

# Financialization



## Reuters Monitor

First networked currency trading information system, 1973

## Milton at the Merc!



Friedman inaugurates currency futures, Chicago Mercantile Exchange, 1972

Arpanet goes online, 1969

Invention of microprocessor, 1971

NASDAQ – National Association of Securities Dealers Automated Quotations – founded 1971

SWIFT – Society for Worldwide Interbank Financial Telecommunication, founded 1973

CBOT Options Exchange founded 1973

OPEC oil shock, 1973  
petro-dollars recycled by Western banks throughout global financial system

Launch of Altair personal computer, 1975

“Volcker Shock”: prime rate rises to 21% in 1981  
Third World debt crisis, US draws world savings into its financial markets and Treasury Bonds



**[Neoliberalism]**

This guy is Friedrich von Hayek!!



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“The most significant fact about this system is the economy of knowledge with which it operates, or how little the individual participants need to know in order to be able to take the right action. In abbreviated form, by a kind of symbol, only the most essential information is passed on and passed on only to those concerned. It is more than a metaphor to describe the price system as a kind of machinery for registering change, or a system of telecommunications which enables individual producers to watch merely the movement of a few pointers, as an engineer might watch the hands of a few dials, in order to adjust their activities to changes of which they may never know more than is reflected in the price movement.”

Friedrich von Hayek  
“The Use of Knowledge in Society” (1945)



## **[Neoliberalism]** **the public choice**

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“Public choice theory [developed by James Buchanan and Gordon Tullock in the 1960s] is the theory of government failure the same way that social democracy is a theory of market failure. Just as theories of market failure compared actual failures of the market to idealized service provision by the public sector, public choice theory contrasts the inadequacies of real world actual government to an idealized allocation through perfectly functioning markets.

“Public choice theorists assert that government tends to overstep the bounds of the contract which properly gives the state legitimacy in the eyes of citizens. A close parallel between political exchange and market exchange is at the heart of the framework. Orderly trade in private goods and services can take place only within a legal structure that establishes individuals’ rights of ownership and control of resources, enforces private contracts, and places limits on the exercise of governmental powers. The constitutional questions are how government should be constrained, what it should be allowed to do, and what is constitutionally authorized. Mutually advantageous political exchange takes place under a constitutional contract of a minimalist or night watchman state; for it is only such a state which promotes efficiency enhancing complex private exchanges. Such laissez faire thinking is a political rather than strictly a scientific position.”

William Tabb

*Economic Governance in the Age of Globalization* (2004)

“In recent years, there’s been a trend toward democracy and market economies. That has lessened the role of government, which is something business people tend to be in favor of. But the other side of the coin is that somebody has got to take government’s place, and business seems to me to be the logical entity to do it.”

David Rockefeller (*Newsweek*, February 1, 1999)



# Black Monday

On October 19, 1987, the New York Stock Exchange (NYSE) experienced a dramatic sell-off. Hundreds of traders on Wall Street responded to fears about inflation and rising interest rates by using newly installed computerized trading programs to sell stocks, causing the Dow Jones Industrial Average to plunge 508 points: the largest one-day point loss and the second largest one-day percentage loss in its history to that date. The overall net loss in market capitalization of all stocks affected by the crash has been estimated at roughly half a trillion dollars.

Two varieties of program trading, known as index arbitrage and portfolio insurance, were viewed as the main culprits. Program trading involves bundles of trades comprising fifteen or more securities and worth more than \$1 million. Index arbitrage occurs when an investor buys a bundle of stocks and simultaneously sells futures contracts for the index that those stocks represent. Portfolio insurance was supposed to use futures, as well as options (similar to futures, but granting the purchaser a right to make a future purchase, rather than creating an obligation to do so), to protect, or hedge, against steep declines. The rapid fall of stock prices and the market indexes triggered automatic sell orders in many computer programs.



# Black Monday



ROBERT A. DAVIS/SUN-TIMES

Leo Melamed in a photo from October 1998. Melamed is wildly enthusiastic about single-stock futures, which are to begin trading early next month.

