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# THE SPECTER OF CAPITAL

## *Review essay*

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**Joseph Vogl**, *The Specter of Capital*, translated by Joachim Redner and Robert Savage, California, Stanford University Press, 2015, 168 pp., ISBN: 978-0-8047-9292-9, \$22.95 (pbk)

Since at least Marx, capitalism has been imagined as machine – an ensemble of relations and forces that produces not only things but also history. Marx’s insights may not have fared well in the economics profession, but in many ways the global economy looks more and more like a machine. Nowhere is this more so than in the financial industry, where calculative devices are the norm and automatic trading systems on the rise (cf. Muniesa et al. 2007; Pardo-Guerra 2012; and Arnoldi 2015). In this book, Joseph Vogl weaves the story of neo and new classical economics into Marx’s vision of the capitalist machine. His core argument is that modern financial theory has transformed Adam Smith’s account of the market into a distributed form of numerical machinery. The invisible hand has thus become a hidden hand – a spectral force that moves economy, produces history, and poses challenging questions to reigning ideologies of finance.

Throughout the book Vogl employs Polanyian turns of phrase, describing financial markets as detached, abstract, and inhuman realms, whose autonomous workings ultimately threaten the lives of those that live under their yoke. But while Polanyi (2001/1944) saw the market mentality as an expression of secular rationality, Vogl sees capitalist markets themselves as a strange and unexpected product of theological discourse.<sup>1</sup> The novelty of contemporary capitalism is thus that modern theodicies, which used to explain the economic universe and justify what came to pass within it, have become performative contradictions, offering visions of order and promises of justice at the same time as they produce turmoil, chaos, and waste. Vogl sees two developments in particular as underpinning this shift. The first is the grafting of a distinctly economic theodicy – initially developed by Smith – onto new domains of capitalist credit and debt. The second is the embedding of this secular theodicy (or ‘oikodicy’) into the practices and technologies of financial markets.

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<sup>1</sup> Polanyi (1947, p. 109) does veer close to Vogl when he observes that ‘Science itself is haunted by insanity’. This, however, is not a point he develops at much length.

Vogl devotes the early sections of his book to charting the historical emergence of a capitalist oikodicy. He begins by noting how the metaphor of the invisible hand deposits ‘theological and cosmological questions ... in the field of social ontology’ (p. 25), seeing in Smith’s use of it the beginnings of our modern faith in the market. Just like God before it, the market now appears as both ‘the means and the end of organized social relations’ (p. 32) – a natural law that brings harmony and justice to life on earth. Or to put it in secular terms, the market mechanism performs a balancing function, coordinating interests and allocating resources through a system of prices and the exchanges these enable.

Today we are all familiar with the idea of a self-regulating market, but according to Vogl ‘the concept of the market took shape *before* the market began to function’, meaning that from the very beginning it was at once both ‘a model and a “truth program”’ (p. 36) – an image of the economic sphere and a practical resource for those seeking to negotiate it. For Vogl this foundational duality shapes the evolution of economic discourse in two key ways. First, it leads to the displacement of the exchange mechanism by the idea of competition – an open ended and yet purposeful tendency toward equilibrium that requires ‘proactive and resolute policy-making’ (p. 38). Second, it brings with it ideas modeled on natural laws, which lead economic theory to constitute itself as coherent through axiomatic proofs of how competition emerges through the aggregated actions of rational agents. Ironically, these developments leave economic science unable to account for the temporal aspects of new banking and credit systems.

Vogl illustrates this development using two financial episodes from the late eighteenth century. One of these is the refusal of the Bank of England, in 1797, to honor its promise to change bank notes back into coins – a refusal that turns the bank note into a hybrid form of currency and credit instrument. With this new hybrid bank note in circulation, economic commentators become more concerned with the operation of monetary signs, and as they discuss these they become more attuned to the ‘endless deferral’ (p. 53) at work in credit as money. Such money means that ‘every transaction raises the prospect of an indefinite number of further transactions’ (p. 54), creating ‘a constitutive disequilibrium in the system that drives it towards an open future’ (p. 54). This, for Vogl, is at once both a blow to capitalist oikodicy and the birth of finance capitalism as we have come to know it. The temporality of capital makes money into more than a means of exchange. As credit, capitalist money

functions as a kind of history machine – a symbolic technology that anchors any one present in the projected futures it deals in.

