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Defining *Speculative Value* in the Age of Financialized Capitalism

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Introduction¹

This article makes the case for a new form of value linked to the era of financialized capitalism. If ‘labor’ and ‘use’ value were highlighted by the industrial revolution and mass production; and ‘symbolic’ and ‘sign’ value reflected consumer society and post-Fordist, service-based economies; ‘speculative value’ is indicative of a period in which big finance dominates the wider economy.

The piece takes the following steps in filling out the notion of *speculative value*. First, it summarises past political economy and sociological conceptions of value as previously advanced by Marx and Baudrillard. It suggests that such concepts, as well as exploring the inter-relationships of the material and cultural, are very much related to the prevailing socio-economic conditions of production, circulation and consumption in their time. Second, the piece sketches out the foundations of financialized capitalism, in particular, focusing on those structural and symbolic elements related to the emergence of *speculative value*. The discussion makes the case that this is an alternative value system that both relates to, but is also distinct from, earlier social conceptions of value. The third section highlights some of the key features of *speculative value* through a brief discussion of three areas where it is generated: companies and commodities, geographical spaces and property, and individual subjects and populations. Section four draws together the earlier parts of the discussion to set out the defining features of *speculative value* in relation to previous periods of capitalist production and forms of value.

Past Conceptions of Value Outside the Neoclassical Economics Paradigm

The discussion starts with Marx’s 19th Century conceptions of value linked to production and exchange: ‘use value’, ‘exchange value’ and ‘labor value’. He began by insisting that all surplus value, or profit, accrued by owner-producers, came from the difference between the costs of labour power used to produce commodities and the ‘exchange value’ achieved in the market. Through Marx’s works, and subsequent post-Marxist debates, this logic was forced to adapt and evolve (see Keen, 1993). ‘Use value’ was not simply defined and, in fact, becomes less relevant as capitalism advances and capital follows its own logic of accumulation. Commodity fetishism both hides the real conditions of production and alters the perceived ‘uses’ of goods. It also became clear that exchange values could vary widely and were not simply linked to labour costs. In effect, labour, use and exchange values appeared to be closely linked but, at the same time, did not adhere to a consistent relational formula. It was left to the ‘Marginal Revolution’ and the newly-autonomous discipline of economics to provide this through reductive exclusions and models: exchange value now being determined by supply and demand. In this basic summary, Marx’s accounts of value are inextricably tied to his historical materialism, the expansion of the industrial revolution, and his concern with rising inequality and instability. His value concepts are very much linked to the material conditions of production of the 19th Century.

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Baudrillard, writing a century later, moved progressively away from both production and the material in his accounts; instead focusing on consumption and the symbolic as the generators of value. His early works (1969, 1970) were produced in an era of post-war prosperity, a more equal society, the Keynesian welfare state and a much wider distribution of surplus capital. This emerging 'consumer society' (Featherstone, 1991, Lury, 1996) produced an excess of consumer goods with an economy oriented around contrived consumer demands. Under these circumstances, most labour was not 'productive' and varying wage levels had little relation to production. Consumption appeared to have little connection to fundamental human needs or uses. Instead, a continual series of superfluous desires and needs had to be socially and psychologically constructed, in order to maintain production. Thus, greater 'value' resided in acts of consumption and in the production and reproduction of sign systems that created 'needs'.

Baudrillard, without entirely rejecting use and exchange value, thus introduced the additional concepts of 'symbolic (exchange) value' and 'sign value'. He described four logics of signification. Use value still related to practical function, and exchange value to economic equivalence. Symbolic value was bestowed on objects by subjects in the process of exchanging them as gifts with others. Sign value was created within a semiotic sign system in which objects appropriated meaning in relation to other sign objects. As Baudrillard summarises (1981 [1969]: 66):

'a logic of utility, a logic of the market, a logic of the gift, and a logic of status ... the object assumes respectively the status of an instrument, a commodity, a symbol, or a sign.'

However, in these early works, Baudrillard was already following a logic that would negate use and exchange value altogether. 'Need', use and exchange values had dropped down the hierarchy of value types, being treated as epiphenomena or by-products of a tyrannical and entirely fluid sign system. In his later works, (1973, 1976, 1981) he became increasingly critical of Marxist thought, entirely rejecting 'the productionist paradigm' and any links to historical materialism. Concepts of 'value', along with any sense of agency or subject-object distinction, were subsumed in a world of signs, simulations and the hyperreal.

