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Leveraging Contingency: Paradoxes of Neoliberal Speculation

Jan Overwijk

In *Capital and Time*, Martijn Konings takes aim at a prominent, if not the most prominent, line of critique regarding financial speculation in the aftermath of the 2008 financial crisis. This line of critique argues that the crisis was the product of an irrational financial speculation that drifted away from a stable anchor-point, such as society's 'fundamental values' or 'real production'. Throughout the book, Konings forcefully and convincingly argues that this line of critique is a "conceptual and political dead end" (4) for two central reasons. Firstly, it rests on an essentialism of value that even these critics explicitly wish to evade; secondly, it fails to recognise that neoliberal governmentality has itself already moved on from that essentialism and is therefore unable to understand the actual workings of neoliberalism.

According to Konings, this type of critique of speculation understands value as 'elastic': it stretches through speculation yet always returns to a fixed state defined by some underlying substantive value. A clear example of this is Karl Polanyi's 'double movement', through which speculative impulses become 'disembedded' from a social essence consisting of foundational values and norms, only to bounce back to this essence through a 'countermovement' of re-embedding—or alternatively, to snap in the form of financial collapse. It is this social essence, substantive value or foundational values, which provides this critique with the normative yardstick for assessing the disembedding and irrational speculation of financial activities. Against this conception of elastic value, Konings adopts an image of value as 'plastic', a nod to the credit card. Plasticity points to money's lack of a fixed essence, to an ineradicable contingency at the heart of value. Money for Konings, following the German systems theorist Niklas Luhmann, forms a groundless self-referential system of promissory notes that promise only further promissory notes.

Before we continue on this point, we might ask whether this criticism of contemporary Polanyians and heterodox economists is entirely fair. In the case of Mark Blyth for instance, who Konings cites as an example of neo-Polanyianism, it is not entirely clear whether he works with an elastic conception of value in which 'foundational values' function as an external standard. Blyth (2002, 8) is clear that "no exogenous factor can in and of itself explain the specific forms that institutional change takes." Similarly, Nancy Fraser appears to pre-empt

Konings' criticism of Polanyianism in her own critique of Polanyi, insisting that society does not form a pristine reservoir of social values over and against a pre-existing and isolated economy (e.g. Fraser 2018, 22; 63). *Capital and Time* would have benefitted from some more explicit discussion of these arguments and texts in addition to solely focusing on their rhetoric of elasticity. Not only would this have positioned Konings' opponents more fairly, but it would also have confronted more explicitly the thematic such social critique is wrestling with: what forms can normative standards still assume in a post-metaphysical social theory?

Returning for now to the question of value, Konings complements the notion of plasticity with that of 'leverage'. In finance and economic theory, leverage refers to the ratio of debt relative to one's own invested funds. For Konings, leveraging is far from an exceptional technique, but rather signifies the core of how speculation proceeds and exists. Its logic points at the recursive, self-referential loop in which debt is leveraged by means of yet more leveraged debt, never reaching a presumed bedrock of non-leveraged investment: "There is no original speculation, only leveraging" (15). Speculation, for Konings, is a purely immanent operation, it is always already leverage.

As a result of this immanence, value cannot be determined or measured outside of the self-referential system of speculation. The relative stability of value is instead explained with the help of a Luhmannian "logic of association" (48), through which speculative operations sediment into structures as a result of their so-called 'connectivity' to previous operations. The system of speculation produces its own standards of value in its immanent functioning through time, that is, on the basis of memory, anticipations and expectations. These internally generated expectations lend stability to the system.

These "Luhmannian considerations" (45) are Konings' alternative to the theoretical paradigm behind the research on measurement that has come out of 'performativity scholarship' and actor-network theory in science and technology studies, like that of Michel Callon, Bruno Latour and Donald Mackenzie. For Konings, this scholarship still performs a "Kantian leap" (42) in which contingency is highlighted with the tacit aim of overcoming it. It still betrays a desire to find a stable external standard to the immanence of performativity, to short-circuit the immanence of value. Here too, it would have helped if Konings would have backed this up with textual evidence, because, as it stands, this tendency in performativity scholarship is not

immediately obvious.

Konings furthermore criticises actor-network theory for overemphasising the horizontality of networks and consequently glossing over the power hierarchies and political differences that animate these networks. Konings, on the contrary, stresses the asymmetries that are produced by the internal workings of the self-referential money-system. The position of banks, for instance, grants them a particular power, namely the power to produce and affect expectations. Speculation by banks serves no purpose outside this system of expectations, “no purpose other than to effect a hierarchizing movement” through which a “bank’s promises function as a standard against which the value of other promises is measure—that is, as money.” (17, cf. 50). This intervention by Konings is a highly welcome enrichment of Luhmann’s overly power-free sociology, which Konings rightly criticises.

Going with a Luhmannian account of value and speculation, then, Konings is able to appreciate and fully draw out the productive paradoxes that animate contemporary capitalism as well as its specific temporality. “Capitalist temporality”, Konings writes, “works on an affectively charged tension between the acute awareness of ineradicable contingency on the one hand, and the anticipation of riskless security and infinite time on the other” (55). Money requires an uncertain future in order to function at all, yet its function is to hold out a secure future. Put in Luhmannian terms, speculation is a tool for reducing the complexity and risks of the future by producing a provisional stability of expectations. But such speculation only makes sense in the face of a contingent future that cannot ultimately be known. Neoliberalism, Konings sharply observes, does not attempt to purge the money-system of this contingency, but rather sets it to work in a productive process of endless leverage. As he puts it: “with the concept of leverage [I have sought to capture] a mode of ordering that works not by eliminating uncertainty but by capitalizing on it” (50).

