

**Narrative and Finance:**  
**Cultural Logic of Financialisation and Financial Crisis**  
—Focusing on the Korean Financial Crisis

Wan Gi Lee

The bank-the monster has to have profits all the time. It can't wait. It'll die.

When the monster stops growing, it dies. It can't stay one size.

John Steinbeck, *The Grapes of Wrath*

In a word, money—the circulation of money—is *the means for rendering the debt infinite*.

The infinite creditor and infinite credit have replaced the blocks of mobile and finite debts. There is always a monotheism on the horizon of despotism: the debt becomes *a debt of existence*, a debt of the existence of the subject themselves. A time will come when the

creditor has not yet lent while the debtor never quits repaying,  
for repaying is a duty but lending is an option.

Gilles Deleuze and Félix Guattari, *Anti-Oedipus*

Economics is the method but the object is to change the soul.

Margaret Thatcher

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## Chapter 1: Introduction

### Narrative, Value and Finance

Politics, economy, and culture converge on the field of value. While politics modulates and organises its objects into an (in)visible relation of value-hierarchy imbued with power, economy decodes, encodes, and realigns its objects into an exchange relation through which the actual composition and subjectivity of objects is transformed and recomposed for the valorisation of the dominant value system. Culture is a set of symbolic representations of value, and its practices can be seen as a system of signification, in that the cultural acquires its meaning by being objectified in the field of signification around the valuable. Culture is thus “the cluster of practices and values that give a social group its sense of inclusion and exclusion,” while politics and economy perform in different ways (Coupland et al., 2005: 71). With the mobilisation and constitution of value signification, cultural value becomes entangled with economic value; this is because the capital-valorisation process ceaselessly intervenes in the process of signification of symbolic value. It works towards the expansion of the attention economy and its internalisation (Beller, 2006). Cultural construction of value is an inevitable process in the expansion and legitimisation of economic value.

Value, then, is the crucial locus where politics, economy, and culture converge. Exploring the possibilities of a cultural theory of narrative, this thesis focuses with urgency upon the question of value and the actual process of value-formation that are related to operativity and the performativity of narrative. This thesis examines narrative as the cognitive operation constitutive of financial politics for value transference, which occurs in the discourse of financial crisis. It revisits the value theories of Simmel and Marx in order to articulate an economic theory of value as a cultural politics of *narrative* and, following Ricoeur and Genette, as a *mechanism of value transference*. This will be correlated with the financial doctrine of entanglement and contagion. Through narrative, in which utterances and statements perform as a collective operativity of information, a value is, as this thesis contends, represented and transferred in order to inform and motivate actors. Narrative structure, from which the nexuses of intentionalities of the financial system are formulated

and represented, is then proposed as a meta-frame of cultural valorisation of the economic. It valorises economic value for the (re)production of the dominant financial value, without which any unprecedented representation of methodology, such as a 'shock doctrine,' or economic 'prescription' for the event or crisis cannot be extrapolated and legitimised.

This thesis in this sense proposes that, on the stage of financial capital, a systematic interpretation of a specific instance takes the form of a narrative, to which actors resort for their performance, constructing a notion of the sensible out of uncertainty. This notion is actualised and realised as the dominant value. This is a crucial aspect of cultural production under financial capitalism, valorising the uncertainty of financial flows by producing a signifying chain of value through the narrative process. As Spivak aptly proposes, to answer the "onto-phenomenological question" of value, value-production in the economic sphere should be necessarily articulated into "an adequate analogy to the psychoanalytic narrative" (Spivak, 1985: 82). This can illuminate how economic value acquires meaning in the individual mind as well as in social relations that stretch beyond the economic. If "the question of value necessarily receives a textualized answer," as Spivak claims, the critical question of how such a textualised response is actually formulated and articulated in the formation of economic value needs to be explained.

With the theoretical concerns, this thesis more specifically proposes a cultural logic of financialisation in terms of re-presentation of information and re-configuration of temporality—both of which are guided and regulated by narrative operation in finance. This narrative functions, following Bourdieu, as "the sign of wealth" in our times (Bourdieu, 1992: 66). It is time for cultural theorists and activists to approach finance as a set of epistemic cultural processes beyond the economic, which modulates epistemological and ontological contexts, affecting actors' cognition and actions in value-production and realisation. Financialisation is supported and maintained by narrative intervention in its task of valorising the onto-phenomenological level of the economic. From this perspective, financialisation is then suggested as a disinformation campaign, through which the imposing risks of the financial mechanism are effectively contained, concealing its damaging effects and thus valorising the financial mechanism. It implements an intensification of the transactional orientation as the legitimate mode of value production and circulation. Sustaining and amplifying the transactional orientation of investment banking among actors in financial markets, the financial system masks any detrimental aspects through its operativity and its performance of narrative. It works towards the construction of a new

financial reality, stimulating belief and guiding action—without which financial integrity, credit relations, and transactional orientation could not be sustained.

This thesis in this regard approaches finance through narrative, explicating that finance and narrative are both seen as *systems of value and representation* that perform uncertainty. They function as a frame of value-transference and a device of representation of events and relations in guiding and realising the dominant value. Here we suggest some keywords for analysing the financial system through narrative operations: uncertainty, value, representation, and temporality. The following chapters will elaborate each keyword to reveal the workings of the financial system as a cultural operation beyond the economic sphere.

### The Location of Narrative

To contend that narrative is a culturally-organising principle within financial operation is to suggest that it can be extended beyond its usual literary terms. As such, it is important to define narrative, locating its implications in narrative theory. Human beings have told stories from the beginning. Humans are storytellers. Stories have been a fundamental way of describing events and relations, and of understanding the world. “Humans in all cultures,” one theorist points out, “come to cast their identity in some sort of narrative form. We are inveterate storytellers” (Flanagan, 1994: 198). Narrative however needs to be differentiated from both plot and story. Broadly speaking, narrative is a representational mode of storytelling, while plot is more directly deployed as the logic of causation of stories. A story is a recounted event in (written or verbal) text.

Narrative selects or deselects plots in order to foreground a certain type of representation, which works as a governing body over stories as a whole. “Story,” according to Cobley, “consists of all the events which are to be depicted,” while “plot is the chain of causation which dictates that these events are somehow linked and that they are therefore to be depicted in relation to each other.” “Narrative,” then “is the showing or the telling of these events and the mode selected for that to take place” (Cobley, 2013:5). In our analysis, narrative is the *mode of thematic re-presentation of the events* through which the intention of the narrator is comprehended and transferred, guiding necessity of change in realising the main value. The thematic representation of the event guiding necessity and value is an important function of narrative and will be further elaborated in Chapter 2.

In our frame of analysis, narrative is also differentiated from discourse. Discourse, as Foucault points out, is a mode of power. In discourse, socio-cultural media—for instance, language, image, institutions, or law—operate as “the procedure of intervention that may be applied to [discourse] statements” in identifying and exercising a set of relationships within the coordinates of power (Foucault, 1972: 58). Whilst discourse, in this respect, can be grasped as a broad epistemological entity that constitutes “a system of conceptual formation” imbued with power (Foucault, 1972: 60), the salient feature of narrative can be found in its *form* combined with its valorising orientation, valorisation of temporality and action. Narrative is not a randomly disseminated rhetoric or discourse, but rather is presented as a form in which temporal reconfiguration and sequences of action are designed to represent the main event, which then becomes a source of cognition and action for contextual control; a certain sequence of events is thereby thematised and anticipated through the interpretation of the event in question, and in search of the main value, where there are clear intentions by the main financial narrator. In the following, particularly in Chapters 5 and 6, we will elucidate this narrative financial operation in terms of its formalistic attributes, which set narrative apart from discourse.

Most definitions of narrative emphasise its relation to representation and events in temporal (dis)continuity: narrative as a representation of a certain sequence of events. Prince, for instance, argues that “narrative is the representation of at least two real or fictive events in a time sequence, neither of which presupposes or entails the other” (Prince, 1982: 4). For Onega and Landa, “narrative is a semiotic representation of a series of events” (Onega and Landa, 1996: 6). “One will,” Genette adds, “define narrative without difficulty as the representation of an event or sequence of events” (Genette 1982: 127). Christian Metz also focuses on the temporal dimension of narrative, defining narrative as a “temporal sequence” (Metz, 2000: 87). However it is not a simple sequence but a “doubly temporal sequence,” arising from the fissure between “the time of things told” and “the time of the telling.” As he argues, for instance, “three years of the hero’s life summed up in two sentences of a novel or in a few shots of a ‘frequentative’ montage in film, etc” (Metz, 2000: 87). This duality of temporality in narrative is what distinguishes narrative from description and image.

These definitions, however, focus on the signifier, and the functional and structural dimension of narrative, limiting the possibilities of exploration of the signified (meaning contents) in narrative that conditions and drives the narrative structure. The definitions remain functional and structural. They are restricted to answering questions about driving

motivations, impulses, and the desires inherent in narrative reconstruction. Narrative theories from Russian formalism and French structuralism strive to find a universal pattern that rules elements of texts, and which can in turn be applied to more diverse texts. In pursuing a governing rule of text, they tend to “isolate the necessary and optional components of textual types and to characterize the modes of their articulation” (Prince, 524). In this structuralist vein, narrative theories bracket the semantic context of meaning that is inexorably interrelated with the narrative structure.

The narrative analyses of Genette and Ricoeur, however, open a new horizon. Their approaches to narrative, as this thesis will examine, overcome the tendency of functional investigations of narrative structure, thereby providing a scope for wider socio-political and cultural articulations of narrative. Unlike other narratologists, Genette claims that any narrative analysis must pay careful attention to the problems of narrative enunciating, because they reveal how the event and the action are interwoven and produced in the making of a narrative discourse—as “the study of relationships” in reality as well as in text.

[A]nalysis of narrative discourse [...] constantly implies *a study of relationships*: on the one hand the relationship between a discourse and the events that it recounts, on the other hand, the relationship between the same discourse and the act that produces it, actually or figuratively. (Genette, 1980: 26–27, emphasis added)

Underscoring narrative as “the system of relationship,” Genette assumes a “narrative totality,” in which actions and situations are related in temporal succession. For Genette, the event of narrative is not just the event ‘recounted’ as something static, but as an *event that is active*, and which interconnects with the act of ‘recounting’ itself. The active event of recounting is the *becoming event*, and this is in a constant relationship with narrative enunciating. Therefore, “it is just as evident that the narrative discourse depends absolutely on that action of telling, since the narrative discourse is *produced* by the action of telling in the same way that any statement is the product of an act of enunciating” (Genette, 1980: 26, emphasis added). Genette accentuates the existence of the narrator and the agency of the narrative. We will reinterpret narrative, following Genette, as a process of meaning-making that is associated with the intention of the narrator, which is lacking in previous attempts to define narrative. In Genette’s theory, an event is embedded in a meaning-making process as well as being a functional entity through the action of enunciating. Rearticulating his theory,

this thesis will extend and correlate it with the practices of financial narration.

Ricoeur also gives us an important insight for narrative analysis. His investigations of narrative structure expand the epistemological and ontological dimensions of narrative beyond previous functional approaches. What is at stake and distinctive is his theory of the role of 'value' in narrative analysis, which I re-evaluate as the guiding force of narrative structure. He underscores that what narrative produces and transfers is, above all, *value*—which coordinates a multitude of actors and actions and then orients them. The topological syntax of narrative turns into the field of value-transference, on which colliding modalities of values are established and valorised, thereby circulating "the transference of values" in narrative (Ricoeur, 1985: 50). I will reassess Ricoeur's view of narrative to suggest that narrative is the cognitive operation constitutive of financial narrative politics, which implement value transference in the discourse of the Korean financial crisis.

Genette and Ricoeur's analyses herald a new transition in narrative theory—a critical point in which there is a shift of the object in the study of narrative. Previously, narrative approaches pursued a static and given set of rules that were thought to be a functional structure governing disparate stories and events in literary texts, as in the Russian formalists Victor Shklovsky and Vladimir Propp, and later in French structuralism. With Genette and Ricoeur's emphases on narrative discourse, relations, and dynamic modes of representation related to meaning and value, narrative theory begins to expand and encompass cultural and social realities beyond written text, thus moving towards an analysis of wider network of relations, meanings, and representation. In this regard, narrative theory is broadly articulated as the study of signifying practices such as social processes of meaning-making and communication (Hall 1997, Bourdieu 1992, Luhmann 2002), but also as a socio-linguistic approach (Labov 1994, Gubrium and Holstein 2012), including musicology, film, and the interfaces of computer software programs (Marie-Laure Ryan 1999).