Many of Baudrillard's key ideas (not all) were taken up by a wide array of social and cultural scholars seeking to explore post-modernism, the consumer society and the increasing hegemony of the cultural and symbolic over the material (Featherstone, 1991, Jameson, 1992, Wernick, 1991, Lash and Urry, 1994, Arvidsson, 2006, Lash and Lury, 2007). As Lash and Lury (2007 4, 6) declared: 'Culture is so ubiquitous that it, as it were, seeps out of the superstructure and comes to infiltrate, and then take over, the infrastructure itself ... The commodity is dead; the brand is alive.' Like Baudrillard, use, exchange and labor value forms all appeared to be less significant.

Moving ahead, half a century after Baudrillard's initial critique, the dominant configuration of Western capitalism has changed once again. Just as post-materialism and the consumer society were being presented as key intellectual frameworks for social analysis, so the socio-economic direction of travel underpinning them was going into reverse. It was during the 1970s that high post-war growth rates slowed considerably and the neoliberal experiment was initiated. Measures of inequality started rising again in the 1980s with wage stagnation for middle and low income earners developing, first in the US and then the UK and elsewhere. Relative levels of Western industrial production and employment have deteriorated markedly while public and

private debt has risen considerably (see variously, Krugman, 2008, Chang, 2010, Palley, 2013, Lapavistas, 2013, Piketty, 2014, Streeck, 2014). Such trends have continued apace since the financial crash of 2007-08. In effect, the consumption-led growth model has been imploding.

In the financialized capitalism that has emerged, the ability of the majority to move far beyond basic material 'needs' and to consume for consumption's sake, is declining again. Capital is accumulated less and less through labour and production, commodity purchase, consumption and sign circulation. Instead, economic value is increasingly derived through debt trading, financial market activity and rentier behaviour; much of it totally detached from the world of production and consumption to which it initially references itself. Money is being sucked out of the material economy and into financial sectors that make money out of money with little connection to 'use' or 'symbolic' values. The creation, exchange and circulation of increasingly diverse capital equivalents, not actual goods, brings larger profits and hence drives the new political economy that is financialized capitalism.

This is not to say that in contemporary economies, production and labour are evaporating. Nor is it to say that modern societies are any less saturated with commodities, symbolic exchange and sign value. But, arguably, the 21st Century consumer society is in retreat as finance reshapes capitalism and, at the same time, forms of value become reconfigured. This suggests that hierarchies of value types need to be reconsidered once again.

Reconceptualising Value in the Age of Financialized Capitalism

This section focuses more on the economic mechanisms of financialization rather than neoliberalism (Harvey, 2007, Crouch, 2011) as a means of exploring how value creation has shifted in contemporary capitalism. It is the logics of financialized capitalism that are significant when it comes to exploring contemporary forms of value generation, as well as their material and symbolic components. What is clear is that financial markets, and their platforms and instruments of exchange and circulation, have come to take precedence over non-financial markets and the producers and consumers of material commodities. In Palley's definition (2007: 2):

'Financialization is a process whereby financial markets, financial institutions, and financial elites gain greater influence over economic policy and economic outcomes. Financialization transforms the functioning of economic systems at both the macro and micro levels.'

Several authors (Epstein, 2005, Palley, 2007, 2013, Stockhammer, 2010, Krippner, 2011) have recorded how financialization has expanded in recent decades in the US, UK, and elsewhere. Most obviously, financial market activities and values have grown hugely relative to both the state and real, productive economy of goods and services. For example, in the UK case, until the 1970s, UK bank assets had been equal to roughly half the value of UK GDP for a century. By the mid-2000s, they had risen to five times the value of GDP (Haldane, 2010). Globally, by 2007, the international banking system operated funds of \$512 trillion or ten times the GDP value of the entire world economy (Cable, 2009: 30, 146).

The growth of finance, whether driven by market agents or sponsored by the state (Krippner, 2011, Davis and Walsh, 2016), in turn, has reconfigured the wider economy in multiple ways that then impact upon politics and society. Because of its size and centrality, financialization now secures increasing dominance over the behaviours and activities of corporations,

individuals and nations. So, the financial sector has growing influence over the state through the funding and rating of government debt as well as general influences over economic activity (e.g., Krugman, 2008, Lazzarato, 2012). Large corporations are increasingly run to create 'shareholder value' by any means including through purely financial activities (see Crotty, 2005, Froud et al., 2006). Citizens and their savings are steadily enrolled into finance (see Seabrooke, 2006, Lazzarato, 2012), through a mixture of personal credit card, mortgage and other forms of debt, investment of public pension funds, and securitization. Related to this transfer of capital from poor to rich, finance facilitates 'rentier behaviour' and global tax avoidance and evasion (Epstein and Jayadeer, 2005, Shaxson, 2011). Financialization, in effect, redirects capitalism once again towards some of the 19th Century developments that Marx and Engels observed: the logic of capital accumulation for its own sake and the concentration of that capital in ever fewer hands (see also Lapavitsas, 2013).

