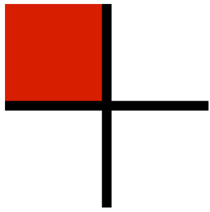

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The futility of extrapolation: reflections on crisis, continuity and culture in the "Great Recession"

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> The state of emergency in which we live is not the exception but the rule.
>
> Walter Benjamin

Introduction: the Elephant in the Room

In early 2009, six months or so after the collapse of Lehmann Brothers, I gave a talk on the unfolding Global Financial Crisis. In the discussion afterwards I was taken to task for failing to see "the elephant in the room". Which elephant was it that I couldn't see, one may ask; after all, there have been quite a few that are not so easily missed: extreme capitalism, predatory mortgage brokers, Ponzi schemes, traders and their financial weapons of mass destruction, the global debt bomb etc. In this instance, however, I was actually accused of failing to see the power of the banks, and so of not properly accounting for the system of capitalism overall.

The talk I'd given was about everyday investment practices, and particularly the investment culture around home ownership and housing that had emerged during the recent boom in residential property markets. There are of course explicit connections between housing, housing finance (mortgage lending in particular) and the global economic downturn: the "subprime" crisis is generally interpreted as the trigger that brought down a house of cards built on new and ever more innovative debt products and residential mortgage-backed securities. In 2008 US Treasury Secretary Henry Paulson called the bursting housing bubble "the most significant risk to our economy". And later that year the global markets did something that Alan Greenspan subsequently called "a once in a half-century, probably once in a century event": they froze. The subprime crisis morphed into a liquidity crisis then a credit crunch and then quickly became a global financial crisis. And then, as we all know, we were facing a global recession, the "Great Recession", as it became called.

The connections between housing, the culture of home ownership and the financial meltdown have often been lost in our haste to identify causes and culprits and broker

immediate solutions. As Slavoj Žižek has recently put it, there has been an enormous pressure simply "to do something". But doing things is often a way of avoiding talking and thinking about them: "such as throwing $700 billion at a problem instead of reflecting on how it arose in the first place" (Žižek, 2009:11). The haste to quickly *do something*, to organise rescue plans, bailouts, and stimulus packages, has also led to a concentration of focus on the more obviously "financial" dimensions of the crisis, along with a tendency to downplay the wider cultural and political background against which it developed and acquired momentum. In this paper, therefore, I'd like to reflect on the crisis as much more than just an economic event. In particular, I'd like to argue that the financial crisis had *cultural* conditions of possibility that are imbricated with economic factors in complex ways. There is a pressing need, I want to suggest here, to decentre an explicit and singular focus on the *financialization* that is assumed to be at the heart of the Global Financial Crisis (the GFC), and to instead reflect on these cultural contexts and conditions of possibility. This includes reflecting on some fundamental features of contemporary social and economic life, especially recent redefinitions of the family, the household, home ownership, investment, risk, and the fashioning of everyday financial subject positions and identities. Ultimately the idea that the crisis was the function of exogenous financial forces and associated *irrational* "herd behaviour" fails to acknowledge the cultural rationality that saw the constitution of the citizen as someone enjoined, indeed required, to invest in their lives through debt-fuelled, and frequently asset-based, consumption that more often than not depended on the home as an object of leveraged investment (see Langley, 2008). In other words, "It's the culture, stupid!"

This process of reflection also requires enough pause to consider how the current period of economic turbulence has come to be understood and symbolised, and the kinds of "stories" it has given rise to. For example, historical analogies have been drawn extensively in attempts to both explain and understand the financial crisis. These analogies rely on an analytical manoeuvre of extrapolation that projects a direct line of connection between past experiences of economic instability and the present. In this sense, they are not so different to the financial models of extrapolation that assumed the future would look just like the recent past. Now, instead of models of growth based on an endlessly booming present we are presented with models of severe depression (and related solutions) inherited from the past.