## The Organisation of the Chapters

To undertake this interdisciplinary project, I will first underscore the necessity of looking at narrative in analyses of financial systems, delving into the socio-cultural implications of finance capital, seen as interlinked with instances of narrative practices in the financial age. Chapter 2 analyses the process of value-formation in finance, and shows that finance cannot

be fully explicated with economic theory as such. By proposing narrative as the dynamic mode of value representation in finance, we can elucidate the constant and collective intervention of operativity, and the performativity of financial redescriptions and representations of the event in terms of economic effectiveness—through this, the process of valorisation in finance can be more appropriately assessed. With the guiding structure of operativity and performativity, which works as a cognitive operation within the discourse of financial crisis, narrative operation constantly represents the financial master-code as ontological and epistemological conditions of conduct. Chapter 2 argues that narrative exploits uncertainty as a resource for performativity, and thus necessitates a new standard of main value, thereby regulating and activating heterogeneous actors in the markets. A financial crisis is the crucial point of narrativity in the constitution of a legitimate guiding structure, exploiting uncertainty in order to manage risk— thus producing a narrative as a frame of self-reference. The narrative identifies the new main value by effectively performing the uncertainty of a financial crisis.

In proposing narrative as a mode of epistemic operation in financial systems, it is important to substantiate how narrative works as a value system; how it can be a system of value transference and exchange, in which actors' performances are meaningfully signified following the narrator's intentions in an objectified field of narrative representation of economic value. This entails strong rewritings of ethical codes in foregrounding the moral leadership of the economic, which will be substantiated in Chapter 3. The chapter associates the question of value and the actual process of value-formation with narrative operation, revealing how economic value is signified in sequential thematic representation. As the chapter reveals narrative performativity, the ability to interpret and predicate value in accordance with narrators' intentions, is effectively supported with a frame of ethical vindication, as well as that of rational justification.

The rise of investment banking techniques—and its temporal implications and effectiveness in describing the economic model—is scrutinised in Chapter 4, through examining the process of financialisation of Korea. Time becomes historical functional temporality in narrative, conditioning the narrative process as a rhythm of value in an effective valorisation of the sequential representation of an event. In this regard, "pure [economic] convention" is the performativity of the economic, with which even false representations of reality can be described as "effective" (Callon, 2007:322). In this intervention of the economic, which produces a new convention by guiding actions and

expectations, the chapter demonstrates the effectiveness of a model in setting financial flows rather than the appropriateness of descriptions of reality. By redefining and representing the reality in which the economic is located, the economic performativity of finance re-describes the world in terms of its effectiveness. The chapter also examines the changing role of Korea and the limitations in the contemporary neoliberal context of the post-2008 credit crunch crisis. It will then give an insight into how Korea has been transformed since the neoliberal financial restructuring, and how the change affects the country after the crisis in 2008.

Chapters 5 and 6 substantiate systematic and collective narrative operations by the main financial narrators such as the IMF, the World Bank, other investment banks, the US government, and the Korean government, focusing on instances of narrative representation and narrative temporality respectively. Chapter 5 undertakes a linguistic analysis of concrete strategies of narrative interventions and representations, and this is further examined in Chapter 6 under the notion of narrative economy and the subsumption mechanism.

The analysis in Chapter 7, on the characters that mediate and transform social relationships within monetary capital, is further considered in the concluding Chapter 8, through looking at the cultural problem of distance in the making of new economic subjects. Here I look at subsumption by turning to the international debt policy of the Brady Plan and the Korean financial crisis. The formation of economic subjectivity related to narrative objectification of the object is explicated, in order to shed light on the existential condition of the subject in financial capitalism, in the final two chapters.

### The Rise of Narrative and the Mode of Legitimation

Before we begin, it is worth reconsidering the context of the emergence of narrative in modern times. How is the tendency to recourse to narrative universally applied in science as well as in the humanities? What is the relationship between narrative, language, power and legitimacy, and between narrative and knowledge production? These are important questions associated with the rise of narrative.

Narrative, according to Lyotard, is, above all, a mode of legitimisation of the system and the “validity of knowledge.” The mode of legitimisation is qualitatively different from earlier modes, as it above all “reintroduces narrative as the validity of knowledge” (Lyotard, 1984: 31). Here “[t]he narrator must be a meta subject in the process of formulating both the

legitimacy of the discourse of the empirical sciences and that of the direct institutions of popular cultures" (Lyotard, 1984: 34). Narrative knowledge is, thus, a widely-used way of making the system function as a "heuristic driving force," in cognition, through which new protagonists are produced and made to perform. This, in turn, ushers in a *new problematic* for the actors. Even scientific knowledge is operated in the frame of narrative knowledge, with its use of discourse in legitimatising its paradigms.

Narrative knowledge is problematised for the justification and legitimisation of main value around questions such as "*Who* has the right to decide for society? *Who* is the subject whose prescriptions are norms for those they obligate?" Interestingly, Lyotard traces the root of this mode of narrative-problematisation to the "resurgence" of the bourgeois, who were in search of new heroes and of liberation as "a way of solving the problem of legitimating the new authorities" (Lyotard, 1984: 30, emphasis added). Politically speaking, this method of inquiry was a new method of extrapolating the actors, namely the bourgeois, as the collective subject of narration. In this sense, Lyotard insists, the legitimacy of the law is replaced with the procedures of narrative knowledge in modern times.

With the emergence of narrative as the procedure for legitimatisation of knowledge, two important problems arise. On the one hand, the objective field in which various colliding narrative values are in conflict, the field in which they gradually conform to the meta-frame, is extended. On the other hand, the emergence of narrative makes space for performance of the actors without any changes in the crucial relationship of ownership. The state functions as the narrator, or as the meta-subject, for instance, in the name of the collective majority: "resort[ing] to the narrative of freedom every time it assumes direct control over the training of the "people," under the name of "nation," in order to point them down the path of progress" (Lyotard, 1984: 32). The tendency to recourse to narrative is conspicuous in modern science, in that modern science is based on "the rules of game of science" as "the condition of truth," which is produced and extended discursively by the narrators (here the experts):

With modern science, two new features appear in the problematic of legitimation. To begin with, it leaves behind the metaphysical search for a first proof or transcendental authority as a response to the question: "How do you prove the proof?" or, more generally, "Who decides the conditions of truth?" It is recognized that the conditions of truth, in other words, the rules of the game of science, are immanent in that game,

that they can only be established within the bonds of a debate that is already scientific in nature, and that there is no other proof that the rules are good than the consensus extended to them by the experts. (Lyotard, 1984: 29)

It is important to note that modern institutions as well the sciences and related disciplines are grounded on the problematisation of legitimation, in which the representation of models and analytics are themselves conditioned through language of performative description and speech with, in many cases, truth claims imbued with power. In this sense, the tendency to recourse to narrative is universally applied in science as well as in the humanities, mainly because these are disciplines inseparably intertwined with performance—namely language and self-legitimacy—as the foundation of knowledge production. This in turn affects their coordinates of power. “It is,” therefore, “not inconceivable that the recourse to narrative is inevitable, at least to the extent that the language game of science desires its statements to be true that does not have the resources to legitimate their truth on its own” (Lyotard, 1984: 28). In the following chapters, I will trace how narrative is applied in the truth claims of financial narrators in valorising uncertainty, exemplifying multiple-layers of the Korean financial crisis, along with the more recent ‘credit crunch’ in Europe, which was triggered by the American subprime mortgage problem.

### The Condition of the Subject in Financial Capitalism

The inquiry into the problematisation of narrative representation is necessarily extended to the question of the formation of economic subjectivity and the subsumption mechanism in financial capitalism. This is in order to reveal how the narrative intention of the system is encoded and identified in the object. For this crucial issue, I will examine how the formation of new economic subjectivity is an activation or subjection/subjectivation of the object. The cultural operation of finance should be firmly probed, on the basis of financial economic rationales, to locate the epistemological context of finance capital and its mediating character, and to evaluate how it transforms the social relationship. It is therefore important to map out the economic necessity of capital transformation that is related to the emergence of the monetary system as such.

The role of finance capital in transforming social relations and subjectivity is critical. To initiate the inquiry, the rationale of monetary capital is traced in the final two chapters,

where I propose that of monetary capital is a form of cognition associated with symbolic influence and value transcoding functions that transform social relationships. Money becomes an autonomous entity when it is accumulated as financial capital. The banking culture—both as a legitimate regulatory activity and as a universal measure of the mobilisation of individual money for the money-capital reserve—functions, following Ernest Mandel, as a “mediating link in the process of cognition” (Mandel, 1981: 29). It will be suggested that this gives legitimate access to the system, beyond economic procedures, and that it reshapes individual and social relationships. This theoretical approach is crucial for scrutinising how the mode of production becomes *social cognition*, in which an economic process occupies the position of a *socially symbolic episteme*. This regulates cognition and subsequent action in the actualisation and realisation of the dominant value. It is implemented through the mediation and transformation of social relations, opening thereby a narrative operation that works more effectively for the cultural representation of value.

Envisaging that the bank as mediator becomes a universal measurer, I further suggest that, with the accumulation of capital, the bank also metamorphoses itself into the value-transcending agent, or the self-valorising source—and against it other values are *measured and interpreted*. Financial capital becomes a *store of value*, reconstituting itself beyond the economic as a frame of meaningful action and cognition, for the (re)production of main value. Accumulated capital, in this sense, becomes a self-regulatory entity for the dominant value, for its activation is the qualification of the system of surplus value. The abstraction of money capital in the bank thus represents the transformed social relationship: on the one hand, the centralisation of money capital, of the lenders; and on the other hand, the centralisation of the borrowers (Marx, 1981: 528). In being accumulated, the double function of capital is fulfilled, and the progressive accumulation expands “spheres of interest” for both lender and borrower. The expansion, as Rosa Luxemburg argues, becomes the condition for further political as well as economic expansion of bank capital (Luxemburg, 2003: 424). These theoretical concerns necessarily lead to a reconsideration of the emergence and establishment of finance capital.

Under financial capitalism, money functions as a store of value that is advanced in the trust and credit system—through which financial capitalism establishes a regime of financial exchange. What is at stake in the refined mode of the monetary system is the monetary form as the product of the active transformation of money capital: *the form even presupposes and subsumes the latency of value* that bears potential surplus value. It is an essential attribute of

financial capital that it appropriates the latency of a certain value in order to subsume the value of the object into the dominant regime of value. As one cultural theorist puts it, “in speculative enterprises, profit must be imagined before it can be extracted” (Tsing, 2004: 84). The value of the object, even if it is assumed to have no value at the time of evaluation, can and should be “imagined” if it has any potential latent value in the regime of exchange.

With the effective engagement of interpretive politics over the object as it travels through fluid financial channels, meaningful action is realised in the production of value. There have been few attempts to probe how the latency of value is actually “imagined” in the financial system, not least in association with the cultural implementation of economic rationale. By suggesting narrative as a new angle on the cultural frame of the economy, we can correlate the necessity of systematic imagination and its collective operation, which is effectively implemented through performative utterances and speeches in narrative. The problematisation of a financial crisis is a critical point at which the latency of value is appropriated for the further valorisation of forms of value production. The monetary world of financial capitalism is, in this regard, the appropriating machine of latent value. The breadth of financial transactions associated with bank capital enhances the tendency toward dematerialisation in value production; it thus radically opens up the field of value politics, making room for world financial authorities and centres to arbitrate the local economic structure.

Through a re-reading of Simmel’s notion of distance in economic value-formation, and also by extending my analysis of the existential conditions of the object to the coordinates of the objectifying field of value, narrative, I will, finally, investigate the cultural problem of distance in the creation of economic subjectivity. I will correlate the notion of distance in narrative operation with processes of formal and real subsumption—mainly by delving into the notion of distance in the context of the cultural question of narrative field and financial operation, and by revisiting Marx’s analysis of formal and real subsumption. Modulating the object, for real subsumption at an international level, financial capital not only dominates but also allows the object direct contact with the fluctuations of the system—by producing a subjective effect for the object. It is the effect of power, as Foucault points out, that it produces a dominant reality. It does this as the condition of rationalisation, from which the recognition of power is discursively formulated. Financial capital codifies, and the condition of power produces, a new reality; at the same time, the bearers of the new reality make the actors participate in the process of recognition of power with heuristic force.

