“Banking on Words”, an anthropological study of mysterious force of money, banking and finance, is a kind of work that is not just welcomed in, but demanded by, the academia today. Monetary relations and contractual communications have become the vital issue of everyday life all over the globe, but even sophisticated scholarly knowledge fails in developing suitable social constructions for the ubiquitously prosperous world. Money seems to be still puzzling than favoring human mind (Sinyutin 2013).

Author of the book, Indian-born iconic American thinker Arjun Appadurai, currently a professor at New York University, is widely known specialist with developing the theory of imaginary landscapes within the processes of globalization. He focuses on human imagination as a social practice composing the new global cultural process. In his new slim yet dense volume, Arjun Appadurai turns to the issues awakened by the notorious financial crisis of the late 2000th. He claims that the failure of the financial crisis in the United States was nothing but a failure of languages warranted by excess use of derivates that function as written agreements.

This book was designed as an alloy of anthropology and economics, inspired by author’s vast experience in studying the cultures of finance, as well as his long-

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lasting interest to the sociological bequest from Max Weber, Emile Durkheim, and Marcel Mauss. The core idea is that the financial collapse of the late 2000th was ultimately a failure of language. At a glance, this question can be confusing. But reading the text clarifies the apparent arcane. This is about the language at financial markets, and the performative as a linguistic form relevant to contemporary finance, speech practices in financial institutions, and derivatives as a means of recent financial contracting.

The first chapter “The logic of performative finance” starts with the essence of financial derivatives as an instrument critical to the recent economic crisis. According to Arjun Appadurai, a derivate is “a promise about the uncertain future.” Derivatives are the major technical innovation of contemporary financial system. They cover written time-bound contracts about the future prices of various types of financial assets with unknown future values. “These contracts continuously create their own conditions of effectivity in a volatile market of future prices in which probability is at best a partial guide to what the two contracting parties agree upon when a derivative is sold and bought” (Appadurai 2016: 6). Derivatives use the linguistic power of the contract through the special form that money takes in the financial field. The performativity of this power comprises context, convention, Felicity. And Felicity is conditioned by mutual knowledge of the traders; capacity of institutions to fulfill the risk; a social network of managers, regulators, shareholders. The performativity of derivatives is created by promises by the losing party to pay the winning party an agreed-upon sum of money. As explained by Appadurai, derivates as a contractual promise are based on other promises, for example, to a buy contract. A “chain of promises” is created by such promises which can be referred to underlying values, but they themselves do not represent a value.

Arjun Appadurai reprimands to interpret derivatives as the social process of financialization. Financialization is rooted in distinguishing statistically calculable risk from divine and natural uncertainty, made by the maritime trade with its hazard. Practice of “futures” at the commodity markets of mid-XIX century in US, and separating the market in future prices from the market in current prices was later also conducive to developing financialization.

Chapter two “The entrepreneurial ethic and the spirit of financialization” revives the heritage of Max Weber. A reflection of Appadurai’s deep fascination for Weber’s “The Protestant Ethic and the Spirit of Capitalism” can be seen here. Arjun Appadurai has claimed ideas of Max Weber to be the key in understanding of modernization theory and practice in recent decades, and hereupon the key to financialization. For him, it is fully congenial to a new scientific branch that is the science of the spirit of calculation, or a special ethos of economic activity. Max Weber explains the kernel of capitalism as the calculation system of bourgeois entrepreneurship, ethical underpinnings of calculative action, a set of bounded
understandings of means and ends in the pursuit of calculative action in terms of uncertainty, with a steadily fluctuating set of cultural orientations that inform and shape these understandings.

Arjun Appadurai suggests the return to Weber’s idea of the “spirit of capitalism” very fruitful since it helps to understand the problem of uncertainty. He finds a coercive proceduralism of financial practices, which is based on transcendent faith in the market, to be constructed as a source of certainty. They are mechanical techniques of prediction with no interest in causal or explanatory principles. Arjun Appadurai believes that microcredit as small-scale savings among the poor is potentially drawn into large-scale financial profit-making spaces. Calculation, always oriented to prices, appeared to be the crucial dimension of profit-making behavior, of double-entry bookkeeping, of technological mechanization, of legal and administrative predictability, and of speculation since the property takes on the force of a negotiable paper.

Chapter three “The ghost in the financial machine” rejuvenates the question of “spirit” in “financial structure” and invites readers into the depth of financial spirit. The idea of gift impossibility traces the problems of the return and the obligatory force to return, that provides a social connection between giver and receiver. Social force of financial spirit goes from the sense of disposition, cultural sensibility, associated with group, class, profession, or other forms of collective complicity.

