ROAR

Reflections on a Revolution

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Wolff ★ Malinen ★ Harrington ★ DiMuzio
Roos ★ Haiven & Thornton ★ Graeber ★ Hager

The rule of FINANCE

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Issue #3

The Rule of Finance

"The first rule of Finance Capital is:
You do not talk about Finance Capital"

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EDITORIAL

The Financial Aristocracy

The history of capitalism is characterized by a fundamental paradox, in which the most abstract and most impersonal expression of value — money — mediates the most concrete and most personal form of power. From Medici popes in renaissance Rome and Rothschild peers in Victorian England to Goldman Sachs' private army of mercenary technocrats, moneyed elites have long exerted extraordinary influence over politics. Contemporary capitalism may present itself as a faceless regime steered by anonymous market dynamics, but as in previous eras it has produced an extremely oligarchic order in which 62 easily identifiable names and faces now control over half the world's wealth.

At once astonishingly abstract and intensely personal, global finance is therefore neither here nor there: one moment it appears as an initial public offering on the stock exchange, only to vanish in a tax haven at night and resurface at your doorstep the next morning in the shape of a bailiff. A single trader's gamble on a specific monetary movement may bring great fortune to his hedge fund, yet spell the ruin of an entire nation. And what's worse, there appears to be little we can do to bring these professional gamblers to their senses. The robber barons running the show could easily be rounded up, put on a double decker bus and collectively driven into a ravine — and still their firms' speculative operations would largely carry on undisturbed. As one of Steinbeck's characters in *The Grapes of Wrath* put it, "It's the monster. Men made it, but they can't control it."

The so-called international financial markets that undergird the capitalist world economy therefore act as an immensely complex facade obscuring a terrifyingly simple truth: the obscene inequalities of wealth and power at the heart of the contemporary global political economy. On top of that highly unequal and thoroughly undemocratic order sits what Marx called "the aristocracy of finance" — that slice of the 1 percent that ostensibly specializes in the allocation of private investment and the intermediation between lenders and savers. This third print issue of *ROAR Magazine* aims to investigate the immense class power and extraordinary political privileges of that moneyed elite. What are its sources? How did it evolve over time? And how can its rule be resisted — and eventually overcome?

Featuring leading critics of financialization as well as inspiring grassroots activists, artists and up-and-coming scholars, *The Rule of Finance* also looks beyond the impersonal domination of this "class of idle rentiers," reaching out towards radical new horizons and highlighting the emancipatory potential of innovative new forms of debtor organizing. Today, exactly five years after the Occupy Wall Street movement took the world by storm, the struggle against the 1 percent and the fight for social justice, debt cancellation and *real* democracy continues. This issue asks how we might begin to turn the tables.

Jerome Roos
FOUNDER AND EDITOR

Joris Leverink
MANAGING EDITOR

All original illustrations by
Mirko Rastić

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The Contradictions of Finance

AFTER THE FINANCIAL CRISIS, THE LONG-TERM FATE OF WALL STREET NOW HINGES ON THE CONTEXT OF GLOBAL CAPITALISM AND THE POPULAR STRUGGLES AGAINST IT.

Richard D. Wolff

Like much else in economies, finance both enhances the economy's growth and development and undermines it. The balance between these contradictory effects depends on all the other aspects of an economy and society and how they all influence financial contradictions. From its first entrance into the economy — that part of society concerned with the production and distribution of goods and services — money has been contradictory. On the one hand it enabled trade and exchange far beyond the limits of barter and other pre-money systems. On the other hand, money introduced all sorts of new instabilities.

The role of finance and its contradictions changed especially after the 1970s. The old centers of capitalism (Western Europe, North America and Japan) lost major parts of their global primacy. A combination of computer-related automation, political shifts and relocation of production to low-wage areas — particularly in Asia and Latin America — brought economic decline to most of the old centers' people. In effect, employers in the old center obtained access to a vast new, lower-waged labor force and the profit gains associated with it. The employers could relocate to where the new cheaper labor became available or else bring that labor into the old centers as immigrants. Most old center countries did both. The result nearly everywhere in capitalism's old centers was stagnation or decline of real wages coupled with sharply worsened inequalities of income and wealth.

Ironically, the post-war period had enabled the resurgence of a capitalism that had been hobbled by the Great Depression and the war. Coupled with the social-democratic gains achieved during the 1930s and 1940s, the years from 1945 to 1975 witnessed a decades-long celebration of rising standards of mass consumption paid for by rising real wages. Indeed, depicted as the emergence of a comfortable "middle class," rising consumption was celebrated by capitalism's ideological champions as the system's great achievement and justification. Product advertising exploded alongside rising consumption, intruding into every corner of modern life. One key result was to make rising levels of consumption more than ever the measure — the very definition — of each individual's success in life. In the US, parents promised one another and their children an American dream of ever-rising consumption financed by ever-rising real wages.

The arrival and continuance of stagnant or declining real wages after the 1970s made the realization of that dream impossible. Yet it was so deeply internalized and desired by Americans, so ingrained in their expectations, that they were determined to achieve it even without the rising wages to pay for it. They would sustain rising consumption otherwise, partly by borrowing. The latter provided a new profit opportunity for financial capitalists: lending to consumers to enable their rising consumption. Families determined to consume more usually turned first to sending more household members out to do more hours of work as real hourly wages stagnated. When those extra hours proved insufficient, borrowing remained as the only way to pay for rising consumption. In profit-driven response, the financial sector invented new forms of consumer credit extension (especially credit cards and later student loans) and greatly expanded old forms (mortgages and car loans). Banks bundled all these forms of consumer debt into asset-backed securities, enabling them profitably to tap globally dispersed sources of loanable funds.

Credit crucially supported the booms of the 1980s and 1990s into the new century, yet it also spread globally the risks that the huge new supplies of consumer debt instruments might not pay off. The spurt of financialization after the 1970s also included major new loans to corporations and governments. When the credit default crisis broke in and after 2008, it included all three types of loans: consumer, corporate and public. Financialization had yielded large new profits and the expansion of the financial sector relative to all the other sectors of capitalist economies around the world. It had also yielded their global collapse.

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> ***Credit crucially supported the booms of the 1980s and 1990s into the new century, yet it also spread globally the risks that the huge new supplies of consumer debt instruments might not pay off.***

The financial expansion phase is often followed by its contradictory other, the contraction phase. The crash of 2008 proved to be the turning point this time between the phases. Bailouts, bail-ins and a wide variety of other monetary (and some fiscal) policies have been tried to “managed” the crash and its consequences with, at best, mixed results to date. Where some “recovery” has occurred it largely bypassed huge portions of the population. Recovery's impacts on the top 1 percent and 10 percent of enterprises and individuals also proved uneven.

Financialization facilitated the historic relocation of capitalism from its old to its new centers. Because this relocation was driven by the profit gains of capitalists moving from high to low-wage production, the result was a supplydemand imbalance. Lowered global wages rendered effective demand deficient. In this situation, debt could temporarily remedy the imbalance. Global finance thus profited in multiple ways from the globalization it promoted. Yet it also over-reached, took excessive risks, and eventually imploded. Its survival became dependent on state intervention and support.

> ***Will movements demanding state-financial enterprises to compete with private counterparts gain strength? Will initiatives to go beyond capitalism arise, grow and challenge the established financial institutions? Has that already begun?***

As a result, financial industries are now stronger but also weaker, thereby perpetuating finance's intrinsic contradictory nature. Their longer-term fate now hinges most on what happens to the larger capitalist context. As capitalism declines in its old centers and leaves massive social, economic, ecological and political divisions and destructions in its wake, how far will the resistance there go? Will movements demanding state-financial enterprises to compete with private counterparts gain strength? Will initiatives to go beyond capitalism arise, grow and challenge the established financial institutions? Has that already begun?

In capitalism's new centers, will history repeat there the bitter divisions and working-class struggles that characterized the early development of capitalism's old centers? Might struggles in old and new centers find some common ground and bond to build an effective alliance in opposition to capitalism? Answers to these questions will have more to do with shaping the future of financial industries than the details of their practices.

RICHARD D. WOLFF

Richard D. Wolff *is Professor of Economics Emeritus at the University of Massachusetts, Amherst, and a Visiting Professor at the New School in New York. He co-founded the journal Rethinking Marxism, is the author of many books, and has been referred to as "America's most prominent Marxist economist" by The New York Times.*

THE RISE OF T
BONDHOLDING

PUBLIC FINANCE

HE CLASS

THE CONCENTRATION OF THE US PUBLIC DEBT IN THE HANDS OF THE 1 PERCENT HAS CONTRIBUTED TO INEQUALITY AND PRESENTS A FUNDAMENTAL THREAT TO DEMOCRACY.

Sandy Brian Hager

The history of class conflict, power and inequality in the United States has always been intimately bound up with the public debt. Already during the War of Independence (1775-'83), revolutionary forces accumulated debts of $54 million, and a difficult task for the first Secretary of the Treasury, Alexander Hamilton, was to devise a plan to manage these liabilities. Should the Federal Government try to repay its debts in full? If so, by what means should it honor its commitments to creditors?

Defaulting on foreign debts was out of the question. The French and the Dutch contributed roughly one-quarter of wartime financing, and the United States did not want to alienate itself from allies that assisted its drive for independence. At the same time, the Federal Government was hesitant to renege on its commitment to domestic bondholders. A small but powerful group of men, including most of the architects of the Constitution, provided the remaining funds to finance the war. These men would rally against default and would push for a tax system that raised reliable revenues to service the public debt. This system would prove especially advantageous if the tax burden were to fall on someone else — that someone else being the vast majority of Americans who did not own government bonds.

In the end, Hamilton decided that the debts were to be repaid in full. And in order to raise the revenue needed to repay its debts, the US Congress approved Hamilton's proposal to levy a highly regressive excise tax on distilled spirits. Small-scale farmers saw the new tax as a threat to their livelihood and vented their frustrations through violent attacks against tax collectors in western Pennsylvania. So concerned was Hamilton with the unrest caused by the resultant Whisky Rebellion of 1794 that he personally accompanied General George Washington, and the 13,000 troops he commanded, to put down the rebellion. One critic, William Findley, seized on the events, suggesting they were proof that Hamilton's system of public debt had created a "new monied interest" that wanting nothing other than "oppressive taxes."

MAPPING THE BONDHOLDING CLASS

Early critics were suspicious of Hamilton's plan. They saw the public debt, and the broader system of public finance of which it was a part, as a culprit of worsening inequality and social instability. And today, well over two centuries later, the public debt remains a major source of controversy in American politics.

Some continue to suggest that government bonds are still concentrated in the hands of the rich and powerful. Others insist that government bonds are widely held amongst small savers, even widows and orphans, and help to democratize the financial system. And yet, despite centuries of contestation, neither side has managed to produce much evidence to support their claims. This is a serious oversight. The US public debt now stands at roughly $18 trillion dollars, making it one of the largest and most liquid financial markets in the world. An absence of reliable data on its ownership structure means that we have little understanding of the power relations that underpin this vital component of global finance.

My new book *Public Debt, Inequality, and Power: The Making of a Modern Debt State* (California University Press) intervenes into this longstanding but muddled debate. The book unearths some uncomfortable facts about whose interests are really served by the public finances during this crisis-ridden age. In particular, my analysis reveals a rapid rise of a "bondholding class" of wealthy households and large financial corporations over the past few decades.

> **"** ***The spectacular increases in the public debt since the early 1980s have served the interests of a bondholding class of dominant owners at the apex of the wealth and income hierarchy.***

Since the early 1980s, and especially since the onset of the global financial crisis, there has been a rapid concentration in domestic ownership of the public debt. Specifically, the stunning increase in concentration has taken place in favor of the now-infamous top 1 percent of US households and the top 2,500 US financial corporations. Distribution of the public debt is tightly correlated with the distribution of wealth more generally. In other words, when the share of wealth owned by the top 1 percent and large corporations increases or decreases, so too does their share of the public debt.

Figure 1 illustrates this dynamic. What is most remarkable is the massive increase in concentration of the public debt that has taken place since the onset of the crisis. From 38 percent in 2007, the top percentile's share of the public debt has climbed to a shocking and unprecedented 56 percent in 2013, the last year for which data are currently available.

A similar dynamic characterizes corporate ownership of the public debt. Over the past three and a half decades, the top 2,500 US corporations have increased their share of corporate holdings of the public debt from 65 percent in 1977-'81 to 82 percent in 2006-'10. Much like the household sector, corporate concentration has intensified since the onset of the crisis. In 2006 the top 2,500 corporations owned 77 percent of the corporate share of the public debt and climbed to 86 percent by 2010. Crucially, these corporate holdings of the public debt are increasingly dominated by mutual funds, which are owned predominantly by the top 1 percent, at the expense of widely owned pension funds.

FIGURE 1

The top percentile's share of the US public debt and net wealth

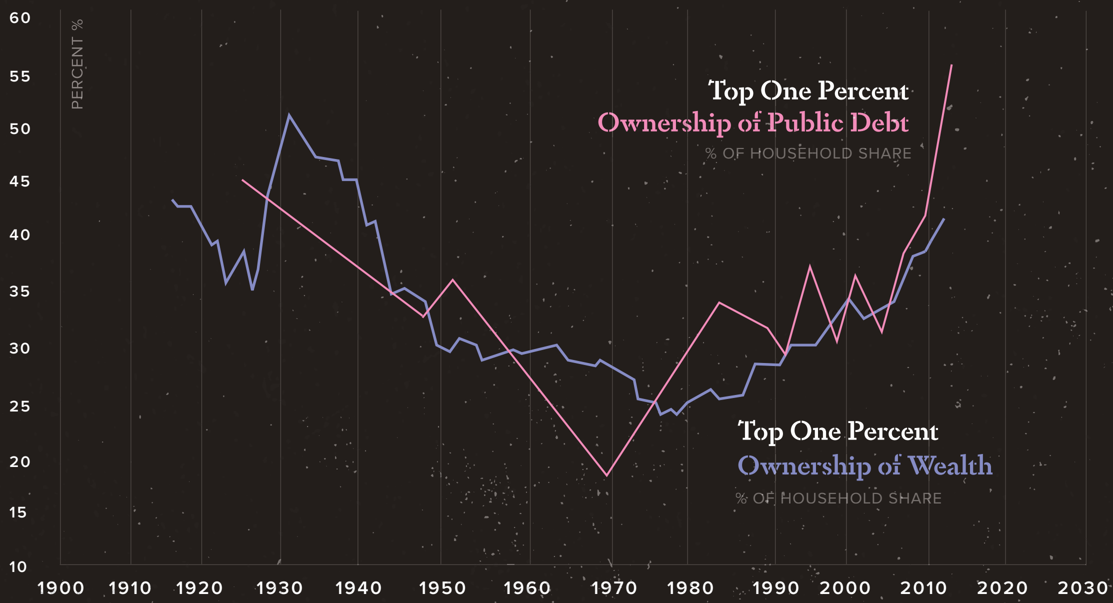
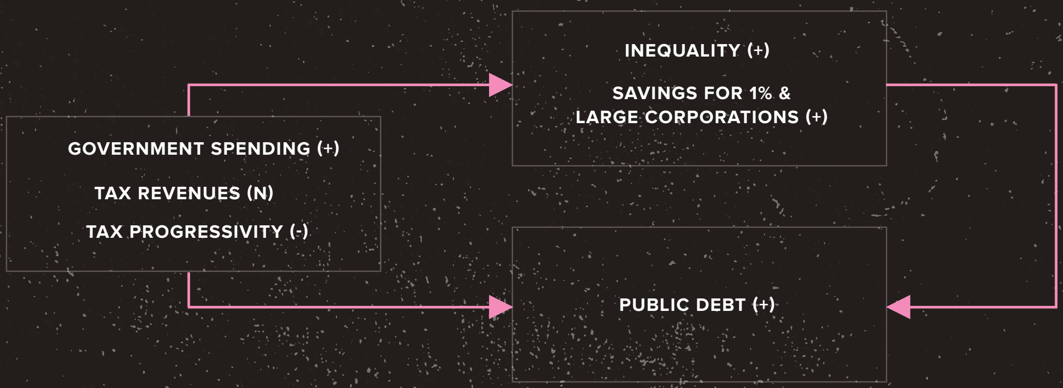


FIGURE 2

The logical sequence of Streeck's debt state



NET WEALTH FROM SAEZ AND ZUCMAN, "WEALTH INEQUALITY"; PUBLIC DEBT FROM LAMPMAN, TOP WEALTH-HOLDERS, FEDERAL RESERVE SURVEY OF CONSUMER FINANCES, 1962-68, 1970-2010, IRS PEROSNAL WEALTH STATISTCS FOR THE TOP PERCENTILE'S SHARE OF THE PUBLIC DEBT IN 1969

Overall, I argue that the spectacular increases in the public debt since the early 1980s have served the interests of a bondholding class of dominant owners at the apex of the wealth and income hierarchy. How do we explain these massive increases in public debt? And how exactly do we explain the connection between growing inequality and rising public indebtedness? Answers to these questions can be found in Wolfgang Streeck's concept of the "debt state."

THE MAKING OF A MODERN "DEBT STATE"

In his book *Buying Time: The Delayed Crisis of Democratic Capitalism* (Verso), Streeck traces a shift in the advanced capitalist countries from a "tax state" to a "debt state." Under the post-war tax state, gradual increases in government expenditures were matched by tax revenues, which resulted in falling levels of public indebtedness. With the emergence of the debt state from the 1970s onward, government expenditures have continued to grow while tax revenues have stagnated, resulting in escalating levels of public indebtedness.

The US is, in many ways, the ultimate manifestation of the debt state, where stagnating federal tax revenues have been the primary driver of increases in the public debt. Tax stagnation is itself the product of a successful tax revolt on the part of powerful elites. What this means is that tax revenues constitute a dwindling portion of national income, and also that the bondholding class is now paying less and less taxes as a percentage of its total income.

Declining tax progressivity means, by definition, greater inequality and increased savings for those at the top of the wealth and income hierarchy. As a result of changes to the tax system, elites have more money to invest in the growing stock of US Treasury securities, which, thanks to their "risk-free" status, become particularly attractive in times of crisis. The logical sequence of the debt state is outlined in Figure 2.

> "*In deciding to furnish wealthy households and large corporations with risk-free assets instead of levying taxes on their incomes, the US debt state reinforces the existing pattern of inequality.*

In essence, what the transition from the tax state to a debt state means is that the Federal Government chooses to borrow from the bondholding class rather than taxing it. And in deciding to furnish wealthy households and large corporations with risk-free assets instead of levying taxes on their incomes, the debt state reinforces the existing pattern of inequality. This raises further questions about the long-term stability of current arrangements. The status quo of the debt state is likely to persist into the foreseeable future, and the reason has to do in large part with the role played by foreign ownership of the public debt.

A POWERFUL FOREIGN BOND

Since the early 1970s, there has been a rapid globalization of the US Treasury securities market. In the post-war period, official and private foreign investors consistently owned less than 5 percent of the US public debt. The foreign share has climbed steadily ever since and at the present time stands at roughly 50 percent.

This seemingly insatiable foreign appetite for US Treasury securities means cheaper credit for the US government, which deflects challenges to domestic owners of the public debt at the top of the wealth and income hierarchy. In the case of the Federal Government, cheap credit relieves pressures for socially disruptive spending cuts, as well as increased taxation, which would fall more heavily on elites. Access to cheap credit also dampens resentment toward those same elites by allowing low- and middle-income Americans to maintain consumption habits in the face of decades-long wage stagnation.

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> *A formidable “bond” of interests unites foreign and domestic owners of the US public debt, relieving domestic tensions engendered by growing inequality and helping to sustain US financial power in the global political economy.*

At the same time, foreign owners have something to gain from the existence of a domestic bondholding class. Foreign investors, especially China, fear that the Federal Government will “print money” to inflate away its growing debt burden. But the existence of a powerful group of domestic owners invested in the creditworthiness of the Federal Government should help to alleviate these fears. The wealthy households and large corporations that dominate domestic ownership of the public debt hold considerable sway within the political system and provide a powerful check against policies that might compromise the risk-free status of US Treasury securities.

A formidable “bond” of interests therefore unites foreign and domestic owners of the public debt. In relieving domestic tensions engendered by growing inequality, this bond of interests works to reinforce the status quo of the debt state. In helping to sustain foreign confidence in US Treasury securities, this bond also helps to sustain US financial power in the global political economy.

CONSEQUENCES FOR DEMOCRACY

What, then, can we say about the consequences of growing concentration in ownership of the public debt? Why exactly does it matter? Addressing these questions leads us to the question of power.

Throughout history a widely held public debt was thought to be good for democracy and social cohesion, making wide swathes of the population feel quite literally invested in government. An unequally distributed public debt, however, has been seen as a threat to democracy, increasing the power of a tiny group of owners at the expense of the rest of the polity. The prevailing sentiments are captured in the following passage from former Treasury Secretary Henry Morgenthau Jr., who promoted widespread ownership of the public debt during World War II:

> *Every man and woman who owned a Government Bond, we believed, would serve as a bulwark against the constant threats to Uncle Sam's pocketbook from pressure blocs and special-interest groups. In short, we wanted the ownership of America to be in the hands of the American people.*

The linkages that Morgenthau Jr. draws between the public debt, power and democracy have obvious intuitive appeal. And Streeck's concept of the debt state is once again helpful in exploring the consequences of growing inequities in ownership of the public debt. In *Buying Time*, Streeck argues that the emergence and consolidation of the debt state has had dire consequences for democratic representation in advanced capitalist countries. Specifically, he asserts that under the debt state governments have come to prioritize the interests of owners of the public debt, the *Marktvolk*, over the general citizenry, or *Staatsvolk*.

My research illustrates the ubiquity of the *Marktvolk* within US policymaking. As concentration in ownership of the public debt increases, Federal Government documents begin to refer much more frequently to the interests of the *Marktvolk*. In the post-war period, when concentration in ownership of the public debt was low, references to the terms associated with the *Marktvolk* (like international, investors, interest rates, confidence), were only 75 percent as frequent as those associated with the *Staatsvolk* (like national, public opinion, citizens, loyalty). Yet during the global financial crisis, when ownership concentration was high, references to the terms associated with the *Marktvolk* were *twice as frequent* as those associated with the *Staatsvolk*.

Inequality in ownership of the public debt and inequality in representation within government policy are really two sides of the same coin.