However, in several important ways, financialized capitalism is very different compared to the industrial, production-led capitalism of earlier centuries. There are still owner-producers making large profits from exploited labour (although ownership is rather more fragmented now). However, in financialized capitalism, the largest sources of surplus economic value are those created within disembedded, restricted financial market networks that facilitate circulation rather than production (Lipuma and Lee, 2004, Lapavitsas, 2013, Palley, 2013). Monetary values are increasingly generated with less and less regard to the real, material parts of the economy to which they originally refer. Most trading is now carried out by non-human software programmes, operating according to complex algorithms. Trading is frequently done without actual ownership of that traded; e.g., trading temporarily 'borrowed' shares or buying insurance for other people's commodities. Exchange values bear no relation to material costs such as labour, land and machinery, and consumer demand becomes peripheral. Some 97% of 'money' in the UK economy is just circulating around the financial sector. Only 3% is either fiat (paper) money or capital lent to firms and individuals operating in the material, actualised economy (see Kay, 2016). Indeed, the irrelevance of the material economy was clearly explained in a now notorious Citigroup research document (2005) outlining the features of the new 'Plutonomy'. As Lapavitsas (2013: 2) explains 'An asymmetry has emerged between the sphere of production and the ballooning sphere of circulation'. M-M has left M-C-M far behind as pools of surplus or speculative capital accumulate and circulate rapidly. Under these circumstances, the key focus is not production or consumption, but the market networks and platforms at the hubs of circulation-driven exchanges.

This puts those entities which are at the centre of capital accumulation, investment and circulation – banks, financial institutions, large professional investors and their various intermediaries – at the heart of modern forms of economic and other types of value generation. Such *speculator-exchangers* simultaneously own, buy and sell capital in increasingly varied manifestations, as well as operating the physical and symbolic infrastructures by which the systems operate. This includes the creation of accounting and evaluation tools and the financial instruments of economic exchange translation. Thus, they both make markets and trade to all sides, charging automatic rents and deal commissions (rentier activity) to all others who participate and compete. The more outsiders and outside capital they draw in, the more exchange and circulation takes place, and the more they accumulate profit (from both rent/commission and rising trading values as demand and investment capital levels grow). Thus, they compete with other platforms and network exchanges to expand and promote their own 'potential' accordingly (a similar set of features also operate in hi-tech platform-driven exchanges, such as Google, Apple, Amazon and Uber, see Srnicek, 2017). In contrast, non-financial producer profits are rather smaller. Consumers and consumption have not declined

but are encouraged to operate by taking on larger personal and public debt, facilitated by and owed to, these same financial agents.

Within financial networks, exchange and circulation imperatives develop their own market logics which impact upon calculations of value. One of these is the logic of future potential. Capitalism generally, but financial markets in particular, are tied to the ‘new’ and to ‘imagined futures’ (Beckert, 2016). In fact, in financial market theory, current equilibrium prices are supposed to incorporate and average out all traders’ estimates of future values. Peoples and individuals are paid, or invested in, not on account of what they produce now, but in relation to the potential exchange values they might generate in the future. In turn, financial and accounting tools, measurements and forecasts, produce alternative perceived futures and make speculation an essential part of financial markets and financialization.

A second, and clearly related logic, is risk. Evaluations of risk are a constant of financial portfolio management (Shiller, 2001, Golding, 2004). The larger the capital invested, the longer the investment period, and the more volatile and unknown the investment, the higher the risk. Thus, hedging strategies, hedge funds and the derivatives markets (LiPuma and Lee, 2004, Dodd, 2005) have all become central to modern financial markets, as a means of ‘objectifying risk’ and dealing with uncertainty. If risk is rationalised and its levels agreed across financial market networks, it may also be given an exchange value, thus enabling commensurability and further exchange and circulation. Despite these developments, financial markets have become more not less unstable. Prices are subject to much greater and faster swings. As finance grows, bubbles emerge more frequently, inflate to higher levels and produce ever-larger crashes (Minsky, 1982, Shiller, 2001, Aliber and Kindleberger, 2015).