This logic of extrapolation constructs a seamless historical totality in which there is a succession of discrete periods and moments that are either interchangeable in essence or able to be subsumed within the consistency of a total system. This historical periodisation replicates the economic impulse to establish sequences and patterns, and to construct, and find order in, repetition and predictability. The problem here is not that the models extrapolated from the past are illusory or misguided; on the contrary, the solution of massive fiscal stimulus most certainly "did something", in Žižek's terms. What is missing, though, is a sense of specificity *and* continuity, difference *and* repetition, with the language of "crisis" positioning the current economic turbulence as a singular, universal event, taking place as it were in homogenous and empty time and space. In this sense, the logic of extrapolation creates an "allegorical master narrative" (Jameson, 1981: 28) in which everything is foretold because each moment or stage simply explicates the others to which it is related, with all playing out in relation to a

deeper, underlying process that also serves as a more fundamental explanation of *how things are*.

But getting back to the elephant in the room. To imagine capital as a monolithic, elephantine entity continues and upholds the "vast interpretive allegory" (1981: 28) that Jameson describes. It ascribes to capital (invoked here by the figure of the power of the banks) a wholeness and unity it may not necessarily — or perhaps more correctly, will rarely — display in its actual operations. To position capital, capitalism, and financial power "outside" or "beyond" the mundane world of everyday culture and households misses something quite fundamental: it fails to consider the roles that those everyday financial practices, and social and cultural relations more broadly, play in shaping and constructing financial events. Moreover, to visualise capital in these terms — the elephant in the room — calls up an image of omnipotent but actually quite static and contained power that actually limits the analyses and understandings of both power and economic life that are potentially possible. It diagrams both capital and power as centred and singular (see Gibson-Graham, 1996; Aitken, 2007).

This particular understanding of capital and power as centred and monolithic also sets up and reinforces an opposition, and more importantly a separation, between the reified and mysterious world of finance capital and ordinary, everyday culture, between Wall Street and Main Street. This implicitly sketches global capitalism as a major, dynamic and implacable kind of force, impacting upon the spaces of ordinary life where its effects are evident in the merely residual traces left behind, registered in the quarterly statement of pension and superannuation schemes and the disastrous hit to retirement income. While such hits are serious, one part of the widespread socialisation of losses that we've seen unfold over the last couple of years, I question whether it's really in our longer-term interest of understanding the integral dimensions and machinations of the crisis to remain attached to such a limited sense of scale. As Bruno Latour has put it, "A giant in a story is not a bigger character than a dwarf"; as he explains, "Big does not mean 'really' big or 'overall' or 'overarching', but connected, blind, local, mediated, related" (Latour, 1988b; 1999 in Crang and Thrift, 2000: 286). So, what becomes significant then is whether financial markets are "more or less long and more or less connected", and the specific nature and history of the relationships and connections *between* scales.

The result is a genealogical and cultural analysis that not only decentres financial capital but enables insight into its contemporary diffuse, dispersed and *multiple* operations, and therefore perhaps also provides greater purchase on the ways in which it is constituted and reconstituted in increasingly new, novel and diverse forms throughout socio-economic life. This is a method most closely associated with the work of Michel Foucault who argues that, as a critical approach, genealogy rejects the historical imperative to create a narrative continuity of before and after, a teleological movement that can then assume the status of a natural process; it "disturbs what was previously considered immobile; it fragments what was thought unified; it shows the heterogeneity of what was imagined consistent with itself" (Foucault, 1984: 82). A genealogical approach, therefore, records "the singularity of events outside of any monotonous finality; it must seek them in the most unpromising places, in what we tend to feel is without history — in sentiments, love, conscience, instincts; it must be sensitive to their

recurrence, not in order to trace the gradual curve of their evolution, but to isolate the different scenes where they engaged in different roles" (Foucault, 1984: 76).

This is a critical approach that has also been mobilised in cultural economy studies of contemporary finance (Aitken, 2007; Ball, 2007; du Gay & Pryke, 2002; Langley, 2008; Pryke & du Gay, 2007). It also provides the basis of what Randy Martin (in this issue) calls "thinking finance otherwise". From this perspective, transformations in everyday saving, borrowing and investment practices, especially in housing and mortgage markets, are not simply imposed from "the outside" by global finance capitalism and the banks representing its vested interests. Rather they take shape within, and are contingently embedded and embodied "inside" the power relations of much wider networks, connections and circuits. As Langley puts it, "The category of everyday life does not just provoke a concern with that which is neglected in the vast majority of accounts of contemporary finance, that is with the mundane routines of saving and borrowing. It also directs us to view transformations in those routines as crucial to the constitution and contestation of contemporary finance" (2008: viii-ix).