Concentrated ownership does not necessarily give owners of the public debt direct power over the political process. But it is clear that there

PHOTO BY ROBERT CICCHETTI / SHUTTERSTOCK.COM

has been a transformation in policy in recent years; one that provides an ideological climate that privileges the interests of the bondholding class. Inequality in ownership of the public debt and inequality in representation within government policy are really two sides of the same coin. In this sense, the debt state not only reinforces wealth and income inequality, but it also contributes to the broader erosion of democracy.

WHAT SHOULD (AND SHOULD NOT) BE DONE

Inequality has come to permeate all facets of contemporary capitalism, and so its pervasiveness in the public finances should come as no surprise. What we need to consider is the possible political measures that might be implemented to counteract growing inequities in ownership of the public debt. But before discussing political solutions, a word of caution is in place.

The problem is *not* a large public debt. As Abba Lerner first demonstrated in the 1940s, the outstanding level of public indebtedness is inconsequential so long as it is being accumulated as part of a macroeconomic strategy to achieve non-inflationary full employment. In fact, for a monetarily sovereign entity like the US Federal Government, which issues debt in a currency it fully controls, bankruptcy is never really an issue because the Federal Reserve can purchase government bonds when the private sector does not want them. The existence of a powerful bondholding class should provide no solace for "deficit hawks" eager to find evidence to support their fear mongering about the supposed unsustainability of the public debt.

The real problem, then, is a large *unequally distributed* public debt. This distinction is absolutely crucial. From an emancipatory point of view, the point is not to try to eliminate or even reduce the public debt, but to find ways to tackle the inequality that underpins the public finances. As mentioned earlier, the emergence and consolidation of the debt state was driven primarily by tax stagnation and declining tax progressivity. The debt state, in other words, has come into being because the Federal Government has come to rely on borrowing from the bondholding class instead of taxing it. Restoring progressivity to the federal tax system, by increasing tax rates on wealthy households and large corporations, would therefore go a long way in addressing the growing inequalities in ownership of the public debt and in the ownership of wealth and income more generally. Of course measures to make the federal tax system more progressive would encounter stiff political resistance from powerful groups, and would have little impact unless combined with global coordination to minimize tax competition and evasion. And to deal seriously with the problem of inequality, progressive tax reform would need to be combined with substantial increases in social spending, which would be most effectively channeled through a basic income or a federal job guarantee program.

A monetarily sovereign entity like the US Federal Government is not revenue-constrained and does not technically "need" taxes to finance its expenditures. Yet, in a world of deregulation and global capital flows, and with a legal system ineffective in punishing corporate malfeasance, taxation remains one of the few coercive tools that governments possess to influence the behavior of dominant elites. Thus carefully designed measures to bolster the progressivity of the federal tax system would not only help to tackle inequality; most importantly, progressive taxation would also help to restore democratic control over a bondholding class that has seen its power grow inordinately under the debt state. ★

SANDY BRIAN HAGER

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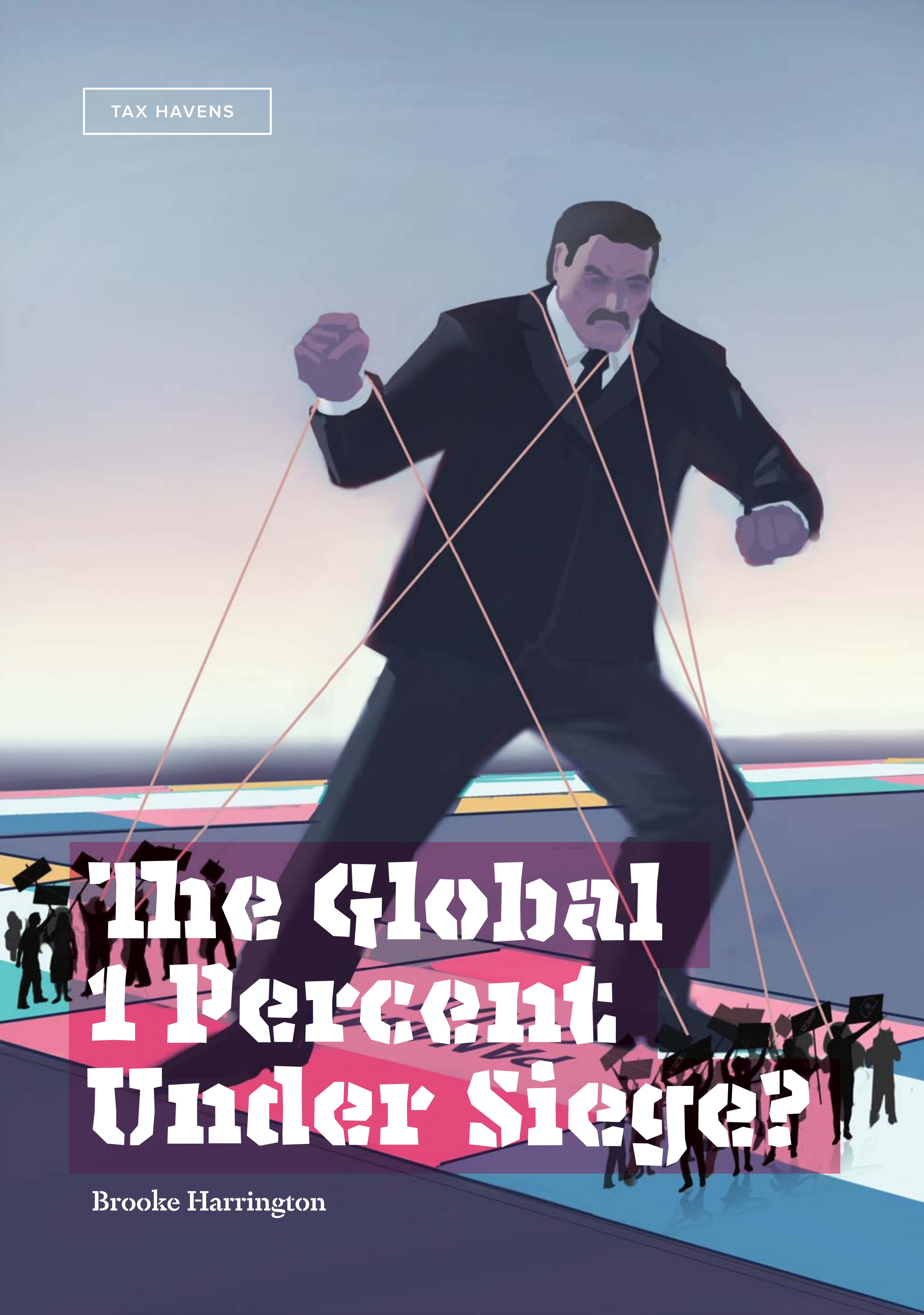
TAX HAVENS



The Global 1 Percent: Under Siege?

Brooke Harrington

BY EXPOSING THE SHEER SCALE OF OFFSHORE FINANCE, THE PANAMA PAPERS HAVE RE-FUELLED GLOBAL RESENTMENT TOWARDS TAX-AVOIDING ELITES. ARE THE RICH IMMORAL?

Years before the Panama Papers broke, many of the world's richest people felt unappreciated and under attack. In 2014, Silicon Valley venture capitalist Tom Perkins compared the position of the rich to that of the Jews in 1930s Germany, warning of a "progressive Kristallnacht" and "a rising tide of hatred of the successful 1 percent." Though a few of his fellow billionaires distanced themselves from these remarks, several jumped vigorously to his defense, expressing their agreement that the rich were being "pummeled" and "picked on."

The failure of some parts of the public to buy the "wealth creators" narrative — that being rich is the just reward for risk-taking that benefits everyone by creating jobs and prosperity — was shocking and hurtful to people who saw themselves as our benefactors. In lieu of the unadulterated public gratitude and recognition they were expecting, they found resentment and criticism in the form of the Occupy Wall Street movement and its offshoots. The response by the rich, with few exceptions, was defensiveness and anger, a "toxic mélange of entitlement and shame."

The noisier aspects of this "sore winner" syndrome died down for a while, but the Panama Papers seem to have catalyzed a revival. For many observers, the 11.5 million documents that have come to light from the wealth management firm Mossack Fonseca have reopened the case for grievance against the rich — this time, on a much broader scale. As the Panama Papers have shown, the problem is not just income inequality; it is about *wealth* inequality. And it is not just about corporate executives; the rogue's gallery of people exposed in the leak includes everyone from heads of state, to celebrities and sports stars. They constitute a global elite in multiple domains, and the scale of their wealth dwarfs the problem of outsized CEO pay.

Of course, the problem is not just a matter of individual action or individual morality: inequality and tax avoidance are structural issues. But as I show in my new book, *Capital without Borders* (Harvard University Press), those structures are created by and for the world's wealthiest people. Government leaders of the sort named in the Panama Papers have considerable authority over the forms that financial structures take, and the uses to which they can be put. For elites who do not hold public office there are numerous channels to make their voices heard above those of everyone else; many offshore states literally write their laws and run their day-to-day government business primarily to attract the custom of the rich, with the interests and rights of local people a mere afterthought.

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The problem is not just a matter of individual morality: inequality and tax avoidance are structural issues. But those structures are still created by and for the world's wealthiest people.

The history and origins of the offshore system itself are a testament to the power of elite agency. As a superstructure in the global political economy, offshore was created essentially as a convenience for the rich to help them get even richer from global trade by working around legal constraints (not just tax, but currency controls and other regulations) that held back everyone else. As the journalist and offshore expert Nicholas Shaxson has observed, "offshore is a project of wealthy and powerful elites to help them take the benefits from society without paying for them."

Thus, the moral issue raised by tax avoidance and the Panama Papers is not just who uses and benefits from the international financial system, but who created it in the first place. We learned from Oxfam earlier this year that 1 percent of the world's population now owns 50 percent of its wealth. But not until the Panama Papers did we get a look at the faces of that global 1 percent. That personalization of inequality — linking real people to a problem so huge it can feel like an abstraction — seems to have catalyzed a renewal of the great debate: are the rich "immoral"? Are they bad people who need to be stopped?

Such questions have elicited outrage and spirited defense in some quarters. Among the wealthy individuals named in the leak, the modal response has been anger. Former Icelandic Premier Sigmundur Gunnlaugsson famously stormed out of a live television interview when he was asked about his connection to an offshore firm created by Mossack Fonseca. Juan Pedro Damiani, a member of the Ethics Committee for the embattled FIFA, the governing organization for global soccer, lashed out at reports linking him to offshore structures created by the Panamanian firm, calling the allegations "ridiculous" and "outrageous." Former British Prime Minister David Cameron was "angry" at the way the leak exposed him and his family to public condemnation — including being dubbed "dodgy Dave" by his colleague, the Speaker of the House of Commons.

We will likely see much more of this as future leaks expose more individuals to global public scrutiny of what they thought were private financial matters. So far, little evidence of formally illegal activity has been uncovered. Instead, the public opprobrium seems to be directed at unethical use of power. In particular, what galls observers is elites' use of offshore finance to "take the benefits from society without paying for them."

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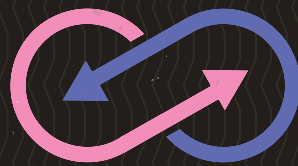
> ***Offshore finance is a project of wealthy and powerful elites to help them take the benefits from society without paying for them.***

Taking social benefits without accepting responsibilities? If that sounds familiar, you may recall them as the terms of condemnation usually applied to "welfare queens." Nobel Prize-

Did you know that...



HALF OF ALL GLOBAL TRADE
PASSES THROUGH TAX HAVENS

AN ESTIMATED **ONE-THIRD OF THE WORLD'S WEALTH** –
OR ABOUT $21-$32 TRILLION –
RESIDES IN TAX HAVENS

THE BRITISH VIRGIN ISLANDS IN THE CARIBBEAN WITH A POPULATION OF JUST ABOVE 100,000 ARE HOME TO ALMOST 500,000 OFFSHORE COMPANIES, OR ABOUT **40% OF ALL OFFSHORE COMPANIES ON THE PLANET.**

1. PATENT LICENSING

2 COMPANIES IN: A) USA & B) TAX HAVEN

USA
35% TAX RATE

US PHARMA

A

PAYS 35% ON
$200K = $70K

1M PRE-TAX PROFIT

PAYS $800K
"PATENT FEE"

TAX HAVEN
5% TAX RATE

DAUGHTER PHARMA

B

PAYS 5% TAX
= $40K

TOTAL TAX = $110K

US PHARMA OWED $350K
IN TAXES, BUT ENDS UP
PAYING JUST $110K.

How tax havens work

2. TRANSFER PRICING

3 COMPANIES IN: A) CANADA, B) TAX HAVEN, C) ITALY

CANADA

A

$25/PC

TAX HAVEN

B

$75/PC

ITALY

C

$100/PC

COMPANY A PRODUCES PHONES AT $25/PC, SELLS TO B FOR SAME PRICE.

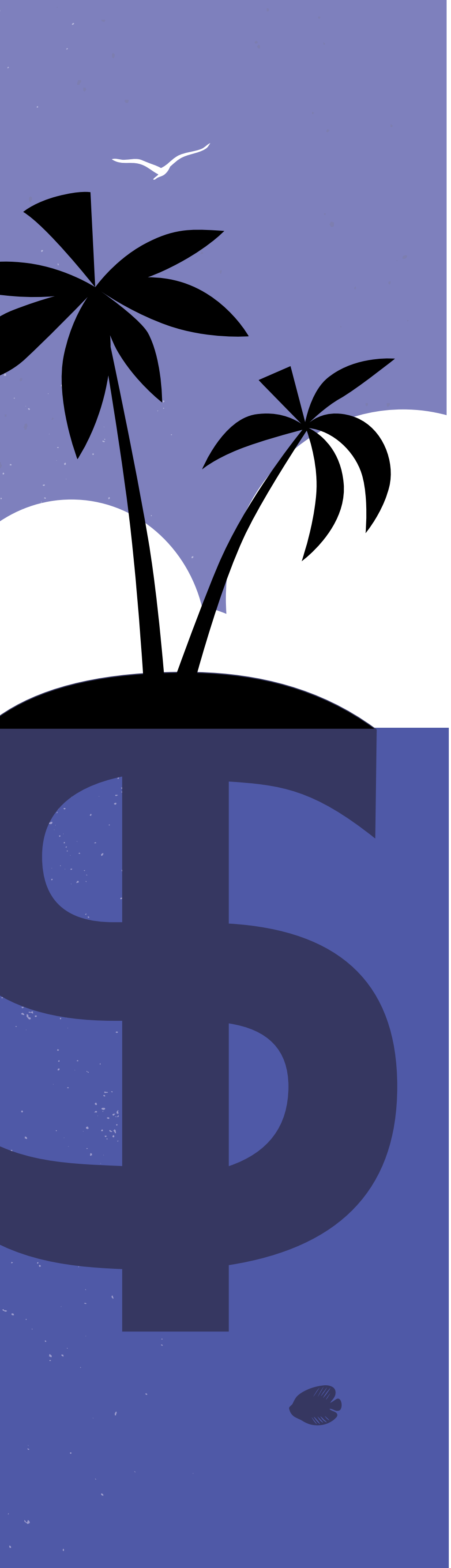
NO PROFIT, MEANS NO TAX FOR A.

BUYS PHONES AT $25/PC, SELLS TO ITALY, FOR $75/PC.

$50/PC PROFIT, BUT NO TAX

COMPANY C BUYS PHONES AT $75/PC FROM B, SELLS FOR $100,

PAYS TAX OVER $25 PROFIT.



winning economist Paul Krugman has gone farther with this analogy, saying that the 1 percent are afflicted by "pathology" and "extreme spiritual damage." The use of "pathology" here should ring a bell: there is a long history association of associating the poor with a "tangle of pathology." What we are seeing now is the wealthy being tarred with the same brush that has been applied to the poor for more than a century. Elites accustomed to enjoying public respect and even admiration are suddenly being portrayed in an unfamiliar light.

For example, a highly placed member of the opposition in the UK government tweeted that David Cameron was "immoral" for profiting from offshore tax avoidance. Public commentary on news of the Panama Papers included numerous descriptions of Cameron's fellow travelers in the Panama Papers — such as actor Jackie Chan and soccer star Lionel Messi — as "lazy deceptive thieves." This is not too far removed from the terms used to describe poor people, long thought to be "prone to lie and steal, and generally opposed to self-reliance."

If we were to take seriously the idea that many of the claims about the alleged "moral failings" of the poor are actually true of the wealthiest members of society, what should be done? Some have suggested the logical extension of the "welfare queen" analogy, writing that "we ought to tame, shame and civilize the super-rich." While government leaders, many of whom benefit personally from offshore finance, wrangle over formal sanctions, the Panama Papers have already brought us to Stage 1 of the informal social punishment process: naming and shaming.

In the past, as with the LuxLeaks scandal of 2013 — a much smaller but highly revealing

THE FINANCIAL SECRECY INDEX RANKS JURISDICTIONS ACCORDING TO THEIR SECRECY AND THE SCALE OF THEIR OFFSHORE FINANCIAL ACTIVITIES

2015 Secrecy Ranking

1. SWITZERLAND

Swiss Banks hold around $6.5 trillion in assets, with 51% originating from abroad. The country is home to about a third of the world's offshore private wealth.

2. HONG KONG

Companies based in Hong Kong are only subjected to tax payments for profits derived from doing business inside the territory; income gained abroad is not taxed.

3. USA

The US accounts for 21% of the global market for offshore financial services. US tax havens were set up in the wake of the Vietnam War to counter capital flight and lure dollars back to the US.

4. SINGAPORE

Singapore has for many centuries been the gateway to Southeast Asia, first as trade hub, now as tax haven.

The island city-state holds about one eight of the global stock of total off-shore wealth.

5. CAYMAN ISLANDS

With 200 banks, 140 trust companies and over 95,000 registered companies, financial services account for more than half of the country's GDP. The Cayman Islands are one of 21 countries with links to the UK that are listed in the top-100 of the Financial Secrecy Index.

MORE INFO ABOUT THE FINANCIAL SECRECY INDEX CAN BE FOUND AT WWW.FINANCIALSECRECYINDEX.COM disclosure of documents connected with tax evasion in Luxembourg — the outrage blew over quickly. While the Luxembourg leak was initially described as a “game changer” for public policy makers, it was later acknowledged that nothing really changed. Nothing except the shooting of the messenger: Antoine Deltour, the source of the leak, is now being prosecuted for theft and faces several years in prison.

The Panama Papers have already brought us to Stage 1 of the informal social punishment process: naming and shaming.

On a positive note, whoever leaked the Panama Papers has been much more careful about protecting his, her or their anonymity using encrypted modes of communication. This model has kept the public conversation focused on what really matters — the data, rather than the identity and motives of those who leak it — and may encourage other well-positioned individuals within the offshore industry to come forward. ★

BROOKE HARRINGTON

Brooke Harrington *is Associate Professor of Economic Sociology at the Copenhagen Business School in Denmark. Her book* Capital Without Borders: Wealth Management and the One Percent *was published in August by Harvard University Press.*

On Fancy F
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AND THE LOGIC OF FINANCIALIZED

David Graeber

INTERVIEW

FIVE YEARS AFTER OCCUPY, ACTIVIST AND ANTHROPOLOGIST DAVID GRAEBER SPEAKS TO ROAR ABOUT THE POWER OF FINANCE, THE HISTORY OF INEQUALITY AND THE LEGACY OF THE MOVEMENT.

David Graeber is one of the world's leading anthropologists and a well-known activist who played an important role in the early days of Occupy Wall Street in New York. In this wide-ranging interview, he speaks about the unexpected history of inequality, the role of debt in contemporary capitalism, the nature of money as a social relation, the violent and self-destructive logic of financialization, the class power of the 1 percent, the establishment attacks on Jeremy Corbyn, and the challenges of building a radical-democratic movement against the rule of finance.

★

ROAR: It's been five years since thousands of protesters marched into Lower Manhattan, occupied Zuccotti Park and inspired an international movement against the rule of finance. You played an active part in the early days of the movement in New York. In hindsight, what do you consider to have been Occupy's most important legacy? And what have been the main challenges it has faced in building and sustaining a democratic counter-movement to the power and privileges of the 1 percent?

David Graeber: Well I think the thing that surprised us was first of all how rapidly it spread, the degree of repression eventually brought to bear, and how quickly our liberal allies abandoned us when they did. In the end it's perhaps not so surprising. I had the sense that most Americans know they live in a police state, not a democracy, and had just assumed that if they tried to take any mass action, even if it was just camping in their local square, they would be attacked by paramilitary forces. And for a couple of months they were all just shocked: "wait, you mean you can do non-violent civil disobedience in this country and not get the shit beaten out of you?"

So hundreds of thousands suddenly showed up. I mean, we had what — like 800 occupations at peak? Then of course came the evictions and they realize, "oh, I guess we couldn't after all." And after that the repression became extremely brutal and the media coverage also shifted to be just completely one-sided. But all that was really just back to normal. So the question is, why was there any sympathetic media coverage at all in those first few months? Why was there this little bubble of democracy?

I think in retrospect it's easy to see: there was a fraction of the establishment, basically the left of the Democratic Party, that thought that we were going to become their version of the Tea Party. That is, a grassroots movement that would make a lot of anti-establishment noises but ultimately play the game of raising money, running candidates again. They tried to infiltrate the media teams, set up tacit leadership structures... But eventually they figured out we were really serious. If our main complaint was that the US political system had turned into a system of legalized bribery, no, we weren't going to join the system and try to see if we could raise enough bribes ourselves to run candidates and change that from within. Suddenly the curtain went down.

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> ***Occupy's legacy is that it reintroduced the notion of social class into the American political debate and managed to create an enormous shift of views about capitalism itself.***

So that's about challenges: we'll have to think much more carefully, next time, about alliances, because at least in the US, the mainstream right knows that they can't sell out their radicals on policy issues if they've already sold them out on existential issues. They want the militia guys and anti-abortion crazies out there, even though they do think they're crazy, but the mainstream left, such as it is, doesn't think that way.

As for legacy, well, the obvious one is that we reintroduced the notion of social class into the American political debate. No one had managed to do that since the 1930s. Not just class — class *power*. Because that's what the 1 percent really meant: these are the people who managed to turn their wealth into political influence and their influence into more wealth.

Second of all, we've managed to create an enormous shift of views about capitalism itself, a shift whose consequences we don't really know because it almost exclusively affected young people. But at the moment a majority of young people in the US say they would prefer socialism to capitalism, which is insane because you never hear anything good about socialism anywhere in the media. Presumably most of them don't even know what socialism is; they just know what capitalism is all too well and are basically saying: "fine, we don't even care *what* it is — anything but this!" That's epochal.