A third set of logics has developed specifically around circulation. ‘Liquidity’, ‘mobility’ and ‘commensurability’ are all prized characteristics of securities and financial instruments traded. They boost circulation, within and between global exchanges. Assets which do not have these attributes are either rejected from circulation or need to be translated with financial instruments in order to acquire them. Securitization enables assets to become more mobile and liquid. However, commensurability has become increasingly problematic and complex. In financialized capitalism, everything can be allotted a monetary value (securitised) but, almost immediately, the object and its value can become sucked up, reconfigured, merged and revalued, to the point where the two are no longer connected. Then, the original commodity or its debt, may be spliced and mixed up with others, often several times, to create new, exchangeable financial products. The combination of estimating future potential and complex processes of securitization, make decision-making around value, risk and commensurability, increasingly difficult and abstract.

What is also clear is that levels of capital accumulation and the exchange values that operate in financial market networks have become increasingly detached from the material, actualised economy. This goes far beyond the malleability of accounting and statistics (Mclosky, 1985, Ferguson, 2012), as finance has had to develop its own accounting tools and evaluation measures to deal with future prediction, risk, liquidity and volatility. So, share prices of fledgling companies, with no assets or profits, can reach very high trading values. Property values can lose all link to income levels. Oil, wheat and other basic commodity trading values can jump or drop dramatically, with no clear relation to demand. In fact, in financialized capitalism, banks and financial institutions now appear to have an almost infinite capacity to create new capital or capital equivalents, far in excess of any state currency. Various forms of debt creation, shadow banking and complex derivatives each create money equivalents which

are then traded in the financial system like real capital (e.g., Dodd, 2005, Pettifor, 2014, Kay, 2016). In the US in 2007, the official dollar money supply was recorded as being \$9.4 trillion. However, securitized debt had reached four times that level, and the total value of derivatives in the economy ten times that (Bresser-Pereira, 2010: 9).

Consequently, financial exchange networks are as much, if not more, saturated with symbolic and cultural (or non-rational) elements as they are hard figures and rational calculation. Thus, financial markets are full of stories (Akerlof and Shiller, 2009, Holmes, 2009), narratives and fictional ‘imagined futures’ (Froud et al., 2006, Beckert, 2016). They are ‘great expectation machine[s]’ (Golding, 2004), misdirected by ‘irrational exuberance’ (Shiller, 2001), promotional hyperbole (Davis, 2013) and ‘animal spirits’ (Akerlof and Shiller, 2010). In effect, rather like Baudrillard’s earlier logic, attempts to locate hard exchange values and commensurability are replete with symbolic elements, created by and meaningful only within metrological sign systems. They operate according to such sign systems that are exclusively generated within restrictive exchange networks. In effect, in Baudrillard’s terms, finance creates its own simulations (and third and fourth order) simulacra of economic value. Financialization creates its own hyperreality, but one that also fundamentally affects the real, material economy and society beyond its networks.

To sum up financialized capitalism in structural and hard accounting terms, the following trends are recorded. Capital accumulates in ever larger amounts, to be held or managed by fewer individuals and corporations. Recorded profits are increasingly gained through abstract financial activity and rentier behaviour rather than from the production and exchange of material goods and services. Economic exchange and circulation of capital, rather than production or consumption, is the dominant value-generating activity. Financialization creates multiple capital equivalents and aims, where possible, to make them highly liquid, mobile and commensurable. These move rapidly between markets, causing great instability, bubbles, crashes and Ponzi-scheme-type activity. Throughout, capital attempts to steadily accumulate and increase returns on investment, over and above the economic growth of the real, material economy (Lapavistas, 2013, Piketty, 2014); but, at the same time, it continually seeks to reduce and objectify risk amid the market volatility that financialized capitalism itself creates (LiPuma and Lee, 2014, Beckert, 2016).

To sum up in social and cultural terms, in the exchange centres of financialized capitalism, there exist strong symbolic and sign elements, as well as an ability to generate metrologically-based forms of hyperreality. There is a complex sign system in which exchanged objects take on economic values in relation to other objects. But, it is only those limited numbers of financial market *speculator-exchangers* who are able to initiate and legitimate the sign systems that operate, so gaining a clear advantage in accumulating value too. Their sign systems frequently bracket out a range of social externalities and individuals, even while impacting on them. Thus, there is no wider ‘general intellect’ or broad social culture involved here, just as there is no ‘consumer society’ element. It is a capitalism in which capital-rich, investing and speculating circulators, exchangers and rentiers dominate over material producers, consumers, labour or the state.