Arjun Appadurai avowed the Gods electiveness to be manifested in the dedication of personal worldly life to a methodical plan. He showed that Calvinist spirit in Weber’s thought had been required just and only to the origins of capitalism, but not for the current stage of financialization. The author avers the spirit of financial dealers to be risky, amoral, and reckless form moved by passion. “In the course of the last half-century (but especially since 1970 or so), the machinery for measuring, modeling, managing, predicting, commoditizing, and exploiting risk has become the central diacritic of modern capitalism” (ibid.: 44).

Financial dealers, according to Arjun Appadurai, are not afraid to be pessimistic. They have based the decision on short-sell ethic, not on long-run planning: an ethos of those who consistently bet on upswings at financial market. Financial agents believe in their capacity to channel the chance to win the game of risk, diminishing by cultures of control; wish to use the chance to game the otherwise deterministic play of risk. Their instruments to measure, model and forecast risks are crucial to the process of financialization. “What is important is the ethos, the spirit, the imaginary through which the world of the screen, the floor, the office, and even the invisible collegial network is valued, assessed, and shaped” (ibid.: 47). This passion rests on intuition, expression, and sense of the moment.

Chapter four “The sacred market” reveals the manner how financial side of our life engages in dismantling the miracle of the transaction. The author focuses
on the sacred as an externalized market, or reality of our social selves externalized with the abstraction of the market. This implies its authority and logical priority in the mind. For instance, Arjun Appadurai provides examples of plastic, stocks, mortgages, pensions, insurances. “The bizarre materiality of the mortgage-backed American house is that while its visible material form is relatively fixed, bounded, and indivisible, its financial form, the mortgage, has now been structured to be endlessly divisible, saleable, and leverage-able for financial speculators, in manner that is both mysterious and toxic” (ibid.: 61).

Arjun Appadurai conceives that at the sacred market transformation of risk into speculative commodity occurs. Scores, ranks, ratings, and profiles serve as major instruments for producing the everyday identity. Identity turns to be standardized and operationalized by software. Scoring tools and protocols have categorized and grouped individuals on a variety of financial purposes. And personal life project has been converted into the personal risk score. It guarantees engagement of individuals into the system of working rules. On the other hand, these personal scores are the basis of the dominant social forms of flows of scores and of constructing the social structures.

Chapter five “Sociality, uncertainty, and ritual” opens with the issue of salvational uncertainty. As a result of God’s grace, salvation looks to be indifferent to human knowledge, effort, and manipulation. Arjun Appadurai comprehends certainty as being produced by the practice of methodical profit-making. Ritual reduces the uncertainty of social life. Ritual action creates the sense of belonging to the force of social convention. And ritualization turns to be a practice of enacting undertaking in such a form that increases the probability of resolution.

Uncertainty is seen by the author to be constituted of escaping the question of transaction counterparty at all, of choosing the subject on your side of a transaction, and of unforeseen technical failure of ritual. Uncertainty at large-scale contains discovery of the social collectivity. “The central problem of financial practice in the domain of derivatives is the problem of arriving at options pricing in real-time trades, given that the available models for options pricing, do not offer unambiguous predictions about options prices” (ibid.: 80). The ways in which social enters into trading decisions when the models provide no decision guidance. The arcane formula of harmony between the ritual and the trade comes into being due to the interval (timing and duration between the present and future date) and the retro-performativity in ritual and financial spheres.

Chapter six “Charismatic derivative” is devoted to the role of derivatives as a tool of formal inclusion and wealth generation. Arjun Appadurai opens up for scrutiny the habitus of contemporary financial mentality. Following his view, derivative plays a role of contingent claim by market-makers engaged in creating prices through trading. Prices expressed in numbers have led to the mistaken belief that these numbers belong to temporal sets that are susceptible to probabilistic
understanding. For exchange the ability to negotiate a price in a written act of exchange is crucial. The exchange is a social convention that makes the price more than two-side agreement. Arjun Appadurai says about the priority of trading networks as social conventions over the pricing mechanisms. And risk belongs and characterizes the solution agreement and convention, but not the figures of prices.