Beside your activism, you are probably best known for your best-selling book, Debt: The First 5,000 Years*, which was published just before Occupy began. The book brilliantly depicts the continuity of a number of key themes throughout the ages, like the morality of debt and the persistence of violence in its enforcement. To what extent should we conceive of the emergence of capitalism — and its highly financialized contemporary form in particular — as a break with pre-existing historical patterns; as something new and fundamentally different? Does debt fulfill the same role in ancient Sumer or Axial Age India as it does in the capitalist world-system today?*

One of the points of the book was that debt means very different things in different periods. But it's only by understanding the continuities that you can understand the differences. When looking at the history of capitalism, I also discovered something quite surprising: that while there certainly are forms of debt, currency and the like that are unique to capitalism, they emerge quite early, mostly in the late seventeenth century, long before the rise of factories or even widespread wage labor in the mid 1700s. Already in the 1690s you have governments running on deficit spending, semi-public/semi-private central banks granted the right to monetize that government debt to create paper currency, not to mention stock exchanges, municipal bonds, even practices like short-selling, financial bubbles, and so on.

For me, as someone who was mainly trained in the Marxian tradition, this was quite startling. I was used to assuming that capitalism basically means wage labor, and while I would never have gone so far as someone like Paul Mattick — who insists that you can't even talk about "money" in the same sense before wage-labor-based capitalism — I did assume that Marx's argument about capitalist money being founded on the wage relation was correct. And I also saw myself very much on the Dobb side of the old Sweezy-Dobb debate, that is, I had assumed capitalism didn't develop top-down, from capital, but bottom-up, from changes in labor relations. So what was one to make of this? Well, the obvious thing was to look at the sort of labor relations that might be said to actually lie behind these early financial innovations. In the case of the stock exchanges, bubbles, and so on, they were quite clearly colonial ventures, involving slavery, serfdom (peasants in Eastern Europe became serfs only after the end of the Middle Ages, when big landlords started supplying industrializing cities in the west), debt peonage, and other forms of unfree labor.

This is interesting and important because, as authors like Yann Moulier-Boutang have pointed out, one could make a case that, looking at capitalism as a world system, it's never been based primarily on free labor at all. As in so many things, Marx wasn't writing a work of political economy but a *critique* of political economy, and his approach was to show that *even if we* assume the bourgeois economists' assumptions (that capitalism is based on "free labor" for instance), it was still riddled with fundamental contradictions that undermined its pretensions and would eventually lead it to self-destruction. That doesn't mean those assumptions are true! Marx was well aware that most were not. Anyway, I think part of the essence of capitalism is that it has created new ways of directing this sort of financialized violence. But the wage relation is only one of these.

One key question we aim to address in this special issue is where the sources of the power of finance really lie, and how best to fight it. Many liberal critics of finance focus on regulatory capture, the revolving door between Washington and Wall Street, and the corrosive power of money in elections. This appears to suggest that the best way to limit the power of big banks would be to enforce strict regulation of financial markets, political staffing and campaign finance. It seems to me that your work identifies a number of more deep-seated

One could make a case that, looking at capitalism as a world system, it's never been based primarily on free labor at all. Part of the essence of capitalism is that it has created new ways of directing financialized violence. The wage relation is only one of these.

PHOTO BY SHEHAN PERUMA, VIA FLICKR

concerns. What, in your reading, should the radical left and the movements really be looking at to curtail the power of finance?

Yes I think it goes deeper. As I suggested before, we really need to talk about the relation of empire and finance. I prefer the term "empire" to "imperialism" because it's more concrete. It's not like we're fighting some ideology or "-ism" that's become incarnate in institutions; we're fighting an actual empire here, which might then come up with any sort of ideology to justify itself, but that ideology is never fundamental to what it is.

I remember some Italian journalist who was asking me which I thought was the better course to take: the German industrial model of capitalism or the American financial one. And I said, well, it's not like these are options available to everyone! We have this fantasy that Wall Street or the City rake in the money because somehow people around the world are dazzled by the brilliance of their financial instruments. But what are these "financial instruments" really? They're just fancy forms of paperwork. In fact I've argued that they are the very pinnacle of this newly bureaucratized form of capitalism we have now, where it almost makes no sense even to make a distinction between public and private bureaucracies because they've totally merged, and where we're all supposed to think that value emerges from the paperwork rather than from whatever it is the paperwork is regulating or assessing.

What these new financialized and bureaucratized forms of capitalism are really about is making state power an intrinsic element of the extraction of profit. There's a perfect synthesis of public and private power.

What these new bureaucratized forms of capitalism are really about is making state power an intrinsic element of the extraction of profit: you collude with government to create a regulatory regime that will guarantee widespread debt, for instance, then you use the court system to enforce it. There's a perfect synthesis of public and private power to guarantee a certain rate of profit to those who essentially fund the politicians. But it all ultimately comes down to a monopoly of coercive force inside the country.

How does it work outside? Well, I don't think that the US or UK manage to maintain import-based economies — that is, keep so many more things flowing into their countries than are flowing out — because people in Brazil or Malaysia are so impressed by their ability to do paperwork. There are plenty of people in Brazil and Malaysia who are extremely good at paperwork. It's clearly a side effect of empire. How does it work? Well, it's subtle, obviously, it's not like the Roman Empire where you just show up with your legions and demand a certain amount of gold. But if you look past the code words, it's really not all that entirely different. Take the word *seignorage*. It is often conceded that the US economy's preeminent role in the world, the economic advantage that keeps resources flowing into the country, is largely based on seignorage, which is, roughly, the ability to decide what money is. Now, I don't think it's insignificant that at least since the seventeenth century, the global currency of trade and finance has always been that of the dominant world military power. US seignorage is a direct result of American military dominance.

There's nothing I wrote in the Debt book that got people so riled up as that. When I argued that for thousands of years, debt has been a way of turning sheer military power into a moral force that makes it seems like the victims are the reprobates, well, everyone says, "yes, yes, why didn't I see that before? That's brilliant!" When I suggest the same is true today they call me a lunatic and a conspiracy theorist. How could one possibly suggest that there is a link between the fact that the US government maintains the ability to unleash an apocalypse destroying all life on earth, and also insists on having the power to strike, from the air, at any point on earth — both clear attempts at asserting a kind of mythic, cosmological power — and the fact that it can set the terms of international finance and always does so to its own advantage? I've even had one guy throw that at me when I applied for a job at LSE: "wait aren't you the guy who thinks people buy US treasury bonds because they're scared of being blown up?" — as if there's a one-on-one relation! There's a kind of willed naiveté about how people think about these things.

As for the political implications, it's not as clear. As you know I'm often suspicious of the "anti-imperialist" left for being naive and puritanical in their own way, and it's true that those most directly challenging US financial hegemony at the moment — Russia, China, and so on — are not people you really want to get in bed with. But we do have to look at the big picture.

You have recently come to the defense of Jeremy Corbyn following the attempted "chicken coup" against him by the Blairite wing of the UK Labour Party. As an anarchist, how do you feel about Corbyn's economic proposals and his stance on the City of London? Let's imagine he were to survive the leadership challenge and win the next elections — is there anything you would advise him or his supporters to do differently, or to pay particular attention to?

Yes, well, as an anarchist I don't feel it's really my business to tell politicians what to do; and I wouldn't join the party myself or endorse it or anything like that. But I am very enthusiastic about what's happening and want to encourage it from my own outsider position. Also, I have to confess there's a certain sense of affinity that I haven't usually felt with political actors of the same sort before. Well, part of it is just identification. I rarely talk about what happened to me at Yale, or

1961 1978 1984 1984 1989 1998 2000 2001 2004

David Rolfe Graeber is a London-based anthropologist and anarchist activist, perhaps best known for his 2011 volume Debt: The First 5000 Years. *He is Professor of Anthropology at the London School of Economics.*

1961 - Born to Ruth Rubinstein and Kenneth Graeber in New York

1978 - Graduated from Phillips Academy Andover

1984 - Received B.A. from State University of New York at Purchase

1984 - 1986 - Master's degree and Doctorate at University of Chicago

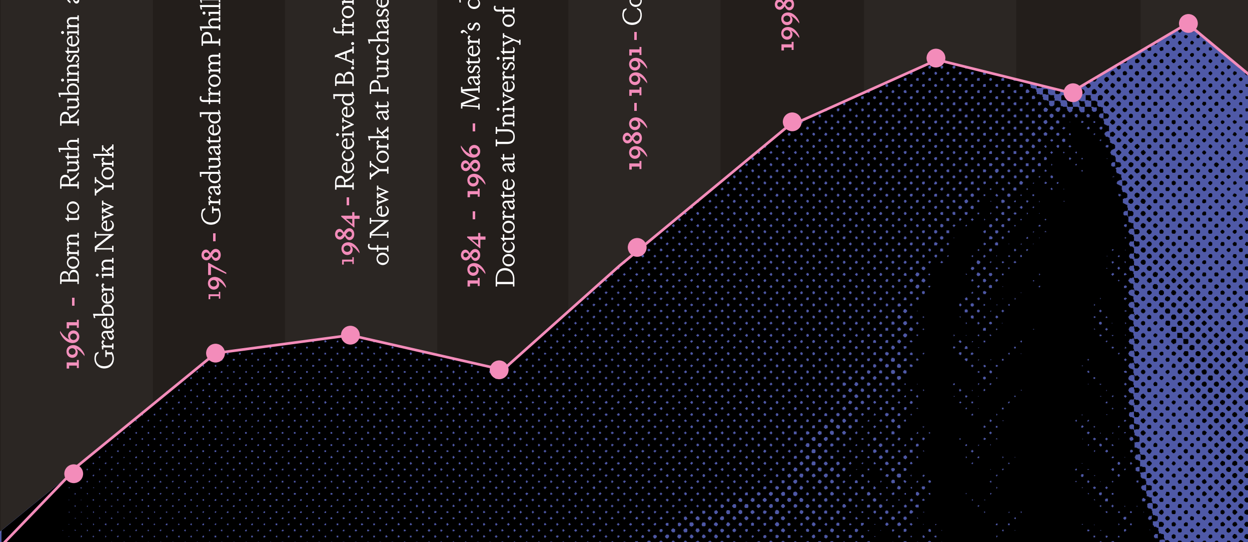
1989 - 1991 - Conducting field work in Madagascar

1998 - Assistant Professor at Yale

2000 - Joins New York Direct Action Network

2001 - Takes part in actions against Summit of the Americas, Quebec City

2004 - *Fragments of an Anarchist Anthropology* published




2005
2006
2008
2009
2011
2013
2013
2014
2005 - Cancellation of contract at Yale announced for 2007, causing uproar among students and colleagues
2006 - Invited to give Malinowski lecture at LSE, as well as keynote address at 100th anniversary of Association of Social Anthropologists
2008 - 2013 - Lecturer and Reader at Goldsmith's College, University of London
2009 - *Direct Action: An Ethnography* published
2011 - Helps organize assemblies planning occupation of Zuccotti Park, *Debt: The First 5,000 Years* published in New York
2013 - Professor at London School of Economics
2013 - *The Democracy Project: A History, A Crisis, A Movement* published
2014 - Visits Rojava as part of an international academic delegation
David Graeber

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I have been excited by the Corbyn phenomenon because the people involved are actually serious about trying to create a synergy between people working in the system and those working outside.

in American academia more generally, but I will confess that when I see the way Corbyn is being bullied and defamed, it all seems very, very familiar.

In my case, I was perhaps the only “out of the closet” active anarchist — in the sense of actually helping organize and taking part in street actions — in a major university like that, or anyway the most prominent; and Yale, a notoriously conservative department, fires me without giving a reason, and pretty much 90 percent of all “left-wing” academics seem to have reacted by saying: “oh, it couldn’t possibly have been his politics, there must have been something wrong with his personality” — though of course they rarely had much idea precisely what. Or this circular: “well, obviously people don’t want to work with him, so he’s by definition a bad colleague.” It seems like almost the entire left-wing punditocracy here in the UK has adopted variations on this line: “Oh, it’s certainly not because this is the first time in 50 years a left-winger has become head of a major party, that the entire establishment is turning on him. There must be something wrong with his personality. He’s a bad leader. After all he must be a bad leader because he can’t keep other politicians in his own party from turning on him!” So many of the moves I saw seemed so familiar.

I think there’s a very interesting essay to be written about the whole notion of “unelectability.” It’s quite fascinating to see so many people, thousands and thousands, on blogs proclaiming how no one else will vote for Corbyn. It shows something profound about the nature of contemporary ideology, which I'm becoming increasingly convinced is not based on convincing the public that the system is good or fair, but only on convincing them that *other* people think the system is good and fair. Everyone is sitting there saying: "it's all a scam, but people are sheep, they actually buy this shit!" — whereas in fact the only people being fooled are those who believe everyone else is.

In the case of elections, it's the ultimate commoditisation of the political process. Back in the 1930s Keynes argued that this is how equity markets work, you know: it's not a beauty contest, it's like a beauty contest where everyone is trying to guess who everyone else will think is the most beautiful. But in fact it never ends — you can go meta, as it were, indefinitely, and try to guess who most people will think most other people will think is most beautiful, and so on and so forth, forever. But this is what electoral politics has come down to. Everyone's a pundit. Most don't even really consider what they would actually want.

Anyway, I have been excited by the Corbyn phenomenon because I know the people involved, and I know they're actually serious about trying to create a synergy between people working in the system and those working outside. Syriza never was, really; they co-opted and destroyed everything they touched. Podemos seems very uneven and often very disappointing in this regard. The Corbyn and McDonnell people, by contrast, really want to see if they can do it right. And this is important because if anti-authoritarian movements actually are going to win, it can only be by creating that sort of synergy in the short to medium term — unless we're talking about some catastrophic collapse, which of course might happen, but is nothing we can in any way bank on.

We have to figure out a way for those who want to preserve a prefigurative space where they can experiment with what a free society might actually be like — which necessarily means not having any systematic relation with political parties, funding bodies, anything like that — to actually work with those who are trying to create more modest and immediate changes within the system, which is beneficial to both of them. So one piece of advice would be: think hard about how to do this. I think many of them are thinking hard about it. But at the moment they're in a struggle for survival, which makes it very hard to be long-term strategic in that way.

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We have to think theoretically about merging the insights of Marxism and post-Keynesianism into a vision of a genuinely redemptive technological future.

The other thing I would say is to think theoretically about merging the insights of Marxism and post-Keynesianism into a vision of a genuinely redemptive technological future. I love ideas like fully automated luxury communism. But the economic coalition that might bring us there is fragile and a lot of work of synthesis needs to be done. Ironically, I was about to embark on a project trying to synthesize the two with the philosopher Roy Bhaskar shortly before his tragic death. But someone has to do it. We need a radically new definition of what economics even is and what problems it is trying to solve, and this is the only way we're going to get one.

You have also come out in support of an initiative known as "quantitative easing for the people." Could you briefly explain what "QEP" is about, and why you support it?

My advocacy of QEP rests on similar grounds as my advocacy of a debt jubilee: I don't think it will be a real solution to anything, though it will certainly make a lot of people's lives easier — I am interested in it mainly as a kind of mental reset button, a way of forcing the people running the system to actually admit what money is under a credit system such as we have today, so as to open up people's sense of political possibility.

> **"*An initiative like quantitative easing for the people would be a dramatic way of reminding people that money is really a social relation, a series of promises we make to one another, and that we create it all the time.*"**

The mechanics are simple. Since 2008, central banks, whether the Federal Reserve in the US, the Bank of England, or the European Central Bank have engaged in rounds of money creation — "quantitative easing" as they euphemistically call it — which basically means that they print untold billions of dollars or pounds or euros and use it to buy up certain sorts of assets (Treasury bonds for instance) so as to raise their value. Basically they print money and use it to bid up the value of the kind of assets that rich people are likely to already have lying around. Blowing bubbles basically. Of course it's not exactly the same as printing money and handing it to rich people, but the effect is pretty much identical. The ostensible idea is that this will cause the rich people to be more likely to loan money and stimulate the economy, but in fact it gives them very limited incentive — and mostly the money just sits there making them, on paper at least, even more rich.

QEP advocates are just saying: wouldn't it stimulate the economy a lot more to take that same money and do… well, almost anything else with it? So QEP can mean a lot of things in practice. The Corbyn people say, well, rather than making rich people richer and hoping that will make them more likely to lend to people who want to build roads, or do high-tech research, why not just lend it directly to people who want to build roads or do high tech research? Then others say, why not just take it and build roads or do research yourself? Finally, others — and I must say I'm most sympathetic with this — say, why not instead of indirectly giving it just to rich people, who already have a lot of money after all, directly give it to everyone? I think the last round of QE by the ECB involved producing enough money to give everyone in the Eurozone something like 180 euros a month. Well, why not just do that?

This shades into the debate about a Universal Basic Income, which as an anarchist I think is a potentially brilliant left-wing anti-bureaucratic issue — but that's something of another story. As I say, QEP would be a dramatic way of reminding people that money is really a social relation, a series of promises we make to one another, and that we create it all the time.

At the moment people seem genuinely convinced that money is some sort of limited good, and when politicians say "there's just not enough money," or that social programs create debts our children will have to pay some day, they actually make some kind of sense. This is because they see money as stuff that has to already exist before banks can lend it out, when in fact the reality is precisely the other way around. The second line of defense of course when you point this out is to fall back on inflation: well, if the government or central bank just print money, you end up like Zimbabwe, or Germany in the 1920s. This too is tacitly based on the quantity theory of money. But in fact, with QE they've been printing money like mad, and they don't seem to be able to spark inflation at all — it's pretty clear they would like a little more than they have. If nothing else, a QEP program will let the cat out of the bag.

What would you say to those who, understandably, feel overwhelmed by the immense power of finance and who are convinced that "resistance is futile"? What can be done at the everyday level to overcome this sense of resignation and re-empower our communities? Are there any particular struggles — past or present — you would point to for lessons or inspiration?

What we call "finance" is really just other people's debts. Or, to be more technical: the art and science of creating, swapping and manipulating such debts. The most obvious way to practice civil disobedience against finance, then, not to mention to re-empower your community, is simply not to pay your debts. The Strike Debt group that came out of Occupy Wall Street faced that dilemma and we discovered something quite surprising. Our first idea was to create a kind of mass pledge of debt resistance: have people sign a document that, say, once they reached 100,000 signatures, everyone would simultaneously stop paying their student loans. That way they couldn't single out anyone in particular for repression. But it was very hard to get anyone to sign it. We only ended up with a couple of thousand signatures. When we investigated why, we discovered that a substantial number of the people we approached were already in default. And a very large chunk more were thinking they soon might be. The last thing they wanted was to draw attention to themselves.

So we started to break down the numbers. Now, numbers are hard to come by. I once tried to figure out what percentage of the average American household's income is directly appropriated by the FIRE sector (finance, insurance and real estate) in a given month, and I found that you can get figures on almost anything else, but that one, nobody really had the slightest idea. When I asked economists to guess I got everything from 15 percent to 50 percent. But even more curious, almost all types of loans also saw massive rates of default. If you look at rates of student loan default, credit card default, mortgages... It seemed like a majority of households were not paying some debt or another. But that means most households were already practicing civil disobedience against finance! They just weren't doing it consciously, in the sense of as an act of political self-assertion.

> ***"What we call "finance" is really just the art and science of creating, swapping and manipulating other people's debts. The most obvious way to practice civil disobedience against finance, then, is simply not to pay your debts.***

The big problem with debt is that it causes such shame that people are afraid to talk to each other about it. They don't know that everyone else is in the same boat. So we started talking about an "invisible army" of defaulters. We even wrote an "operations manual" on how to deal with bailiffs and collection agencies, what you can get away with, what you can't... It's difficult to see how to marshal that movement as an explicitly political force, but it does make the problem a little less overwhelming than it might seem otherwise.

Final question: we would be very curious to hear what you are working on at the moment, and how your current research projects fit in with your past anthropological work on money and debt, and your ongoing activism against inequality and the power and privileges of the 1 percent.

Well, as it happens, I'm writing three books at the moment. Two are collaborations. I'm writing a book of essays on kingship with my old teacher, Marshall Sahlins. For me this is a really big deal, and it's fun to get back to serious hardcore scholarship again. I just finished the last of my three essays, about pirate kings in seventeenth and eighteenth-century Madagascar. Many if not most of the Caribbean pirates ended up settling in Madagascar eventually. I argue their presence sparked a kind of democratic political experiment among the Malagasy who lived next to them, which should be considered one of the first Enlightenment political experiments, and would be were it not for the fact that they were Malagasy. The next is a book about bullshit jobs because everyone wants me to do that after the essay in *Strike! Magazine*. And finally I'm working with the archaeologist David Wengrow on a book about the origins of social inequality. This one is going to be explosive.

The question isn't where inequality came from but how we somehow got stuck.

Our basic premise is that there's been this story we've been telling ourselves for centuries now, which starts like this: once upon a time we were all happy little bands of egalitarian hunter-gatherers, and everything was fine because things were simple and small, but then we invent agriculture, which allows private property, so things start going downhill, and then you get civilization, and that means not just cities but a surplus, social class, states, exploitation, but also high culture, writing, and so on. It all comes as a package, love it or leave it. But the problem is the last fifty years of research have shown that virtually none of this is true. That's just not what happened. Hunter-gatherers, even in the Palaeolithic, could be very hierarchical, but they tended to go back and forth over the course of the year between almost state-like arrangements and extreme equality. They were always experimenting with different forms and any top-down arrangement was inherently temporary. So the question isn't where inequality came from but how we somehow got stuck.

DAVID GRAEBER

***David Graeber** is an anarchist activist and Professor of Anthropology at the London School of Economics. He was among the early organizers of Occupy Wall Street in New York. His books include the award-winning* Debt: The First 5,000 Years *(Melville House) and most recently* The Utopia of Rules: On Technology, Stupidity and the Secret Joys of Bureaucracy *(Melville House).*

WEALTH INEQUALITY

THE LIFE AND TIMES OF THE 1 PERCENT

Tim DiMuzio

DOMINANT OWNERSHIP, MULTIPLE INCOME STREAMS AND A THOROUGHLY SKEWED MONEY SYSTEM PROVIDE THOSE AT THE TOP OF THE WEALTH PYRAMID WITH INCREDIBLE POWER.