Many of these elements of financialized capitalism thus point towards the importance of speculation and the need to generate speculative value. Speculation creates new reasons to invest, trade and to move capital from one exchange platform to another. Speculation on imagined futures and potential lies at the heart of financial market exchange activities (Beckert, 2016). It offers an endless symbolic pool of signs and narratives for conceptualising and

reifying potential. It justifies the growing disconnect between standard accounting measures of companies and commodities and their financial market exchange valuations. Lastly, speculation, if widely accepted, assuages the problems of future risk, taking on a performative quality (Callon, 1998), in that it justifies and objectifies it. As LiPuma and Lee (2002: 204) explain with respect to derivatives, financial market exchange networks increasingly profit through the creation of financial instruments that merge speculation, risk reduction and their own sign systems: ‘Originally used exclusive to hedge risk, derivatives have now become speculative instruments that circulate in their own universe’.

Speculative Value in Finance and Beyond: Commodities, Spaces and Subjects

In financialized capitalism, *speculative value* has been most commonly generated within finance itself. But, as financialization has expanded, it is now produced and attached to a growing range of subjects and objects. Individuals, commodities and tradeable, representative signs of both, at the point of being securitized (allotted an economic exchange value) are also likely to be allocated *speculative value*: that is, an estimation of future economic exchange value over and above the present. Clearly, some objects and subjects have a much greater propensity to accrue this than others. Three types of object/subject are discussed now: hi-tech producers and commodities, space in the form of geography and property, and human subjects.

One clear example of *speculative value* is to be found in producers of ‘new’ technology platforms, markets and commodities. These, promise to bring additional forms of production, consumption and exchange. At various times in history, capital has been ploughed into companies promising advanced technologies. However, since the 1980s, deregulated and expanding financial markets, combined with emerging ICTs, have elevated the importance of innovative platforms for exchange (Srnicek, 2017) as well sign-systems around ‘the new’ itself. A clear example of this was the TMT (Telecommunications, Media, Technology) boom of the 1990s where speculative activity was rife. With hindsight, the part played by creative, futuristic narratives and accounting methods became evident (see Shiller, 2001, Cassidy, 2002, Golding, 2004, and Davis, 2007). Most of the start-up companies to emerge, had no trading history, no assets, produced no profits or dividends and, therefore, could not be valued by usual accounting measures. Instead, financial markets developed investment logics based on ‘the new era economy’, ‘the creative’ or ‘knowledge-based economy’, and the ‘the great moderation’. Each IPO (initial public offering) sold business models based on future unestablished markets, predicted sales and uses. Positive trends were extrapolated far into the future. By such means, new, unproven internet companies became worth billions. The Dow Jones went from 3,600 points in 1994 to 11,000 in 1999 (Shiller, 2001: 9). Stock market values, in aggregate, became entirely detached from long-term, traditional, real-world measures such as the P/E or price-earnings ratio. By the peak of the dot.com boom the P/E ratio of the US Stock Market had gone from 15, in the late 1980s, to 45 in 2000 (it was only 32.6 just prior to the 1929 crash). Ultimately, in the collapse that began in 2000, most dot.com companies became worthless and both the US and UK stock markets lost over half their value.

Today, the new generation of tech companies have generated their own speculative investment logics and narratives around the ‘gig economy’, ‘the smart economy’, ‘the internet of things’ or the ‘fourth industrial revolution’. They have also achieved a market capitalization value that is significantly higher than conventional measures would dictate. Thus, in 2016, the largest four companies in order of stock market valuation, were Apple, Alphabet (Google), Microsoft and Amazon. When the largest companies are accounted for by traditional accounting measures, such as sales, profits and assets, Apple comes 8th, Microsoft 23rd, Alphabet 27th and

Amazon 237th (Forbes, 2016). The list of the world's largest companies is dominated by the financial sector, with the top seven places taken by banks. Conversely, most older, established companies, those which can neither create capital nor attract *speculative value*, have rather lower market capitalizations.

A second area where *speculative value* accumulates is around space: nations, regions and real estate. In the 1980s and 1990s investment banks hailed the rise of the four Asian Tiger economies (Hong Kong, South Korea, Taiwan, Singapore). In the early 2000s, Goldman Sachs' Jim O'Neil (2001) strongly promoted investment in the BRIC nations (Brazil, Russia, India and China). O'Neil has also gone on to push the MIKT, MINT and N-11 emerging markets. In each case, there have been widely promoted investment strategies based on predictions of growth being extrapolated several decades ahead (see Tett, 2010, Wansleben, 2013, Bourne, 2015). Large inflows of international investment have followed, often shadowed by large outflows and economic crises. China apart, the other three BRIC nations, while having large populations and land masses, still have comparatively low GDP per capita growth. By many traditional economic measures they are some way behind the largest OECD economies. In a similar way, nations and cities now encourage foreign direct investment (FDI) through 'place branding' (Anholt, 2004, Aronczyk, 2013). Credit-rating agencies rate the potential value of national debts for international investors (Beckert, 2016).