Moreover, when looking at contemporary experiences of home ownership, and especially the culture of speculation and investment that has developed residential property since the global house price boom, it's actually quite difficult, if not impossible, *not* to take into consideration the interrelations between everyday practices and the banking and financial sectors. After all, it was the deregulation of financial systems in the 1980s that actually led to the appearance of a new generation of flexible mortgage products. Mortgage lending became more competitive than ever before, and home loans became more widespread. Home equity loans, mortgage equity withdrawal, over-mortgaging, loans with offset accounts, cash-out refinancing, reverse mortgages, hybrid and interest-only adjustable rate mortgages, loans with teaser and honeymoon periods, and a suite of various kinds of negative amortization loans were just some of the new "affordability products" and home lending practices that appeared on the market following the deregulation of the financial sector.

The liberalisation of lending policies not only led to a substantial increase in the availability of housing finance but its greater accessibility. New methods of selling mortgages re-formed the mortgage market, intersecting with new norms, desires and expectations of home ownership. One of the primary expectations to emerge at this time was that by embracing financial market risk, and successfully calculating and managing that risk, owning a home would provide a store of housing wealth that could be depended on not only to finance consumption in the present but to provide social and economic security over the life course — asset-based welfare, in other words. It would be a canny financial decision rewarded with substantial investment returns (culturally, financially and symbolically), including the prospect of leveraging that store of wealth a number of ways, including for further investment opportunities and wealth accumulation (see Allon, 2008). As the *Economist* put it: consumers have become "obsessed with the idea of a house as their main store of wealth, regarding it as a combination of cash cow and pension plan" (*Economist*, 2009: 71). In effect, housing wealth has increasingly come to be seen as the key to, and guarantee for, all other kinds of wealth, prosperity and financial security more widely.

This not only makes everyday life and material consumption more and more "aspirational", but also positions the individual as an investor in a life project that requires the constant pursuit of opportunities and the negotiation of risks in order to yield rewards. In this neoliberal vision, the social contract has been replaced by the mortgage contract. Sure, growing levels of home and property ownership bring new benefits but they also increase exposure to economic downturn. So many current government policies to individualise responsibility for saving, borrowing and everyday investment decisions (education, health care, housing, retirement) often exceed the individual capacity to manage complex financial choices and unknown market risks.

Refusing an imaginary that depicts capitalism as singular, centred, and as homogenous and hegemonic in the way it circumscribes power is also, I want to suggest, strategically necessary in order to understand the mutations and transformations of technologies of power that are specific to contemporary forms of neoliberal governmentality. Generally understood as a style or art of governing that emerged in the last decades of the 20th century, advanced liberal techniques of governance issue less from a single locus of operation — the closed spaces of institutions such as the State or the Economy, for example — but through the activities of multiple agents and agencies motivated by a shared ethics of responsibility, autonomy and freedom (see Miller and Rose, 2008). It organises a diagram of power that is centrifugal, operating across a plurality of planes of movement: "New elements are constantly being integrated: production, psychology, behaviour, the ways of doing things of producers, buyers, consumers, importers, and exporters, and the world market … the development of ever-wider circuits" (Foucault, 2007: 45).

But there is one particular aspect of this kind of neoliberal governmentality that has a particular relevance to the "crisis" we're living through today. Styles of governing that call up autonomous subjects to take on individual responsibility for their own security, independence, material well-being and welfare increasingly involve "the invention of novel ways of thinking, calculating, acting and intervening" (Lentzos and Rose, 2009: 234). And it is in relation to the specific calculative tools, devices and techniques of risk — the means through which future uncertainties are thought about, measured and managed as risks in the present — where these are most apparent. Risk becomes a space of calculability that is inserted into an expanded range of social institutions and areas of social life. Every contingency of contemporary life can be valued, hedged and converted into a cash flow and of course into commodity relations. This is not only reflected in the burgeoning range of derivatives now available, from weather derivatives to disaster derivatives, but also in the steadily growing processes of financialization now dispersed throughout daily life (Martin, 2002).