In 2011, the Occupy movement shone a giant spotlight on growing inequality in the midst of the latest global financial crisis. The scale of the protest — virtually worldwide with over 951 cities participating in 82 countries — was unprecedented. Among other things, the mobilizations drew the public's attention to the growing wealth and income inequality between the 1 percent and the 99 percent. Having a long-standing interest in the question of inequality and spurred on by the movement, I decided to take a closer look at the 1 percent in my book *The 1% and the Rest of Us*. The key questions I wanted to answer were: How can we define or conceive of the 1 percent? Is this vast accumulation of wealth in any way justified or earned? And what helps us explain this vast disparity of wealth?

IDENTIFYING THE 1 PERCENT

To answer the first question I decided to look at how investment banks and other financial institutions conceive of the 1 percent. It turns out that their term for the 1 percent is "high-net worth individuals," or HNWIs. These are individuals who have at least $1 million (USD) invested in income-generating assets like corporate shares, government bonds and real estate. Historically, their numbers have grown over time — but they are still a tiny fraction of global humanity.

In the latest *World Wealth Report* by Capgemini and RBC Wealth Management, there were 14.6 million high net-worth individuals. As a percentage of the global population (roughly 7 billion) this means that they constitute a mere 0.2 percent of humanity, or 0.7 percent of adults. So in reality, this class of dominant owners is far smaller than the Occupy movement imagined. But it is also interesting to note the vast disparity even within this small class of individuals. The vast majority — 90 percent — of dominant owners have income-generating assets between USD $1 and 5 million, while mid-tier millionaires with $5-30 million constitute only 9 percent of the HNWI population. This leaves a mere 1 percent of dominant owners with $30 million and above invested income-generating assets.

It is important to note that the major difference between dominant owners and most of the rest of humanity is that their wealth derives from the power vested in ownership. Most people — if they are lucky — have only one income stream, which derives from their work or labor. The difference between them and the 1 percent is that the 1 percent typically have multiple income streams. Take for example Bill Gates, whose net worth is $90 billion at the time of writing. It may be surprising to some readers to find out that Gates only owns 3 percent of the shares in Microsoft. The rest of his wealth stems from additional income streams coming from Canadian National Rail, Deere & Co., Fomento Economico Mexicano, Republic Services Inc., and Ecolab Inc., just to name a few of his largest equity stakes. It is also worth mentioning that Gates, like others in his class, is what Thorstein Veblen called an absentee owner. He does not physically work in any one of these companies, yet he is able to capitalize their earnings through ownership.

MONEY AND POWER

Ownership over multiple income streams gives the 1 percent — particularly those at the top of the wealth pyramid — incredible power. There is a lot of talk about the functions of money, but a clear definition is that it is an abstract claim on society and natural resources represented in a unit of account. What this means in simple terms is that the more income and wealth you have, the greater is your ability to command human beings and natural resources. This has tremendous environmental consequences that are not very well understood at the moment, but the work of Dario Kenner has been a good start in this regard.

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The environmental consequences are made all the worse by competitive consumption for status. I use the example of "yacht envy" in my book, where billionaires aim to outdo each other in yacht size and amenities every year. About five years ago, Roman Abramovich's Eclipse was the largest yacht on the seas. Then in 2013, Azzam, believed to be owned by the President of the United Arab Emirates, was launched and overtook Eclipse in size. Today, there is another super-yacht project underway. At 222 meters and at a cost of US$1.1 billion, it will be the world's largest and most expensive yacht when launched. This is merely the tip of the iceberg: competitive consumption takes place across a range of goods and services, all with environmental and ecological consequences, not least climate change.

We also know that the 1 percent always want more money, since the goal of investing is never to lose money but to make more of it. In the theoretical framework I use we call this "differential accumulation." No owner or investor wakes up in the morning with the goal of making less money today than he or she did yesterday. So whether the 1 percent are actively involved in investment decisions does not really matter; people like Gates and the rest of the HNWI class are participating in the logic of differential accumulation whether they can speak the language of finance or not. They want the value of their owned income-generating assets to increase (rising capitalization), not diminish, and they are likely to have an army of wealth managers trained to do this very task. Differential accumulation is an iron law of capitalism — it is, for lack of a better term, the logarithm of the capitalist universe.

EARNING THEIR WEALTH?

This has major implications for political change. So long as the 99 percent remains divided on crucial questions, you can forget about much-needed structural change. The most critical question I identify in my book is whether or not it can be said that these owners earn their income and wealth. How do we know that they do? What theories might we have to demonstrate it? Unfortunately, we do not have any convincing responses from mainstream accounts — or even from Marxists, for that matter.

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Did you know that...

THE 1 PERCENT HAS 35.6 PERCENT OF ALL PRIVATE WEALTH, MORE THAN THE BOTTOM 95 PERCENT

THE WORLD'S 1 PERCENT OWN $42.7 TRILLION DOLLARS, MORE THAN THE BOTTOM 3 BILLION RESIDENTS OF EARTH.

THE MEDIAN NET WORTH OF **WHITE HOUSEHOLDS IN 2009 WAS $113,149, OVER 20 TIMES THE MEDIAN NET WORTH OF AFRICAN AMERICAN HOUSEHOLDS ($5,677) AND 18 TIMES THAT OF HISPANIC HOUSEHOLDS ($6,325).**

PHOTO BY ALESSIO MOIOLA, VIA SHUTTERSTOCK

It is interesting to take a closer look at the disparity, since for most of us all of this is highly abstract. For example, hedge-fund manager David Tepper made $3.5 billion in 2013. The median income in the United States was about $55,000 that same year. So with these two numbers, we can provide a ratio:

1 : 63,636

What this means is that every time our ordinary worker makes another dollar, Tepper will make another $63,636 dollars. Neoclassical theory says this compensation is directly related to the contribution made to production and society. Just on an intuitive level, it is hard to imagine someone being 63,636 times more productive than another human being. Of course there are real differences in talents, skills and abilities. No one should deny it. But they certainly are not that drastic and evolution does not work faster in one human than another to such an extreme degree.

By this scale of differential income, Tepper should be considered an X-Man with real superpowers. But of course, he is just a man in a particular position in society able to redistribute income to himself and his investors. Consider, for example, the differences between a professional marathon runner and an average Joe who will walk a marathon. Obviously there will be a massive difference in skill and ability and talent. So what do you think the ratio will be? The world record for male marathon running is 2:02:57 hours set by Kenya's Dennis Kimetto in Berlin in 2014. If average Joe walks a marathon, how long would it take? Estimates vary, but if we walked at 20-minute miles it would take about 8.7 hours. So what is the difference between a highly skilled marathon runner and average Joe? Turns out the ratio is:

1 : 4.35

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It is the task of critical political economy to challenge the radical anti-social belief that wealth is earned solely on the basis of individual knowledge, talents and skills.

We could all agree that Kimetto is a little over four times faster or better at running than an average person who simply walks the marathon. Kimetto undoubtedly deserves to be the world record-holder. But in no way is Kimetto 63,636 times faster or more talented than the average person walking a marathon. So something is seriously askew when we look at these ratios of inequality — and I believe it is the task of critical political economy to challenge what I call “the superman theory of wealth accumulation,” or the radical anti-social belief that wealth is earned solely on the basis of individual knowledge, talents and skills. Since this type of thinking is engrained in much of Anglo-American culture, I believe that that the 99 percent has its work cut out for it in popularizing the idea that all wealth is social and *can only ever be social*. Only once we realize this can we start to think about how wealth might be distributed in a democratic and free society.

THE MONEY SYSTEM

But another factor — often overlooked — also contributes to the growing disparity between the 1 percent and everyone else: the way in which new money enters our economies. This is not the place for a lengthy exegesis on money mechanics, but suffice to say that it is now well established that banks create new money when they issue loans at interest. Since most banks lend against income streams, accumulated wealth or collateral, the already wealthy are at a massive advantage when it comes to taking out new loans. This money can be used to capitalize additional income-generating assets, exacerbating pre-existing inequalities. For example, it is stated that the leading hedge-fund managers can leverage their capital by a multiple of 10. In other words, $1 billion can become $10 billion to speculate with. Inequality is exacerbated precisely because those with no assets, little assets or average incomes cannot get access to the similar amounts of money and credit. So there is an advantage for the 1 percent built into the modern money system and a systematic disadvantage for the part of the 99 percent who have little or no access to credit.

Unless people organize and push for structural change, change will continue to happen, but only at the margins.

This disparity will likely continue because it is structural or systematic and the political opposition is largely fragmented. Unless people organize and push for structural change, particularly on how we produce new money as debt in the economy, change will continue to happen, but only at the margins. The worst-case scenario is that we continue on our current path, destroy the environment for future generations in the process and through the practices of differential accumulation, experience an even greater gap between the 1 percent and the rest of us. There are waves of hope that this scenario can be avoided — but at the moment, they are just waves, not the tidal force we need. ★

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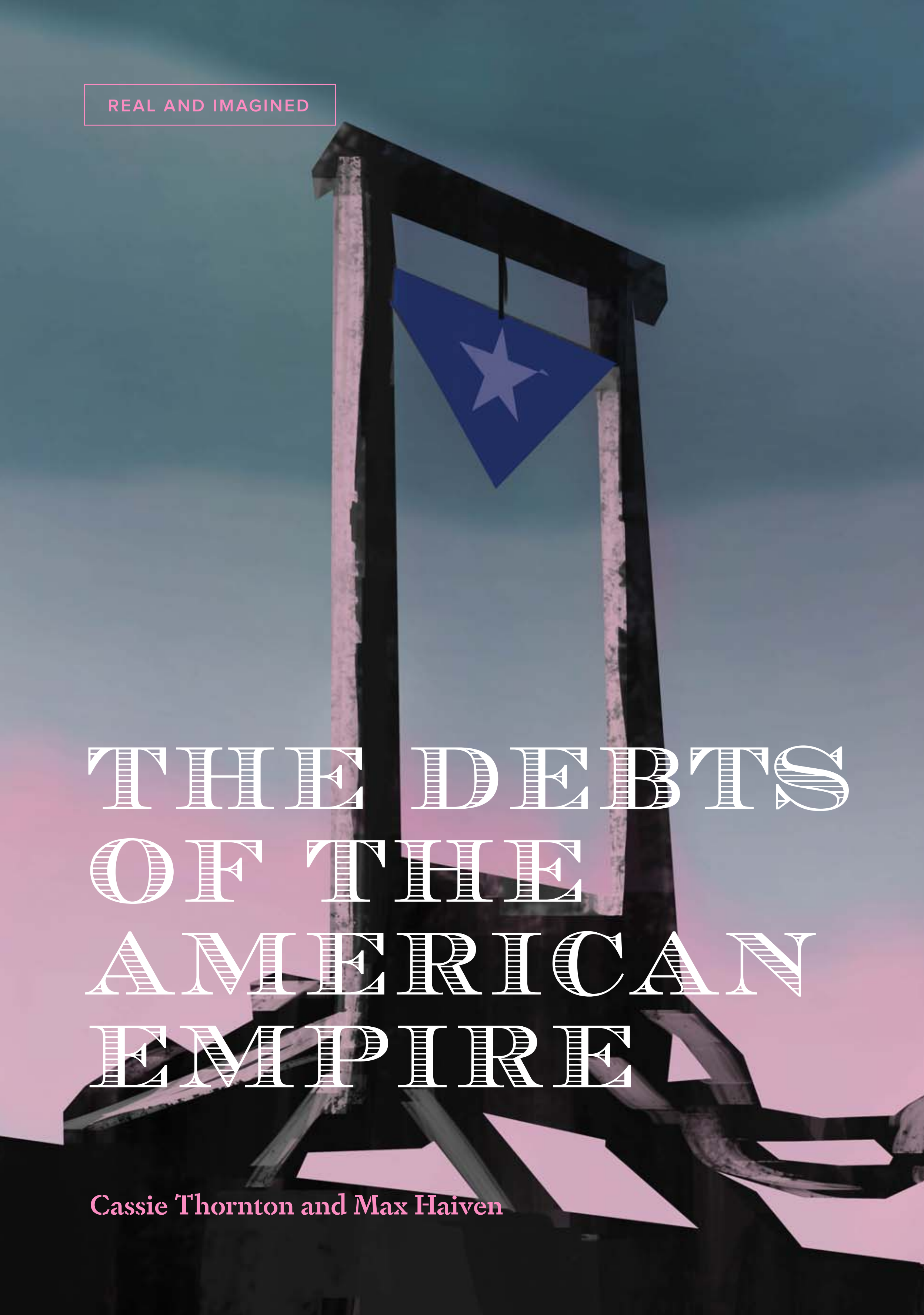

REAL AND IMAGINED

THE DEBTS OF THE AMERICAN EMPIRE

Cassie Thornton and Max Haiven

FROM CHICAGO TO PUERTO RICO TO SAN FRANCISCO, DEBT IS A TERRAIN OF STRUGGLE WITHIN AND AGAINST AMERICA'S RACIALIZED EMPIRE OF INDIFFERENCE.

We are used to speaking about debt as an individual experience, one of lonely insomnia, and of grinding, inescapable worry. Authors like David Graeber or Maurizio Lazzarato have taught us that debt functions so perniciously because it merges economic obligation with moral condemnation: debt and guilt are intimately connected. All the more so in neoliberal societies where free-market individualism not only sees the growth of personal debt levels but also hides or obscures the sociological and common roots of those debts, making them appear solely the fault and responsibility of individuals.

But what about debts experienced not as an individual, but as a collective, through institutions, nations and cities? In our ongoing research project, we are examining the relationship of these forms of collective debt and the imagination. Debt is, after all, everywhere and also nowhere at all, unavoidable and yet ephemeral. In this project, we want to engage with the unconscious of debt within what the late theorist of financialization Randy Martin called an "Empire of Indifference," where it is fruitless to make a distinction today between the make-believe economies of debt and credit and the "real" economy of goods and services: finance rules and is, indeed, reorganizing the world in its image, transforming everything from education to health to personal relationships into "investments" to be leveraged and risks to be managed. The result is a global empire of liquified capital, coursing around the world at accelerating speeds and seeping intensively into our daily lives, our social relationships and our sense of self.

Unavoidably, this empire's heart is the United States, the world's unrivaled superpower, home to Wall Street and other financial forces that, in spite of recent rivalries and setbacks, still dominates global trade and the orchestration of global capitalism. Thus, in this project, we wanted to study three crisis zones at the heart of the empire, three spaces of collective debt that might reveal the complexities and characteristics of our moment. In all three cases, debt is the product of vast and entrenched economic inequalities rooted in systemic and structural oppression, violence and exploitation. Those injustices made the emergence of the debt inevitable, and the debt, in turn, reinforces and re-entrenches the injustices, locking them into the future. Yet underneath, other debts — deeper, unseen and often unacknowledged — move like subterranean rivers, cracking the pavements and threatening to erupt in resistance and revolt.

CHICAGO

Walking around Chicago's South Side I'm shocked at how little the infrastructure has been cared for. The streets, streetlights and metro stations are in total disrepair. Sidewalks sometimes just disappear into broken glass and yellowed grass. Schools and stores are boarded-up. We're only a few blocks from Obama's house. The infrastructure is speaking for the city, and the message is: "fuck you, get out." I know that as a white person from the suburbs, the message is not meant for me.

Chicago's school board (CPS) is over $6 billion in debt to Wall Street banks and other corporate bondholders. These sharks have, in turn, laced the debt into the investments and savings of small retail investors like pension funds, insurance companies and mutual-fund holders. Years of neoliberal cuts to taxes at both the city, state and federal level have led to conditions in which, over the past 20 years, CPS was compelled to borrow ever-increasing amounts at increasingly extortionate rates just to keep the doors to the schools open in America's third largest city. While the city's corporate media has been quick to blame the fiscal situation on the greed of unionized teachers, the reality is more complex and involves the invisiblized histories of racism in the third-most segregated city in the United States.

From 1905-'70, the Black population of Chicago grew from 2 percent to 35 percent of the total as migrants fled the deadly institutionalized racism of the US South. But thanks to decades of explicitly or implicitly racist housing policy in Chicago, most of that population was restricted to a small selection of neighborhoods on the outskirts of the city's thriving downtown. In spite of decades of struggle, the city remains deeply unequal: since 1990 white families have seen their income rise by 30 percent on average, not even remotely keeping pace with inflation, but Black families' income has actually *declined* by 4 percent.

The subprime mortgage racket decimated many Black communities who were explicitly targeted for predatory loans and foreclosures. Meanwhile, in the wake of protests against the police shooting of unarmed Black men, a task force appointed by the city's mayor was unsparing in its criticism of Chicago's police department, charging them with pervasive and systematic discrimination and violence against the city's Black population as well as ignoring or burying decades' worth of complaints.

> **"*The subprime mortgage racket decimated many Black communities who were explicitly targeted for predatory loans and foreclosures.*"**

As Paula Chakravartty and Denise Ferreria da Silva have shown, today's debt empire depends on reproducing racialized subjects who are financially sabotaged by a grid of systemic and structural injustices. Indeed, these subjects become opportunities for speculative wealth extraction as private school providers, private prisons, sweatshops, subprime lenders and other industries blossom while the neoliberal state retreats from any commitment to social care, instead encouraging the militarization of everyday life.

I bike 30 minutes north along the luxury waterfront highway for cyclists, pedestrians and runners to arrive on a downtown concrete platform reinforced to hold 120 tons of seamless steel and wood — a huge silver bean, 10 meters tall, surrounded by tourists and locals. Photograph yourself in front of this huge shiny warped glowing city of skyscrapers, surrounded by concrete and business suits. See yourself in your city, which is also every city, a magic city, a quicksilver bubble of opportunity and financial anxiety. But you can never enter it — it's nothing but endless, reflective surface. "Cloud Gate," the 2006 sculpture by Anish Kapoor, was inspired by liquid mercury, the toxic plasma that is released from power plants and gold mines. A monument to the convergence of modern money and the postmodern city: a bubble of financial liquidity itself.

The history of systemic and structural racism is important to understand to fathom the complexities of the Chicago Public School debt crisis. While whites, Latinxs and African-Americans represent roughly 30 percent of Chicago's population each, only 9 percent of white parents send their children to the city's public schools (mostly in wealthy suburbs). The systematic economic abandonment of the Chicago Public Schools has actually amounted to society's abandonment of racialized children. For instance, in response to the debt CPS incurred to make up for shortfalls in revenues, in 2013 it closed 49 schools, the vast majority of which were in highly racialized neighborhoods.

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In an age of neoliberalism when all societal problems become seen as personal responsibilities, racialized families and children are constantly told to "invest" in their education to gain access to opportunities and a chance to escape poverty and oppression. Yet even if these myths matched reality (they don't: Black people with university degrees typically earn less and pass on less wealth to their children than whites without), the possibility of "getting an education"

has been fundamentally sabotaged. Worse, it has been sacrificed on the altar of high finance: today, 40 percent of the CPS budget is dedicated to debt repayment, which goes directly into the pockets of banks and corporations whose executives and shareholders are disproportionately white.

The $23 million it cost to erect "Cloud Gate" was, allegedly, privately raised. But it feels like the South Side and the West Side have been squeezed until the gold came out, squeezed until the paint fell off the walls, and the cement cracked. And all of the energy that would repair those breakages and ruptures has been stolen, and pumped into this useless toy, this growthless seed. It holds hostage all the resources and attention that is missing.

The intersections of debt, race and education are hidden in plain sight in an American media landscape dominated by sensationalist headlines about criminal violence. But it is precisely this dense knot of oppression, exploitation and inequality, which traces its roots back to the institutions of slavery, that drives the perpetuation of exploitative racialized poverty in Chicago and belies the meritocratic mythology of white supremacy. It also animates the righteous and stalwart rage so powerfully expressed by the Black Lives Matter movement, which has manifested in Chicago in massive street demonstrations led by high-school students. It also inspires the generative and optimistic occupation of a park across the street from a once-secret police facility that, after years of community activism, courts have affirmed was used essentially as a torture chamber.

That activism successfully won monetary reparations for survivors of the facility, but Black Lives Matter and its allies also

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The only remedy that will suffice is a revolutionary transformation that fundamentally unseats white supremacy, abolishes racial privilege and radically redistributes the empire's ill-begotten wealth.

have other, more profound debts to settle. As Ta-Nehisi Coates made clear in his provocative 2014 article in *The Atlantic*, "The Case for Reparations," the unspoken and unspeakable debt owed to Black Americans is not merely for the wealth extracted from their ancestors under the institution of slavery, wealth that quite literally built the nation and its institutions. It is also owed for the multiple and persistent processes of land theft, institutional exclusion and economic sabotage since the Civil War, up to and including the subprime mortgage meltdown which hit Black families targeted by predatory loans disproportionately hard. Yet others argue that the depth of the damage is unfathomable and the scope of the debt is incalculable. The only remedy that will suffice is a revolutionary transformation that fundamentally unseats white supremacy, abolishes racial privilege and radically redistributes the empire's ill-begotten wealth.

PUERTO RICO

An hour west of San Juan, the capital of Puerto Rico, we are standing in a gravel parking lot at dusk, looking up at a newly assembled bronze sculpture of Christopher Columbus, slightly taller than the Statue of Liberty. The "Birth of the New World" was meant to celebrate the 500-

year anniversary of Columbus' blunder into the Americas, but since 1991 six other US cities have declined the opportunity to host the statue due (according to the Economist) "to its monstrous size, ugliness and the prohibitive cost of installation."

But the mayor of the economically depressed Arecibo, which has been steadily losing population for the past two decades, likely believed in the power of culture and tourism as forces that might offer a road to financial survival for the city. 52 percent of the population and 64 percent of children live in poverty — a rate that is about 10 percent higher than Puerto Rico as a whole but more than double the rate in the United States.

The shadow of Columbus looms over Puerto Rico. When the Genevan mercenary arrived on his second voyage to the so-called New World, he rapidly sought to enslave the local Taino indigenous people to hunt for gold. While the Taino were to put up decades of militant resistance, eventually all that remained was a genetic trace within a mixed Puerto Rican population, which also inherited a legacy from poor European proletarians and enslaved Africans. At the close of the Spanish-American war in 1898 the United States arrived claiming to be liberators, but it quickly became clear that they saw the tiny Caribbean island as a possession.