If this is the process of constituting a new reality, we see that it overlaps with the truth claims of the financial narrators in the name of financial reconstruction. Yet the more the subject is involved in the discursive process the more he actually subjects himself to power, even if he identifies himself as bearing and creating those new values. This is the point at which the object is eventually ushered in. For in order to overcome the distance, the narrator sets out for the object (identifying the radical imposition of new reality); he identifies the field of value objectification, i.e. the narrative field, as the source of cognition and action while he is in search of main value. Because the process of subjection (subjectivation) is also a process of creating the economic subject, it motivates the object to voluntarily perform, thus generating the subject effect. However, the performativity of the object is always *restricted*. As the concluding chapter asserts, it is this restrictedness itself that is the condition of subjectivity for the object to activate. With regard to the financial subject and its restrictedness, I will examine the Brady Plan and its conditionalities in the concluding chapter.

## Chapter 2

### Financial Crisis, Self-Referentiality and Narrative: Performing Uncertainty in Finance

#### Narrative, Finance and System of Self-Reference

In 2007 a series of collapses of US subprime mortgage companies triggered financial turmoil in America, and later the ongoing Eurozone crisis. The events were analogous to the roots of the Korean financial crisis in 1997. The initial symptoms of the 'credit crunch' in 2007 proliferated globally through the financial sector. Ben Bernanke, Chairman of the US Federal Reserve, commented that "the credit losses associated with subprime have come to light and they are fairly significant. [...] Some estimates are in the order of between \$50 billion and \$100 billion of losses."<sup>1</sup> In a recent report, the International Monetary Fund estimated that the total losses "may rise to some \$1.4 trillion."<sup>2</sup> The prime financial and banking institutions, such as Lehman Brothers, that had lent a substantial amount of money to subprime mortgage lenders, were subsequently bankrupted. The credit crunch revealed how different elements of the financial capital sector are unfathomably entangled. When the Federal Reserve rescued the investment bank Bear Stearns with \$30 billion of public money, Bear Stearns alone was found to have been counter-party to some \$10 trillion of over-the-counter swaps.<sup>3</sup> The state's intervention proved how urgent the problem was, and how difficult it is to deal with a firm's financial problems on this enormous scale, especially given the degree of complications and entanglement. The doctrine of contagious entanglement, once considered legitimate with regard to producing surplus value, is now construed as the Gordian knot the state has only to cut.

The financial crisis and its ongoing aftermath display three salient features: first, although the ethical status of the bankers and financiers associated with the system was once

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<sup>1</sup> BBC, "Timeline: Global Credit Crunch" (<http://news.bbc.co.uk/1/hi/business/7521250.stm>).

<sup>2</sup> IMF, "Global Financial Stability Report" (7 October, 2008).

<sup>3</sup> "Wall Street Crisis," *Economist* (19 March, 2008).

thought to be at the heart of the crisis, this dimension was disregarded in the official narrative due to the scale of the problem. Calls for the prevention of systemic crises through considerations of moral hazards and justice were, ironically, systematically contained, and thus what once seemed a deeply-rooted issue became less central.<sup>4</sup> Compared to the Korean financial crisis of 1997, which was profoundly coloured with the rhetoric of ethical flaws in the locality itself, some crucial points have eluded the narrative of the current financial crisis. In this case, a wide range of structural problems and financial entanglements effectively conceal fundamental ethical defects in the financial system. Marx's prognosis is, in this sense, still relevant as to how complicated mutual advances in the credit economy grip society and how we assess the impact they cause:

Everyone borrows with one hand and lends with the other, sometimes money, but far more frequently products. There is an incessant exchange of advances in industry, which combine and intersect each other in all directions. The development of credit is nothing more than the multiplication and growth of these mutual advances, and this is the true seat of its power. (Marx, 1981: 527-528)

As the financial system relies on perpetual chain of credit transactions that can be performed by institutions or individuals, as in the case of Bear Stearns, it systematically leads to the possibility of speculation as the vehicle of value-production and transference that is often decoupled from trade. Marx continues on this point, citing J. W. Gilbart's *The History and Principle of Banking*:

It is the object of banking to give facilities to trade, and whatever gives facilities to trade gives facilities to speculation. Trade and speculation are in some cases so nearly allied, that it is impossible to say at what precise point trade ends and speculation begins. [...] Wherever there are banks, capital is more readily obtained, and at a cheaper rate. The cheapness of capital gives facilities to speculation, just in the same way as the cheapness of beef and of beer gives facilities to gluttony and drunkenness. (Marx, 1981: 532)

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<sup>4</sup> Paola Subacchi, "Panic, Blame, and Crash Avoidance," *World Today*, Chatham House, vol. 64, no. 10, p. 5.

Easy mobilisation of money produces surplus value, allowing a virtually unlimited entanglement of fluid capital throughout the world. What should, however, be noted here is that the financial mechanism of entanglement and contagion, following Marx once again, is reached at a point of “a self-abolishing contradiction” (Marx, 1981: 569, emphasis added). This is the critical point at which the fundamental contradiction of entanglement is ironically yet legitimately sublated, and thus unprecedentedly and eventually guaranteed by the public sector.

“A self-abolishing contradiction” in a financial system is crucial for valorising the system itself, as it becomes the point of self-reference of finance capital. It is a point at which the system legitimises itself with its own observation for further expansion of the system. This thesis begins at this critical juncture, suggesting that because of its self-referentiality the financial mode of legitimatisation is qualitatively different from earlier modes of production, as it above all introduces a narrative for the necessary revalorisation of the system. According to Luhman, whose analysis of semantics and language is important in illuminating the meaning of social processes, “[t]he concept of self-reference designates the unity that an element, a process, or a system is for itself. ‘For itself’ means independent of the cut of observation by others. The concept not only defines, but also contains a significant statement, for it maintains that unity can come about only through a relational operation, that it must be produced and that it does not exist in advance as an individual, a substance, or an idea of its own operation” (Luhmann, 1996: 33). As the self-referential system is based on a relational operation with its own self-organising logic of unity, it also functions as the closure of the system that provides “broadening possible environmental contacts” *within* the closure (Luhmann, 1996: 37).<sup>5</sup>

In this regard, this chapter proposes that the necessity of negating (or guaranteeing) the fundamental contradiction, or “the self-abolishing contradiction,” bolstered by the sheer size of the entanglement and contagion, is authenticated and initiated by a preliminary cultural operation of a discursive approach to the crisis. The discourse is not a randomly disseminated rhetoric, but is presented as a narrative in which temporal reconfiguration and sequences of action are carefully guided to represent the main event as a source of cognition and action for contextual control; a certain sequence of events is thereby thematised and anticipated through the interpretation of the event in question, with clear intentions by the

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<sup>5</sup> “[I]n the self-referential mode of operation, closure is a form of broadening possible environmental contacts; closure increases, by constituting elements more capable of being determined, the complexity of the environment that is possible for the system” (Luhmann, 1996: 37).

main financial narrator. Narrative opens a performative field of objectification in which the power relationship between the main narrator and the object, the narratee, is established and coordinated. The narrative emphasis in a collapse, for instance, one that is yet to come, grounds the operativity and performativity through which actors are informed and motivated, while implementing and legitimising the necessary official description.

When the American government decided to take the unprecedented measure of buying the shares of troubled commercial banks with tax payers' money on 14 October, 2008, Henry Paulson, the US Treasury Secretary, delivered a crucial statement entitled "On Actions to Protect the US Economy," in which critical necessity was introduced in a hermeneutic move that would lead to unprecedented therapy, while underpinning a sequence of events by accentuating the failure that implementing the legitimate measure might cause:

Today I am announcing that the Treasury will purchase equity stakes in a wide array of banks and thrifts. Government owning a stake in any private U.S. company is objectionable to most Americans—me included. Yet the alternative of leaving businesses and consumers without access to financing is totally unacceptable. When financing isn't available, consumers and businesses shrink their spending, which leads to businesses cutting jobs and even closing up shops. To avoid that outcome, we must restore confidence in our financial system. The first step in that effort is a plan to make capital available on attractive terms to a broad array of banks and thrifts, so they can provide credit to our economy. From the \$700 billion financial rescue package, Treasury will make \$250 billion in capital available to U.S. financial institutions in the form of preferred stock.<sup>6</sup>

Firmly within the self-observing frame of finance, the drastic measure turns into a critical point, performing the uncertainty of the financial crisis and implementing thematisation and rehistoricisation of finance. Hence *finance becomes self-referential as well as ubiquitous in structure, subsuming the public sector and individual actors*, in that all taxpayers as well as the government are eventually interpellated as the performers of the financial crisis. Here is a total redefinition of the relationship between the narrator and the narratee. This is despite the fact that, as Paulson adds in the same statement, these "actions are not what we

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<sup>6</sup> "Statements by Paulson, Bernanke, Bair," *Wall Street Journal* (14th October, 2008).

[Americans] ever wanted to do,” but “the actions are,” he insists, “what we must do to restore confidence to our financial system.” The financial crisis redefines the relationship between the narrator and the narratee, and thus conditions the relationship as a teleology of the system, full of purposeful actions to be taken. Here we witness the contradictions of a system caused by entanglement, which have effectively been negated and, in Marxian terms, are therefore self-abolished by the containment of other possibilities. The complexity of the system turns on its contradictions, or uncertainties, as the foundation of performativity for a new valorisation.

With these theoretical concerns in mind, it is important to remember that narrative does not take an auxiliary role in finance. Financial narrative is not just a secondary device of domination, but is the primary mode of activation as the source of *cognitive and political operation*. Above all it aims to make a new social relationship between the subject and the object by realigning the power of the system to support modalities of action and cognition for actors; it works towards an unprecedented economic prescription through extrapolative financial measures through extension and regeneration of the system. The formation of the subject in this process relies to some degree on use of the collective pronoun, *we*, in the narrative account—a key technique of subjection (subjectivation), since the formation of a collective subject produces *narrative inter-subjectivity* between the narrator and the narratee. Making “we” the “transcendental subject,” as in Henry Paulson’s performative utterances, is one of the essential imperatives of narrative operation in the constitution of the subject group for context regulation. This politics of grouping, which is evident in narrative economy, is, however, also a politics of exclusion. It marks a containment of other subjectivities of second- and third-person pronouns, and, thus, differentiates the performing subject group from the non-performing group outside of the narrative context. This politics of exclusion does not just exclude the second- and third-person pronoun groups, it also leaves out individual social positions, ushering the distinctive plural into the collective narrative subject *we*.

As narrators of the dominant narrative persist, no alternatives can intervene in the conundrum of financial entanglement, mainly due to its size and complexity; it is, therefore, only the mechanism itself that can sublimate the previous mode of production and reconfigure the mode with its own rationale. As such, the financial system itself, as Marx succinctly grasps, becomes the mechanism of “the abolition of the capitalist mode of production within the capitalist mode of production itself, and hence a self-abolishing contradiction, which

presents itself *prima facie* as a mere point of transition to a new form of production. It presents itself as such a contradiction even in appearance. It gives rise to monopoly in certain spheres and hence provokes state intervention” (Marx, 1981: 569). A series of state interventions in the financial sector at the moment of the crisis should, hence, be seen as the expansion of financial capital’s inner logic, abolishing its previous contradictions and framing a new mode of production in terms of the rationale of financial capital. This mode effectively contains political considerations formed from a socio-political viewpoint. For finance capital, involving governments, public institutions, and subsequently individual actors is necessary for abolishing its contradictions, and for spreading the risk to the public sector, and eventually for economic self-valorisation—by containing the socio-political. Marx’s dense analysis of the self-contradictory mechanism of financial capital is illuminating when he suggests that:

[t]he *true barrier* to capitalist production is *capital itself*. It is that capital and its self-valorization appear as the starting and finishing point, as the motive and purpose of production; production is production only for *capital*, and not the reverse, i.e. the means of production are not simply means for a steadily expanding pattern of life for the *society* of the producers. The barriers within which the maintenance and valorization of the capital-value has necessarily to move—and this in turn depends on the dispossession and impoverishment of the great mass of the producers—therefore come constantly into contradiction with the methods of production that capital must apply to its purpose and which set its course towards an unlimited expansion of production, to production as an end itself, to an unrestricted development of the social productive powers of labour. The means—the unrestricted development of the forces of social production—comes into persistent conflict with the restricted end, the valorization of the existing capital. If the capitalist mode of production is therefore a historical means for developing the material powers of production and for creating a corresponding world market, it is at the same time the constant contradiction between this historical task and the social relations of production corresponding to it. (Marx, 1981: 358-359, emphasis in original)

Unlike the general views that underscore the narrative emphasis of possible catastrophe and mayhem, the systematic contradiction of the financial mode of production leverages the

process of expansion by self-valorising the contradictions: they become the point of transition to a new mode of production. The contradictions also function as the ground of narrative initiation for systematic necessities, with “strong rewriting” by the main financial narrators in critical support of the transition. Faced with constant contradictions, official narration of the crisis becomes “interpretation proper,” and presupposes a “mechanism of mystification or repression” to “project various notions of the unity and the coherence of consciousness” (Jameson, 2002: 45). Thus we see further valorisation of the system through the interpretation.