Leo Melamed, founder of CME



Dallas, 1978-1991

# The “Dallas” years



Republican campaign button, 1980



Dallas, 1978-1991

# The “Dallas” years

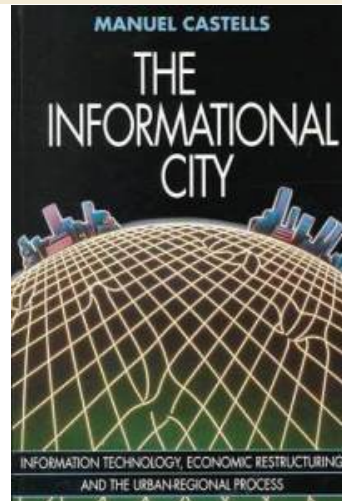


Star Wars, 1977-80-83





*Dallas*, 1978-1991



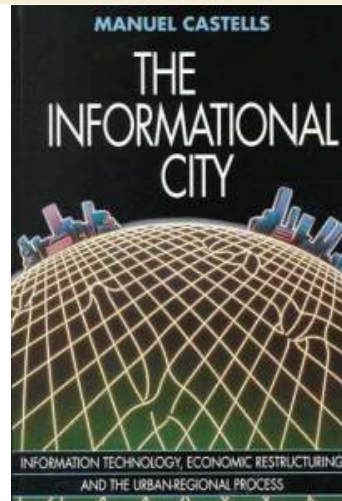
# The “Dallas” years

"Modes of development emerge from the interaction between scientific and technological discovery and the organizational integration of such discoveries in the processes of production and management... The transition between modes of development is not independent of the historical context; it relies heavily on the social matrix initially framing the transition, as well as on the social conflicts and interests that shape the transformation of that matrix. Therefore, the informational mode of development will emerge from the interaction between its technological and organizational components, and the historically determined process of the restructuring of capitalism."

"The political crisis suffered by the American state both domestically (Watergate) and internationally (Vietnam; Iran; the erosion of its political control in Africa and Central America; increasing economic and technological competition from new powers, particularly Japan; strategic parity achieved by the Soviet Union in the arms race) called for a state of emergency in which the greatest power on earth would flex its muscles to show, in a responsible yet determined manner, that it was ready and willing to engage in sharp confrontations to preserve its status and power. Business interests, both in the US and internationally, redeploing themselves on a planetary scale in the aftermath of the crisis, welcomed this newfound resolution in the leader of the free world, both for its symbolic value and for its global practical concerns."



Dallas, 1978-1991



# The “Dallas” years

“Together with tax cuts for corporations and upper-income groups, defense spending provided the substitute for the demand and jobs generated by social welfare spending and hence the basis for a new state-led economic policy replacing classical Keynesianism with a ‘perverted Keynesianism,’ made up of military expenditures and regressive income distribution.

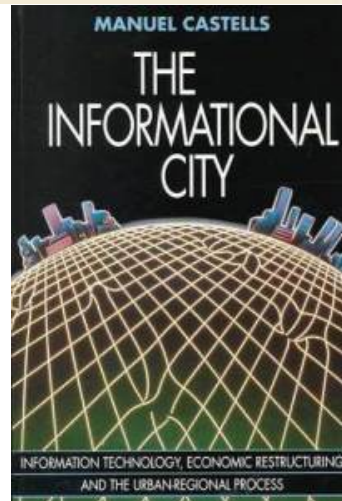
“To proceed with this new policy, a new power bloc had to be built at the core of the warfare state, able to replace the old liberal coalition which was now deeply in crisis. As Carnoy, Shearer and Rumberger write: ‘New Deal ideology, fostering an economic development based on a historical compromise among labor, business, and government could not abandon its labor conscious political base to achieve what business wanted. Neither was it willing to abandon its business ally to strike out in new, imaginative, pro-community, pro-labor, pro-consumer directions. It thus collapsed as a viable political ideology.’

“On the basis of the electoral and public opinion data we can hypothesize that the new power bloc was constituted on the basis of several elements:

- the traditional conservative constituency
- the backlash against minorities and social movements
- middle-class professionals reacting against welfare because of its benefit for low-income groups at the expense of their tax burden”



Dallas, 1978-1991



# The “Dallas” years

“The first major spatial impact of a defense policy driven by global technological competition is the restructuring of regional dominance, accelerating the process of uneven development but revising some of the traditional locational patterns. This regional restructuring does not take place along the simplistic dichotomy between the sunbelt and the snowbelt, but follows, fundamentally, the technological industrial capacity concentrated in each region. The combination of high-tech manufacturing, advanced research, and defense spending seems to be one of the major factors in explaining the new regional dynamics of the US. The result is the displacement of economic and political power to California, Florida, Texas, New England, and, to some extent, certain areas in the west. While New York retains its dominance on the basis of its advanced services complex, much of the urban industrial complex in the north-central and north-eastern regions is suffering a dramatic decline, while the new industrial south appears unable to stand up to international competition. Defense-driven high-technology industries, and technology-driven defense-related industries, are now the core of manufacturing in the US; and because of their spin-off and multiplier effects, they have become a fundamental force underlying the new regional structure.”