Perhaps the most documented account of speculation in relation to real estate relates to the subprime mortgage crisis in the US, which then led to the global financial market crash of 2007-08 (see Krugman, 2008, Ferguson, 2012). Following the 2000 dot.com crash, low interest rates and other fiscal stimuli encouraged greater investment activity to keep the economy inflated. Property buyers, mortgage lenders and financial intermediaries were spurred on everywhere. When the property market ran out of ordinary home buyers, or property prices were pushed too high, loans were then offered to those unable to pay them back (subprime). The unregulated shadow banking sector offered greater bank financing to offer more loans, while new financial instruments enabled greater exchange activity to take place. Subprime mortgages were packaged up into MBSs (Mortgage Backed Securities) and then further complicated and spliced, using CDOs (Collateralized Debt Obligations), to mix risky loans with more secure ones and thus hide the risks. These were then traded, re-spliced, re-traded and hedged against, creating immediate profits for market-makers but also growing hidden liabilities.

Ultimately, what was created was a series of property and financial-product based Ponzi-schemes, highly profitable to financial intermediaries. When the schemes unravelled, as interest rates went up and debt-credit became more expensive, so the complex networks of future IOUs began to unravel and fall apart. Governments everywhere had to borrow heavily to cover indebted banks, recapitalise them and deliver fiscal stimulus packages. National debts, home repossessions and personal bankruptcies rose several-fold everywhere. Today, low interest rates and quantitative easing have meant property bubbles continue to inflate again across the globe. High end property developers and estate agents speculate on the investment potential of new developments and neighbourhoods, pushing house prices far beyond average local incomes in New York, Hong-Kong, London and elsewhere (Atkinson et al., 2016).

A third area of *speculative value* accumulation is in human subjects as signifiers of future profits. Davis (2007) observed that institutional investors regarded the 'reputation' of a CEO and 'management quality' as the 'most important factor's when choosing to buy company shares. Khorani (2002) similarly found that the share prices of companies shot up on the

announcement that a new ‘celebrity CEO’ was to be appointed. The financial track records of individual Hollywood actors are now documented in detail and closely analysed by the film industry (Epstein, 2005, McDonald, 2008). Actors with strong box-office histories are then packaged to film financiers, increasing the likelihood of projects being ‘green-lighted’ and budgets expanded. In the contemporary art world, artists promote themselves, as do their dealers, collectors, museums and auction houses (Thornton, 2008, Lewis, 2011). Professional dealers and intermediaries are as likely to view modern art acquisitions as part of an ‘investment portfolio’, as they are to value them on ‘symbolic’ or ‘aesthetic’ grounds.

On a larger scale, a common rhetoric shared by politicians, global institutions and investors, is in the potential ‘human capital’ of a population. International think tanks, such as the OECD and World Bank, make this more specific and technical, providing international comparisons. One clear example of this is in national education levels, evaluated since 2001 in PISA scores. Education becomes transformed into an investment in future productive work. Accordingly, HE funding and regulation systems, in countries like the UK, US and Australia (see Yu and Oliver, 2015), have been reconfigured with this in mind. As McGettigan (2015, 2016) has explained in the UK case, government policy since 2010 has been inspired by notions of ‘human capital’, as conceptualised by the Chicago School economists Milton Friedman and Gary Becker. Policy moves steadily towards linking student loan approval to expectations of higher future incomes. To add to this financialization of human capital process, the government continues to look for ways of selling off tranches of student loan books to third parties, to be treated as future tradeable investments. In effect, something similar to subprime mortgages is now being proposed in relation to student debt.

Defining *Speculative Value*

In the varied examples above, although the markets, commodities and individuals concerned, vary considerably, there are also many common elements. Drawing on these, as well as earlier parts of the discussion, there is now scope for producing a fuller definition of *speculative value* in the era of financialized capitalism. This sets out *speculative value* as an alternative to that documented by Marx and Baudrillard, but also as a value form that combines elements of both thinkers and earlier capitalist formations.