> ***"Through the complicity of local elites, American politicians and Wall Street investors, the island has been made into a tax haven and a utopia for financial speculators.***

Though today its residents enjoy American citizenship and its government proclaims itself a "commonwealth," Puerto Rico remains essentially a colony of the world's largest superpower. Odd and unique laws apply here that would be unacceptable in either a sovereign nation or a US state: the Puerto Rican constitution is essentially observed at the pleasure of the US Congress and many key legal and financial policies and decisions occur outside their control. These include a bevy of laws that have led to the fateful situation in which an island with a population of 3 million owes a debt of at least $76 billion — with special provisions stipulating that bondholders must be paid out first from government revenues, before pensioners, teachers or police are; that Puerto Rico cannot declare bankruptcy; and that the bonds are triple tax-exempt. In sum, through the complicity of local elites, American politicians and Wall Street investors, the island has been made into a tax haven and a utopia for financial speculators.

Standing just off the parking lot with our video camera, a middle-aged man yells a warning from the porch of his mother's house. We are just making a funny video about Christopher Columbus, I tell him, but he orders us to stop: "he was a bad guy but he gave my people jobs." The man says he found three months of work helping to assemble the statue, and now that it is completed he offers tours. "If you could go back in time and talk to

Puerto Rico's Debt Crisis

A TIMELINE

1898 Puerto Rico becomes part of the US at the end of the Spanish-American War.

1917 Puerto Ricans are granted US citizenship by the Jones act, which also exempts interest payments from bonds issued by the government of Puerto Rico.

1952 The island's first constitution is proclaimed, establishing a commonwealth with autonomy in internal affairs.

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2006 Many schools and government agencies closed down due to budget shortfalls. Massive popular protests ensue.

2009 After earlier announcements by Governor Fortuno regarding spending cuts and possible job layoffs tens of thousands of workers

2013 Debt crisis mounts, raising the possibility that it might require federal assistance.

2014 Three major rating agencies downgrade Puerto Rico's bonds to "junk status"

2015

JUNE The island's debt is declared "unpayable" by Governor Padilla. Default on next round of payments is imminent, but narrowly avoided.

AUG Puerto Rico defaults on roughly \$57 million of its \$72 billion debt.

OCT To avoid a "humanitarian crisis", President Obama urges Congress to devise a plan for Puerto Rico's massive debt

DEC Again, the island narrowly avoids default on a debt payment. Puerto Rico continues to struggle to find money for government services and future debt payments.

2016

JAN Puerto Rico defaults for a second time on \$37 million of its roughly \$1 billion of debt payments.

APR State of emergency is declared at the Government Development Bank of Puerto Rico.

JUN The House of Representatives passes Puerto Rico Oversight, Management and Economic Stability Act (PROMESA). Later that month, the bill is passed by the Senate.

JULY For a third time, Puerto Rico defaults on roughly \$2 billion in debt payments due.

Columbus, what would you say?" Max asks. "I wouldn't say anything," he replies. "I would kill him. He was terrible. He doesn't deserve to be there. But God put that sack of shit there for some reason. He gave work to Puerto Ricans. So I am his bodyguard."

As with so many countries in the Global South, the hot financial money that flowed into Puerto Rico since the 1980s and that today haunts the island like the spirit of Columbus, did little to improve the quality of life for the island's working class or the nation's infrastructure. Puerto Rico remains substantially poorer on a per capita basis than the poorest US state, Mississippi. Partly this has to do with the fact that the islands are compelled to import almost everything from US corporations. Walmart and Walgreens (Puerto Rico has the highest concentration of both per square mile anywhere in the world) dominate consumer markets and employment. Even the branch-plant pharmaceutical industry, which once produced most of the prescription drugs sold in the US, has left for greener pastures since a lucrative set of incentives was ended in the 1990s.

In 2015, the Governor of Puerto Rico was forced to take the remarkable step of declaring publicly that his government could not repay its swelling debts, triggering a series of Congressional hearings and backroom deals that led to the passing of the PROMESA bill in the spring of 2016. Among other things, the bill forestalls the vulture funds that bought up Puerto Rico's bonds at a huge discount; eager to reap the rewards of the US fiscal intervention they knew would be inevitable. But Puerto Rico will now be forced to repay the odious debt for generations to come, and the bill allows for the establishment of a fiscal control board that essentially strips (already minimal) economic autonomy from the nation's government and opens the door to even deeper cuts to education, pensions and the civil service. It also threatens the privatization of the island's natural bounty: its forests, urban spaces and beaches that are so beloved of the people and that have attracted the appetites of developers and resorts. Meanwhile, Puerto Rico is currently seeing the largest emigration of people (especially young people) to the United States since the 1950s, leaving cities like Arecibo behind as ghost towns.

It is the ecological threat that has most catalyzed the resistant spirit of Puerto Rico in recent years. Since the US claimed the colony almost 125 years ago it has brutally repressed nationalist and independence struggles, using tactics that have included the bombing of US citizens, the torture of prisoners, illegal incarceration, police entrapment and extrajudicial assassination. Yet we may be seeing the rise of a new generation of nonviolent revolutionaries with a strong anticolonial philosophy, a populist approach and a profound ecological consciousness. Recent victorious struggles have included forcing the US military to abandon its ecologically catastrophic munitions testing on the paradise island of Vieques, the prevention of the spraying of NALED insecticide to control the spread of the Zika Virus, and the reclamation and re-wilding of a beach in the hyper-corporate tourist district in San Juan. These coalition struggles are waged with a profound love for the land and a sense of debt or obligation to the gentle tropical beauty of the islands and their fertile abundance. More deeply still, they are emerging from a realization that the American Dream of boundless consumerism is, in reality, an alien nightmare for which Puerto Rico's land and people will continue to pay the price.

These movements often ground themselves in the profound debts owed to Puerto Rico by the United States, for instance for decades of ecological damage caused by the presence of the US military and US industry. As Franz Fanon illustrated over sixty years ago, the psychic life of colonialism operates by insisting that the colonized owes the colonizer the debt of civilization. But as Aime Cesaire noted in his furious *Discours sur le Colonialisme*, the debt is actually owed to the colonized, whose land, labor and resources have been stolen to build the metropole's cities and reinforce its self-aggrandizing mythology.

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SAN FRANCISCO

When I moved to the Bay Area in 2010 to go get an $80,000 Masters of Fine Art degree I found a big room in an apartment in the Mission with a local writer for $640 per month. Even back then they were drilling for truffle oil in the cracks between the buildings. My roommate had a strict weekly schedule of events that had nothing to do with money, competition or productivity: swimming in the ice-cold bay, hitting up the free farmers' market and free meditation, the by-donation yoga, the sliding-scale acupuncture and clothing swaps. Art galleries or poetry readings existed in parks and in the backrooms of bookstores. I have nostalgia for a time I barely witnessed. But these facts feel like ancient history and I feel like a living fossil, though I'm a comparatively recent invasive species.

According to the popular landlord rental website Zumper, the median rent for a one bedroom apartment in San Francisco in 2015 was $3,410 per month. A worker earning the city's $13-per-hour minimum wage would need to work at least nine hours all seven days of the week to earn that much and have nothing left. Last year the asking prices for homes across the Bay in Oakland increased 14 percent and rents increased by 21 percent, only to be outdone by Berkeley to the north at a 32 percent increase. Reports from the San Francisco Rent Board indicated that, in the five years prior to 2015, the eviction rate increased by 54 percent.

The racialized effects of what is all too often termed "gentrification" are staggering. According to census data, in the 40 years leading up to 2010, the Black population of San Francisco diminished by half. A recent report from the Oakland-based grassroots advocacy group Causa Justa indicated that between 1990 and 2011 the proportion of Black residents in Oakland fell by nearly 40 percent and the proportion of homeowners who were Black diminished by half. Last year, San Francisco's Mission district lost over 1,000 Latino families and has seen an influx of 2,900 white households.

When my roommate left for NYC in 2012 I filled the apartment with other students, people new to SF with big futures and lots of debt. We were all broke and we used the apartment to scam money to live on so we could buy organic vegetables. We were paying $1,300 a month but we could rent out our apartment temporarily for $4,000 and I slept better knowing that I could always cash-in. One Christmas break when I needed money I collected all the glass shards in front of my house on Folsom Street and hot-glued them to some old jewelry. The owner of the vintage steam-punk store handed me $400 for the junk I dumped on the counter with shaky hands, figuring, I guess, that he could turn a profit. That place is now closed — the rent was too high, probably.

The story is well known. A city once famous for its artists, academics and working-class manufacturing and transportation jobs found itself home to the burgeoning corporations like Apple and Google and a thriving "tech boom" of start-ups driven by highly-leveraged venture capital. Thanks to decades of countercultural, queer, Black and Latino arts and activism, the city had gained a global reputation as the home of creative thinking, diverse acceptance and anti-establishment thinking — all things that attracted the pioneers of Silicon Valley. But the influx of wealth drove up prices and rents in ways reminiscent of the city's origins in the 1849 gold rush, which in the span of a decade nearly obliterated the indigenous population. Today, those renegade souls who built the city's "cultural capital" have been forced out or underground, or have seen the rich fabric of their cooperative lives commodified and resold in the form of live-work lofts, hip urban styles or new apps that aim to monetize every human experience.

When my landlord raised our rent to $4,000 we tried to avoid him, but eventually my roommates and I decided we didn't want to fight. At viewings of one-bedroom apartments where paint had been used to disguise crumbling walls I waited in line with men in suits with their sterling credit reports displayed on their iPads. Denied time and again, I wrote my own credit report in which I tried to explain that I deserved housing as much as someone who was rich and employed full time. Landlords giggled when they saw that I had manufactured my own narrative, that I considered myself trustworthy. But I started to do this for others in the Bay for a year or two, and sometimes it helped.

It has become cliché to note this process occurring in the Bay — the process is so hyperbolic and rapid it hardly needs comment, brought to light by recent high-profile protests at the AirBNB headquarters or against the private-bus Google charters to shuttle

The story of San Francisco is well known. A city once famous for its artists, academics and working-class manufacturing and transportation jobs found itself home to the burgeoning corporations like Apple and Google and a thriving "tech boom" of start-ups driven by highly-leveraged venture capital.

PHOTO BY RICH JOHNSTONE, VIA FLICKR

its employees from their gentrified downtown Oakland lofts south to the corporate campus in Palo Alto. What perhaps needs more parsing is the politics of debt that so vastly and profoundly transform the city. In part, the rapid gentrification of Oakland was enabled by the waves of racialized foreclosures that occurred around the 2008 financial crisis. Meanwhile, the massive buy-up of homes in the whole Bay Area in the past decade was enabled and exacerbated by, on the one hand, large hedge funds and investors backing highly leveraged speculators and property management firms and, on the other, the enthusiasm with which banks made loans to (prospective) landlords eager to cash in on rising rents.

What's more, in a city being taken over by highly educated tech-workers and those who service them, debt is the unspoken link between of a generation of so-called "young professionals" and precarious workers (denied the right to make a living from the arts and relegated to slinging espresso or performing sex work), most of whom have emerged with compulsory expensive university degrees. Many people are borrowing money (on credit cards, for instance) merely to afford living in the Bay, in the hopes their fortunes will turn. Others survive on student loans. Worst of all, the tech industry, powered largely by a culture of smug free-market libertarian self-congratulation, has seen fit to revolutionize personal debt under the banner of "financial technologies" (or FinTech), including horrific schemes for peer-to-peer lending and human-capital financing that take the worst aspects of the so-called "sharing economy" and apply them to the realms of debt and credit.

At an overpriced café near my room in the Mission I was asked out by a guy in a Lamborghini wearing Google Glasses. The men at the next table, all in Spandex — designer bikes locked up nearby — were having a group therapy session. The city had evicted my friends, and this was who was left, enjoying what we helped create. I'm leaving. Seven years in and I'm a young veteran. Most of the people I knew trying to live outside of capitalism have left, unless they've capitalized on their anti-capitalism by selling it, getting paid to pursue it as a PhD, or teaching it at an art school debt factory. The new, crisp white art museums popping up around the Bay, built on borrowed money or the largess of the tech industry, are monuments to this process. They're the cultural version of investment banks with 24-hour security, built to preserve in the Bay's cultural capital and social dynamics in climate-controlled rooms for the pleasure of those who can pay the ever-increasing admission. These frozen zones are, in fact, incubators for the next (and final) invasive species to occupy the city: wealthy, (half-)dead white men, whose artwork is here exalted, with only a very special area set aside for the living artists, the non-white people, the women and children.

The American Empire, built on colonial land theft, genocide and slavery, is today an empire of debt that is rotting from the inside. Its self-aggrandizing culture industries and chauvinist politicos insist otherwise, braying about freedom, fairness and a new American century. Bullishly militaristic in both financial and foreign policy, this heavily indebted country is also one of the world's most unequal. It uses the individualizing punishments of debt, rent and prisons to enforce highly racialized forms of injustice that still sometimes bubble over into open revolt.

While weaponized debt rages like a river on the surface, underneath subterranean streams run in other directions.

While weaponized debt rages like a river on the surface, underneath subterranean streams run in other directions. The debts owed to the survivors of racist history, of colonialism, of ecological destruction, of displacement and of exploitation gather momentum and sometimes break the surface, geysering up with righteous vengeance. The question of whether many isolated movements will converge around the common theme of the debts owed to them by this empire of debt is an open one. What is undeniable is that the empire is near its breaking point. Barbarian, thug, hooligan, terrorist: these are merely the names that empires give to those who come collecting the debts they are owed. The real barbarians wear suits in fortresses made of glass, data and hubris. ★

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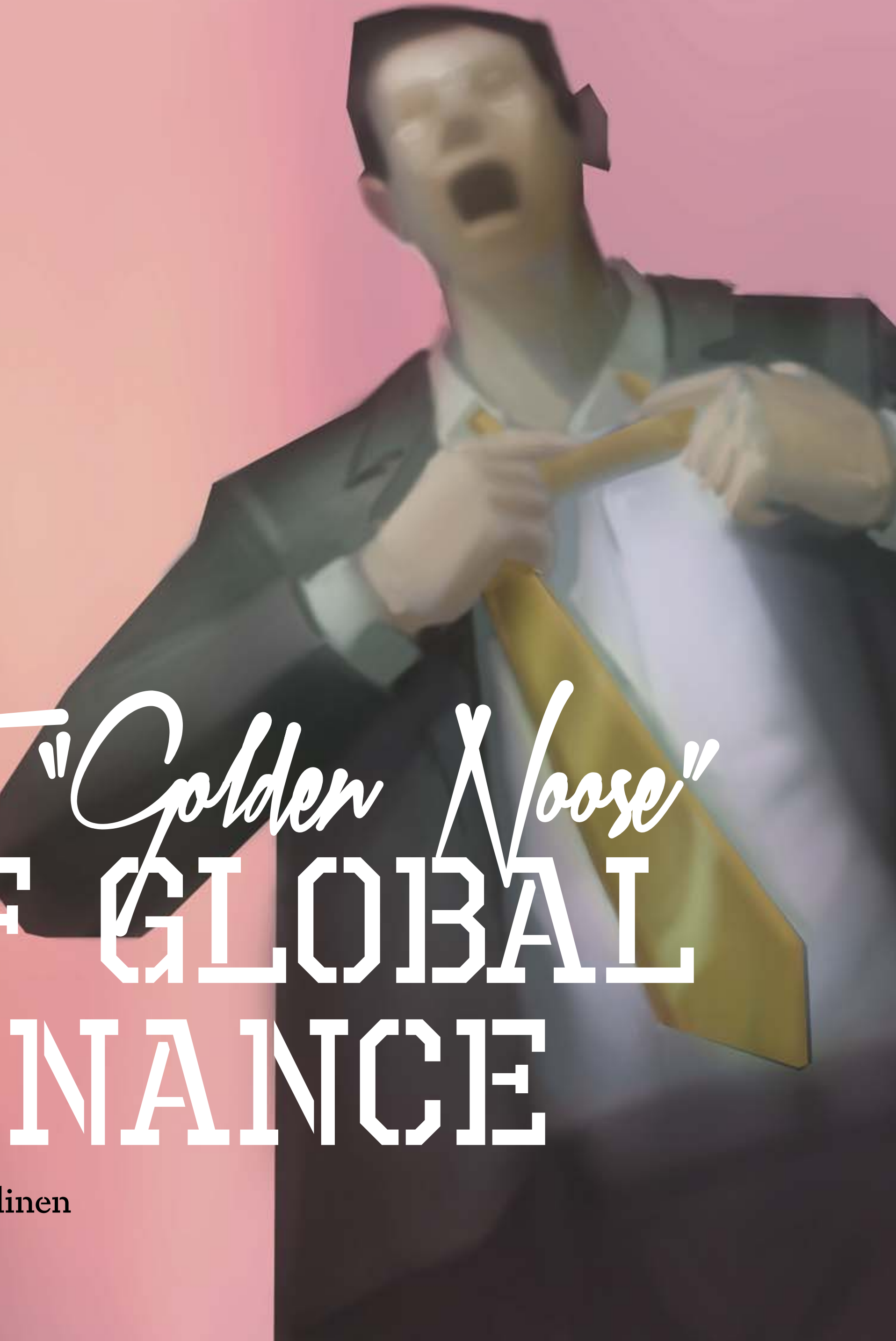
POLITICIZING DEBT

The "Golden Noose" OF GLOBAL FINANCE



Fanny Malinen

BY REVEALING THE SOCIAL AND POLITICAL NATURE OF FINANCIAL MARKETS, DEBT AUDITS COULD BECOME AN IMPORTANT WEAPON IN THE ARSENAL OF DEBTORS' MOVEMENTS.

The battle between Greece and its creditors may have disappeared from the media spotlight, but the crisis has not gone away. The latest round of pension reforms and VAT hikes has been accompanied by renewed protests against the supposedly left-wing Syriza government. Look to the opposite corner of Europe and we find the UN issuing warnings that UK austerity policies, including benefit reforms, are in breach of the country's international human rights obligations. And everywhere the pain of further belt-tightening by neoliberal policymakers is blamed on migrants, minorities, the unemployed and disabled.

What all these different contexts have in common is that the problem is not one of states or whole economies running out of money. Rather, social wealth is being directed from households and the public purse to the financial sector in the form of debt repayments — even if it is not always clear what exactly is being repaid, as those bearing the costs of adjustment often did not take the loans in the first place. When basic needs are not met because money is flowing to banks instead, it is time to start questioning the legitimacy of these debts and the broader financial system under which they were incurred.

COERCION AND CONTROL

The financial sector lies at the heart of many of humanity's most pressing problems — from investment in fossil fuels and arms sales to the extraction of immense wealth from society, resulting in the rise of inequality and the hollowing out of traditional democratic processes. Although we already seem to have moved on to a new era of permanent austerity, in which further cuts to public services hardly need to be justified, it is worth remembering that the original justification for such measures stemmed from the bank bailouts.

In truth, of course, the story did not start in 2008. The deregulation of financial markets, a key component of the neoliberal agenda since the 1980s, had already resulted in a massive financial expansion by the end of that decade. It created the conditions for the engineering of products so complex that in the end their face value had little to do with any underlying values in the "real" economy. Derivatives markets ballooned to outdo ordinary product markets manifold; they became a seemingly endless pit where financiers could hide unpayable debts and keep the accumulation of fictitious capital going.

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Rather than a mere by-product of the system, debt has from the beginning of the neoliberal project been a key tool for subjecting and incorporating entire countries and communities.

Rather than a mere by-product of the system, debt has from the beginning of the neoliberal project been a key tool for subjecting and incorporating countries and communities which often had little to gain from the brave new world of finance. This goes for entire states, like Argentina and Greece, as well as the ordinary households that are now forced to borrow to cover basic expenses — whether it is through payday loans, credit cards, student finance or the infamous sub-prime mortgage lending that fed into the Wall Street crash of 2008.

Drawing such a direct parallel between household debt and public debt may seem odd to those of us schooled in heterodox economics. After all, we have spent much of our time in the past years trying to convince people that — contrary to what neoclassical economists imply when they seek to justify austerity measures — these two levels of economic activity are not comparable: unlike a household, a country cannot live beyond its means, as it always retains the ability to print money or raise taxes in order to service its debts. But debt is not purely an economic phenomenon; it also has important social and political dimensions. Looking at it from that perspective, despite important differences in the economics, the mechanisms of coercion and control are very similar whether it comes to household or public debt.

ILLUSIONS OF WEALTH

Nothing illustrates these disciplinary mechanisms and the central role of debt in neoliberalism better than the bout of subprime mortgage lending in the US during the mid-2000s. It provided people with no job, no income or no assets the opportunity to buy into the heavily marketed American dream of homeownership. After the crash, these poor, marginalized and often Black communities found themselves on the losing side of a gamble that had been imposed on them. Yet it is they who were blamed for their supposed profligacy.

More generally speaking, debt has for the past four decades enabled those of us in the Global North to keep buying and consuming even as real incomes remained stagnant or steadily declined. Without the illusion of wealth generated by easy access to credit cards, interest-only mortgages, consumer credit and car loans, there would have been little left of the "middle class" by the turn of the century. Neoliberalism's inherent drive to concentrate all wealth into the hands of the few would have been self-evident to the average citizen a long time ago.

Without the illusion of wealth generated by easy access to consumer credit, there would have been little left of the "middle class" by the turn of the century.

A similar illusion of wealth — and a similar obfuscation of power relations — appears at the global scale. The richest economies in the world actually produce very little. Consumption largely relies on the provision of international credit and the continuous inflow of cheap commodities from the Global South. Yet those countries trapped at the unfavorable end of this international division of labor have little power to change their situation, as they find themselves trapped in neoliberal economic policies and a global financial architecture that keep them impoverished and dependent on foreign investment.

Many of these neoliberal policies and financial dependencies are the direct result of the conditions imposed in return for international loans. The Third World debt crisis of the 1980s — triggered by a dramatic hike in the US interest rate — was remedied by the US government and international financial institutions dictating developing countries to cut public services, privatize state assets and liberalize trade and capital accounts. Only then were these countries able to borrow the money needed to repay the original debts, which were unpayable either way. With economies stagnating and the loans accumulating interest, countries in the Global South have repaid $7.50 for every dollar they owed in 1980, yet they still owe $4 more.

The austerity recipe first applied in the 1980s, however destructive for the debtors, proved so lucrative for the lenders that when the crisis finally moved to Europe in 2010, the International Monetary Fund and the Eurozone creditor nations imposed very similar conditions on the heavily indebted countries of the periphery, most notably Greece. As before, the result was not economic recovery but a humanitarian crisis that pushed millions into dire poverty and brought back illnesses long eradicated. Even the IMF now acknowledges that Greece cannot possibly repay all its debts, and it has even admitted that the original bailout served as a "holding operation" to allow private lenders to escape without losses.