# Informationalism



Fall of the Berlin Wall:  
Nov. 10, 1989

Gulf War: August 1990 -  
February 1991

Dotcom Bubble:  
1995 - 2000

Housing Bubble:  
2003 - 2008



NASDAQ peaks at 5132.52 on March 10, 2000



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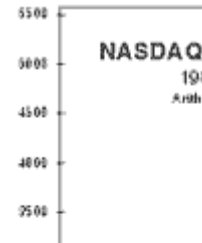
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Economics, Cognition, and Society  
**INCREASING  
RETURNS AND  
PATH DEPENDENCE  
IN THE ECONOMY**

**W. BRIAN ARTHUR**

Foreword by  
**Kenneth J. Arrow**

MICHIGAN

Conventional economic theory is built on the assumption of diminishing returns. Economic actions eventually engender a negative feedback that leads to a predictable equilibrium for prices and market shares. Negative feedback tends to stabilize the economy because any major changes will be offset by the very reactions they generate. The high oil prices of the 1970's encouraged energy conservation and increased oil exploration, precipitating a predictable drop in prices by 198x. According to conventional theory the equilibrium marks the "best" outcome possible under the circumstances: the most efficient use and allocation of resources.

# Informationalism



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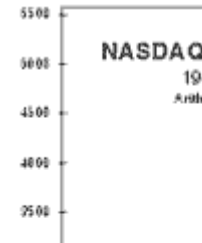
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Economics, Cognition, and Society  
**INCREASING  
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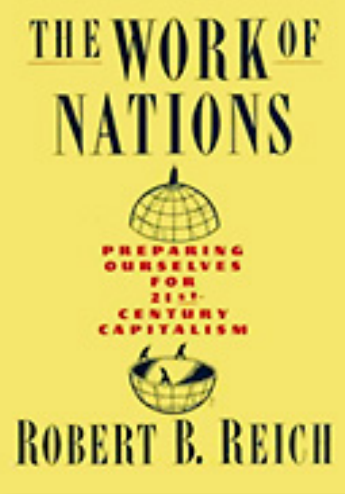
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Such an agreeable picture often does violence to reality. In many parts of the economy stabilizing forces appear not to operate. Instead, positive feedback magnifies the effect of small economic shifts; the economic models that describe such effects differ vastly from the conventional ones. Diminishing returns imply a single equilibrium point for the economy, but positive feedback—increasing returns—make for multiple equilibrium points. There is no guarantee that the particular economic outcome selected from among the many alternatives will be the "best" one. Furthermore, once chance economic forces select a particular path, it may become locked in regardless of the advantages of other paths. Predictable, shared markets are no longer guaranteed.

# Symbolic analyst



The formal education of a symbolic analyst entails refining four basic skills: *abstraction*, *system thinking*, *experimentation* and *collaboration*.

The capacity for *abstraction* - for discovering patterns and meanings - is the very essence of symbolic analysis, in which reality must be simplified so that it can be understood and manipulated in new ways. The symbolic analyst wields equations, formulae, analogies, models, constructs, categories, and metaphors in order to create possibilities for reinterpreting, and then rearranging, the chaos of data that are already swirling around us.

# Symbolic analyst

## THE WORK OF NATIONS

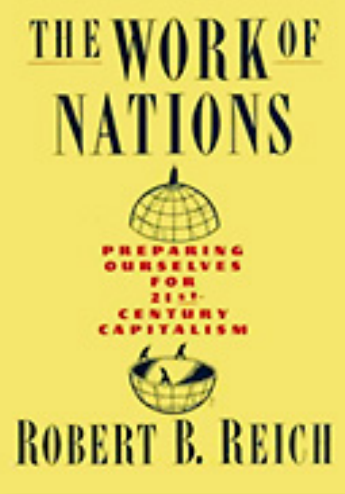


ROBERT B. REICH

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*System thinking* carries abstraction a step further. To discover new opportunities, one must be capable of seeing the whole. The symbolic analyst must constantly try to discern larger causes, consequences, and relationships. Problems can usually be redefined according to where you look in a broad system of forces, variables, and outcomes, and unexpected relationships and potential solutions can be discovered by examining this larger terrain.