The Singularity of the Event

So what is specific about today's crisis? One of the keys to understanding the specificity of our present situation is the new role of risk. Risk frequently displaces a previous (state-backed) social order of insurance that depended on a

logic of probability collectivised across social space (Ewald, 1991). It now functions as something that must be grasped and managed in order to maximise returns and rewards in social practices that are now framed as investment decisions (Hacker, 2006). Conversely, the responsibilized investment choices of autonomous entities, whether these be enterprises, local councils in suburban Sydney, individuals, households and families, hinge more and more on their increased exposures to, responsibilities for, and management of, risk. And risk itself is represented not as something to be avoided but as a specific set of tools that must be deployed, and as an incentive or opportunity to be embraced. It also begins to function as a prism of social categorisation and differentiation that organises, prices and exploits difference (gender, racial, class, geographical, employment, etc.), and whose calibrations the sub prime crisis brought sharply into view (see Langley, 2008; Wyly et al., 2009a, 2009b).

But what I would also like to suggest here is that risk, or more precisely the crisis in the diagram of power that organises this much wider *distribution of risk*, is just one of the keys to understanding what's specific about this crisis. Our understandings of value, of authenticity, and of the so-called "real economy" are also in crisis. So, while this call to decentre our images of capital and finance is hardly new (it is the central theme of Gibson-Graham's presciently titled book *The End of Capitalism (as we knew it)*), it takes on a particular urgency in the present circumstances in regard to the ongoing representations of the meltdown. An archive of very specific references, images and over-determined narratives has accompanied the GFC. The bulk of media and social commentary overwhelmingly tends to rely on this established archive, recycling the same set of well-worn metaphors: a deluded Alan Greenspan at the helm of the ill-fated Titanic sailing into the perfect storm (along with other endless reprisals of the world's biggest metaphor hits iceberg theme). Historical analogies, specifically, have been drawn extensively in attempts to both explain and understand the current financial crisis. The mantra that has become most familiar of course is that the global financial crisis is the biggest economic downturn since the Great Depression: after the collapse of Lehmann Brothers a host of magazines devoted special issues to the crisis featuring Dorothea Lange's iconic photos of dust storms, farm foreclosures, migrant workers and soup kitchen queues — archetypal images of the Depression era.

Popular economist, Niall Ferguson, is the master of such extrapolation, drawing neat equivalences between the South Sea Company, Tulip mania, and the sub prime crisis in his seamless history of "Blowing Bubbles" (Ferguson, 2008). What these narratives do is work to construct capitalism as an unchanging and eternal presence, with the eruptions of "bubbles" and "crises" as inevitable as the cycles of nature, and displaying the same essential properties. In these rhetorical manoeuvres the crisis is naturalised, and politics is aestheticised. While periodisation of one kind or another may indeed be "indispensable", as Jameson suggests, the representation of History as a master narrative inevitably falls back on a teleological progression (a *telos*) that demands narrative closure. "Individual period formulations", in particular, "always secretly imply or project narratives or "stories" — narrative representations — of the historical sequence in which such individual periods take their place and from which they derive their significance" (Jameson 1981: 28).

The very term "crisis" also becomes deeply implicated in this semiotic regime. The language of crisis is extraordinarily flexible and amazingly convenient but, again, it also tends to reduce social and historical multiplicities to a discrete and unified historical period or master code: the GFC. The concrete manifestations and specificities of the crisis, its local and historical contextualisations, are downplayed in its representation as an expression of a macro-structural category or already-existing abstract capacity. When both capitalism *and* the moment of its economic crisis are given an essential or coherent identity, "unified by an abstract self-resemblance" (Gibson-Graham, 1996: 15), the contradictions and tensions that are always present are downplayed and inherent instabilities are given resolution. And to paraphrase Gibson–Graham, each time the word "crisis" is invoked, a very familiar figure and sense of inevitability is "re-imposed on the social landscape" (Gibson-Graham, 1996: 15). In the hyperventilating panic attack of a crisis, all bets are off, no holds are barred, the future is suspended and a severe, knee-jerk short-termism kicks in. The horizon of possibility contracts to the immediacy and pragmatism of what's happening NOW: as Australian National Party Senator Ron Boswell said in response to calls from some of the nation's most respected scientists for cuts in greenhouse gas emissions: "C'mon, be practical, don't you know we're living through a crisis?"