POLITICIZING DEBT

The similarities between austerity in Europe and structural adjustment in Africa, Asia and Latin America are important because they show that hiding human rights violations and the dismantling of welfare provisions behind the cloak of technicalities is not the exception but the rule. It is what keeps the bondholding class in its position of unrivaled structural power. Hence it is not surprising that demands for the non-payment of illegitimate debts stretch across decades and continents — and have emerged anew since the latest crisis.

Last year, the Greek Truth Committee on Public Debt declared much of the country's debt load to be illegal, illegitimate and odious. In Spain, after several municipalities were taken over by progressive coalitions last year, Madrid has become the first city to start a participatory debt audit with an initial focus on corruption. Research by a group I am part of, Debt Resistance UK, is enabling residents in councils across England, Scotland and Wales to object to their council's risky and expensive borrowing from banks. All these projects stand on the shoulders of past movements in the Global South, which have done much to elucidate the social and political nature of global financial markets.

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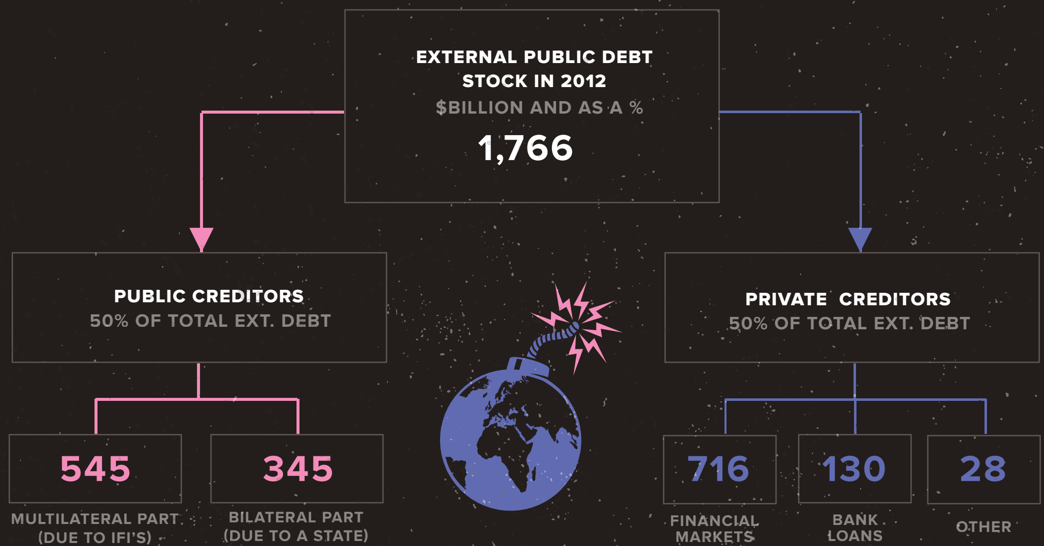
The paradox of the supposedly neutral yet disciplining market is obvious. If "the market" is like a natural phenomenon, stripped of its social and distributional dimensions, then why does it react so strongly to political

Public Debt: Who Owes What to Whom?

A GLOBAL PERSPECTIVE

Via CADTM World Debt Figures 2015



Public debt in developed and developing countries in 2007 & 2012

SOURCE: PIERRRE GOTTINIAUX, DANIEL MUNEVAR, ANTONIO SANABRIA & ERIC TOUSSAINT, CADTM: WORLD DEBT FIGURES 2015.

events? Why does a change in government in Greece or Portugal send interest rates on a roller-coaster ride?

Political economist Susanne Soederberg rightly describes this global financial architecture as a "golden noose." The noose has to be tight enough to prevent debtor countries from delinking from the international credit system whilst simultaneously enabling their "socioeconomic strangulation." In short, "to recreate the power relations within the international credit system it is necessary to ensure that debtors are kept within the lending game." But if neoliberalism and the seemingly apolitical language of debt and finance have enabled this balancing act, then the spell can be broken by *politicizing debt*. And debt audits do precisely that. A debt audit starts to ask questions: How was the debt accumulated? By whom? Who made or advised on the decisions? Who benefited from the spending of the borrowed money?

In Greece, the answers to those questions in the preliminary report of the Truth Committee showed that most of the country's bailout had gone directly to the financial sector and had not benefited the Greek people. They also showed that the conditions imposed on the loans were often in violation of the EU's own laws. If the Truth Committee had had more time and resources, it could have undertaken a full audit of the country's public debt and the international bailouts — but it was cut short after Syriza decided not to use the findings of its preliminary report as an argument in the negotiations with the Troika of foreign lenders.

Ecuador was more successful in 2008. After a public debt audit initiated by President Rafael Correa when he came to power, the country defaulted on $3.2 billion owed to international creditors, freeing up the funds for social spending. Ecuador's was a bold stance. The power of vested interests, the disciplinary force of global financial markets and the revolving door between international institutions, domestic politics and private banks give everyone involved a stake in the hiding game. That indebtedness is so often understood to be the fault of the debtor does not help in acting on this predicament.

At Debt Resistance UK, our work started from a member stumbling across an obscure acronym in local authorities' balance sheets: a "LOBO." This prompted us to dig deeper into this type of loan, called a "Lender Option, Borrower Option," but in reality an expensive bet on interest rates. We argue that LOBOs are not legitimate, and possibly even illegal, for a council to take on. Yet we found a total of £15 billion of LOBOs accumulated by councils across the British Isles. When trying to obtain the contracts, we discovered an interesting mix of vested interests and borrower stigma. The information was difficult to get hold of despite Britain having a Freedom of Information Act that ensures transparency in the public sector — although that law is in the process of being repealed. After contesting a myriad of rejections to obtain the loan contracts and publicizing the ways in which residents can take action to contest them, it seems we have hit another obstacle in this pseudo-democratic system. The ball is now in councils' auditors' court, and as it turns out, local authorities are audited by the same big accountancy firms as the banks that issued the loans we are contesting.

The complex nature of financial institutions often appears like the antithesis of transparency, and using loopholes in the system to challenge them can seem overly bureaucratic. Still, precisely because of this, engaging the public is an important part of a debt audit, which is why Madrid is exploring ways to realize its audit in a participatory manner and why the Greek Truth Committee's work was broadcast directly through the Parliament's TV channel. The educational aspect of debt audits is in a way more important than lobbying decision-makers through available political channels, because the work is about breaking down existing power structures. The road to a more democratic system needs to be both radical and accessible, or else it is likely to be flawed from the very start. Without transparency and participation, we risk replacing those in power instead of dismantling the underlying power relations.

> *Just as wage laborers organized to counteract isolation and fight against exploitation at the point of production, so we can organize as debtors and use our collective power to hold our creditors accountable and reclaim our social wealth.*

DEBT-AS-EXPLOITATION AND DEBT-AS-OPPRESSION

The potential of collective action against financial exploitation is not just limited to public debt: it also extends to the realm of private debt. Here as well, the language and morality of indebtedness serves to atomize borrowers and makes distressed debtors believe their predicament is their own fault. The key to breaking that individualizing experience is to find power in our common condition: under neoliberalism, most of us are debtors. Just as wage laborers organized to counteract isolation and fight against exploitation at the point of production, so we can organize as debtors and use our collective power to hold our creditors accountable and reclaim our social wealth.

The first step is to see through the political decisions and socio-economic structures that have led to such vast increases in private indebtedness. For one, when national or local governments — enthralled to the neoliberal dogma that public debt levels must be reduced — cut welfare spending, it is individuals and households that pick up the bill. While public services are privatized, the liabilities of the financial sector are socialized. In the process, we are compelled to further indebt ourselves. In the UK, for instance, one of the first measures of the Conservative-led government that came to power in 2010 was to triple university tuition fees and introduce a real interest rate on student loans. This has led to an average increase in the debt burden of new graduates to an estimated £44,000. Nearly half of the resultant debts will never be repaid. The value or quality of education, of course, has not increased — yet the pressure on graduates to obtain well-paid jobs and work "within the system" has.

Extreme examples of personal debt also come from the other side of the Atlantic, where the public provision of services is even more absent. Student debt in the US stands at more than $1.3 trillion and has already led to hundreds of thousands of defaults — with for-profit colleges unsurprisingly over-represented in default statistics. But given the shared experience and common conditions of the individual debtors, students also find it easier to organize resistance than those trapped in skyrocketing credit card bills or those forced to turn to payday lenders to bring food to the table. As they write in their article in this ROAR issue, the Debt Collective — a legacy of the Occupy Wall Street movement — took organizing against student debt to new heights last year when graduates from for-profit Corinthian Colleges went on a debt strike to demand the cancellation of their student loans because the degrees from their collapsed schools are literally worthless.

Beyond its exploitative side, debt also has important oppressive dimensions. A look at the US subprime mortgage crisis shows this very clearly. In a 2013 article, political economist Adrienne Roberts illustrated how racist and sexist the seemingly apolitical notion of risk really is. Over half of all subprime loans prior to the 2008 financial crisis were given to people with credit scores high enough to obtain conventional loans; on average these people paid an estimated $85,000 to $186,000 more in interest. Subprime lenders specifically targeted women and minority groups, leading to a situation in which an African American with the same income and credit risk as a white person was up to 34 percent more likely to be sold on to a subprime mortgage. The intersectionality of different forms of oppression means that, whereas an African American woman is over 5 percent more likely to receive a subprime mortgage than an African American man, this likelihood trumps a white man's by 256 percent. All of this in blatant violation of the 1974 Equal Credit Opportunity Act — itself an outcome of long-standing struggles for equal access to credit by the women's rights and civil rights movements — which explicitly bans discrimination on the basis of gender or race.

Roberts also writes of the interconnectedness of different debts: she quotes a survey that found that 29 percent of low- and middle-income households in the US with credit card debt linked it to healthcare expenses. Over half of medically indebted households that took out second mortgages or refinanced their homes in 2005 used the money to pay down credit card debt. Anybody with a credit card would know that this is not a sustainable way to cover major expenses, but one of the inequality-breeding paradoxes of finance is that the ones who need credit most generally get it at the worst terms. The lower your credit rating, the higher your interest rate. If you do not have a credit card, payday lenders or loan sharks are your only option. Again, theory tells us that interest is the price charged by lenders for the risk of non-payment, which makes usury sound legitimate.

BREAKING OUT OF THE GOLDEN NOOSE

Despite the self-evident fact that not all debtors have made an informed and voluntary choice, the belief that debts always have to be repaid is widely held. But what is a debt? As the anthropologist David Graeber writes in *Debt: The First 5,000 Years*, the difference between a monetary debt (to a bank, for instance) and a moral obligation (of the type "I owe you a favor") is that the former can be precisely quantified. Considering that putting numerical values on things that cannot really be quantified — such as uncertainty over the creditworthiness of a borrower — is at the heart of what the financial sector specializes in, it is not surprising that the language around debt remains inaccessible and in that sense undemocratic. Until we tackle it, that is, and point our fingers at each detail of a loan contract.

Politicizing the seemingly technocratic decisions that are taken under the cloak of economic necessity is an important first step towards liberating ourselves from the violence of neoliberalism and breaking out of the "golden noose" of global finance.

According to Graeber, another key feature of debt is the fact that the promise to repay can, in the final analysis, only ever be enforced by violence. The threat of violence — in home repossessions or wage garnishments, for instance — is not just needed to uphold the creditor-debtor relation; it is also a key pillar of the neoliberal political order more generally. Indeed, austerity itself is a form of violence, inflicting grave physical suffering and leading to violent conflicts around the globe: from the IMF riots of the 1980s to the student marches and occupations in London in 2010 on to the sustained social unrest in Greece and beyond.

All of this clearly reveals the fiction at the heart of the idea of "the market" as a set of neutral, self-organizing and apolitical processes that spontaneously emerge whenever the state is rolled back. In reality, and especially in times of crisis, markets can neither arise nor survive without state-sanctioned violence. Politicizing the seemingly technocratic decisions that are taken under the cloak of economic necessity is an important first step towards liberating ourselves from that violence and breaking out of the "golden noose" of global finance. As the resultant struggles progress, debt audits and coordinated defaults may come in as increasingly powerful weapons in the arsenal of the world's budding debtors' movements. ★

FANNY MALINEN

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CONTESTING FINANCE

Debt Collective

THE POTENTIAL OF

AIMING TO BUILD COLLECTIVE POWER
IN AN AGE OF FINANCIAL ABSOLUTISM,
THE DEBT COLLECTIVE IS PILOTING
A NEW KIND OF ORGANIZATION:
THE DEBTORS' UNION.

DEBTORS' UNIONS

Financial markets are political. Stock markets, bond markets and derivatives markets do not merely (or even primarily) raise capital for goods and services. Rather, they all have direct and often harmful effects on people's everyday lives. Our public universities issue bonds to cover the shortfall from tax cuts and, in turn, use ever-rising tuition dollars as collateral. Our mortgage, car and credit card payments are all securitized into short-term, lucrative investments for banks and investors, while for us they are shelter, food, and merely getting by. The municipal bond and sovereign debt markets have had plainly disastrous effects from Detroit to Puerto Rico to Greece — but for some they have been spectacularly profitable.

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For most Americans, debt has become a basic fact of life— a circumstance necessary just to get by.

If financial markets are political, how can we contest them and their effects? What does civil disobedience and collective power look like in the age of finance? The Debt Collective is attempting to answer that question by piloting a new kind of organization: a debtors' union.

YOU SAY FINANCE, WE SAY DEBT

Today, 75 percent of US households hold consumer debt. All indications are that for most Americans, debt has become a basic fact of life — a circumstance necessary just to get by. Of indebted households, 40 percent use credit cards to cover basic living costs including rent, food and utilities. Some 62 percent of personal bankruptcies in the US are linked to illness and health care costs. In the wake of the mortgage crisis, African American families lost 50 percent of their collective wealth and Latino communities have lost an astounding 67 percent of total wealth.

In households that do not use formal banking services, 10 percent of families' annual income goes to alternative financial services including revolving debts and exorbitant interest payments to check cashers and payday lenders. In 2015, US students graduated from college with an average of $35,000 in debt, and defaults on student debt are now occurring at the rate of one million per year. These experiences of mass indebtedness ramify through credit scores and reports, which ensure that people with lower scores pay higher interest rates, have a harder time finding places to live, and in many cases are even denied opportunities for work, thus reproducing cycles of debt and inequality.

Cities, states and entire countries have also been remade in the current debt-finance nexus. While both municipal and sovereign bonds have been in use for centuries (to fund infrastructure, public education and war, among other state endeavors), municipal debt alone has increased 800 percent over the past thirty years. As tax receipts have plummeted, cities turn increasingly to Wall Street for money, and they have been met with LIBOR fraud, toxic swaps and capital appreciation bonds with ballooning interest rates on the order of payday loans.

Massive bankruptcies in Jefferson County, Alabama and Detroit, Michigan, offer two recent examples of what happens when the finance industry decides where and how to invest municipal capital, always demanding a profit on "public" investment. And of course we all watched with baited breath as Greece took on its creditors in a protracted battle over control of a semi-sovereign state. The fight in Greece was only the most recent sovereign debt struggle in the era of finance, and was preceded of course by Argentina, Mexico, Indonesia, Mozambique, and most of the Global South in the era of structural adjustment.

Widespread municipal, state and sovereign austerity mean ever more virulent forms of individual indebtedness. According to a recently filed class-action lawsuit, the city of Ferguson, Missouri runs a modern debtors' prison scheme in which impoverished people are routinely jailed because they are unable to pay debts incurred in the "criminal justice" system. The lawsuit details how Ferguson families take money needed for food, clothing, rent and utilities to pay ever-increasing court fines, fees, costs and surcharges. When they cannot pay, they are imprisoned.

DEBT, POWER AND EXPLOITATION

Needless to say, Ferguson is not alone. Across the United States, debt (along with outright state terror) often acts as a fearsome mechanism of racist social control — Jefferson County's and Detroit's bankruptcies must also be understood in this light. From Ferguson to Greece, debt is about power and subordination as much as it is about repayment at a profit.

From Ferguson to Greece, debt is about power and subordination as much as it is about repayment at a profit.

It is no coincidence that these forms of indebtedness have risen exponentially along with the rise of Wall Street. Since business leaders re-discovered a more confrontational and unified class-based politics from above, they have managed to shrink wages and worker power while directing governments' budgets away from the provision of public goods and the anti-poverty measures of the post-war period. Yet business profitability depends on consumer demand — indeed, global capitalism during the neoliberal era has relied in large part on the power of US consumers' inclination to push their money back into the dollar-driven import-export cycle.

In the face of stagnant or declining wages, the obvious solution has been simply to lend consumers the money. More credit and debt means that an increasingly financialized business class actually gets paid (in the form of interest, fees and derivative profits) to provide the rest of us the money needed to keep demand inflated — until it pops!

It is more profitable for the creditor class, in the short and medium term, to lend money at interest than to transfer it in wages. And as the government has offloaded the costs of public goods including medical care and education onto consumers, the demand for debt has only grown. In other words, credit has stepped in to "compensate" for falling wages, and debt thus becomes one of the central mechanisms of exploitation.

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> ***Credit has stepped in to "compensate" for falling wages, and debt thus becomes one of the central mechanisms of exploitation.***

What does this mean for us? As financialized capitalism expands, so too do our debts: the financial sector has rapidly become the way we access many basic goods and services — food, shelter, medical care, education. In this terrain of mass indebtedness, disempowerment and debtors' prisons, what does collective action look like? What does civil disobedience look like in the age of finance? What forms of material and conceptual subversion can we imagine?

FINANCIAL DISOBEDIENCE

Debt fuels crises, taking power out of the hands of all but the financial capitalist class. Yet it also presents an opportunity for a new form of resistance to capitalist exploitation. The threat of crisis can be leverage for debtors. Experienced alone, debt is isolating, frightening and morally laden with shame and guilt. Indebtedness is being afraid to open the mail or pick up the phone. But as a platform for collective action, debt can be powerful. Consider oil tycoon JP Getty's adage: "If you owe the bank $100 that's your problem. If you owe the bank $100 million, that's the bank's problem." Student debt alone stands today at $1.3 trillion. Together, we can be the banks' problem.

Let's think back for a moment to the mortgage crisis, when non-payment of mortgage debts essentially took down the global economy. We can learn several things from this catastrophe. First, it is a great illustration of the centrality of debt payments to capital accumulation and stability today. Second, these mortgage debts could never have been repaid in the first place. In the financial frenzy of mortgage backed securities, reckless creditors interested only in short-term profit concocted wildly unsustainable lending schemes, selling borrowers mortgage packages they could never have paid off. The failure, in other words, was already baked in — the only question was: who would pay for it?

The bailout ensured that homeowners paid while banks, massive insurance companies and bondholders were made whole. And homeowners did not lose equally. Quantitative data in the *American Sociological Review* shows that the mortgage crisis represents one of the largest

75% OF US HOUSEHOLDS HOLD CONSUMER DEBT

★ ★ ★

40%

USE CREDIT CARD TO COVER BASIC LIVING

In the wake of the mortgage crisis, African American families lost 50 percent of their collective wealth and Latino communities have lost an astounding 67 percent of total wealth.

62%

PERSONAL BANKRUPCIES-LINKED TO ILLNESS & HEALTH

In 2015, US students graduated from college with an average of $35,000 in debt, and defaults on student debt are now occurring at the rate of one million per year.

Consider JP Getty's adage: "If you owe the bank $100 that's your problem. If you owe the bank $100 million, that's the bank's problem." Student debt alone stands today at $1.3 trillion. Together, we can be the banks' problem.

destructions of the wealth of people of color in US history. To be clear, it is not simply a matter of the crisis disproportionately impacting diverse populations. Rather, Black Americans have long been the target of economic violence, and 2008 was no exception. At the time, Wells Fargo loan officers devastated entire communities by pushing hundreds of Baltimore area homeowners (referred to as "mud people" by banking staff) with good credit into high-interest subprime mortgages they called "ghetto loans."

> "*Imagine if the power of mortgage-holders had been deployed collectively and tactically to retain homes while forcing creditors to sustain the losses. That is one potential of a debtors' union.*"

The aftershocks of these practices are still being felt, in Baltimore and beyond. The results of the mortgage crisis were so devastating in part because, while banks and their lobbyists were well organized to fight for debt relief, the rest of us were not. ("They got bailed out. We got sold out.") Imagine if the power of mortgage-holders — paradoxically, the power of their collective debt — had been deployed collectively and tactically to retain homes while forcing bondholders and creditors to sustain the losses. That is one potential of a debtors' union.

DEBT RESISTANCE AND HIGHER EDUCATION

Aiming to build collective power through debt organizing, but rigorously cautious about the pitfalls, we in the Debt Collective have been nosing our way towards a debtors' union for a few years. Many of us first started plotting on the streets of Manhattan during Occupy. We educated ourselves about the nitty gritty of interlocking debt systems by collectively authoring a critical-analysis-*cum*-financial-literacy guide that we called the *Debt Resister's Operations Manual*. We gained some unexpected mainstream media attention with our first initiative, the Rolling Jubilee, through which we have now bought and abolished nearly $32 million of medical and student loan debt on the secondary debt market for mere pennies on the dollar.

But these tactics were only preliminary — attempts to undermine two of the weapons in creditors' arsenals: obscurantism and promissory moralism. When, via the Rolling Jubilee, we chanced upon a portfolio of private student debt from what was then one of the biggest chains of for-profit colleges in the country, Corinthian Colleges Inc., we knew we had found an opportunity to see if a confrontational form of debtor organizing could work.

Higher education offers both an exemplary case study of financialization and fertile ground for contesting that process. During the administration of Governor Reagan in California, states and the Federal Government began dramatically defunding both public and private universities. That process continued through the 2008 financial crisis and beyond. Early on, defunding was partly a right-wing attack on the institutions that nurtured 1960s radicalism. More recently, it has become a bipartisan class politics and a hallmark of neoliberalism.

While lamenting state cuts to higher education, college administrators have used the funding crisis to take on debt from Wall Street, frequently using tuition as collateral. This allows colleges to fund projects that have nothing to do with education, such as the construction of lavish stadiums and investments in real estate ventures. In league with Wall Street, the schools promise to pay off this debt by hiking tuition, forcing students further into the red.

In addition to turning ostensibly public universities into profit centers for the financial industry, student indebtedness has disastrous socio-cultural effects. Debt forces people to live lives focused on getting out of debt, rather than defining themselves or pursuing their curiosity and passion. Debt, again, becomes a successful disciplinary technique, eliminating life paths that don't produce for capital. For-profit colleges take debt-financed higher education to its extreme. Their business model is to attract as many students disenfranchised by the mainstream educational system as possible, compelling them to mortgage their futures in return for subprime educations while funneling federal student loan money to executives and shareholders.