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In order to learn the higher forms of abstraction and system thinking, one must learn to *experiment*. Exploring a city on your own rather than following a prescribed tour may take you far afield - you may even get lost. But there is no better way to learn the layout or see the city from many different points of view. The habits and methods of experimentation are critical in the new economy, where technologies, tastes, and markets are in constant flux.

# Symbolic analyst

## THE WORK OF NATIONS



ROBERT B. REICH

The formal education of a symbolic analyst entails refining four basic skills: *abstraction*, *system thinking*, *experimentation* and *collaboration*.

Finally, there is the capacity to *collaborate*. Symbolic analysts typically work in teams - sharing the problems and solutions in a somewhat more sophisticated version of a child's play group. Symbolic analysts spend much of their time communicating concepts - through oral presentations, reports, designs, memoranda, layouts, scripts and projections - and then seeking a consensus to go forward with the plan.

*Robert Reich, 1991*

# Symbolic analyst



**Jeff Skilling:** Harvard Business School MBA, CEO of Enron 1990-2001, investigated on federal felony charges 2004-2006, received a 24-year sentence for conspiracy, insider trading, false statements to auditors and security fraud.

# Flexible Personality

Jean-François Lyotard

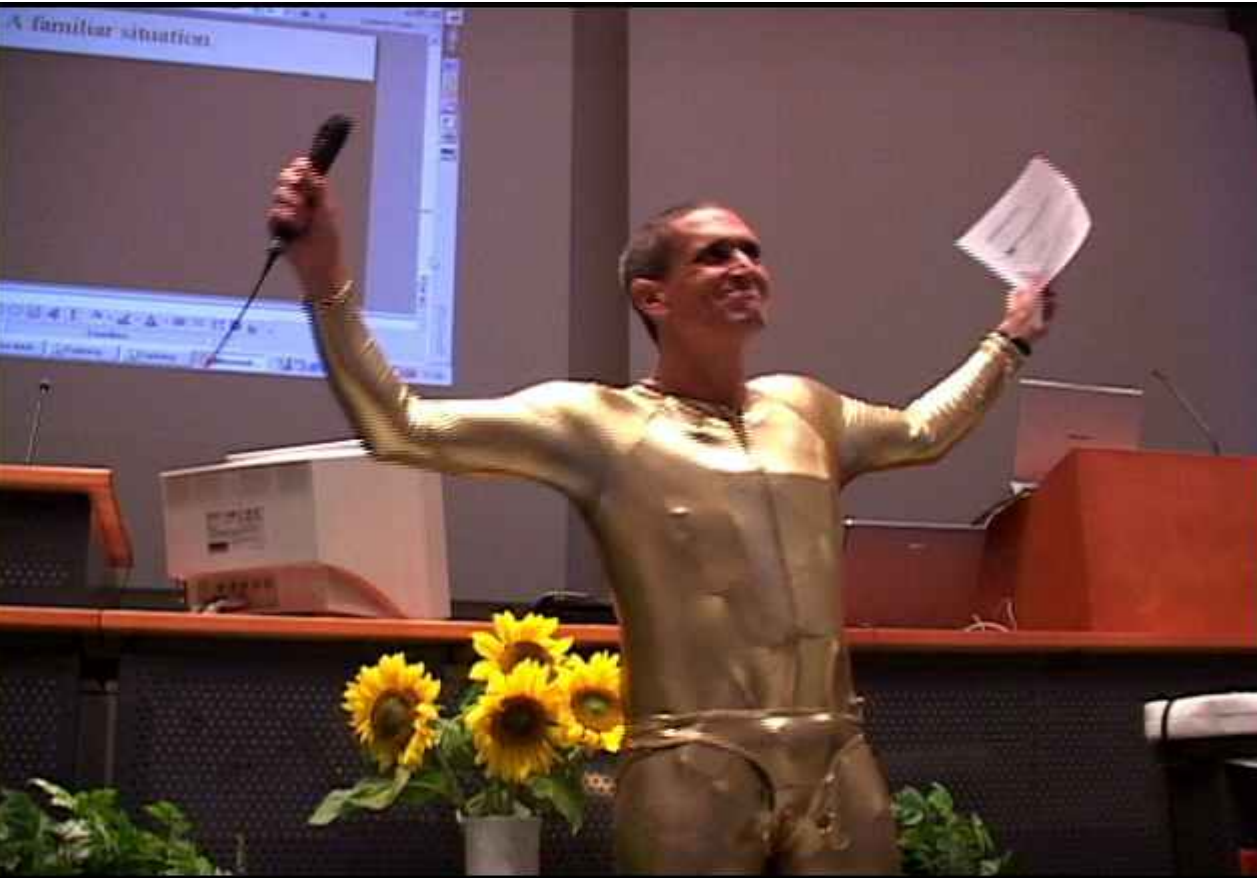
The Postmodern  
Condition:  
A Report on Knowledge