Defining and representing the crisis through narrative politics, supported by the mechanism of self-valorisation of financial capital, and corresponding to the constant contradictions, should be seen as the actual implementation of articulation practices of finance. Here, “a number of distinct elements interact, in a moment of temporary unity” for further stabilisation of the system (Evans and Hall, 1999: 5). For financial narrators the “temporary unity” that comes from the uncertainty represented in the textuality of narrative is an inevitable necessary condition for encoding the signifying chain, in search of capitalistically reconfigured temporality, and eventually for a stable performance as the rhythm of a new life. This is because the temporary unity of the performative frame, with a newly configured time scheme, brings valorised stable actions out of the uncertainty and gives a legitimate view of the economic. Thus it epistemologically conceptualises the importance of legitimate prescription as a guiding force for action and a new valorisation, as in Paulson’s performative statements, which lay the ground for serialised actions as a road map out of the crisis.

With narrative operation, and by engaging with uncertainty, finance continuously rewrites history. Financial crises are therefore the focal point of intervention for financial capitalism, where it can extrapolate its narrative paradigm as the master code for rewriting history. Financial narrative is the proto-narrative of our times. As narrative apparatus, finance capital undertakes a cultural valorisation of the economic through narrative operation. Narrative functions as a cultural valorisation of the economic, with its symbolic yet practical mechanisms of representation towards the notion of the value and the valuable. Narrative, as an objectifying field of valorisation, foregrounds the financial narrators’ intention, with which heterogeneous elements are interpreted and evaluated. As a process and result of itself, a set of expectations and anticipations towards a new value is eventually formed as a meta-frame of value-production and transference in the narrative process.

Revealing the necessity of articulating a cultural frame of narrative as a guiding structure of operativity and performativity in financial reality, two important aspects of financial narrative operation—reconfiguration of narrative temporality and representation of information—will be analysed in detail. This interdisciplinary approach will contribute to illuminating the cultural operation of finance by explaining how financial narrators operate semantic recastings of markets through observation and information in reconfigured temporality and representations of information that support the dominant economic value.

In this chapter and following Chapter 3, I will first underscore the necessity of narrative in analyses of the financial system, delving into the socio-cultural implications of finance capital, interlinked with instances of narrative practices in the financial age. I want to show that the process of value-formation in finance cannot be fully explicated with economic theory as such. By proposing narrative as the dynamic mode of value representation in finance, we can elucidate the constant and collective intervention of operativity and performativity of financial re-description in terms of effectiveness, and the process of valorisation in finance can be then more appropriately assessed. With the guiding structure of operativity and performativity, which works as a cognitive operation within the discourse of financial crisis, narrative operation incessantly represents the financial master-code as ontological and epistemological conditions of conduct. Narrative opens a channel of cognition of value, and regulates the context of performance, while providing a frame of reference for actors. This chapter argues that narrative exploits uncertainty as a resource for performativity, and necessitates a new standard, thereby regulating and activating heterogeneous actors in the markets. A financial crisis is the crucial point of narrativity in the constitution of a legitimate guiding structure, exploiting uncertainty to manage risk—and thus producing a narrative as a frame of self-reference. The narrative identifies the new main value by effectively performing the uncertainty of a financial crisis. To undertake this project, I revisit the theories of narrative of Ricoeur, Genette, and Jameson, along with the economic theories of Marx, Hilferding, and Simmel, with other contemporary theorists, to articulate narrative as the epistemic operation of economic valorisation in finance. Here the notion of value associated with financial necessity passes through narrative to reconfigure the main events, and subsequent actions are operated and thematised to valorise futurity in the present.

Descriptions and representations of value-formation and valorisation are critical in economics as well as cultural theory, but have been left unanswered. As such, this thesis

responds that this is a process of performative speech, or semantic recasting, of economic value, with which financial necessity is systematically represented in narrative operation. To substantiate the inexorable part of economic value-formation through textualisation, I will exemplify narrative intervention and operation of international financial narrators, such as the International Monetary Fund, as the preliminary cognitive operations inevitable for introducing subsequent radical economic policy. Furthermore, narrative intervention is appraised as a political action that justifies and legitimises impositions of contradictory economic policies onto crisis-affected countries. Without narrative operation as a preliminary cultural cognitive operation, and political action supporting the new financial arrangement as the structure of meaning-making in production and transference of dominant value, it is unfeasible for financial narrators to *extrapolate* economic policies on a local level. This is how the necessity of radical imposition of action and anticipation materialises as the cultural performativity of the economic. In this regard, I approach narrative as cultural operation, or cultural valorisation of the economic of the financial system, in a theoretical effort to articulate the seemingly separate frames of reference of narrative and finance.

#### Narrative and Historicisation of the Master-Code in Finance

If history is the experience of necessity, or the epistemological justification of necessity, we can presuppose that the operation of guiding necessity, following Jameson, always anticipates thematisation in the form of narrative for the “object of representation or as one master code among many others” (Jameson, 1989:85).<sup>7</sup> What is important in Jameson’s argument is that necessity is a “*form* of events” beyond content—this will form a narrative category in our analysis:

Necessity is here represented in the form of the inexorable logic involved in the determinate failure of all the revolutions that have taken in human history: the ultimate Marxian presupposition—that socialist revolution can only be a total and

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<sup>7</sup> For Jameson, who proposes that narrative is a socially symbolic act through which the political (un)conscious of the text is symptomatically expressed/evaluated, and is therefore inevitable for access to text or History. Narrative is an “all-informing process” encompassing the “central function or *instance* of human mind” (Jameson, 1989: 13, emphasis in original). Moreover, “symbolic affirmation of the unity of society” through narrative process, “is understood as playing a pivotal role in the health, survival and reproduction of the social formation in question” (Jameson, 1989: 293).

worldwide process (and that this in turn presupposes the completion of the capitalist “revolution” and of the process of commodification on a global scale) – is the perspective in which the failure or the blockage, the contradictory reversal or functional inversion, of this or that local revolutionary process is grasped as “inevitable,” and as the operation of objective limits. History is therefore the experience of Necessity, and it is this alone which can forestall its thematization or reification as a mere object of representation or as one master code among many others. Necessity is not in that sense a type of content, but rather the inexorable *form* of events; it is therefore a narrative category in the enlarged sense of some properly narrative political unconscious which has been argued here, a retextualization of History which does not propose the latter as some new representation or “vision,” some new content, but as the formal effects of what Althusser, following Spinoza, calls an “absent cause.” Conceived in this sense, History is what hurts, it is what refuses desire and sets inexorable limits to individual as well as collective praxis, which its “ruses” turn into grisly and ironic reversals of their overt intention. But this History can be apprehended only through its effects, and never directly as some reified force. (Jameson, 1989:102, emphasis in original)

If History, as absent cause or the Real, can only be grasped as textualisation, we also need to ask what formal effect can enable us to access History. How can we experience necessity as “the inexorable logic” of representation for thematisation of the necessity? At this critical juncture, Jameson proposes narrative as the organising logic of (re)textualisation of History; narrative as the socially symbolic act that enables apprehension of History and its effects. However, we need to develop Jameson’s theoretical proposition further. We need to examine narrative and analyse it in detail by extending the study of narrative in the investigation of the social system. This will reveal how narrative actually functions as socially symbolic act.

Suggesting that the financial master-code is thematised through the process of textualisation in the formulation of necessity, I seek to extend Jameson’s theoretical interest in narrative to the analysis of a dominant financial narrative, that is, *narrative as value system, or narrative as the mode of cultural valorisation of the economic, with performative illocutionary forces of narrative statements and utterances*. In such a narrative operation, necessitation of a notion of value comes with two important elements: the definition of a primal event and the

collectively interpreted representation of it as the ground of performative knowledge production—through the continual and sequential extension of a main narrative, and through a temporally reconfigured narrative action and anticipation. These two narrative activities are crucial for the cultural valorisation of the economic. Without (re)historicisation of the notion of value associated with necessity through narrative reconfiguration and thematisation of the main event, any attempt at valorisation of the economic as such cannot be epistemologically foregrounded or legitimatised.

What is at stake is the process of creating a notion of value through textual coding, and the role this plays in value-production. Spivak poses a crucial question in this regard by insisting that construction of economic value should be reconsidered, in order to explain the dynamic formation of value as such, which will answer the “onto-phenomenological question” of value. This view proposes that value-production in the economic sphere should be necessarily articulated into “an adequate analogy to the psychoanalytic narrative” (Spivak, 1985: 82). If “the question of value necessarily receives a textualized answer” (Spivak, 1985: 74), to which we will return in the following chapter in more detail, narrative, I uphold, should be considered a collective and systematic answer of finance capital, in which value as a guiding force of cognition and action is necessitated, codified, and transferred into valorisation of economic value. From this point, I will examine narrative operation in the Korean financial crisis, as it symptomatically yet explicitly reveals the function of narrative operation in the creation of a primal event, one that might eventually rehistoricise financial rationale. In the financial crisis, financial narrators aggressively defined, evaluated, and represented the event for a process of unprecedented economic transformation and revalorisation. This was the extrapolation of a new economic hypothesis. The way in which the financial system extrapolates its economic program needs to be re-illuminated, showing the process in which it establishes its master code of financial narrative with polemical statements—statements full of modalities—for the implementation of the unprecedented in the name of financial restructuring. This is performed in association with the mediating function of finance capital. We will gain a clearer understanding of how finance capital practices narrative in order to extrapolate its main economic policy, with the aim of eventual subsumption of the local object in the making of new financial subjectivity.

Narrative, Uncertainty, and Problematic Certainty

The collapse of the Bretton Woods system was a response of struggling capitalism, which had suffered various international setbacks—such as the European '68 revolution, the Arab-Israeli war, the Vietnam war, and the oil crisis. These were symptoms of a crisis of accumulation that disrupted the dominant rhythm of valorisation for the stable circulation of (re)production. The capitalist answer was to take the initiative by means of radical reshaping of the Bretton Woods system, which was based on a fixed currency rate, into the new financial system with a variable exchange rate. The fixed exchange rate system balanced the needs of the economic and the socio-political. With the fixed exchange rate, each country could manage internal economic situations and guard against external shock. The “Keynesian compromise,” regulating the capitalist drive because of social democratic concerns, however, fell under attack as the signs of the crisis became more apparent. The right wing campaign was, above all, aimed at reconstructing the capitalist regime as a monetary-oriented structure. The so-called ‘Saturday night special’ in October 1979 by Paul Volcker, chairman of the US Federal Reserve Bank, heralded the radical transition, with a sudden hike in interest rates for the variable currency rate system. This impacted on the global economy, *institutionalising uncertainty in financial markets*. The financial system eventually opened up systematic ways of exploiting the uncertainty, for volatile financial flows continue to seek profit arising from the unstable gaps between currencies. In this sense, “[d]emocratization [in a financial market oriented society] is an act of subjecting all interests to competition [for seeking the profits], of institutionalizing uncertainty. The decisive step toward democracy is the devolution of power from a group of people to a set of rules” (Przeworski, 1991: 14). By imposing the new financial conditions on countries as well as individuals, the new international financial system leverages the uncertainty of the financial market as the threshold “beyond which no one can intervene to reverse the outcomes” (Przeworski, 1991: 14), by establishing and transferring the intention of the system, replacing the democratic process led by the people.