GETTING ORGANIZED

For-profit schools are notorious for running afoul of the law. Corinthian Colleges Inc., once the nation's largest for-profit educational chain, was no exception. The company has been accused of fraud and predatory lending by everyone from Attorneys General to the CFPB, gaming the federal student loan system to the tune of $1.4 billion in federal grant and loan dollars in 2010 alone, more than the ten University of California campuses combined for that same year.

As Corinthian's many scandals grew increasingly public in the summer of 2014, a small group of former students had already begun to organize. Collaborating with these students, and enrolling technology experts and lawyers daring enough to take us seriously, we began to work closely with a group of 15 former Corinthian students who were ready to publicly declare their refusal to make any more payments on their federal student loans. To broaden the reach of this action to all current and former Corinthian students, including those who would choose not to join the strike, we also put together an online legal tool (via what was then a little-known provision in the Higher Education Act known as Defense to Repayment) that allowed students to challenge their debts with the Department of Education.

In February of 2015, after an intensive retreat with the strikers that included legal advice, story sharing and media training, the Corinthian 15 went public with their history-making strike. Requests to join the strike poured in from current and former Corinthian students across the country. Rather than merely mark down all of the thousands who wanted to join, we made sure that each potential striker understood the potential consequences of their act — a trashed credit score, wage garnishment, tax return garnishment, social security garnishment — phone call by phone call. Soon the strike had grown to 200 students, and their demand for debt cancellation had been endorsed by politicians and labor unions alike.

With the Corinthian 200 as our pilot union, we have begun to expand outward to other for-profit colleges working on the same model,

> ***To build collective power in these conditions, we know that we must work towards understanding Wall Street's role in mass indebtedness — we must politicize the bond market.***

including ITT Tech and Art Institutes. Organizing debtors is complex, and the barriers to organizing debtors' unions are high. There are no shared factory floors. People in debt to the same institution are often geographically remote and disconnected from one another. Many debtors don't know who profits when they pay their debts, or who stands to lose if they don't. Debtors struggle to distinguish originators, aggregators, guarantors and servicers. For instance, most student debtors think they have Sallie Mae loans because Sallie Mae is their servicer. But many are actually in debt to Citibank, Chase, Deutsche or the Department of Education. And of course, once our student loans are pooled and tranched into asset-backed securities, their owners are dispersed further still.

To build collective power in these conditions, we know that we must work towards understanding Wall Street's role in mass indebtedness. That is to say that *we must politicize the bond market.* As public institutions like the University of California effectively take orders from Moody's bond rating agency, we must ask: what is the effect on secondary markets of the Federal guarantee of student loans? Who is profiting from student loans? Who is profiting from unsustainable mortgage markets? Who is profiting from municipal debt that wreaks havoc on our communities? When we can leverage the credible threat of collective, targeted non-payment over banks, when we can force the bond market to take losses, then we will have realized the power of debtors' unions.

YOU ARE NOT A LOAN,
WE CAN BE UNITED.

The Debt Resistors' Organizing Kit

1. ASSEMBLIES

The debt system relies on our thinking about indebtedness as a moral failing on the part of individuals – something to be ashamed of and hidden away.

So we found that breaking the silence through public testimony and storytelling helped to dispel the shame and create a safe community space for people, as suggested by the Strike Debt slogan, "You Are Not a Loan."

2. TIERS OF ENGAGEMENT

Some people will have more time, resources, energy, or commitment to devote to meetings than others. Others will only be able to meet for one evening a week or even once monthly. So it may be best to agree on "tiers of engagement," in order to rationalize people's time and resources.

The goal should be to maximize the assets and availability of all members while respecting the movement principles of informational transparency and mutual empowerment.

3. OUTREACH TO DEBT-DAMAGED COMMUNITIES

Reach out by using your own experience as a debtor, and remember how difficult it can be to speak openly about one's own debt. Staging a regular debtors' assembly is an effective way to create a core cohort and scale it up. Doing this will take time, genuine respect for the community, and awareness of its needs and aspirations. A willingness to establish relationships built on listening to communities outside of your own is critical, as is the projection of an attitude of mutual support.

THE TEXT FOR THIS INFOGRAPHIC WAS EXCERPTED FROM STRIKE DEBT'S THE DEBT RESISTORS' ORGANIZING KIT, DOWNLOADABLE FROM STRIKEDEBT.ORG

Now is the time to organize. No matter how small your numbers or limited your resources, know that others will join you soon enough. Everyone is a debtor; many of us are looking for a lifeline, others for ways to combat financial capitalism in this most predatory form; still others for a collective opportunity to build mutual organizations that are accountable to communities on their doorstep.

4. PUBLIC EDUCATION

Public education is an indispensable part of any movement, especially one that does not have a strong prior foothold in popular consciousness. It's all the more necessary when a prerequisite for change is eroding the payback morality that the finance industry depends on to extract its predatory profits. Everything that Strike Debt does to expose the depravity of the debt system is a form of public education.

5. DIRECT ACTION

The most effective protest tactics disrupt the day-to-day use of public space. These can be both symbolic (communicating a story or message) and instrumental (accomplishing a specific objective) at the same time. The concept of "action logic" combines these two dimensions –an effective action tells a story and conveys a message to a broader public. Drawing on research about the debt-system, a group can use direct action to target iconic sites of financial injustice in its city or community.

As the Corinthian debt strikers continue to press their demands, we know that re-envisioning higher education is only the beginning of what debtors' unions can do. Imagine the power of mortgage-debtors' unions to leverage eminent domain to halt foreclosures, or criminal justice debtors-unions gumming up the works of the debt-to-prison pipeline from Ferguson to Los Angeles. Debtors' unions can change the spaces of possibility across the unequal landscapes of contemporary capitalism. But only on-the-ground organizing, with all its challenges and imperfections, can make such action possible. Most of this work has never been done before, so a willingness to experiment is in order.

> “*When we can leverage the credible threat of collective, targeted non-payment over banks, then we will have realized the power of debtors' unions.*

EXPERIMENTATION WITH DEBT

We see this sort of experimentation with debt as complementary to other forms of collective resistance. Debt, after all, is a claim on future wages. As Fight for $15 movements triumph across the country there is little solace to be had if the cost of housing and education continues to skyrocket. A substantial portion of union wages go towards repaying consumer debts, to say nothing of the relationship between massive union pension funds and their role in the financial system. In other words, debt, wages and benefits are intertwined under financialized capitalism, and need to be addressed together.

In a way we find exciting, debt organizing and labor organizing have different targets, and thus different (and again, complementary) potential outcomes. Labor organizing targets the employer, workplace regulation and the means of distributing corporate surplus. The workplace's economic role in a worker's life is the payment of wages and benefits, so labor organizing naturally focuses on how we (don't) get paid. Debt organizing, on the other hand, targets the creditor, the regulation of lending and the means of financing the good or service in question. Thus, debt organizing naturally focuses on how and by whom things we care about (education, healthcare, housing) are paid for. This means that debtors' unions are not simply renegotiating debt but also forcing open questions that the era of finance seems to have foreclosed: how do we even pay for things in the first place?

The challenge is to build a politicized class of debtors who go beyond particular victories toward collective power writ large. One outcome of successful organizing could, of course, be a debt jubilee — perhaps better called a “fast bailout” in which bondholders take deep losses and the slate is wiped relatively clean. But we cannot stop there. A major debt jubilee would be a significant victory, but only if it was coupled with a deep, durable shift in the distribution of political and economic power.

With this shift, both creditors and debtors would negotiate the terms of every contract, and indeed, produce a world in which indebtedness is no longer required to finance life's most basic needs. Were a jubilee to occur as a "benevolent gift" from creditors to debtors, without an accompanying power shift, crises of indebtedness would continue indefinitely because debtors would remain without a seat at the bargaining table. Moreover, if a jubilee were to occur without a substantive reimagining of our economic system, and a collective reckoning with the way debt is and has been used as a mechanism of social control, we will have gained little.

> ***The challenge is to build a politicized class of debtors who go beyond particular victories toward collective power writ large.***

What this new economic system might look like — the ways it would use socially productive forms of debt and credit, the ways it might enable a truly democratic society — remain to be seen. What we know is that debtors' unions could give us a timely tactic through which to build collective power — and it is only through collective power that we will be able to answer these questions for the first time.

DEBT COLLECTIVE

__The Debt Collective__ leverages collective power by offering a shared platform for organization, advocacy and direct action. Find out more at __debtcollective.org__. This article was written by Laura Hanna, Alessondra Shackleton, Ann Larson, Hannah Appel and Luke Herrine. It originally appeared in ROAR's online-only inaugural Issue #0: Building Power, and is reproduced for the first time in print here.

Defeating the Global Bankocracy

DETHRONING THE FINANCIAL ARISTOCRACY WILL REQUIRE MORE THAN MORAL OUTRAGE AND TINKERING AT THE MARGINS. WE NEED TO PUSH FOR DEEP, STRUCTURAL CHANGE.

Jerome Roos

Bankers have never really been a very popular lot. Resented by the landowning aristocracy, the puritanical clergy and the laboring *popolo minuto* alike, the moneychangers of renaissance Florence were punishable by torture if they dared to defraud their unsuspecting customers. In his *Inferno*, Dante reserved a special place for usurers on the seventh circle of hell, where sinful lenders with charred faces would sit still in the burning sand for all eternity, under whipping winds and rains of fire, weighed down by the moneybags around their necks.

In a similar vein, when supporters of the Dominican friar Girolamo Savonarola ran for office on an anti-Medici platform in the late fifteenth century, the radical preacher's campaign stunt involved the burning of luxury items and symbols of wealth on his "bonfire of the vanities." Such moral outrage at the emerging bourgeoisie — and the class of idle rentiers it spawned — was deeply engrained across the Old Continent. In medieval Barcelona, for instance, bankers who went broke were publicly humiliated by town criers and forced to survive on bread and water until they had fully reimbursed their depositors. Those who failed to do so within a year were beheaded in front of their counter — which is precisely what happened to an unfortunate Catalan banker named Francesch Castello in 1360. Parenthetically, the words "broke" and "bankrupt" have their origins in the Old Italian *banca rotta*, or "broken bench," referring to the moneylenders whose exchange counters had metaphorically collapsed under the weight of their liabilities.

If cheating the little people or simply "breaking the bank" was sure to lead to decapitation or torture in the city's dungeons, messing with the nobility was certainly out of the question. The Knights Templar learned this the hard way early on: when they insisted that Philip IV of France repay the debts he had incurred for the dowry of his sister and the quelling of a domestic tax revolt, the king simply had his lenders rounded up and burned at the stake. Seen in this light, the Bardi and Peruzzi of Florence were probably lucky to be out of reach of King Edward III's troops — but they still suffered massive financial losses when the English monarch repudiated his debts after the Hundred Years' War. Their respected family banks, once the most formidable of Europe, went bust not long after in the economic depression of the 1340s. Later, a branch of the Fugger of Augsberg, a mighty banking dynasty in the Holy Roman Empire, suffered a similar fate following the serial defaults of King Philip II of Spain.

In the very early days of capitalism, then, private financiers were still relatively powerless in the face of sovereign authority and often held publicly accountable for immoral behavior or irresponsible lending. They most certainly were not seen to be "doing God's work," as the most universally despised banker of our times — Lloyd Blankfein of Goldman Sachs — would have it. So what changed? Barring the general reluctance to engage in cruel medieval methods of punishment, why is it that we can no longer seem to hold private lenders accountable for their immoral behavior? Why did we allow them to escape unharmed in 2008, while the rest of us bore the consequences? Surely the answer has something to do with the vast increase in the bankers' power over the years. But where does this power come from? What are its sources, how did it evolve — and how can it be resisted and overcome?

THE SOURCES OF FINANCIAL POWER

Political economists have long debated the sources of financial power — and of business power more generally — in capitalist societies. While these debates have often been fairly technical or carried out at a high level of theoretical abstraction, they cannot be dismissed as irrelevant or merely "academic." Identifying the sources of corporate influence on economic policymaking and social life matters because our answers to these questions shape the type of solutions we come up with in the attempt to democratize our societies.

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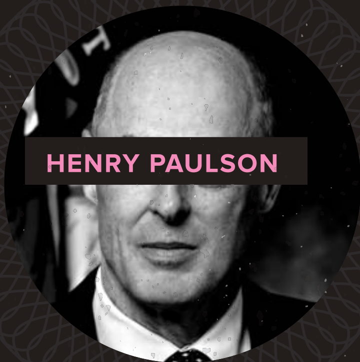
> ***Identifying the sources of corporate influence matters because our answers shape the type of solutions we come up with.***

One interpretation of financial power commonly found in liberal circles centers on personal connections, lobbying and the role of "money in politics." It blames the "corruption" of the democratic process and the failure to hold the financial sector accountable on "regulatory capture" and the "revolving door" between Wall Street and Washington. It also tends to denounce the failure of free-market ideology and the faulty assumptions of neoclassical economics — especially its Efficient Markets Hypothesis and its metaphysical belief in "expansionary contractions" — for making European leaders buy into the "dangerous idea of austerity," or tricking US policymakers into believing that what is good for Wall Street is good for America (and by implication for the world). Prominent exponents of this line of thinking include the Nobel Prize-winning economist Joseph Stiglitz and the reformed ex-IMF chief economist Simon Johnson.

"The Revolving Door"

SOME PROMINENT POLITICAL FIGURES WITH CLOSE TIES TO THE US INVESTMENT BANK GOLDMAN SACHS:



Former Goldman Sachs chief executive, served as US Treasury Secretary under Bush Jr (2003-'06). Presided over the bankruptcy of Lehman Brothers and the record bailout of Wall Street banks during the global financial crisis of 2008-'09.

Former advisor to Goldman Sachs, presided over a technocratic government as unelected Prime Minister of Italy at the peak of the Eurozone debt crisis in 2011-'13. Became a cheerleader of austerity and neoliberal reforms.

Former vice chairman and managing director for Goldman Sachs International, currently President of the European Central Bank (since 2011). Presided over the "liquidity asphyxiation" of the leftist Syriza party in Greece during the summer of 2015 and massive lending and quantitative easing programs that greatly benefited European banks

Former Goldman Sachs board member and co-chairman, served as US Treasury Secretary under Clinton (1995-'99). Became a cheerleader for financial deregulation and pushed devastating neoliberal policies onto the countries of East Asia during the financial crisis of 1997-'98.

The solution that naturally flows from this position is straightforward: impose strict regulations on public staffing and corporate lobbying to establish a firewall between policymakers, regulators and the financial sector; restrict campaign finance to "take money out of politics"; and promote a more heterodox — that is to say, Keynesian or post-Keynesian — approach to the study of finance to ensure that the next generation of leaders will at least have some macro-economic sense drilled into their heads in college or business school. Going further, the more systemically-minded critics of finance may highlight the fact that many important institutions are simply "too big to fail," to which the answer would be the breaking up of these firms and the introduction of strict limits on company size. This was basically Bernie Sanders' position.

Needless to say, all the above would be quite helpful in loosening the stranglehold of finance and of neoliberal ideology on the existing democratic process. But if these solutions ultimately seem rather cosmetic, it is because they are the logical corollary of theoretical explanations that, in the final analysis, fall short in identifying the deeper source of the problem. In a way, many liberal critics of Wall Street get causality the wrong way around: they argue that finance is powerful because so many bankers and investors hold positions of political influence, have direct access to policymakers, and have successfully shaped the political narrative. In truth, however, bankers are not just powerful because they are "in government" — they are in government *because they are powerful.*

GATEKEEPERS OF CREDIT ACCESS

In my own research, including a forthcoming book on the power of finance in sovereign

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If credit is the lifeblood of the capitalist economy, the banking sector is its beating heart.

debt crises and ongoing work on the historical proximity of bankers to policymakers, I distinguish between the “instrumental” forms of power deployed by the finance industry and its underlying *structural power*. These two are not mutually exclusive: instrumental forms of power like lobbying, campaign donations and direct staffing of key government positions remain very important channels of political influence. But these more personal and more overt forms of influence are undergirded by a much deeper and less visible source of power that goes to the very core of what capitalism is about: the accumulation of capital. To reproduce itself over time and fulfill its need for constant expansion, the system depends on a healthy and uninterrupted flow of credit. And if credit is the lifeblood of the capitalist economy, the banking sector is its beating heart.

The sway that finance holds over politics and society is therefore ultimately a product of its structural position in the capitalist economy. The exact nature of this position is not pre-determined; it is historically contingent on the outcome of major events like wars and revolutions, and constantly reshaped by economic conjunctures, the ever-shifting balance of power between different social forces, and the ideational and institutional legacies they leave behind. But one constant throughout the history of capitalism is for the role of credit-provision to eventually become concentrated and centralized in the hands of a small group of private financiers — traditionally large dynasties like the Houses of Medici, Rothschild and Morgan, but nowadays mostly powerful international corporations like Deutsche Bank, HSBC and Bank of America.

This tendency towards concentration and centralization in the credit system renders everyone else in capitalist society — states, firms and households alike — increasingly dependent on an ever-smaller number of private banks and financial institutions for their own reproduction. The result is to endow a limited number of giant financial firms with the position of private gatekeepers to market access, ensuring that everyone else will have to accept and adhere to their demands and conditions if they are to survive economically.

This is why we must be careful not to personalize the problem. Modern society is simply not the same as the fading Christian lifeworld that inspired Castello's beheading and Dante's *Inferno*. There are epochal differences here that hint at the limits of the "politics of resentment" and its logic of moral outrage in our times. Unlike the feudal order that preceded it, contemporary capitalism is a system of *impersonal domination* in which social power is largely mediated by the abstract expression of value: money. Thus poor Savonarola ended up torched on his own bonfire, his moralism rendered mute by the superior class power of the moneyed Medici family. Today, the financial aristocracy no longer needs to burn its opposition at the stake; it is the abstract violence inherent in the global financial system that compels us all to play by the rules of the game. And if that's not enough, there's always the violence of the state to back it up.

CREDIT ASPHYXIATION AS A WEAPON

To see what happens when a sovereign state and an entire people refuse to abide by the conditions laid down by global finance, prompting a cartel of public and private lenders to actively exercise their gatekeeping function in order to bring the delinquents back in line, look no further than Greece in the summer of 2015. Unlike in previous historical eras, private bondholders and European creditors did not need to resort to the instrumental power of gunboats to bring the Syriza government to its knees. After a tense six-month standoff in which they had slowly asphyxiated the Greek state by halting the flow of credit, all they had to do was stop the provision of further emergency liquidity to the country's fragile banking system. The next morning, as citizens across the country lined up in front of ATMs to withdraw their precarious savings, the government was forced to shut down the banks and impose strict capital controls

> *"If credit circulation constitutes the blood flow of a capitalist economy and the banking system its beating heart, Greece was having a massive heart attack.*

The results were just short of catastrophic. The Greek economy effectively ground to a halt: industries were no longer able to obtain trade credits to acquire key inputs, many employers stopped paying wages and production came to a standstill. Had this credit embargo continued much longer, the results would have been disastrous, as the government had not prepared any contingency plans on how to import oil or medicine after strategic reserves would run out, nor on how to ship water and energy to arid islands or distribute food from the countryside to the city once stocks would be depleted. If credit circulation constitutes the blood flow of a capitalist economy and the banking system its beating heart, Greece was having a massive heart attack — deliberately provoked by its own money doctors to force it to desist. The widespread moral outrage expressed in the subsequent referendum, in which 61.8 percent of Greeks voted to reject the creditors' ultimatum, was summarily shoved aside.

Dramatic developments like these have prompted a number of commentators to highlight the growing incompatibility between capitalism and democracy under conditions of financialization. As Germany's pre-eminent economic sociologist Wolfgang Streeck has convincingly demonstrated in his book *Buying Time*, the long-standing conflict between the *Marktvolk* of private creditors and the *Staatsvolk* of ordinary citizens has in recent years been decisively settled in favor of the former. But while Streeck presents the preceding evolution of the "debt state" and the more recent rise of the European "consolidation state" as a relatively novel political development, its systemic roots actually go back to the very origins of capitalism and the concurrent emergence of the capitalist state, public debt and the first private and central banks in early-modern Europe.

To truly grasp the nature and scope of our present predicament, it would be useful to follow scholars like Fernand Braudel and Giovanni Arrighi in familiarizing ourselves with the longue durée of capitalist development

To truly grasp the nature and scope of our present predicament, it would therefore be useful to follow scholars like Fernand Braudel and Giovanni Arrighi in familiarizing ourselves with the *longue durée* of capitalist development — a process that has unfolded over eight centuries and that, for our purposes here, can be divided into three distinct stages, each of which has allowed finance to successively extend its sway over political authority; over economic production and the global periphery; and finally over social reproduction and everyday life.

1. THE STATE-FINANCE NEXUS

The first phase of capitalist development, which began in the European city-states of the late-medieval period, was marked by the gradual decline of the personal power of feudal sovereigns and the growing impersonal power of a moneyed merchant elite. While the court lenders of the middle ages had derived much of their political influence from their direct and exclusive access to kings and princes, the intensification of inter-state rivalry over the centuries gradually increased the reliance of sovereigns on other sources of financing. Since trade competition and military conflict were especially fierce on the Italian peninsula, where local rulers presided over a number of important city-states, the latter increasingly depended on mercenary armies to fend off foreign invasions, claim new territories and trade routes, and maintain the regional balance of power.

But if mercenaries for self-defense were expensive, empire-building was even more so. Thus the rulers of small cities with big ambitions — like Venice, Genoa and Florence — grew increasingly dependent on taxation and credit: what Cicero famously called the "sinews of war." For this, they turned towards the emerging middle class of propertied merchants and merchant bankers, which in turn prompted powerful demands for political representation. Over the course of the following centuries, the growing dependence of city-states on credit and the resultant struggles over taxation, debt repayment and political rights gave rise to a number of financial and institutional innovations that would dramatically transform the nature of political authority, the economic structure of society and the relation between the emerging merchant class and the landed nobility. The first and most foundational of these was the development of the public debt.

The first and most foundational financial innovation of the capitalist era was the development of the public debt.

In *Capital*, Marx identified this moment as a historical landmark, noting that the rise of the public or national debt — which he also referred to as "the alienation of the state" by private financiers — "marked with its stamp the capitalistic era." Over time, the process gradually ate away at the vested power of the nobility and the Church and gave rise to the first bourgeois republics, with representative institutions centered on local merchant oligarchies. For some time, these small proto-capitalist city-states managed to spectacularly outcompete the massive feudal kingdoms and landed aristocracies of Old Europe in both trade and war, thanks in large part to their superior capacity to attract credit.