Written language had opened new epoch for both trade and law practices, i.e. enforcement of contracts. It also builds foundations for bureaucratic institutions. “[T]he realm of derivatives trading is a continuous source of collective effervescence, which energizes the underlying instruments from which its own value is allegedly derived” (ibid.: 98). On this ground, Arjun Appadurai claims a new understanding of the nature of risk in financial markets. The real source of risk lies in honorability of any radically contingent claim. If social properties of a derivative are recognized, derivative can become a socially accessible form of vast new wealth.

Chapter seven “The wealth of dividuals” looks to be the most important from the point of sociological foundations. The author, developing ideas of British social anthropologist Fortes and American anthropologist Mariott demonstrates how the era of financialization erodes the status of the individual. This is more than radical alienation, exploitation, marginalization, etc, but less visible. It has resulted in a more elementary form of social agency, which is “dividual”. This erosion hides growth of inequality by means of multiplication of opaque quantitative forms that are illegible to the average citizen, of profit-making tools, and of techniques, which can escape audit, regulation, and social control. Dividual as an agent of action and transaction that was continually transferred by contract with other dividuals to create new arrays of rank, purity, and potential liberation from the material world.

Arjun Appadurai highlights on the fact that derivative are not mere a financial instruments, but practices of mediation, yielding new materialities. Material object of a house, for example, does not exist in new financial order apart from its availability mediate derivative forms. Derivative's role in crisis has been influenced by quantification of the person, developing of scoring tools and data systems. “Contemporary finance lies at the heart of these dividualizing technique, because it relies on the management and exploitation of risks that are not the primary risks of ordinary individuals in an uncertain world, but the derivative or secondary risks that can be designed in the aggregation and recombination of large masses of dividualized behaviors and attributes from credit scores to SAT results” (ibid.: 110).

Although dividualization in ritual, pre-capitalist society reproduce temporary assemblages of sociality, identity, affect, in capitalist society monetized and predatory logic makes derivatives the means to exploit dividualization of the many for the individualization of the few. Dividuality is close to the idea of a role. It is something as partial, elementary, less than an individual. Such roles are essential
pieces of social totality as the multiple roles of social relations that compose this
totality. “[D]ividuals are a temporary product of predatory dividuation (ranking,
scoring, enumeration, quantification, monetization) who are put at risk by actors
(brokers, traders, managers, analysts) who reserve the right to behave as individuals
in their own interest” (ibid.: 117).

Arjun Appadurai summarizes that political democratization of finance that
converts the dividual into the real social subject needs a radical change in social
thought, in social vocabulary, precisely in interpreting groups, classes, collectivities,
etc. with dividuals as building blocks. In practice it allows all people to engage in
the risk-taking possibilities for creating wealth.

Chapter eight “The global ambitions of finance” opens with disputing the
monetization of risk. Financial technicians and managers use derivatives to make
virtually every part of our everyday lives susceptible to monetization. “[E]veryday
life is linked to capital not so much by the mechanism of the surplus-value of labor
but by making us all risk-bearers, whose aggregate risk can be endlessly combined
and recombined to provide new forms of risk-taking and profit-making by the
financial industries” (ibid.: 125).

Arjun Appadurai insists that unlike the previous historical forms of capitalism,
financial capitalism makes a profit not through an appropriation of surplus value
produced by hired labor, but means of risk monetization. Therefore, he claims, that
labor for wages has been substituted by labor for the production of debt. Derivatives
serve as a central means of producing the relative surplus value in a financialized
economy. Derivatives look dangerous since the opacity of their legal structure and
the weakness of legal enforcement of the contractual promises. “The logic of the
derivative - as a form of promise that rests on the likelihood of the failure of the
promises of other such pairs of individuals — produces dis-individuated human
parts through a predatory process that generates one promise from another,
steadily eroding reciprocity, multiplying risk, and eventually producing systemic
collapse” (ibid.: 147).

Chapter nine “The end of the contractual promise” sum up that a financial
collapse is a linguistic form of a promise that creates the social reality. Promise
means placing trust by one individual in another with the entailment of duty to
fulfill the promise in the future. Derivatives produce the promissory chain. Arjun
Appadurai concludes that “[i]t is a call to a different conception of the ground
from which we can take risks, generate wealth, and pursue sociality on terms that,
in leaving behind both the modern individual and the modern contract, have
a reasonable chance of beating global finance at its own game” (ibid.: 155).

Thus with his immense knowledge of social theory and its implementation on
cultural fields, Appadurai’s proves to be the best original thinker of our time,
bringing back the notion of spirit to anthropological work on the financial markets.
However, the book itself is a kind of derivative, building on data from other

References