With radical adjustment based on the variable interest rate heading up economic policy, a new form of domination has taken in shape as debt control at international level. Although the American economy was also affected by the transition, the greatest victims have been undeveloped and developing countries, since they have had to follow the lenders’ policy of conditionality as a “*set of rules*” in return for the loans. The role of the IMF was enhanced as the mediator and enforcer, as a result of fluctuations in the ideologies of the US and financial capitalism. The Korean financial crisis synthetically implicates the symptoms.

We will begin by examining the new climate of financial capitalism after the collapse of the Bretton Woods system, along with the roles of the main institutions who implemented the politics of debt as a conditionality of loans, which is inseparably linked to the narrative operation of the institution. Situating the narrative operations of the IMF in the creation of narrative knowledge in the Korean financial crisis, whereby the intention of the system is represented through narrative accounts, we will demonstrate the concrete strategies of narrative as a specific mechanism of cultural—as well as economic—subsumption. An important aspect of this strategy is the valorisation of uncertainty, which opens up a channel for cognition of new value, regulates the context of performance, and reconstitutes the sense of the valuable by transferring the dominant value. By examining the important speeches and addresses of the main narrators of the institutions as collective utterances of narrative intervention into the crisis, the “explanatory effect” (Ricoeur, 1984: 164) of narrative will be substantiated. We will see that it initiates and operates narrative as a device of consent, replacing political conflicts and procedures by necessitating and supporting macroeconomic integration—eventually forming a new financial architecture. As such, narrative intervention in the financial crisis is seen as political action, which justifies the subsequent imposition of political intentions through its *explanatory effect*, transcoding economic uncertainty into problematic certainty, requisite in the design of economic structure. According to Ricoeur, “explanatory effect” is a distinctive attribute in narrative argument, for which plot functions as the logic of explanation.

The boundary between plot and argument is no easier to trace. The argument designates ‘the point of it all’ or ‘what it all adds up to,’ in short, the thesis of a narrative. Aristotle included the argument in the plot under the cloak of the plot’s probability and necessity. We might say, in any case, that it is history as different from epic, tragedy, and comedy that requires this distinction at the level of ‘explanatory effects.’ It is precisely because explanation by argument can be distinguished from explanation by emplotment that logicians invented the covering law model. (Ricoeur, 1984: 164)

History, according to Ricoeur, is also in the field of narrative operation. The historical field is constructed as a verbal model with the explanatory effect of emplotment. Therefore, against the received notion highlighting the difference between history and literary genre, history

coordinates itself in the field of implication, evaluation of value, and persuasion—by acquiring legitimacy through “ideological preferences.” In this regard, Ricoeur highlights “the historian’s implication in historical work, the consideration of values, and history’s tie to action in the world of the present.” What creates historical works is in fact the process of articulation of narrative and analysis, whether the historian recognises this or not. “Ideological preferences bring in the final analysis on social change, on its desirable scope and its desirable rhythm, concern meta history insofar as they are incorporated into the explanation of the historical field and in the construction of the verbal model by which history orders events and processes in narratives” (Ricoeur, 1984: 165). By analysing the narrative descriptions of the IMF that conditioned the Korean financial crisis, we will instantiate how financial apparatuses rehistoricise the event through narrative operation. With this substantiation “the verbal model” of financial narrators is suggested as an active political action, one which goes beyond a cognitive operation in its explanatory effect.

That narrative intervention is thus *political action*, supporting the subsequent imposition of political intentions on the economic event. Thereby it opens up the possibility of explaining the political and cultural effects of narrative. With its explanatory effect, where it details the drive to design a new economic structure, narrative actually grounds the epistemological operation that is necessary to construct a notion of value for valorising external economic shock therapy. The effect of narrative recapitulation of an instance, as Ricoeur puts it, is beyond “illustration”; in that narrative representation is the act of making a promise, a tacit or virtual social promise, where interpersonal trust and personal commitment are fused to create a new set of relationships through the explanatory framework. This produces a “cosmopolitan dimension of a public space” (Ricoeur, 1988: 259). The “promise” Ricoeur suggests can be read as narrative anticipation with which a certain set of probabilities is ushered in. This is the effect of the explanatory frame of reference, which is, as it were, narrative. Narrative is in this sense proposed as a symbolic mechanism of representation of the intention of the system, the socially symbolic act in Jameson’s parlance, through which heterogeneous elements are allocated, organised, interpreted, and evaluated. It aims to “fuse” a relationship between the narrator and the narratee, inviting participation and reciprocity into the system; eventually, a set of expectations and anticipations of a new value are formulated from the *structure of meaning-*

*making*.<sup>8</sup> Narrative thus opens a channel for cognition of value, and regulates a context of performance, while providing a frame of reference for actors of interpretation that is effectively implemented at times of uncertainty. Narrative aims to bring about “problematic certainty” (Blum, 2007: 92) through the uncertainty, by guiding purposeful actions. It works as the teleology of a system by which contingent meanings and relations of a certain event are transformed into a stable and practical reality.

According to Blum, “[t]he socio-political order is the contingent cause of the narrative structure” intensifying narrative emphasis in contextual reality. For instance, the Germanic slogan of “the one and the many” is, as he shows, the representative ideational model of narrative plot, recurring at all the historical points of necessity for integration. The dual poles of individuality and community in narrative representation have served as a principle of political-social reality, rather than causing identity problems. “The encounter of the German community with Charlemagne and the formation of an Empire based on Roman Law” is a historical case in which the function of narrative synthesis worked as a explanatory frame soliciting “personal commitment” and “interpersonal trust” for a new “social promise”:

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<sup>8</sup> Meaning-making structure is a guiding structure of selectivity, as a meaning inevitably forces the next step of selection with its signification of the meaningful or the valuable. The meaningful in value realisation therefore becomes reference. Luhmann, in this sense, grasps that “[r]eference actualizes itself as the standout point of reality” (Luhmann, 1996: 60): “With *each* and *every* meaning, incomprehensibly great complexity (world complexity) is apprehended and kept available for the operations of psychic and social systems. On the one hand, meaning thereby sees to it that these operations cannot destroy complexity, but rather are constantly regenerated through the use of meaning. Carrying out operations does not make the world shrink; only *in the world* can one learn to establish oneself as a system by selecting among possible structures. On the other hand, every meaning reformulates the compulsion to select implied in all complexity, and every specific meaning qualifies itself by suggesting specific possibilities of connection and making others improbable, difficult, remote, or (temporarily) excluded. Meaning is consequently – in form, not in content – the rendering of complexity, indeed a form of rendering that, wherever it attaches, permits access at a given point but that simultaneously identifies every such access as a selection and, if one may say so, holds it responsible” (Luhmann, 1996: 60–61, emphasis in original).

Meaning here has a double function. It selects “specific possibilities” while “making others improbable,” which end with *meaning process* as the process of reinforcement of *selective possibilities*. It is associated with intention. Because *meaning is a form of rendering the complexity* in narrowing down and locating specific possibilities, which is significant in Luhmann’s analysis, meaning is inseparably interlinked with the problem of *self-reference*. “Like the problem of complexity, the problem of self-reference reappears in the form of meaning. Every intention of meaning is self-referential insofar as it also provides for its own reactualization by including itself in its own referential structure as one among many possibilities of further experience and action” (Luhmann, 1996: 61). However it is rather unclear in Luhmann’s theory how meaning is actually produced and guided in relation to a specific formation of the meaningful. As we will examine throughout the chapters, in our scope of analysis, narrative—with teleological explanation—functions as the epistemological tool of self-explanation, in which meaning and possibility is guided and organised.

The encounter of the separate Germanic communities with Charlemagne and the formation of an Empire based on Roman Law created a more conscious awareness of the one and the many. The encounter generated the need for a synthesis between two conceptions and codes of law: the Roman and the customary law of the German communities. Charlemagne's 'personal principle' enabled the gradual integration of the two legal systems in each of the separate Germanic communities. The encounter of the idea of Empire and Roman Law with German community law (which in itself harbored a vision of the one and the many that composed a community) transmitted this ideational model in subsequent cultural thought. (Blum, 2007: 79)

The political and cultural implications of "one" are, of course, different in various contexts. Following Blum, we find that while in Austrian thought "the one" functions as a "cumulative product of the many," in contrast to the "Germans' vision of the many," it is a product of the "differentiation that grew out of the multiethnic composition of an Austrian Empire, controlled by one family, whose pragmatic control removed the kind of political-social autonomy that enabled the other Germanies to see the separateness of the many more closely." Therefore "[t]he ancient German community in its seamless shift from the one to the many among its members was more evident in Austrian political life than in the conflict-ridden distance between the one and the many of the German model" (Blum, 2007: 79). Although the signification and political application of "one" to "many" (or vice versa) has a different intensity, this dual set of representations aims to *bind different causes for an interrelated system through the linguistic use of narrative enunciation*. In this sense, German narrative is the source of a "cultural life" beyond the political campaign, given the fact that "German political-social history has been an arena of contested ideas, a constant address and redress of a population's cultural life" (Blum, 2007: 80). Suggesting that political narratives are a mechanism of justifying the cause of the "imperial throne," German authorities tried to create a cultural sense of "just authority to one protagonist, and possibly his or her adherents. The justifying idea forms an arena within which the move to be hero" (Blum, 2007: 80). What is at stake here is that such narrative accounts were produced within a necessity of "change," integrating individual actors under the community of grand narrative.

Historical examples of narrative intervention in Germany and Austria show that any

radical change in the political and economical domain is accompanied by narrative as an epistemological operation, one that justifies the necessity of change in a valorisation of uncertainty. In the contemporary financial era, the narrative operation is far stronger and more consistent, given that uncertainty as such inheres in the financial system as a whole. The inner demand for valorisation through context control is, thus, greater than ever. The IMF's fiscal and monetary policies for countries with liquidity problems are two important modes of economic intervention in local economies that have been hit by grave uncertainties, in which the particularities of the local systems undergo a radical epistemological break through a method of economic reconstitution. This functions as the point of the exchange of sacrifice, or as an actualisation of the dominant value, by taking the extrapolated prescription as a guideline for performance. However, without collective and systematic narrative interventions propping up the necessity of economic integration as a preliminary phase of valorisation, it would not be possible to prescribe and implement such a "shock therapy." Here the narrative function is a configurational act that activates the production of a narrative field, on which objective value has to be measured against dominant subjective value, by schematising the synthetic process, or the economic integration, as the intelligible presentation of circumstances. This schematism is the function of narrative intervention in the crisis. The imposition of conditionality is a specific process of de-individuation, where the particularity into the universal set of value-production and transference is transformed. Such economic policies are the means of materialisation of the narrative intention of the system, given that what they actually concretise is the necessity of constructing a *conditional continuity* of the legitimate interpretation in the making of the meta frame, or macroeconomic environment in the IMF's terms, through which the main players' concern, or "pro-cycle" policy for the international capital flows, is guided and realised. The extremely contradictory and harmful economic policies are executable, because of the narrative operation through which the urgent *necessity of integration is valorised as a device of consent*—with a series of narrative enunciations. To reveal the political and cultural effects of narrative intervention, we must first observe how the narrative process actually engages with uncertainty to create a problematic certainty. Documenting the crucial statements of the IMF as narrative enunciations can reveal the intentions of narrative intervention. This theoretical attempt will show that the Korean financial crisis functions as a point of transition from uncertainty to problematic certainty by creating a new nexus of relationships for the architects of the global financial system. First, this attempt needs to examine the

unfolding of the event and the process of interpretation of the Korean financial crisis.