Translation from the French by  
Geoff Bennington and Brian Massumi  
Foreword by Fredric Jameson

Theory and History of Literature, Volume 10

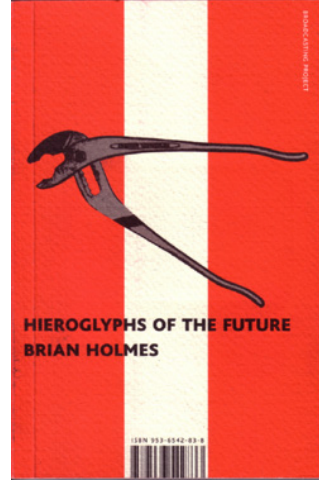
In 1979, Jean-François Lyotard identified language games as an emerging arena of value-production in capitalist societies offering computerized access to knowledge, where what mattered was not primary research but transformative "moves" within an arbitrary semantic field. With this linguistic turn of the economy, the unpredictable semiotic transformations of Mallarmé's "roll of the dice" became a competitive social gamble, as in stock markets beset by insider trading, where chance is another name for ignorance of precisely who is manipulating the rules. Here, cynicism is both the cause and prerequisite of the player's unbounded opportunism. As Virno notes: "The opportunist confronts a flux of interchangeable possibilities, keeping open as many as possible, turning to the closest and swerving unpredictably from one to the other"...

The point becomes clear: to describe the immaterial laborer, "prosumer," or networker as a flexible personality is to describe a new form of alienation, not alienation from the vital energy and roving desire that were exalted in the 1960s, but instead, alienation from political society, which in the democratic sense is not a profitable affair and cannot be endlessly recycled into the production of images and emotions.



Posing as a WTO delegate at a conference on "Textiles of the Future," Andy describes how the US Civil War — fought over cotton — was a great waste of money, because slavery could have been replaced by its infinitely more efficient version: remote sweatshop labor.... The only problem with the efficiency of today's sweatshops, Andy continues, is a lack of control over workers. But there is a technological answer. Mike rips off Andy's breakaway business suit to reveal the management solution of the future: a shimmering golden leotard—which sports a three-foot-long golden phallus. Andy explains that the "Employee Visualization Appendage" will allow the manager of the future to control far-off workers while engaging in healthful leisure activities.

# Flexible Personality



The flexible personality is not a destiny. And despite the ideologies of resignation, despite the dense realities of governmental structures in our control societies, nothing prevents the sophisticated forms of critical knowledge, elaborated in the peculiar temporality of the university, from connecting directly with the sophisticated forms of dissent appearing on the streets. In the process, "artistic critique" can again rejoin the refusal of exploitation. This type of crossover is exactly what we have seen in the wide range of movements opposing the agenda of neoliberal globalization. The development of an oppositional "school" can now extend to a vastly wider field. The communicational infrastructure has been partially externalized into personal computers, and considerable knowledge capital has shifted from the schools and universities into the bodies and minds of immaterial laborers: these assets can be appropriated by all those willing to simply use what is already ours, and to take the risks of political autonomy and democratic dissent.

The program is ambitious. But the alternative is just to go on playing someone else's game—always in the air, between vocation and vacation, eyes on the latest information, fingers on the controls. Rolling the loaded dice, again and again.



The Yes Men at a textile industry conference in Tampere, Finland (2001)