So just how helpful is this language of crisis and catastrophe? Isn't this image of inevitable depression and calamity merely the flipside of the growth mania that gripped us just as tightly not so long ago? In this sense, these narrative figures are not so different to the mathematical models of extrapolation that assumed the future would look just like the present. By the late 1990s there was a sense that the central problem of the business cycle, if it had not been entirely eliminated, had at least been decisively tamed, perhaps had even been solved. As Ian Harper, Reserve Bank economist and free marketeer recently put it, "Our framework was essentially the efficient markets theory. We thought we had found the ultimate fixed point in the universe, namely the market price, and so we built on top of that the regulatory framework. But then there was no market price. The evolution we expected has stopped, reversed and gone the other way" (quoted in Quiggan, 2009).

What is missing from this logic of extrapolation is a sense of difference *and* repetition, a failure, above all, to grasp the moment's distinctiveness, its singularity. There is certainly nothing wrong with letting the knowledge of the past work on the experience of the present. But this is completely different to "coating the present in a form that is recognised in the past but still reckoned to be valid in the present. It is this transfer of the political effects of an historical analysis in the form of a simple repetition that is undoubtedly what is to avoided at any cost" (Foucault, 2008: 131). With "the pure and simple transposition of historical moulds", as (Foucault, 2008: 131), terms this process, the political effects of specific types of practices, institutional forms and cultural norms and relations are overlooked. In other words, either wittingly or unwittingly, the present is able to evade critical scrutiny on its own terms.

The repertoire of historical referents called on to both illustrate and dramatise the current crisis — the images of soup kitchens, unemployment queues, dust bowls etc. — reinforce the sense of historical continuity and inexorable unfolding of an eternal presence, and neutralise the potentiality of serious contestation and critique. In this

sense, the images, narratives and metaphors that we use to describe the crisis constituting it in highly specific ways in forms of knowledge and practice, and are central in our experience of and our reactions to the current economic circumstances. This not only shifts attention on to the role that language and imagery play as constitutive practices, but to the fact that the category of capital is not an ontological given but is also constituted by continually changing and contradictory processes and events (Aitken, 2007).

Nostalgia for a "Real Economy"

In this world paradoxically steeped in but simultaneously devoid of history, Jean Baudrillard, were he alive, would be having a field day. He would have already penned his treatise "The Global Financial Crisis that did not take place"; after all, he'd already suggested that the Wall Street Crash of 1987 was experienced more as simulacra than anything else, as confirmation that we live under the sign of a virtual economy more than ever before. But Baudrillard's distinction between a "real" and virtual economy is actually useful for thinking about another debate that has appeared recently. This is the idea that *financialization* has severed our connection to a so-called "real economy". From this perspective, the crisis tends to be understood as a major rupture of equilibrium, a deviation from the "real" economy or a distortion of a "true" and "proper" model of capitalism. Saskia Sassen, for example, is one of many who have called for a return to a real capitalism re-embedded in the real economy (Sassen, 2009).

In fact, this search for "realness" is another distinctive feature of the current downturn. The recycled media images convey the nostalgia for the *realness*, for the *solidness*, the *authenticity* of previous crises. Where exactly is the crisis located? What's tangible about it? In what kind of features can it be recognised? And one reason such uncertainty has become so prevalent is because so much of the discussions around the crisis have centred on exotic financial instruments such as derivatives, CDOs and structured investment vehicles which themselves appear to have an unreality about them. The greater virtuality or liquidity of the financial practices involved, or at least the greater the *impression* of virtuality, produces, as Baudrillard identified presciently, "the characteristic effect of *uncertainty surrounding the reality of the crisis"* (Baudrillard, 1993: 33). Indeed, the desire for solidity when it seems that all that is solid has melted into air was given perfect illustration throughout 2009 with financial analysts recommending investment in "real" commodities like gold, urging the punters to go out and buy bullion and bury them in their backyards. The calls for greater regulation are very much part of this desire, this hope, for solidity in the face of the complexity of liquidity, virtuality and dematerialisation.