A concern with capital's futurity is fast becoming the hallmark of cutting-edge, heterodox political economy. Jonathan Nitzan and Shimshon Bichler (2009), for example, have written at length on equity markets, depicting these as machines that distribute power over the coordinates of social life through expected corporate earnings. Economic sociologists are also at it, with Jens Beckert (2013) describing capitalism as 'a system of contingent expectations' (a formulation that Vogl himself nearly uses at one point).<sup>2</sup> Though Vogl does not engage these literatures directly, he nonetheless makes an important contribution to them, drawing particular attention to the logic of futurity at work in financial derivatives. In this regard he follows Elena Esposito (2011), who is more explicit than Vogl in her debt to Niklas Luhmann. For both Esposito and Vogl, the derivative instrument is a kind of informational platform that enables projected futures to shape the present. Vogl's unique contribution is to situate this state of affairs within a longer history of discourses on money and finance. Indeed, his book can be read as a history of capital's futures rather than its specters.

Going chronologically, the future first appears in the aforementioned duality of the market concept – as a truth program the realism of the market is 'prospective' (p. 36); its properties of balance and order exist in a future yet to be fulfilled. A different future then rears its head in Europe's early experiments with paper money, which Vogl describes as the 'primal scenes' of finance (p. 58). With these experiments the future begins to function as an open-ended drag, pulling capital forward through the visions of it inscribed into circulating credit. This new tendency yields great anxiety about the providence of capital, and recurs periodically through bouts on financial instability during the nineteenth century. Finally, and this where Vogl lays great stress, the liberal oikodicy reasserts itself during the late twentieth century through developments in financial theory, media technology, and market practice. However, while the 'philosophical theodicies of old' culminated in a 'Panglossian thought experiment', the new technologically infused oikodicy has culminated instead in 'a far-reaching worldwide social experiment' (p. 82).

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<sup>2</sup> As Vogl puts it: 'The financial market functions as a *system of anticipations*', in which 'future events are co-constituted by expectations of future events and consequently acquire virulence in the present' (pp. 113-114, emphasis added).

Vogl's devotes the second half of his book to the genesis and implications of this experiment. Like many others, he identifies the collapse of the Bretton Woods system and Nixon's closing of the gold-window as a key turning point. With all referential anchors now expunged from the international monetary system, neoclassical economics is wrong-footed and experimentation begins in financial theory and practice. To cut a long story short, Vogl zeroes in on the rise of financial derivatives. In these Vogl sees an instrument that at once expresses capital's essential 'affinity for the future' (p. 64) and provides it with a means for eventually re-establishing old ideas of equilibrium, social harmony and earthly providence.

In terms of the former quality, Vogl notes that while futures trading may well be old and subject to various historical prejudices, 'since the 1980s, more and more international exchange venues have declared real and prospective deliveries to be irrelevant to forward contracts' (p. 66). The result is a heightened process of 'self-referential communication' (p. 66) – prices are paid with prices – and a normalization of speculation within financial markets. Meanwhile, modern financial theory steps in to navigate this new speculative landscape, developing models with which to predict and price future risks. By demystifying the future and bringing it into the universe of exchange, such models are able to reassert the idea that providence is at work in the market. But at the very same time, this new oikodicy turns the global financial system itself into a 'technologically implemented theory of money' (p. 77) – a development that has ultimately created new threats to the order and consistency of financial markets.

