexibly employed freelance cameramen and architects. The book's basic assumption is that as "organizational processes change, job market structures and the

life course are interlinked" (11). Therefore, these dimensions are to be regarded as the core principles of flexibilization. However, according to Apitzsch, the effects of flexibility would be determined by the magnitude of Rational-legal authority (Weber) on the respective job market (12). Consequently, there are variants of projectification which are specific for professional guilds or specific to a certain branch (20). To analyze the peculiarities of this interaction as well as to distinguish between the formal and informal job market institutions, she compares the network-based and widely informally organized film branch to the professionally mature and highly organized branch of architecture. The main focus, however, lies on the film branch, in particular with regard to the empiric implementation and analytic conclusions. The central findings of the study are that in network-shaped and project-related employer-employee relationships the filmmakers' dependency on informal networks becomes more important for the individual status within the industry. As a result, the life course is liable to get fragmented as well by being organized around those projects. However, a clear difference appears between the coordination principles of the two branches. Since the architecture branch is structured relatively formally, Apitzsch finds a determining difference in the professional organization of the architecture branch and the film industry. In the film branch informal processes replace professional and bureaucratic coordination forms (118). Thus the film branch is based upon "greedy projects", as Apitzsch argues in support of Lewis Coser (93). Here, "greedy projects" are defined as functionally vague claims enclosing the whole person. "Greedy projects" are supposed to be not only exhausting but also reduce the workers' social every-day life to their occupational milieu. Significant is also the fact that networks made of "weak ties" offer little to no security in project-related and network-like organized job markets like the film branch. On the contrary, they are relatively nontransparent and, therefore, difficult to navigate productively. This is owed to the informal coordination of these job markets (225).

Conceptually Apitzsch anchors her study in a broadly invested theoretical access which besides theoretical perspectives on the coordination and control of project work draws on life course and social network approaches. Since the study seeks to offer an empirical explanation, the theoretical discussion is focused on analyzing the effects of flexible project work on the life course. In the course of the theoretical implementation the characteristic features of project work are seen as a temporal variable difficult to standardize or fit into bureaucratically taxable work routines (134).

Concluding her findings, Apitzsch diagnoses a shift from collective risk regulation to informal support on networks. With regard to the branch comparison, in the film branch this shift appears in different aspects, such as the instrumentalization and weakening of social-life relations, the fact that social benefits are not granted institutionally, but are based on social mechanisms and on informal coordination. According to Apitzsch these aspects of network based risk regulation lead to the weak status of special interest groups (trade unions) and, at the same time, the existence of distinctive exploitation structures (229-231).

Beside the sound presentation of the structural development of both branches, the strength of the study lies with its theoretical framing which allows the author to illuminate the subject of project-based work in a thorough way which up to now has not been done. Therefore, the main argument – that in project-based labor markets we find a high dependency on informal networks – is demonstrated persuasively. However, the theoretical approach is somewhat loose. Here, one would have wished a theoretical rounding-off of the interpretation. What also is to be missed in the book, is a chapter about her methods and methodologies. However, the subject oriented site of the argument and with it the question by subjective action logics runs out in the argument that film-makers are cineastes who share the same passion and, therefore, are liable to exploitation. Additional qualitative investigations of other creative branches could have delivered supporting evidence. In doing so, a more complex understanding of the subjective motives and an even more comprehensive picture of flexible working conditions could have been achieved. To sum up, Apitzsch's study offers valuable information and an instructive theoretical perspective which moves forward the discussion on project job markets. Therefore, the interested scientific community would be well-advised to adopt this book.

Book: Debra Satz, 2010: *Why Some Things Should Not Be for Sale. The Moral Limits of Markets.* Oxford, New York: Oxford University Press.

Reviewer: Frank Wehinger, MPIfG, Cologne,
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In her book Debra Satz explains why commercial exchange of certain goods and services should not take place. She starts with a discussion of early political economy and contemporary political philosophy. Contemporary economics is described as helpful for stressing the role of property rights, free information, trust, anti-monopoly and its insight into reasons for market failure, but criticized for its inability to make moral decisions on certain markets. In contrast to that, classical economists like Smith and Marx allowed for the different nature of particular markets (e.g. the labour market). Especially Satz' reading of Adam Smith is illuminating and hints to the liberating power of markets as compared to the feudal society which is the most important consequence of markets for Smith. The author, however, rejects - how she calls it using a term from James Tobin - general egalitarianism that prefers social redistribution to limiting markets as well as specific egalitarianism that considers the social meaning of certain things changed when these things are traded like a common product. From this more general discussion on markets Satz comes to the core of her argument which consists of a theory why some things should not be for sale. There are four reasons why markets become noxious, two based on the consequences of markets and two based on the sources of markets (pp.94-96).

Firstly, some markets can have extremely harmful outcomes for individuals and, secondly, certain markets can be extremely harmful for society. In the latter case, "markets can undermine the social framework needed for people to interact as *equals*, as individuals with equal standing" (p. 95; italics in original). Child labour markets and bond labour deprive people of exercising their basic political and economic rights. Other markets should be illegitimate because they infringe preconditions for the emergence of markets. The third reason thus is "very weak or highly asymmetric knowledge and agency on the part of market participants" (p. 96; italics in original). Child labour serves again as an example, but prostitution is also characterized by weak agency of the women who are dominated by their pimps. Forth, some markets only emerge because of the extreme vulnerabilities of one of the transacting parties. Organs are sold by desperate people in less developed countries who would not do that under other circumstances.

Satz applies this categorization to five specific markets, namely markets for women's reproductive labour, women's sexual labour, child labour, voluntary slavery, and human kidneys. Most of her arguments are clear-cut and provide an alternative view independent of moral beliefs on "commodifying" certain products or services as an abstract category. Voluntary slavery (bonded labour), for example, is noxious because it exploits the dire situation of people in despair (the vulnerability argument) who will suffer of weak agency and extreme individual harm (pp. 182-186). In a similar vein, prostitution is not primarily wrong because of the common intuition as intrinsically degrading. Satz believes "that this intuition is itself bound up with well-entrenched views of male gender identity and women's sexual role in the context of this identity" (p. 153). Instead of this, prostitution (as currently practiced) is a noxious market because it perpetuates status inequality between men and women. One might raise the objection that all labour discriminating women (cleaning, elderly care etc.) are noxious. Satz argues, however, that the negative image effect is especially strong in the case of prostitution. Apparently, the critical value when markets become noxious needs further clarification as the author herself admits (p. 111). This is even more necessary with regard to the category "extremely harmful outcomes for individuals." Applying this argument without precaution could justify regulation of markets whenever a contracting party is willing to take a certain risk without negative consequences for the other contracting side or society in general.

Satz prudently avoids going so far as to demand to prohibit all noxious markets because that could lead to even more difficulties for the persons concerned. Rather Satz suggests main features of policies which would minimize or even avoid harmful consequences for the involved parties. The current market for organs that violates the equity principle because the rich abuse the poors' situation could "theoretically" be replaced by a government-regulated market. The state should establish a monopsony where it is the only legal buyer of organs which are made available for both the rich and the poor. The donors must be paid after their death "as a way of staving off coercive ploys" (p. 199).

Debra Satz' book is a well written study on the reasons why markets must be regulated. She proposes an alternative to standard economics which tries to overcome market failure by extending the scope of markets as well as to political philosophy which (among other reasons) hints to the quality of certain goods that is changed by merchandising them. The five examples of noxious markets are very precisely described because Satz abstains from a crude legal/illegal dichotomy.

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