### Narrative Problematisation and the Korean Financial Crisis: Representing the Allodoxia<sup>9</sup>

There have been several theoretical approaches to investigating the causes of the East Asian financial crisis of 1997. Such attempts have been dominated by orthodox economists focusing on economic factors. However, these analyses often disregard the highly entangled context of the crisis, in which a wide range of factors—from the economic to the political or the cultural—are interwoven. For instance, majority representations of the Korean financial crisis by the main financial narrators, such as the IMF and World Bank, along with the US government, emphasise internal economic elements of the local as the “root” of the crisis. They represent this as having actually invited pandemonium, even though the event was the product of multilayered issues of global as well as regional financial flows. The politics of representation of the crisis thus symptomatically show the workings of narrative politics through which dominant value is transferred, exploiting uncertainty by means of coordinated narrative intervention. Here, collective interpretations and utterances surround specific instances, and form a legitimate diagnosis to redesign temporary and contingent relations of the crisis. These are then seen to be stable and universal relations for the revalorisation of financial flows. It should be noted once again that the financial system is a mechanism of value transference backed by a principle of financial contagion, which inevitably accompanies narrative procedures in order to sustain the newly valorised flows as a meaningful operation, one that actualises the dominant value. The IMF, one of the main financial players, as the narrative agent of the financial system, articulates the plot of the core intentions of the financial architects; and it suggests that narrative intervention is the cognitive operation constitutive of narrative politics. Such narratives construct the notion of the sensible and the valuable in value-production and transference. By dissecting the narrative politics of the IMF, we see that the narrative information (from the IMF) intends a narrative juncture through which a signifying chain of dominant value is formulated. This is, for the purpose of inviting further interpretations to the field of legitimate narrative

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<sup>9</sup>‘Allodoxia’ is a notion brought to the fore by Bourdieu, following Aristotle. Allodoxia is a truth claim on the basis of mis- or false information. Bourdieu interestingly insists that allodoxia is presented as the result of the distance between practice and discourse, as the lacunae is filled with a truth claim. “[A]llo-doxia” is “made possible made possible by the distance between the order of practice and the order of discourse, the same dispositions may be recognized in very different, sometimes opposing stances” (Bourdieu, 1992: 132–133). This notion will be analysed further in Chapter 4.

knowledge surrounding the event, and is thus expanded in establishing the nexus of intentionalities in the system.

As many economists suggest, the root of the Korean financial crisis can be seen in the heavy indebtedness of Korean firms, deriving from the investment boom of the 1990s and subsequent insolvency before the crisis (Haggard and Mo, 2000: 200). These economic factors were, however, not so persuasive in explaining *the ushering process of the crisis* associated with the financial mechanism of contagion and entanglement. This saw the spread of toxic assets that *produced* regional or international *uncertainties*. Korea had relatively strong fundamentals, with high annual economic growth rates, high saving rates, budget surpluses, and low inflation throughout 1980s and 90s. Besides, unlike the crisis in Latin American countries that stemmed from the public sector's financial deficit of the early 1980s, it was the private sector that brought about temporary insolvencies before the crisis. Theorists insisting on endogenous reasons have also accentuated certain points that reveal "inherent" aspects of the "different" system, as it were, of the Asian model, which name internal defects, such as "crony capitalism" or "moral hazards." They insist on citing the "weakness in the financial sectors, poorly regulated economy, and political systems that reward corruption and cronyism" (Kang, 2006: 158). However, they do not point out the external factors, such as entanglement with the movement of international financial capital that generates extreme vulnerability to liquidity, stemming from the short-term capital movement around the region. Another line of interpretation, however, insists upon "external shock" as the kernel of the crisis. However, even when they point out the problem of the "self-fulfilling withdrawal of short-term loans," they ironically justify the rationality of financial movement:

There is no 'fundamental' reason for Asia's financial calamity except financial panic itself. Asia's need for significant financial sector reform is real, but not a sufficient cause for the panic, and not a justification for harsh macroeconomic policy adjustments. Asia's fundamentals are adequate to forestall an economic contraction: budgets are in balance or surplus, inflation is low, private saving rates are high, economies are poised for export growth. Asia is reeling not from a crisis of fundamentals, but from a *self-fulfilling withdrawal of short-term loans*, one that is fuelled by each investor's *recognition* that all other investors are withdrawing their claims. Since short-term debts exceed

foreign exchange reserves, it is '*rational*' for each investor to join in the panic.<sup>10</sup>  
(emphasis added)

This account pays more attention to international capital movement as the undermining force of the economic fundamentals of the local, articulating the financial crisis with talk of the volatile tendency of financial capital. This is seen to have triggered its own "speculations." However, what is at stake in this mode of narrative interpretation is that, though it seems to acknowledge the crisis as the product of "financial panic" regardless of the sound fundamentals of the region, it eventually legitimises herd behaviour as "rational" choice. "Since short-term debts exceed foreign exchange reserves," the rush to withdraw short-term loans is an inevitable and rational action. As such, the weakness that reward the crisis are "self-fulfilling." Despite the fact that this underscores the exogenous milieu causing the crisis, it suddenly authorises "investors' claims," and thus the short-term movement of financial capital is legitimised. This representation has two "fundamental" implications: first, by directly linking the level of private sector short-term loans with that of the public foreign reserve, it eventually asks for full public responsibility for the problems of international private financial flows<sup>11</sup>; second, by authorising irrational herd behavior, decoupled from the index of real economy as rationality, it empowers the logic of international financial flows over that of local autonomy, bringing about a theoretical necessity of transformation. This sees the local system move into the dominant financial regime, however fundamentally sound the local economy may have been. Therefore the interpretation functions as an active factor of creation and expansion of the financial system, signifying that criteria of performance exist in the modulating guiding structure. It might be that such representation is based on the main plot of financial narrative, functioning as a form of narrative extension in which a dimension of conditional continuity working against the main plot is implemented for the purpose of making a "new congruence" (Ricoeur, 1984: 'Preface' ix), in interpreting as well as organising the event. By further examining the narrative intervention of the IMF, we will witness the actual modes of narrative articulation that led to the transference of dominant value.

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<sup>10</sup> Jeffrey Sachs, "The IMF is a Power unto Itself," *Financial Times*, 12 December, 1997.

<sup>11</sup> According to a report, "[a]nnual private flows of capital to developing countries around the world are more than seven times larger than public sector flows. In 1996, more than \$250 billion in private capital flowed to emerging markets - compared to roughly \$20 billion ten years ago" (Robert Rubin, "Strengthening the Architecture of the International Financial System," Brookings Institution, 14 April, 1998).

The implementation of the IMF conditionalities has had a wide-ranging impact on Korea. The transformation process saw the active engagement of subjective value over object contingencies, accompanying forceful, far-reaching structural reforms throughout Korean society. From the IMF's extensive programs in Korea, it can be assumed that the core aim of the institution is not just to reconstruct economic bases, but, more importantly, to reshape ways of thinking and acting in a new mode of economy. We see it casting a new sense of reality with which the domination of the financial capital relationship is achieved through the effective containment of massive resistance. The narrative procedure, with its collective utterances, was thus a very important strategy for facilitating the financial agency's laying a path for market fundamentalism. This was implemented by *encoding* the ways in which the object *recognises* its location in the regime of financial capital, thus leading the object to emphasise the economic as the initiative for reconstitution of a society. What is more problematic is that the formation of such a sense of order is achieved by inscribing the distance of the object from the subject. This establishes the monetary order as the inevitable universal value, beyond which any alternative mode of production is contained. Therefore, the monolithic establishment of financial capital becomes a way of life through which the priorities of financialisation are imposed. Stiglitz, discussing the process of imposing political intention and containing alternatives in implementing economic policy, was reminded of the experiences he had when he met "the leaders of the Asian countries" at the time of the crisis:

IMF officials there were so sure of their advice that they even asked for a change in its charter to allow it to put *more* pressure on developing countries to liberalize their capital markets. Meanwhile, the leaders of the Asian countries, and especially the finance ministers I met with, were terrified. They viewed the hot money that came with liberalized capital markets as the source of their problems. They knew that major trouble was ahead: a crisis would wreak havoc on their economies and their societies, and they feared that IMF policies would prevent them from taking the actions that they thought might stave off the crisis, at the same time that the policies they would insist upon should a crisis occur would worsen the impacts on their economy. They felt, however, powerless to resist. They even knew what could and should be done to prevent a crisis and minimize the damage—but knew that the IMF would condemn them if they undertook those actions and they feared the resulting withdrawal of

international capital. (Stiglitz, 2002: 93, emphasis in original)

The situation reveals the mechanisms by which the institution can engineer “a crisis” for the purpose of subsuming the local into the dominant value relation of financial capitalism. Unlike many Western commentators who criticize mishandlings of the financial crisis by the IMF, IMF officials knew exactly what the ministries “feared” in establishing the new order—even if the “others” had their own programs to protect their economies. “The absolute power” of the IMF over developing countries stems, thus, from its ability to create an official climate in terms of a pro-cycle policy regarding national autonomy, which is decisive for the flow of international capital. This flow is highly speculative “hot money”: a form of short-term investment rather than long-term investment supporting the local economy.

It is worth noting that among the countries affected by the crisis, only Malaysia could “resist” by refuting the official prescription with which the IMF tried to guarantee even the speculative movement of financial capital in the name of financial liberalisation. “In the end, only Malaysia was brave enough to risk the wrath of the IMF; and though Prime Minister Mahathir’s policies—trying to keep interest rates low, trying to put brakes on the rapid flow of speculative money out of the country—were attacked from all quarters, Malaysia’s downturn was shorter and shallower than that of any of the other countries,” (Stiglitz, 2002: 93). Stiglitz discusses the contrasting responses of the two countries, South Korea and Malaysia as they faced the crisis. He suggests a number of reasons why the former was so vulnerable to the “formation” of the crisis and, thus, had to bear the full impact of extrapolation of the economic prescription, while the latter overcame the crisis effectively with its independent policy. Like the analysis of Ha-Joon Chang, who insists that financial liberalisation of the country from the early 1990s invited the crisis,<sup>12</sup> Stiglitz points out that the root of the Korean financial crisis originated in forced exposure to the financial market. “Whereas in the early days of its [Korea’s] transformation it had tightly controlled its financial market, under pressure from the United States it had reluctantly allowed its firms

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<sup>12</sup> Ha-Joon Chang asserts that the Korean financial crisis was the product of the drive for financial liberalisation and economic deregulation under the Kim Young-Sam administration in the early 1990s. (Ha-Joon Chang, “Korean crisis caused by financial liberalization and economic deregulation.”<http://www.twinside.org.sg/title/joon-cn.htm>). In line with Chang’s analysis, Stiglitz also points out that, rather than a lack of financial liberalization, as repeatedly suggested by the IMF, “*Capital account liberalization was the single most important factor leading to the crisis*” in East Asia, including Korea (Stiglitz, 2002: 99, emphasis in original).

to borrow abroad. But by borrowing abroad, the firms were exposed to the vagaries of the international market" (Stiglitz, 2002: 94).

Such "vagaries" had been observed in the form of "rumors" in Korea even before the actual crisis began. "In late 1997, rumors flashed through Wall Street that Korea was in trouble. It would not be able to roll over the loans from Western banks that were coming due, and it did not have the reserves to pay them off. *Such rumors can be self-fulfilling prophecies.* I heard these rumors at the World Bank well before they made the newspapers – and I knew what they meant. Quickly, the banks which such a short time earlier were so eager to lend money to Korean firms decided not to roll over their loans. When they all decided not to roll over their loans, their prophecies came true: Korea was in trouble" (Stiglitz, 2002: 94, emphasis added). The formation and circulation of such "rumors," as Rudolf Hilferding argues, are an important feature of the financial market, and are not just based on groundless hearsay but are normally "manufactured" (Hilferding, 2006: 138) for the traffic of monetary flow. Hilferding argues that "the mood and general trend" are manufactured with "a drop of hint" (Hilferding, 2006: 138). Scattering rumors in the form of foreknowledge of an event should be considered the preliminary cognitive operation of successive economic measures. Insiders disseminate such "information" for the purpose of creating a context for operativity and performativity against uncertainty. The big investors and power apparatuses foster a trend of "provid[ing] the impetus for a fresh wave of speculation, new commitments and changes of position, and further changes in supply and demand" (Hilferding, 2006: 137). As such, "all fluctuations of business are advantageous to those who are in the know" (Hilferding 2006: 142).

As the rumors took concrete shape in creating a critical sense of crisis in Korea, the then director of the Korean financial institute, Park Young-Cheol, hurriedly met with the deputy minister of the Japanese Ministry for the Economy to ask for emergency funds to deal with the liquidities caused by short-term loan insolvency. While agreeing on the sound fundamentals of the Korean economy, the Japanese deputy minister rejected the demand resolutely, apparently because of the American policy on Korea. According to a newspaper report, "the [Japanese] deputy minister strongly claimed that Korea should go for the IMF package. And more significantly he added that *his view was in line with American government as both sides already finished discussion over the matter*"<sup>13</sup> (emphasis added). The director also asked the then managing director of the IMF, Stanley Fischer, and the Under Secretary of the

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<sup>13</sup> "An interview with Park Young-Cheol," *HankookIlbo* (Hankook daily newspaper), 5 February, 2007.

