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Finance Capital, Sovereign Debt, Selective Hegemony and Pissed-off Populations

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It is interesting to see over the past five days the juxtaposition of (a) the attack on "democratic" states by finance capitalists; (b) organized actions in Santiago; (c) flying picket style actions in London.

B and C are both the result of the fact that the financing of liberal democratic states has shifted from a combination of the tax system and 'savings bonds' sold to the (middle-class) population, to reliance on financial markets and their attendant instruments for 'proper government.' It is worth noting the connection between those pressure groups who have insisted that sovereign states be run on the same economic criteria as limited-stock companies – specifically 'balancing their books' – and the increasing reliance of these same states on funds raised through finance capital.[1] Obviously by insisting on the former you can drive states further into the latter. As each state becomes more reliant on this very specific form of 'good house-keeping,' so any orthodox political party associates the running of the state with the running of the exchequer on these terms. The fact that the millionaire right-wing President Sebastian Piñera sounds little different from Ed Miliband illustrates the issue perfectly.

The so-called progressive press keep speaking of "the worst days since the end of Lehmann Brothers," and of the fact that the protesters are all "youths." The first notion obscures the fact that Lehmann Brothers was not an elected government, indeed in principle at least the purpose of Lehmann Bros was not supposed to be exactly the same as the purpose of a liberal democratic state. What is happening now is that the saving of 'x' number of "Lehmann Bros" is taking place at the expense of targeted sovereign states. The towel is being wrung out in Greece, Spain, Italy, Portugal and so on (keep tuned!) so the juices can run into the various financial institutions – from banks to hedge funds – who speculated on them in the first place. (As well, it is sad to say, so the juices can

1 There is in fact no reason at all from an economic point-of-view why states should need to balance their books in the same way as firms. Indeed even firms only have to balance their books when there is a loss of faith in their futures on the part of investors. Moreover, nobody has yet come up with an agreed-upon accounting formula for figuring out when a sovereign state tips over from black to red: the accounting is just too fuzzy. For example Italy's debts is said to be "1.9 *or* 2.6 trillion euros." This is like giving yourself a margin of error on your family budget of $50,000 around $18,000. Go figure!

run to other states who themselves are using hedge funds and banks to prop up their own operations (yes the wheel does indeed loop right round!). Nobody is saying that this was a bad way to finance a sovereign state in the first place, or that it would be a bad way to do it in the future. Indeed the whole point of not declaring sovereign bankruptcy right now is based on the assumption that this is the only way a state can be financed.

The same commentators, and the politicians who read their lips, speak of the evil rating agencies (especially Standard and Poors) and even tell us that they were the cause of the first crash. But hang on a minute. The problem first time around was that the agencies consistently got their ratings wrong! One reason they got them wrong was because the instruments they were rating were being sold by the same people who were paying them for the ratings in the first place. And this hasn't changed. Now we have supposedly sophisticated economics analysts telling us that these 'regulators' should be replaced by, for example, a UN rating agency. But the ratings agencies are like the leaders of a mob who asks which way the crowd is moving so they can get at the head of it. They are desperately trying to buck the obvious truth which is that they are weathermen who try to predict the weather that is being controlled by other people. It's not a question of getting it wrong; it's a question of appearing to get it right in the eyes of the right people. In this sense ratings agencies are simply feeble refs negotiating a deal between distrustful players.

And then, second: Is it the case that 'we' should, to quote Jimmy Cliff, "Treat the youths right/Instead of putting up a fight." To suggest so would seem to obscure more than it reveals about the differences between Santiago and London. The papers have argued that all the London actions are really about are radical shopping, but the evidence suggests the writers don't know where the actual shopping is happening – on the black market the day after. (Try Craigslist for a Prada handbag the day after they hit Harrods.) London youth are simply the front-line infantry for other generations in the same fix. As such they are evidence of the beginning of a polarized class war: between the property-less 'residue' and the 'selected population' – the bottom end still clinging on for dear life to the council houses they were sold a generation ago, the rest even more deeply convinced that the few "assets" they think they have represent their true worth as human beings… and in deep denial about just how little they know about how this bloody machine they are caught up in actually works.

The extremely well-organized Santiago actions are a different matter altogether. Admirable though they are, they are about negotiating the conditions for being one of the selected in the finance-dominated hegemonic field. If, as Bourdieu would have us believe, the educational system is mostly about institutionalized misrecognition, then there's nothing wrong with wanting to get it free, but what comes in the can is likely to reproduce the values peddled within the field of selective hegemony.[2] And since the political economy of post-secondary education is shaped by the same political class that endorses the way in which sovereign government is financed, so the content of education becomes the distorted child of an institutional form increasingly aping the (demonstrably out-dated) capitalist enterprise.

The dots do connect. The issue is how to make the connections so manifest that they can no longer be denied.

2 For a more extended version of the arguments alluded to here, see Smith, 2011, Selective hegemony and beyond – populations with 'no productive function': a framework for enquiry. *Identities: Global Studies in Culture and Power* 18:2-38, with Commentaries and a Reply.