As Donald MacKenzie (2006) has shown, option-pricing models were implemented in financial markets through a procession of media technologies – first printed tables, then pocket calculators, and finally the computerized trading platforms of today. For MacKenzie the result was a transformation of financial theory into an engine of the economy. Vogl's unique contribution is to situate this engine at the heart of a new 'financial machinery' (p. 75). Rather than a device whose significance can be understood simply by studying the trading arms of financial institutions, Vogl maintains that the derivative is a 'media-technology format' (p. 75) central to the functioning of the global economy. It is the structural pivot in a regime of accumulation based in nothing but information about money and competition over information. Moreover, by subjecting society to the laws of capital, it is also the basis of new kind of covenant – a technology that turns the movement of capital into a

means of managing the life of social and political bodies (pp. 83-102). It is, in short, another form of history machine.

In making this argument Vogl routes Marx back through Aristotle, reading the contemporary rule of finance as a triumph of money over economy. This is one of the rare points at which Vogl finds theoretical inspiration in the distant past rather than more recent social-scientific scholarship. I will return to this in my conclusion. I want however to first highlight how Vogl goes beyond Marx by drawing an important – and in my view well overdue – connection between MacKenzie’s account of performativity and the financial instability hypothesis of Hyman Minsky. In order to forge this connection Vogl delves back into the time of capital, focusing in particular on the role of expectations within financial market transactions and dynamics. From their very beginning, he argues, financial markets have traded in ‘what could, might, or probably will be’ (p. 113) rather than anything that already does. With derivatives, however, this ‘specular or reflexive structure’ (p. 114) is automated, setting up a mechanical feedback loop between current and future price horizons. This open loop in turn transforms future events into the outcome of shared expectations about them. The financial machine therefore produces history not just through its codification of life, but also through the futures it projects and actualizes.

For the most part these projections are normalized through the ‘doxological’ (p. 114) character of market information. But in so far as the financial machine’s normal functioning relies of ‘trend-amplifications and positive feedback’ (p. 115), there is always the possibility that swerves at the micro-level can generate self-amplifying patterns at the macro-level. This, of course, is Minsky rendered in cybernetic terms – the system works itself up in a state of euphoria by feeding on its own horizon of expectations. A tipping point then comes when ‘inner-worldly expectations’ (p. 118) about the future collapse in on themselves under the weight of their own social momentum.<sup>3</sup> Vogl does provide an interesting reading of the subprime-cum-global crisis in these terms (pp. 119-122), but rather than recount that here I want instead to stress the functional ambivalence of futurity within his analysis. During periods of

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<sup>3</sup> In this regard Vogl’s analysis dovetails with recent work by Ronen Palan (2015) and Anastasia Nesvetailova (2015), who both see financial instability as grounded in the future-orientation of finance as such. The key difference is that while Vogl finds the primal scenes of finance in the eighteenth century, Palan (2013, pp. 67-70) traces the birth of a truly future-oriented form of capitalism back to later, legal rulings in the US that turned expected earnings into a form of property and class of company assets.

relative stability, statistically projected futures serve as a kind of raw material for the process of financial accumulation. And yet throughout such periods they also pose a latent threat to the basic functioning of financial capitalism.

The future can play this dual role because it figures differently within financial and historical time. In financial time the future appears ‘as an infinite and inexhaustible resource’ (p. 123), with each projected future implying another future after that. It is also a homogenous time, with each future being a ‘statistical shadow of its past’ (p. 123). However, in historical time feedback loops and limits are enacted as one’s insurance is another’s risk, and fixed appointments or due payments come home to roost. In such a context the future can swing from being ‘a realm of insured possibilities’ into one of where insurance is ‘costlier than expected’ or possibilities have ‘simply ceased to exist’ (p. 125). At this point, ‘the technologies deployed to control, colonize, or defuturize the future end up transforming it into an unforeseen event impinging on the here and now’ (p. 125) – ‘the specter of capital always comes back from its own future’ (p. 126). This, for Vogl, is the condition of postmodern finance: it strives to ‘vanquish the obscure forces of time and eliminate the obstacles on its path to an unlimited future’, yet it remains ‘always haunted’ by the ‘vicissitudes of historical time’ (p. 127). Meanwhile, ‘the limitless time demands of capitalist processes impose themselves on the existence of finite things and beings, manifesting there as a kind of futuristic pressure’ (p. 127).