A simple, functional definition declares that *speculative value* equates to the difference between exchange value, according to basic accounting measures, and an actual exchange value, based on future estimates. Thus, there is a clear departure from value calculated on the basis of current assets and recent profits or sales. The greater the gap the greater the *speculative value*. As Stephen Penman, Professor of Accounting, puts it (2011: 43): ‘Value = Book Value + *Speculative Value*’ (or ‘value for speculation about future book rate-of-return’). Where there is a concise rate of future return, as in a savings account, *speculative value* is equal to zero and the ‘price to book ratio’ is 1. In the case of internet stocks in 2000, CDOs filled with subprime mortgage debt in 2007, or the ‘next’ Damien Hurst or Robert De Niro, *speculative value* can be worth millions or billions, and the ‘price to book ratio’ hundreds. Thus, *speculative value* equals Current Exchange Value minus Book Value:

$$SV = CEV - BV$$

In the financialized capitalism of the 21st Century, it is *speculator-exchangers*, operating at the centres of financial market networks, not producers or consumers who now dominate value generation. They concentrate and accumulate capital. Their infrastructures offer instant

liquidity, global movement, instruments to achieve commensurability and convertability of capital forms. They do most to generate *speculative value*, a value form that has moved up the hierarchy of value types. In the mass, industrial capitalism of the 18th and 19th Centuries, labour and producers were the main creators of value, to be realised in economic exchange. In the consumer society of the latter half of the 20th Century, consumption and commodity circulation produced higher levels of symbolic exchange and sign value which, accordingly, helped drive economic production. Now, it is *speculator-exchangers* who produce it: i.e., market infrastructure creators, owners and insider investors and their intermediaries. These primarily operate in financial markets but can also be found in other specialist market exchanges too: e.g., in art, old musical instruments, new technology platforms, an entertainment sector or sports league, in local real estate and so on. Whether operating in finance, art or hi-tech markets, *speculator-exchangers* control the market apparatus, determining that they always gain from all market activity (extracting a fee on all exchange). Apple, Google and Christies are as keen to act as central platform exchanges as the New York or London stock exchanges. Speculation on the future and future potential is central to their operations. Thus, *speculative value* is generated by a small number of active agents, operating within restricted market networks; not the mass of producers or the ‘general intellect’ of wider society.

Speculative value contains both sign and hard accounting (or exchange value) elements. All objects traded are linked to signs created within the sign systems of market networks. Such networks are far more cultural and sociological in nature than officially proclaimed (Davis, 2007, Ho, 2009). They are filled with specialist labour able to create and combine both symbolic sign systems and metrological tools. In each case, sign systems combine the simple, numerical with the more complex and abstract. The numerical are defined and distinguished by the metrological accounting tools and financial instruments (e.g., forecasting, indices, P/E Ratios, EBITDA, etc.) constructed and used within the market to calculate a present or future predicted exchange value (see Callon, 1998, MacKenzie, 2007).

The abstract, relies on stories, narratives, social and cultural mythology, which can be created around the set of traded objects. These develop a speculative sign system built on expected future demand, for say, a type of art, a raw material, a risk-reducing financial instrument, etc. But such sign systems, although often dependent on general sign assemblages from outside markets, are specifically configured and reconfigured within them. Although varying considerably across networks, these sign systems share a common base trope embedded in a notion of rising future exchange value. The further away the future, or the more disembedded the financial representation is from the material object (or subject), the greater the order of market simulacra and the more the scope for *speculative value* creation. So too, the more widely accepted is a particular future mythology, the greater the capacity for *speculative value* accumulation. Mythologies of ‘the gig economy’, ‘globalization’ and ‘brand equity’, are such examples.

By definition, *speculative value* is highly volatile and, in most markets, has a limited lifespan. As time moves towards specified future dates of exchange so it automatically depreciates. Even without future dates marked out, few markets can go up indefinitely (although scarce, specialist commodities, such as aging art works or violins, appear an exception). Nor can everyone profit from expanding markets. Once *speculative value* has collected and achieved its function, by enrolling others into a market, thereby setting off a self-fulfilling increase in exchange values, it declines. It must be recreated quickly in other markets to then encourage capital flows elsewhere. The generation, rise and decline, of *speculative value*, thus takes place like a form of fashion. It profits from continual invention then rejection, followed by reinvention. In effect,

in a financialized capitalism dominated by *speculator-exchangers*, risk and disequilibrium is a permanent state and has increased significantly. Where *speculative value* accumulates most and quickest is where market infrastructures become nothing less than institutionalised, serial Ponzi-scheme creators (see Streeck, 2014, Harvey, 2015), leading to bubbles and crashes.