In this way, Konings makes good on a basic insight of Foucault (2008, 42) that is sometimes overlooked in other accounts of neoliberalism, namely his insistence on the ‘strategic logic’ of neoliberalism. This logic, in Foucault’s words, aims to “establish the possible connections between disparate terms which remain disparate” rather than to *overcome* this disparity in a “dialectic logic”. Neoliberalism, too, refuses the ‘Kantian leap’. Leverage and speculation gain their power and functionality from the fully self-referential, strategic logic of neoliberalism, a

logic which embraces this ineradicable yet productive paradox. To support this thesis, in the second half of the book Konings offers a genealogy of financial governance (chapters 7 to 11). Via this genealogy, he also elaborates a second instantiation of neoliberalism's strategic logic, namely its embrace of the logic of exception as part and parcel of its normal functioning. He does so by homing in on the problematic of money as a stable measure in the face of contingency. Originating in Hume's 'quantity principle' and Smith's 'real bills doctrine', money was, and is, often regarded as a neutral standard that should simply reflect and measure value as an exogenous standard of economic production. This fails, however, to recognise that money itself is part of such production. Countercyclical financial policies, like those proposed by nineteenth-century economists such as Henry Thornton, attempt to enlist money's productive capacities. Because such policies work in favour of vested financial interests, notably systematically significant banks, they produce so-called 'moral hazard'. Bagehot's lender-of-last-resort doctrine, according to which central banks should lend money only in times of crisis and under strict stipulations, must be understood as a compromise in this predicament.

When Paul Volcker came to lead the Federal Reserve in the late 1970s and into the 80s, political pressure from Congress forced him to adopt a monetarist policy, a modern version of Hume's quantity targeting which views money as an external standard. Volcker, crucially however, accepted that central banking is not itself elevated above speculation, risk, and time. Instead, he treated the Fed's monetarist policies as an immanent procedure: not as a means to enforce an external limit on the financial system, but as a means to affect expectations" (98). In Volcker's hands, monetarism became a Hayekian tool for liberating, provoking and pushing the self-organising dynamics of speculation in the face of the impossibility of exogenous steering. This meant, Konings concludes, that Volcker's neoliberal governmental rationality moved from a "logic of anticipation and prevention to one of speculative preemption" (110).

Preemption must be understood in a dual sense, as "both activating [failure] and forestalling its most serious consequences" (28). Crises and uncertainties are harnessed as productive moments of the system of speculation and should only be contained when they threaten to take down the system as a whole. This is where the strategy of 'containment' comes in, or what at the Fed was known more colloquially as the "mop up after" strategy (113). Bail-outs and the central bank's functioning as a lender-of-last-resort serve as the exceptions that provoke the

rule of immanence, they secure the future insecurities that drive the speculative system. This strategy of exceptionalism, then, must not be seen as a speculative irrationality in neoliberal financial governance, but precisely as part and parcel of its embrace of the plasticity of money and its generative potency. It is this point, Konings argues, that the Polanyians and heterodox critics of neoliberalism miss. As a result of their lingering speculative essentialism, they fail to understand how neoliberal governmentality has already moved beyond external notions of value and instead harnesses the productive powers of contingency.

In highlighting the embrace of paradox and radical difference in neoliberal governance, Konings makes a compelling and valuable contribution to the debate on neoliberal capitalism. A Luhmannian systems theory that is sensitive of power asymmetries also works as an excellent framework for confronting the governmental logic that Konings convincingly details. At points however, he himself seems to slip back into an ethos of dedifferentiation that runs counter to his Foucauldian stress on the strategic logic of disparate yet mutually engaging elements. For instance, he claims that Luhmann's thesis of functionally differentiated modernity must be abandoned in our age of financialisation, which he understands as "the erosion of boundaries between the economy and other spheres" (56, cf. 123). Money, according to Konings, is a "norm with a totalizing reach" (56). This may be so, but how should we conceptualise this totalisation? For Luhmann, the absence of an overarching norm is precisely what installs radical difference and contingency in modern society. It is the closure of differentiating function systems that produce their very openness to the structures of other systems, like money. Differentiation is the precondition for the power of money to take hold. Financialisation, on a Luhmannian account that respects the productive power of paradox and contingency, should therefore not be understood as dedifferentiation but, in Foucault's terms, as involving the strategic logic involving disparate systems.

And this, in fact, is what I understand Konings to be doing throughout the book. In neoliberal governmentality, there is no dedifferentiation between the market and the state, or between financial speculation and central banks. Rather, neoliberal governmentality accepts precisely that it needs a differentiation between, on the one hand, a central bank that can function as lender-of-last-resort as well as a state that can issue bail-outs, and, on the other hand, a financial market that leverages money in order to secure the self-reproduction and self-expansion

of finance capital. Only through this differentiation can the paradox between speculation and bail-outs, between the norm and its transgression, be made productive and give rise to the process of financialisation. It is this paradox that is the object of neoliberal governmentality. Neoliberals, as Konings shows in this excellent book, therefore do not mean to resolve or short-circuit this paradox—and neither should their critics.

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Biography

Jan Overwijk is a PhD-candidate in social philosophy at the University of Amsterdam and a lecturer in Liberal Arts and Sciences at Utrecht University. He is also an editor at *Krisis*.