This idea of a real economy and real capital also feeds into a much wider set of distinctions between real and virtual or fictitious capital. Virtual and fictitious capital have most commonly been associated with the emergence of the finance and insurance industries and an increasingly information-based capitalism, and generally refer to flows of capital not involving a commodity transaction or exchange (see Ball, 2007; Kiarina Kordela, 2007). They are terms almost exclusively applied to derivatives markets as the latest stage in the abstraction of monetary forms. But even though such

divisions between real and fictitious capital are increasingly untenable, financial capitalism continues to be represented as a unique and aberrant exception to the "eternal verities" of monetary capital. As David Harvey notes, "[I]n the course of a crisis, capitalism is forced to abandon the fictions of finance and to return to the world of hard cash, to the eternal verities of the monetary base" (Harvey, 1982: 292).

This continued emphasis on the virtuality of finance, "money's 'new imaginary'" as (Pryke and Allen, 2000) put it, merely reinforces this aura of fiction and unreality. Whereas what is actually needed are studies of the cultures and materiality of finance, the way it is brought into being, made tradable, and the areas of social life — pensions and superannuation schemes, including the near total securitisation of the infrastructure of everyday life, from mortgage repayments and roads, to telephone bills and student loans — within which it is performed and constituted. After all, as Donald MacKenzie (2009) reminds us, these products did not simply evolve, they were invented, the result of conscious, deliberate design. A greater attention to the culture and materiality of these markets, however, does not mean simply regarding "culture" as the background or as the context in which markets take place: it involves examining the fashioning of everyday financial practices, subject positions and identities in arenas that are *cultural* as much as they are *economic*.

But this critical move is disavowed in the conventional diagnosis of the crisis as a major rupture of equilibrium, a deviation from the "real" economy or a distortion of a "true" and "proper" model of capitalism. To define the crisis as a financial distortion, an anomaly or aberration simply serves to reinstate the fiction of equilibrium. Indeed, the very term "crisis" is in many respects a misnomer; volatility is the normal mode of operation of this particular type of economic system. Financialized capitalism, therefore, is not a deviation or a departure from a norm, or a distortion of the real; it is actually business as usual, as they say, a development *within* the *longue durée* of practices of capitalist accumulation rather than an absence of its fundamentals.

Moreover, and relatedly, the idea that the crisis is the result of non-rational behaviour, or irrational behaviour, as in the sense of Robert Shiller's diagnosis of "irrational exuberance" again reinstates the naturalness of a norm, and performs a reinscription of equilibrium. The representation of individuals as "irrational", or indeed as "delinquent" borrowers, in effect singles them out from the norm, and deflects critical examination and scrutiny from the wider system in which they are situated and operate. For Shiller, "irrational exuberance" is investment behaviour that is not grounded in "sensible economic fundamentals" (Shiller, 2005). What this fails to acknowledge is the way in which sensible investment behaviour has actually been redefined as contingent upon a greater appetite for risk, and with this risk itself is redefined not as something to avoid as "risky" but as an opportunity to leverage and embrace.

In contrast to the focus on non-rational individual behaviour, or irrational behaviour in this era of speculation, greed and debt bingeing which the crisis has supposedly brought to a head, I'd like to suggest that what has been most apparent is the creativity of practices of rationality, of reason, and of risk. These are part of a much wider *cultural rationality* that emphasises an image of the enterprising and responsible citizen who seeks out opportunities for asset-accumulation and investment not just as a sign of a

self-directed and autonomous life, but as a much-needed source of welfare and security over the life course. But rationality and reason are to be regarded here as virtual in the truest sense of the term: they are never ever attained, completed, or fully realised. Rather, they are shot through with forces that generate instability, undermined by the contradictions and tensions that emerge in all technologies of risk that turn on the calculation of the future. The current crisis illustrates above all the fragilities, tensions and contradictions of those so-called sensible, real and rational "fundamentals" that continue to serve the depoliticised constitution of the present and the future.

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