> ***"The national debt has given rise to joint-stock companies, to dealings in negotiable effects of all kinds, and to agiotage, in a word to stock-exchange gambling and the modern bankocracy."***
> ***— Karl Marx***

On the back of the system of public credit and the first national banks — founded to manage the resultant national debts — in turn arose a complex continental network of merchant banks. After early endeavors by the Bardi and Peruzzi of Florence faltered, the art of international banking was first properly perfected by the Genoese, who developed an ingenious system of syndicated lending to Philip II of Spain that financed his many wars and colonial conquests in Europe and the Americas while bringing untold riches to the Ligurian coast. Despite the king's repeated defaults, this Ibero-Genoese alliance is generally recognized as the first successful regime of cross-border contract enforcement, marking a seminal shift in the balance of power between creditors and sovereigns.

At the same time, the rise of the public debt also served to dramatically transform political authority inside the city-states themselves, effectively turning the evolving state apparatus into a wealth-collection machine for the rising bourgeoisie, redistributing vast sums of the social product from the public purse to private pockets. This is why Marx considered the development of the public debt to constitute "one of the most powerful levers of primitive accumulation." At the same time, he also recognized how it prepared the ground for the eventual rule of finance, noting how "the national debt has given rise to joint-stock companies, to dealings in negotiable effects of all kinds, and to *agiotage*, in a word to stock-exchange gambling and the modern bankocracy."

This modern bankocracy, which David Harvey has also referred to as the "state-finance nexus," found its most explicit expression in renaissance Florence, where the Medici family took the fusion between concentrated financial power and nominally independent governmental authority to unprecedented heights. Yet by driving their political ambitions to the extreme — even having four members of the House of Medici elevated to the papacy and another made Queen of France — the Medici ultimately rendered their power too personal. Even as their pet project of attaining supreme control over Florence flourished, their financial empire floundered. It was only in the merchant bastions of Genoa and later Amsterdam that the impersonal rule of finance reached its early apogee.

Banking Dynasties

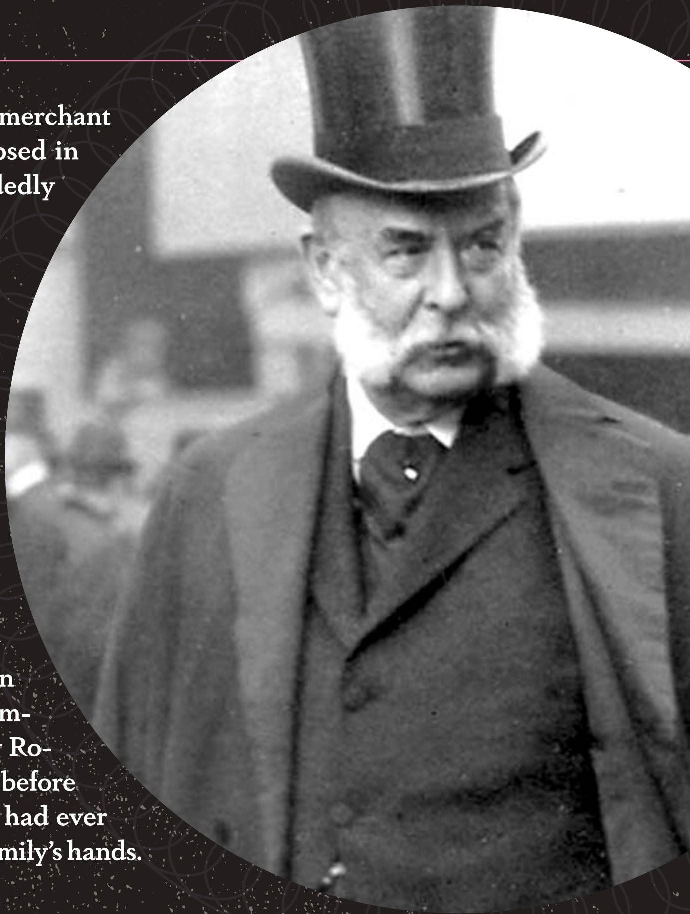
THE MODERN BANKOCRACY EMERGED IN EARLY-MODERN EUROPE FROM A FUSION BETWEEN FINANCE AND GOVERNMENT.

ROTHSCHILD

For a long time, the Rothschilds were possibly the wealthiest and most powerful family in the world. The founder of the dynasty, Mayer Amschel Rothschild, was born in a Jewish ghetto in Frankfurt in the mid-eighteenth century. He grew up to become a so-called "court Jew" to the local nobility, handling their finances and providing loans. His five sons set up offices in Frankfurt, Vienna, Paris, London and Naples, simultaneously laying the foundations for both modern international finance and the family banking business. The Rothschilds have since expanded into many other fields of business, and have joined the nobility of several European countries.

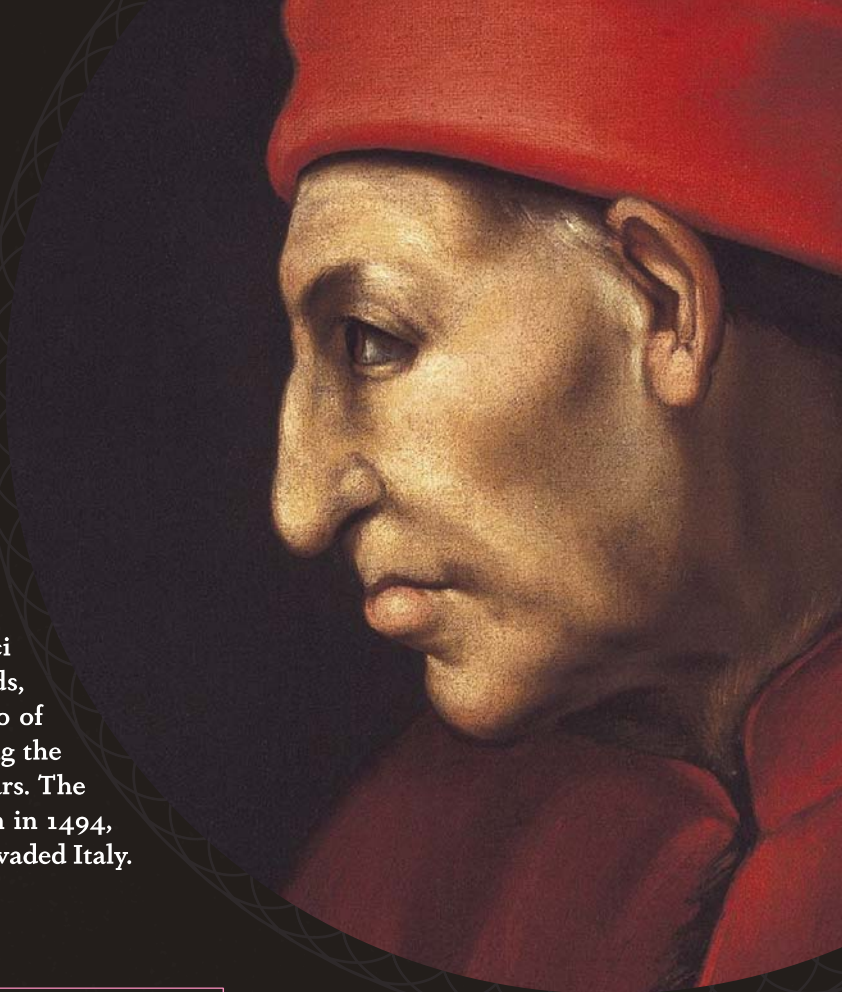
BARING

The Barings Bank was the UK's oldest merchant bank, founded in 1762, until it collapsed in 1995 after a rogue trader single-handedly lost $1.3 billion as a result of bad investments.



FUGGER

The Fugger from Augsburg grew over the course of several centuries from a family of local cotton traders to the private financiers of popes and emperors, replacing the House of Medici as Europe's most powerful banking dynasty. The Fugger held a near monopoly on the mining of silver and copper in Europe and had stakes in the Transatlantic slave trade. This, combined with close relations to the Holy Roman Empire's ruling elites, meant that before long they amassed more wealth than had ever before been concentrated in a single family's hands.



MEDICI

The Medici bank existed for less than a hundred years, but within that relatively short span of time it served as a vehicle for the Medici family to establish itself as one of the richest and most influential banking dynasties in Europe. Through their wealth they acquired vast political influence. Cosimo the Elder, head of the Medici family from 1434 onwards, became the Gran Maestro of Florence, effectively ruling the city for the next thirty years. The Medici bank closed down in 1494, after King Charles VIII invaded Italy.

MORGAN

The American banking empire known as the House of Morgan was founded by in the mid-nineteenth century by John Pierpont (J.P.) Morgan. By trading in government bonds and foreign exchange, along with clever investments and strategic takeovers, Morgan's company soon became the world's first billion-dollar corporation. During the First World War, J.P. Morgan loaned billions to the UK and France, profiting massively from the distribution of war bonds and lobbying for the US to join the fray, thinking of the profits to be made in financing the war effort.

BERENBERG

Founded in 1590, the Berenberg Bank in Hamburg is currently the oldest merchant bank in the world. For centuries, the Berenberg-Gossler family has played an important role in finance, trade and politics.

SIGNORI DI GENOVA

Some of the richest families of sixteenth-century Genova served as private bankers to the Spanish monarchy, funding its many wars and colonial ventures.

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2. FINANCE CAPITAL AND IMPERIALISM

In the seventeenth century, after the decline of their Italian competitors and the defeat of the Spanish in the Eighty Years' War, the Dutch took international finance to new heights with the creation of the first stock exchange, the founding of the first multinational joint-stock corporation (the East India Company), and the development of international capital markets. As a result, the city of Amsterdam, controlled by an ethnically diverse oligarchy of merchants and bankers, firmly established itself as Europe's first international financial center — until it was gradually displaced by London and Paris in the late eighteenth and early nineteenth centuries, with the English assuming the mantle of "banker to the world" and the French coming in second as banker to the continent.

"As Karl Polanyi powerfully portrayed in The Great Transformation, the late nineteenth century was to become the hour of haute finance, made up of formidable international banking dynasties like the House of Rothschild and the House of Morgan.

This new phase in capitalist development, which properly took off with the industrial revolution in Great Britain and the displacement of the Dutch by the English as the dominant colonial, maritime and commercial power, again witnessed a number of financial and institutional innovations: from the expansion of international capital markets to the creation of the classical gold standard. This in turn opened up two major new outlets for investment — domestic firms and peripheral states — which allowed finance to consolidate two additional bases of power: industry and empire. In the latter third of the nineteenth century, the first gave rise to what Hilferding called "finance capital": the monopolistic confluence of productive and banking interests as a result of money capitalists taking ownership of industrial firms. The second led to what Hobson called the "export of capital": vast sums of money flowing from core to periphery, especially the newly independent states of Latin America and the Mediterranean, where investors hoped to find higher yields than they could extract from the increasingly saturated markets at home. These developments reached their climax in the so-called "first wave of globalization" under the *Pax Britannica* of the classical gold standard era.

As Karl Polanyi powerfully portrayed in *The Great Transformation*, this was to become the hour of *haute finance*, made up of formidable international banking dynasties like the House of Rothschild and the House of Morgan, which collectively served as "the main link between the political and the economic organization of the world." Building on the state-finance nexus that had already been established in the mercantile period, *haute finance* expanded its sphere of influence and took its established power position to new heights through its close ties to industry and its hold on foreign states. Polanyi noted how the Rothschilds, in particular, "were subject to no *one* government; as a family they embodied the abstract principle of internationalism; their loyalty was to a firm, the credit of which had become the only supranational link between political government and industrial effort in a swiftly growing world economy."

Taken together, the rise of finance capital — or *haute finance* — and the increasingly competitive search for profitable investment opportunities abroad eventually gave rise to high imperialism, which was analyzed most prominently by Lenin, Bukharin and Luxemburg. This period between 1870 and 1914 witnessed the penetration of finance into the global periphery, facilitated by the prominent role of the state in settling international debt disputes and intervening on behalf of bondholders and other investors: from the use of gunboats by European powers off the coast of Venezuela and the occupation of the customs houses of several Caribbean nations (including Puerto Rico) by US Marines, on to the establishment of creditor control over the public finances of Greece, Turkey, Egypt and several other Mediterranean countries.

By and large, however, it was the impersonal power of *haute finance* — operating through the abstract disciplining mechanism of the bond market and the fiscal straitjacket of the international gold standard — that enforced compliance. As Polanyi poetically put it, "the *Pax Britannica* held its sway sometimes by the ominous poise of a heavy ship's cannon, but more frequently it prevailed by the timely pull of a thread in the international monetary network."

3A. THE FINANCIALIZATION OF THE WORLD ECONOMY

World War I brought this *Pax Britannica* and the associated "dictatorship of finance capital" to a violent end. Despite a fleeting financial resurgence in the roaring 1920s, the Great Depression and the mass destruction wrought by World War II finally led to the total collapse of international capital markets. Strict financial regulations imposed during the 1930s and the international monetary regime established at Bretton Woods at the end of the war briefly brought finance back under public control, leading to a short-lived period of "financial repression" in which interest rates were deliberately held close to or below inflation so as to stimulate industrial production and inflate away

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The financialization of the world economy radically escalated the long-term trend inherent in capitalist development towards “space-time compression.”

enormous war debts. The three decades that followed are often described as the “golden age of capitalism,” as they were marked by exceptionally high growth rates.

But after this postwar expansion had gradually begun to falter under the weight of a set of systemic contradictions in the late 1960s, the Keynesian compromise between capitalist markets and state control over money and finance finally came undone with Nixon’s suspension of the convertibility of the dollar into gold in 1971 and the subsequent Volcker Shock of 1979, which jacked up interest rates to suppress inflation. In the following decade, neoliberal governments in the US and UK set out to repurpose central banks to focus narrowly on “sound money,” to liberalize capital accounts and deregulate financial markets, and to purge the Bretton Woods institutions — the IMF and World Bank — of their Keynesian legacy and restructure them into international debt collection agencies and enforcers of fiscal discipline, “good” institutions and investor-friendly policies. The international debt crises of the 1980s and 1990s marked a turning point in this respect, with finance reclaiming its stranglehold over the periphery. This time the impersonal force of market discipline and IMF loan conditionality were generally sufficient to enforce debtor compliance; a development that is reflected in the dramatic decline in sovereign defaults.

The resultant financialization of the world economy radically escalated the long-term trend inherent in capitalist development towards what David Harvey has called "space-time compression." For the sake of comparison: it took Florentine bankers many weeks to deliver a letter of credit by ship from Pisa to Ipswich or Bruges. The Rothschilds significantly sped up the process by relying on carrier pigeons to communicate news and price changes between different branches. The development of commercial telegraphy transformed international trading in the era of *haute finance*. But it is only with the digital revolution of recent decades that we witness the emergence of a hyper-charged, extra-mobile and highly abstract financial universe that is governed by the speed of fiber optic communication and the impersonal algorithms of complex super-computers as much as it is by the "animal spirits" of individual traders. For the possible consequences of such automated trading, just consider the 36-minute trillion-dollar flash crash of May 6, 2010.

Together with the liberalization of capital flows and the deregulation of financial markets, these technological innovations fully unleashed Schumpeter's "gale of creative destruction": over the last thirty-five years, financial crises have become more frequent and more intense than in any other historical period. The same process has also eroded the sovereignty and autonomy of nation states, taking away much of the decision-making authority of government. Territorially delimited and slow-moving, democratic procedures can no longer keep up with the instantaneous and "liquid" logic of high-frequency trading. While citizens get to vote on their government once every so many years, investors now get to vote on government policy every nanosecond. The result is to place democratic forms of government at a distinct disadvantage to unaccountable technocratic forms of governance. As the response to the latest crisis has confirmed, the transnational institutions erected in recent decades — most importantly the European Union — have been geared towards the efficient administration of this highly globalized and financialized world order, not towards its democratization.

3B. THE FINANCIALIZATION OF EVERYDAY LIFE

But with the resurrection of global finance in this latest phase of capitalist development we also witness a further expansion in the sphere of financial influence. On top of the deeply rooted state-finance nexus and the increasing dependence of companies and developing countries on all kinds of financial operations, finance now extends its reach into the very fabric of modern society and every aspect of social life. This *financialization of everyday life* endows financial elites with an even more central role in the operating logic of capitalist society — rendering not just states and firms but all individuals, households and communities increasingly dependent on financial operations for their social reproduction: from student finance to bank deposits, insurance policies to credit cards, mortgage loans to retail investment, payday advances to pension schemes.

In the process, financial rationalities, subjectivities and imaginaries increasingly begin to protrude into how people work, live, speak, dream and interact with one another. In our highly globalized, financialized and digitized 24/7 information economy, everything has to be quantifiable and measurable to justify its existence. As the abstract expression of value, money itself thus becomes an ever-more important mechanism of social control. Deleuze perceptively observed this transformation in his famous *Postscript* in the early 1990s, when he wrote that "man is no longer man confined, but man in debt." As finance steadily expands its reach, no stone is left unturned. Under neoliberalism, the logic of the moneylenders gradually takes over as the governing logic of our very existence. The resultant anxieties over due dates, interest rates, overdrafts, house prices, enforcement agents, home repossessions and credit scores are destroying lives and communities around the globe: from the millions of evicted families in Spain and the US to the mass suicides of indebted farmers in India.

Financialization therefore completes the rule of finance by firmly establishing a "global bankocracy" at the apex of the capitalist world-system and extending its (de)regulating presence from politics and the economy to every nook and cranny of modern society. If the first phase of capitalism was marked by the "alienation of the state" and the second by the penetration of finance into industry and empire, the third phase is marked by the wholesale subsumption of the global political economy and of every aspect of our lives under the rationality of the financial markets. More than ever before, the system's *modus operandi* is abstract, impersonal, untouchable. Today, finance hardly ever needs to reveal its true face to exert its authority; Greece was actually the exception. Most of the time the global bankocracy is content to quietly operate in the background, shaping the conditions of possibility under which everyone else — states, firms and households — is forced to secure their continued existence.

> ***The rule of finance is no mere accident of history; it is a deeply entrenched and recurring feature of capitalist development that seems impossible to fully extirpate from the nature of the beast.***

DEFEATING THE GLOBAL BANKOCRACY

All of this goes to show that financial impunity is not merely due to some failure of the regulatory regime, nor should it be reduced to the moral failings of individual bankers. While regulators may have been "asleep at the switch" in the years preceding the crisis, and while certain traders and executives have certainly displayed criminally irresponsible or morally repulsive behavior both before and after, the overwhelming power of finance is about much more than regulatory capture or personal greed. The real sources for society's subservience to the interests, ideas and imaginaries of private bankers lie much deeper — in the essence of what capitalism is all about as a historical social order: the accumulation of capital through the maximization of private profit.

In this sense, the rule of finance is no mere accident of history; it is a deeply entrenched and recurring feature of capitalist development that seems impossible to fully extirpate from the nature of the beast. The struggle against the corrupting influence of big banks on the democratic process is therefore necessarily a struggle against the very substance of the profit-driven financial system and of contemporary capitalism more generally. It follows that the "politics of resentment" and its logic of moral

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outrage will do little to improve the situation. Similarly, tinkering at the margins through piecemeal reforms and regulations is unlikely to dramatically alter the course of history.

Instead, what is needed is deep, structural change that abolishes the exorbitant privilege of private money creation and removes the profit-motive from the allocation of credit and investment altogether, placing the public function of credit-provision under direct democratic control. To make the economy work for “real people,” as well as their wider communities and the natural environment, the opposition will need to do much more than clamor for retribution or express its resentment at the bankers: it will need to start by *rebuilding its collective power* from below so that it can begin to form a democratic counterweight to the rule of finance, while simultaneously opening up prefigurative spaces for the creation of and experimentation with alternative monetary and financial forms.

While these observations may seem self-evident to those engaged in the various movements against the class power of the 1 percent, it turns out that some of the world’s leading critics of finance — including the otherwise astute Wolfgang Streeck — have pinned their only remaining hopes exactly on such fleeting outbursts of moral indignation, hoping that angry protests will somehow push policymakers to pursue progressive reforms that will put finance back on a leash and return the world to a more palatable form of capitalism. “Express your disgust,” Streeck recently advised the readers of *ROAR Magazine* when asked what can be done to resist the rule of finance, "and don't be afraid of appearing emotional, since emotional protest is what technocrats are most afraid of."

But the time for emotional self-expression has long since passed. If the defeat of the Greek OXI is anything to go by, the broader left will need to go far beyond the populist veneer of moral outrage and emotional protest. To truly turn the tables on the 1 percent, we will need to start thinking very hard about what it would mean to actually build strong, inclusive and enduring social movements; to construct a common political project capable of striking at the heart of the bankers' regime; to dismantle the institutional foundations of global finance from below; to strengthen the autonomy of democratic procedure, economic production and social reproduction from the financialized logic of the world economy; to radically overhaul the present monetary system and rethink the capitalist money-form altogether; and ultimately to replace the concentrated, centralized and profit-driven finance industry with a thoroughly democratized, decentralized and non-profit credit system centered on collectively-owned and self-managed institutions like public investment funds, mutual savings banks and community-based credit unions. Since such cooperative non-profit lenders should focus their efforts on bankrolling the transition towards an inclusive, egalitarian, ecological and communal economy, the struggle for the democratization of finance cannot be uncoupled from broader emancipatory struggles for popular control over production, exchange and the commons.

There is unfortunately no space here to discuss the inevitable challenges and infinite complexities involved in the ambitious pursuit of such a post-capitalist future — a vast and contested subject that easily merits an entire ROAR issue of its own. But about this there can now be little doubt: as long as we continue to tinker on the margins and refuse to look towards radically different horizons, the next 800 years of moral outrage are unlikely to take us anywhere new. ★

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"Sure, cried the tenant men, but it's our land… We were born on it, and we got killed on it, died on it. Even if it's no good, it's still ours… That's what makes ownership, not a paper with numbers on it."

"We're sorry. It's not us. It's the monster. The bank isn't like a man."

"Yes, but the bank is only made of men."

"No, you're wrong there — quite wrong there. The bank is something else than men. It happens that every man in a bank hates what the bank does, and yet the bank does it. The bank is something more than men, I tell you. It's the monster. Men made it, but they can't control it."

John Steinbeck, *The Grapes of Wrath* (1939)

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