American Treasury, Lawrence Summers, for 2~3 billion dollars to solve the problem of temporary insolvency, insisting that this amount “would do” for the temporary illiquidity. However, they also refused. “They simply disagreed with my view, pressing the *thorough reform of Korean society for meeting the international criteria*,” against the premise of financial aid (emphases added).

The forceful implementation of the IMF’s policies in Korea resulted from a Washington consensus, backed by the US Treasury, for the purpose of opening the market and setting up an Anglo-American form of market fundamentalism. It also aimed at a reduction of the influence of the local government. Stiglitz describes the internal climate:

While Wall Streeters defended the principles of free markets and a limited role for government, they were not above asking help from government to push their agenda for them [...] the Treasury Department responded [the demand] with force. (Stiglitz, 2002: 102)

As the Treasury and the IMF pushed high interest rates as an orthodox fiscal policy in the region, Korea had to raise interest rates drastically—to 25% overnight, mainly to prevent financial ebb; this move eventually encouraged the opportunistic establishment of hedge-funds, which operated at the expense of the local economy. This ushered in a new, difficult phase in the crisis by shrinking the Korean economy, thus leading subsequent massive unemployment. According to a recent report, the unemployment rate soared from 2% to 7% directly after the crisis. One year later it had gone up to 12%. The proportion of discouraged workers who gave up seeking jobs reached 19%.<sup>14</sup> The Korean Confederation of Trade Unions reports that since the IMF restructuring program, temporary positions have rapidly superseded permanent ones, representing 54.8% of the job market as of 2006. Yet the average proportion of temporary positions among the OECD is 27%. The beneficiaries enjoying this sudden “restructuring” of the local were the international financial capitalists, profiteering from the deregulation of the financial market as well as from the high rate of exchange. If the fundamentals of the Korean economy were, as Krugman and other economists insist, so vulnerable, bearing structural defects that naturally caused the crisis, it is difficult to explain how the Korean economy achieved more than 10% annual economic growth in 1999—just 2 years after the crisis (10.9% and 9.3% in 1999 and 2000 respectively). This was despite the

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<sup>14</sup> *Dong-A Ilbo* (Dong-A daily newspaper), 3 June, 2007.

fact that Korea had suffered from “shock therapy” throughout 1998. The rapid rebound was not because of the IMF prescription but was due to the Korean government’s policy of using public funds for financial restructuring and maintaining the expansive drive by lowering the exchange rate.

#### Narrative Intervention by the IMF

The urgent question now is how such a contradictory prescription from an external institution could possibly be thoroughly implemented in the local economy? The necessity of managing uncertainty grounds the path to gaining legitimacy. It sees the creation of a macroeconomic environment that incorporates a local economy into a pro-cycle system for international financial flows. Narrative interventions make crucial points to transform uncertainty into problematic certainty. In January 1998, Stanley Fischer, the then Deputy Managing Director of the IMF, delivered a speech titled “The Asian Crisis: A View from the IMF” at a bankers’ association conference in the US. The address was very important, in that it was, above all, an initial intervention of the apparatus in charge of world finance. This intervention embodied the first impression as well as the identity of the event, regulating the context of performance and providing a narrative frame of reference for the actors. With the diagnosis, definition, and prescription of and around the primal event—the crisis—a field of dominant narrative regulation develops, since it is represented *within* the self-referentiality of the dominant system as the legitimate process. From this legitimate and productive actions about the event are recognised and actualised. As such, it is critical that we probe the process of making such guiding structures by evaluating the political and cultural effect of the institution’s narrative intervention, given that “[n]arrative language arises from speech and all speech is from a body which is the primary source of meaning” (Armitage, 2000: 19). This language modulates and motivates the heterogeneous aspects of a specific event.

The address highlights the “unprecedented” economic success of the Asian countries during the previous three decades, through which “they have also been a source of attractive investment economies.” However, the economies, according to Fischer, share “common underlying factors” that were the precise reason the systems “went wrong.” The three common factors are identified: first, there were problems owing to “the failure to dampen overheating pressures” in financial inflows; second, fixed rates policies worsened the situation due to “the maintenance of pegged exchange rate regimes for too long, which

encouraged external borrowing and led to excessive exposure to foreign exchange risk”; finally, it was a matter of “lax prudential rules and financial oversight, which led to a sharp deterioration in the quality of banks’ loan portfolios.” This representation of the event shows how the narrator’s intention stands in defense of international finance capital, since it intentionally encodes the effect of financial uncertainty in the local system as the cause of the crisis. The first and third factors that the address pinpoints should be considered a collateral effect of the sudden influx of speculative finance capital, since the economies’ vulnerabilities were exposed due to the sudden influx. This is especially evident when we consider the fact that, right before the crisis, in the year 1996 alone, as the address admits, “Asia attracted almost half of total capital inflows to the developing countries—nearly \$100 billion.” In this sense, it is worth reconsidering Hilferding’s incisive explanation of the logic of imperial drives in financial capital. Hilferding underscores that capital is imported or invested in local countries “at the level already attained in the most advanced countries” (Hilferding, 1981: 322–323). The sudden influx of new economic force, according to Hilferding, shakes existing social relationships in local economies, chiefly for the purpose of establishing a modulating structure in conjunction with the workings of a financial regime. The massive influx of financial capital is the contemporary version of capital export and import, disregarding the level of capitalistic development with the intention of an abrupt and radical inscription of the dominant system, in order to devalorise the autonomy of the local. In this sense, Hilferding is fully aware that “the export of capital is a condition for the rapid expansion of capitalism. In social terms, this expansion is an essential condition for the perpetuation of capitalist society as a whole, while economically it is a condition for maintaining, and at times increasing, the rate of profit. *The policy of expansion unites all strata of the propertied classes in the service of finance capital*” (Hilferding, 1981: 365, emphasis added).

The second factor underscoring the currency overvaluation, mainly because of the maintenance of fixed rate, might be true in the case of Thailand; however, other economies, such as Korea, were liberalised even before the crisis, with deregulation drives—including a flexible currency rate. Dominant financial narrative, as symptomatically witnessed in the address, represent the primal event, the crisis, as the result of “excessive borrowing” in a situation of sheer “moral hazard,” while it tacitly and overtly endorses a pattern of “excessive lending” by lenders in frantic search of short-term profits—also widely associated with the precipitation of the event. To evaluate the politics of representation, it is necessary to look into the event more closely.

With the growing confidence in the economy throughout the 1980s, the Korean government implemented an expansion policy that soon revealed weaknesses in coordinating large scale industries, while overlooking the rush of foreign borrowing activities by chaebols, the Korean conglomerates, in borrowings for investment purposes totaling \$100 billion. Seventy percent of this was in the form of short-term loans with terms of less than a year.<sup>15</sup> The amount of debt, however, as many critics agree in the light of general economic fundamentals, was not so critical as to be defined as a crisis—namely, financial aid could have overcome the temporary insolvencies. However, the Korean government could not but take “the only medicine,” and the IMF soon exercised a structural adjustment program that brought decisive changes in non-economical sectors as well as the economical sector in Korea. The prescription, or the shock therapy, of the IMF brought about fundamental changes in the country that eventually foregrounded the economic as the dominant factor over other factors. In considering the financial crisis and its aftermath, particularly in Korea, it is important to question how the prescriptions of *external* economic apparatuses like the IMF could be extensively and thoroughly implemented without wider professional considerations, despite the IMF’s previous mismanagement in developing countries. Feldstein insists that “[t]he fund [IMF] made three key mistakes,” which were “undermining the confidence of global lender, attempting unnecessary and radical changes in the basic economic structures of the debtor countries, and imposing excessively contradictory monetary and fiscal policies.”<sup>16</sup> The rhetoric of the IMF and Washington on the Korean crisis was not just auxiliary commentary but active and collective engagement as a preliminary cognitive operation, conveying political intention with an economic program, while also legitimising the economic policies in leveraging the uncertainty.

Various efforts to *define the crisis* by policy makers at the IMF, World Bank, or Washington directly before and after the crisis contributed to a narrative field that emphasised *otherness* when re-describing the local economies. This process of defining and

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<sup>15</sup> Ha-Joon Chang, “Korean crisis caused by financial liberalization and economic deregulation.” (<http://www.twinside.org.sg/title/joon-cn.htm>)

<sup>16</sup> Martin Feldstein, “What the IMF Should Do?” *Wall Street Journal* (6 October, 1998). Feldstein, unlike the IMF, suggests the necessity of a “collateralized credit facility” that “lends foreign exchange to governments that are illiquid but internationally solvent—that is, capable of repaying foreign debts through future export surpluses.” Although Asia’s “crisis countries” have to “bear responsibility for causing their own problems,” the problems “could have been solved less painfully” in that “these economies are fundamentally sound, with remarkable long-term growth of both gross domestic product and exports.” Therefore, according to his analysis, the problem itself should be defined as “temporary illiquidity” rather than as a “crisis.”

evaluating others through narrative intervention and representation at a time of uncertainty is conspicuous of financial capitalism, for it is grounded on a *system of credit circulating stories* that evaluate of virtually every factor of the local. It also valorises financial flows and tries to secure economic stability and lenders' credit. The Korean case was symptomatic of the way in which international capital plays a role in forecasting and creating a crisis, and of how narrative discourse, encompassing prescriptions for the country, also plays a crucial role in redefining the locality against universal economic value, while guaranteeing the free flows of international financial capital to the region. The local was seen as an object to be transformed and reincorporated into the new mode of financial regulation, in which financial institutions such as the IMF function as legitimate mediators. Under financial capitalism, the diagnosis and prescription of a crisis on a local level entail a process of reevaluation and reconfiguration of the locality. And this laid the path for the domination of the economic.

"Economic activity," as Georg Simmel argues, "establishes distances and overcomes them" (Simmel, 1990: 75). This "distancing" process is "the objectification of subjective values" (Simmel, 1990: 65). It works through an insinuation of differences in the local, while "overcoming the distances" completes the process whereby economic value becomes a symbolic order into which the locality is subsumed. A remark on the countries the IMF should aid, made right after the crisis by the IMF's managing director, Michael Camdessus, is another example of how narrative intervention grounds "the economic activity" by defining objectivity against subjectivity and suggesting policing of performing criteria for the purpose of "overcoming the distance":

The IMF head warned that if the improvement in the economic situation deprived the Fund of the "absolute power" it had exercised through financial help, he still reserved the right to show the "yellow card" with market warnings. We will show it whenever needed. Showing the yellow card is essentially just that. The signals we give to a country, those are the signals we give to the market. And countries know very well that the recovery in their credit standing is fragile and they cannot allow open warfare with the IMF.<sup>17</sup>

The institution referees the entire system to maintain the dominant value. The judgment

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<sup>17</sup> Michael Camdessus, "IMF ready to flash the yellow card on Asian reform," AFP, 19 May, 1999.

activity of “showing the yellow card” is thus “essential whenever it is needed” as the official warning of the mediator. It is natural for the universal hegemonic force to implement “a set of forceful, far-reaching structural reforms”<sup>18</sup> onto any country that actually needs an appropriate amount of financial aid. This utterance shows that the political intention of maintaining and establishing an international financial system carries more weight than applying lending to the local, by inscribing the existence of the mediator in the dominant value that bestows subjectivity on the object. As such, it is no wonder the managing director states that “the Asian crisis was really a *blessing in disguise* because it gave the IMF the leverage to force structural policy changes that the national governments would not otherwise adopt”<sup>19</sup> (emphasis added). In response to criticisms of the IMF that indicated that “the Fund is applying traditional austerity remedies; [...]it is intervening excessively in borrowers’ economies, thereby making countries increasingly reluctant to request financial assistance from the Fund; and [...] its activities bail out unwise lenders and lay the seeds for future excesses of private sector lending,” Stanley Fischer once again defends the IMF by emphasising that its role is not just to provide economic aid but to guide policy changes. In this sense, as the institution succeeded in intervening in the process of policy making in the crisis economies, its advice is, as the IMF aims, “appropriate” for structuring the “macroeconomic” dimension.