For this reason, a key function of *speculative value* is as a means of risk reduction for *speculator-exchangers* within the volatility that financialized capitalism creates. *Speculative value* appears to rationalise risk on a more symbolic level, in the way that derivatives and forecasts do on a numerical, ‘rational’ level. Thus, *speculative value* has a performative function (Callon, 1998, MacKenzie, 2007) in that it objectifies risk, in order to spur on higher levels of exchange and circulation. Amid such market uncertainty, *speculator exchangers* lose as well as gain but, being market insiders, as well as the creators of *speculative value*, they have the odds stacked in their favour. They collect rent and extract transaction tolls from producers, consumers, buyers and sellers alike. The more traders and transactions there are the more they gain. The process of creating *speculative value*, encouraging many others into a market, also increases likely investment returns as demand goes up, and reduces risk further. Once enough outside capital is drawn in, investments then become more secure (assuming *speculator exchangers* also know when to exit). Thus, *speculative value* facilitates lower-risk, higher-return investment for its creators while also spreading higher risk across the system.

Lastly, as the influences of financialization seep further into society, so more non-financial markets, objects and subjects may be linked to the generation of *speculative value*. On the one hand, surplus capital everywhere gets drawn into financial markets, as pension funds, banks and insurance companies invest the savings and debts of ordinary people into financial markets. With finance’s rise and deregulation of the sector (see Krugman, 2008, Elliott and Atkinson, 2009), so banking functions have become blurred, and more of society’s assets and debts are securitized and traded within financial networks. On the other hand, as surplus capital becomes increasingly concentrated in the hands of the few, so there is a greater search for investment beyond finance: in art, rare gems and precious metals, to ordinary housing stock, education (McGettigan, 2016) and public service provision (Bowman et al., 2015). All manner of objects and subjects are allotted market exchange values within defined market network sign systems, able to generate *speculative value*. Thus, as the ideas and mechanisms of market fundamentalism continue to dominate society, so *speculative value* becomes more prevalent and seeps out beyond market exchanges.

Conclusions and Consequences

As discussed here, *speculative value* has really become a more significant value form in the age of financialized capitalism. That is not to say it did not exist before. It has always been an inherent part of capitalism. Similarly, its rise does not negate the existence of other socio-economic (as opposed to neoclassical economic) forms of value. But, it is to state that the hierarchy of value forms has shifted and that *speculative value* has an increasingly strong influence in today’s political economy. In a time where more profits are generated from capital creation and exchange than production or consumption, speculation is a key socio-economic discursive practice. In an era where *speculator-exchangers*, rather than owner-producers, labour or consumers, hold a dominant position in today’s political economy, those who control the means of market exchange also control the means of mental speculation.

Speculative value, crudely defined, is the difference between the exchange value of an object, based on future expectations, and its current book value, according to conventional accounting

measures. Defined in terms of the thinking on value of Marx and Baudrillard, it has elements of both and neither. In Marxist terms, it is produced by the owners of capital and is essential for further capital circulation and accumulation. It aids the exploitation of labour and the confiscation of surplus labour value. At the same time, it is far removed from both commodity producers and labour. It generates vast profits with minimal reference to either. Control is fragmented, with many activities being guided by non-human technologies. In Baudrillard's terms, symbolic signs are also crucial to the generation of *speculative value*. Although *speculative value* attempts to legitimate itself with rational, metrological calculation, it is replete with symbolism and intertwined with ever-changing sign-systems. The way financial markets behave, they create third and fourth order simulacra, completely detached from their referents. Markets, most especially financial ones, increasingly create their own fictions or disembedded forms of hyperreality.

However, there is also some divergence from both thinkers. The notion of the consumer society and consumption being a driver of the economy is as redundant as that of producer-led capitalism before it. Sign value remains fundamental but, at the same time, exchange value has reasserted its dominant logic, albeit in a more detached form. Speculative exchange is now the dominant logic and *speculator-exchangers* are the main generators of *speculative value*. Primary value, in both symbolic and numerical forms, is created by the few, not by wider culture or the 'general intellect'. However, although *speculative value* is symbolic and sign-saturated, its impacts are felt in real material ways far beyond the markets that create and profit from it. Thus, *speculative value* is also a fundamental part of power relations and inequality in financialized capitalism.

Because *speculative value* is an essential element of financialization, it is also fundamentally implicated in a number of present-day trends associated with a finance-dominated political economy. These include: the break-down of economic growth models built on production and/or consumption; the increasing marketization of objects and subjects; the facilitation of ever-rising debts reaching far into the future; the means for achieving the transfer of capital from the many up to the few; a driving force of inequality, both in the present and between generations; growing instability in markets themselves; and, ultimately, a cause of the break-down of capitalist democracy itself (Streeck, 2014).

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