All this, Vogl argues, heralds a possible end to neoliberal oikodicy. The social experiment is by no means over, but the providential claims of market enthusiasts no longer go unchallenged by conventional wisdom. These claims have become hardwired into our financial system, but through this it has only become clearer that financial markets possess none of the tendencies to order, balance, or self-regulation they once were thought to. Recent crises have also shown that capitalism does not ‘run and finance itself’ (p. 128). Vogl’s complex argumentation therefore carries a simple but important message – the time has come to strip economic science of its theological garb, to reject the idea that markets deliver heaven on earth, and to build a distrust in any and all who trade in such prophecies. I couldn’t agree more.

The book ends, however, with the sense of unease that one might expect from a deathbed conversion to agnosticism. The financial machine continues to whirr, producing spectral futures that keep coming back to haunt us, only now these are messages without a sender – ungodly and amorphous, pure diabolical revenants. I



doubt that anyone except the most committed of pessimists could go on under such conditions. Indeed, Vogl himself holds tight to a peculiar faith – namely, that defrocking economic science will somehow deliver us back to a world in which politics proper might once again preside over the social and economic reproduction of humanity. But if theological thinking tells us anything about economic history, it is that schisms and reformations always produce economies anew (Konings 2015, pp. 41-52).<sup>4</sup> In such a context, it seems improbable that a vote for postmodern humanism will ever simply *undo* the machine logics of postmodern finance.

Unlike Aristotle, Marx saw the circulation of money and credit as opening out onto a historical future fundamentally distinct from the past, and he did so because of the relation between humans and machines under capital. After the machine, he thought, the future would never be the same again (Marx 1973/1858, pp. 690-706). Marx of course had a particular future in mind, but even though this never did come to pass, he has still in many ways been proved right. The financialization of our times, for example, has itself been the product of new history-producing machines. I have already hinted at these throughout this essay. Money, for example, becomes a history machine when it circulates as capitalist credit, effectively grounding the present in so many imagined or projected futures. Derivatives, too, are history machines, for they enable these projected futures to be differentially packaged and distributed as streams of earnings. Finally, the financial machine is itself a history machine, because it actualizes the futures it trades in, regardless – it seems – of whether these aid or derail it, let alone us. Like Marx, we can only guess where these machines might take us.

And herein lies the great irony of *The Specter of Capital* – for a book about the power of speculation, it resolutely refuses to engage in any speculation of its own. But if Vogl’s historical narrative is anything to go by, the financial machine is necessarily a work in progress. It is, to use a somewhat different terminology, a form of socio-technical assemblage, whose behavior hinges on an array of interacting elements, ranging from statistical formulae and computing technologies to media platforms, discursive institutions, and human organizational forms. The crucial point is that all of these elements are subject to alteration, meaning that even our most high-tech

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<sup>4</sup> This is in keeping with the very emergence of Western capitalism, which as Konings (2015, p. 6) points out, does not extinguish the role of religious belief so much as reconfigure it through the sacralization of money. Vogl’s book can be read as a related story about how the theological aspects of economic science contribute to the emergence of a new cybernetic form of capitalist finance.

financial machinery might one day be reformatted to produce history in heretofore-unseen ways (Srnicek and Williams 2014). One does not, of course, need to imagine a simple seizing and repurposing of financial technology to accept this. The historical future is triply dark in that we know not what it will bring, how it will emerge, and whether it will be worth living in (Roden 2015). There is however simply no refuge to be found in an anti-technological romanticism, for we are all already enmeshed in a global process of techno-genesis.<sup>5</sup> In such a context, the key question is not whether we should have a financial machine – it is how we will or should produce history with it.

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<sup>5</sup> Even Polanyi, the great romantic, said as much: “since the venture of a progressively artificial environment cannot, will not, and indeed, should not, be voluntarily discarded, the task of adapting life *in such a surrounding* to the requirements of human existence must be resolved if man is to continue on earth” (1947: pp. 109-110, emphasis in original).

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