I will argue that the Fund’s *macroeconomic* advice in Asia is *appropriate* to the circumstances of individual countries; that the structural changes in these economies supported by IMF programs are necessary for the sustainable return of growth; that IMF lending should be conditional on *changes in policy* and not too easily available [...] <sup>20</sup> (emphasis added)

This statement clearly reveals that the role of the institution is not simply to contribute ideas of microeconomic appropriateness that would be of help to local economies, but to *construct the macroeconomic environment*. As Fischer underscores in another address, this points to the general “architecture of the international financial system,”<sup>21</sup> against which local economies

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<sup>18</sup> Michael Camdessus, “The IMF and its programs in Asia,” 6 February, 1998.

<sup>19</sup> Martin Feldstein, “What the IMF Should Do?” *Wall Street Journal*, 6 October, 1998.

<sup>20</sup> Stanley Fischer, “The IMF and the Asian Crisis,” 20 March, 1998.

<sup>21</sup> Stanley Fischer, “Crisis Prevention and Crisis Management: the Role of the IMF,” Deutsche bank conference on emerging market, 3 October, 1998. According to the address, recent financial crises give

are forced to change their economic policies. Therefore the collective narrative utterances of the highest officials of the institution initiate the creation of a meta-frame of dominant value-transference, legitimising inevitability as the guiding structure that will lead out of uncertainty. As the priority is the transcoding of the local economy into the dominant value system, it can be seen, as Lenin and Hilferding argue, as an imperial financial drive, by which a massive financial influx to local economies ultimately seeks to reestablish the existing social relationships in the communities.

Fischer's statements focusing on the new dominant order are fully supported by Camdessus', in another crucial address delivered at Chatham House in London in 1998. In his address, titled "Toward a New Financial Architecture for a Globalized World," the managing director of the financial apparatus clearly expressed that "the need for change the Asian crisis reveals," and "the building blocks available for a new architecture" both "suggest further steps for longer term." Describing the Asian crisis as a "defining moment of human history" that is as significant for change "the days of the Industrial Revolution," the address specified "three factors" that "helped trigger the crisis." These are i) "the weakness of *their* public and private banking and financial structure"; ii) "an unsustainable accumulation of short-term financing—particularly of interbank lending[...], which made countries particularly vulnerable to a sudden shift in market sentiment"; and iii) "last but not least, deep-seated problems of *governance*, corruption, and what U.S. commentators call '*crony capitalism*'" (emphasis added). These factors are "the basic justification" "for calls for change" not to "limit *themselves* to some plumbing and interior decorating of the old mansion." Here, the political intention of narrative representation of the event is clearly and distinctively observed, full of metaphorical uses of linguistic application that are performative in seeding the cultural implications of otherness. As analysed, the contagious and entangled mechanism of international finance itself, which is suggested as factor ii), has caused local vulnerability to "a sudden shift in market sentiment." Even if "the weakness of *their* public and private banking and financial structure" should be at least considered along with the volatile movement of financial capital more generally, the problem is defined as a matter of a decaying "old mansion" that cannot be repaired without the aid of "an audaciously modern architect." Therefore, the factors, according to the narrative intervention and representation, are "not almost exclusively macroeconomic in nature." By

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the IMF "the focus on the architecture of the international system," through which "crisis prevention" and "crisis response" are prioritised through intervention and constant "surveillance."

interpreting the problem as one of the microeconomics in crisis-stricken countries, this rhetoric performatively opens the way to macroeconomic restructuring in those countries. Without any proper suggestion of, or prescription for, the international factor (ii), the statement, once again, represents the crisis as home-grown, stemming from a “deep-seated” lack of *governance*—as it were, the synthesis of “corruption” and “crony capitalism.” What the address implies is a consistent effort to define “otherness,” with an emphasis on “integration,” implying the moral leadership of *our* [Anglo-American] macroeconomic financial regime. It is thus no wonder that the new building blocks are repeatedly concretised using the material called “global integration” for “unifying financial markets.” The first of the “seven building blocks” is “the tremendous potential for growth and prosperity globalization provides countries fully integrating into the global economy.” The second is also reiterated as “integration,” with which “the poorest countries” can integrate themselves into “the *mainstream* of the globalizing world economy” (emphasis added). The first two blocks are essential for the third, which is “the universal consensus on the importance of an increasingly open and liberal system of capital flows in order for globalization to deliver on its premises.” While the first three blocks are the presupposition for a wider context of performance, giving access to the dominant value system, the remaining three are intended for a specific context of performance, with which the object is required to change its epistemological and cultural identity. It highlights matters of “rational behaviour,” “good governance,” and “emerging recognition about the global market” against the “anarchy” of the local system. With these blocks, “the multilateral approach,” as the final block for handling the problem, is eventually possible.<sup>22</sup> By engaging the crisis as a point of “leverage,” narrative intervention implements ethical judgment of others through linguistic exchange with moral portrayals, designating local cultural identity as well as the economic system. A nexus of intentionalities of the system forms through this mode of

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<sup>22</sup> “Economics is saturated with narration,” argues McCloskey. The narration of an economist is a story conveying authorial intention through “models and metaphors,” as we witness in Fisher and Camdessus’s narration. Here we see the clear intentions of the financial system. “It is not controversial that an economist is a storyteller when telling the story of the Federal Reserve Board or of the industrial revolution. Plainly and routinely, ninety per cent of what economists do is such storytelling. Yet even in the other ten per cent, in the part more obviously dominated by models and metaphors, the economist tells stories. The applied economist can be viewed as a realistic novelist or a realistic playwright, a Thomas Hardy or a George Bernard Shaw. The theorist, too, may be viewed as a teller of stories, though a non-realist, whose plots and characters have the same relation to truth as those in *Gulliver’s Travels* or *A Midsummer Night’s Dream*. Economics is saturated with narration” (McCloskey, 1990: 9).

narrative, enunciating *ethical and political keywords about others as a form of interpretation*. From this, narrative operation, as we will closely observe in Genette's analysis in Chapter 5, constitutes a nexus of intentionalities as the *primal unity* for establishing a set of relationships. And within these relationships narrative reality is formed.

The series of metaphorical and ethical binary oppositions, such as "old" and "new," "corruption" and "transparency," "anarchy" and "national," "weakness" and "strength" are examples that *signify the symbolic yet political schematisation of representation of otherness*. This is performed *through the intervention of economic interpretation that necessitates and legitimises the radical extrapolation of economic policy at an epistemological level*. Citing philosopher Max Black with regard to metaphorical juxtaposition in conjuring up "insight" on context control in which "metaphorical thought is a distinctive mode of achieving insight, not to be construed as an ornamental substitute for plain thought," the economist McCloskey acknowledges that "the literal translation of an important metaphor in economics has the quality admired in a successful scientific theory, a capacity to astonish us with implications yet unseen" (McCloskey, 1988: 18). In this sense, a "metaphor is not merely a verbal trick," she continues, following literary critic, I.A. Richard, but "a borrowing between and intercourse of thoughts, a transaction between contexts" (McCloskey, 1988: 18). For instance, "human capital [...] illustrates how two sets of ideas, in this case both drawn from inside economics, can mutually illuminate each other by exchanging connotations" (McCloskey, 1988: 19). However, what is more important in the employment of metaphor in narrative operations is that *metaphor functions as a modifier neutralising a political message*.

The metaphors of economics often carry in particular the authority of Science, and often carry, too, its claims of ethical neutrality... It is better, though, to admit that metaphors in economics can contain such a political message than to use the jargon innocent of its potential. A metaphor, finally, emphasizes certain respects in which the subject is to be compared with the modifier... A better response would be to affirm that we like the metaphor of, say, the selfishly economic person as a calculating machine on grounds of its prominence in successful economic poetry or on grounds of its greater congruence with introspection than alternative metaphors (of people as religious dervishes, say, or as sober citizens). (McCloskey, 1988: 24)

The narrative production of epistemological keywords entails both metaphor and binary

oppositions between different value systems, which function as an indispensable transfer point for narrative dispatch. This is the reality of making a narrative juncture. Through this juncture, a set of relationships between the narrative subject (the narrator) and the narrative object (the narratee) is ushered onto the field of narrative regulation, which processes political, ethical neutrality through metaphorical linguistic trade. Here, each particular value is measured and configured against universal value.

In his early major work, *More Heat Than Light*, Mirowski correlates nineteenth century neo-classical economics with physics, contending that value in economics is formulated in constant process/result of metaphorical operation as well. Demonstrating that neo-classical economics borrowed important mathematical concepts and metaphors from early physics, he asserts that the rise of economics as modern social science was more effectively legitimised by exploiting concepts from the established science of physics. However, such concepts were mostly a combination of 'motion/body/value,' used for the justification and legitimisation of theoretical argument. In this sense, "value," as he proposes, "is part of the metaphoric triad of motion/body/value that undergirds the energy concept" (Mirowski, 1989: 140). According to him, in economics value theory is defined in a combination of three questions.

1. What is that renders commodities commensurable in a market system, hence justifying their value?
2. What are the conservation principles that formalize the responses to (1), permitting quantitative and causal analysis [...]?
3. How are the conservation principles in (2) united with the larger metaphorical simplex of body/motion/value [...] which provide the principles with their justification?

What he underscores by posing these three key questions is that the formation of value in economics has also been at play in the field of value exchange, "within the pyramid" of "metaphorical simplex of motion, body, and value" (Mirowski, 1989: 142). Economic value-theory has been, therefore, a constant interplay, or exchange of concepts excised in a "metaphorical triad"—rather than between mechanical sets of disciplines.

This 'metaphorical triad' is also applied to Marx's theory of value. According to Mirowski, "Marx is an epoch-making economist," in that "he combined the metaphor of

value substance in motion with the metaphor of the body in motion in the concept of labor, fusing them both with historical and sociological elaborations of power and hierarchy in the workplace” (Mirowski, 1989: 179).

Following McCloskey and Mirowski, we see a certain pattern of mainstream narrative articulation can thus take place for the narrative expansion of a dominant value as a legitimate field of knowledge production through the exchange of metaphor. The final comment in the address further substantiates the dissemination of the intention of the narrator in organising and actualising the process of “adoption,” as it were, or the process of subsumption into the main system, as Fischer insists:

The central role [is] to be played by the IMF in crisis prevention through its *surveillance* and its role in encouraging members to strengthen their *macroeconomic* policies and financial sectors. We will also consider how to *disseminate* such *standards* to member countries through our surveillance and encourage *their adoption*.<sup>23</sup> (emphasis added)

Richard Gephardt, the Democratic leader of the US House of Representatives, explicitly associates the role of the IMF with a “new internationalism,” in which American national interests are incorporated through the policies of the IMF, producing a nexus that moves towards financial globalism. In a crucial address during the Asian financial crisis, he strongly urged “the representatives of our [US] business community to redouble their effort to help pass IMF funding,” mainly because “*IMF replenishment is simply insurance against future global economic crises, and I believe is in our deep national self-interest*” since “from crisis comes opportunity”<sup>24</sup> (emphasis added). The policy-maker clearly reveals the intentions of the system, insisting that what the Asian crisis signifies in making “new internationalism” is a question: “How do we move forward on further trade integration” in the region? The full support of the IMF is thus essential for rebuilding the “pro-trade coalition,” for the institution can promote “standards in recipient countries.” This is why “the Democratic coalition in the Congress is prepared to work aggressively with the President and the Treasury to replenish the IMF, to strengthen its foundations.”

According to Ricoeur’s analysis, narrative coding of the event entails, above all, an

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<sup>23</sup> Stanley Fischer, “Crisis Prevention and Crisis Management: the Role of the IMF,” Deutsche bank conference on emerging market, 3 October, 1998.

<sup>24</sup> Richard A. Gephardt, “The New Internationalism: The Nexus between American National Interests and Globalism,” Remarks at the Economic Strategy Institute, 5 May, 1998.

“epistemological break which distances historical explanation with generalizations in the form of laws, from simple narrative understanding” (Ricoeur, 1984: 228). What we should note here is that, by dispatching the narrative “understanding” of the narrator, the rationale of the specific event becomes generalisation as a form of *universal and legitimate law*; it distances and objectifies the colliding values. As narrative interpretation inevitably portrays a gap between the antagonist (or the deuteragonist) and the protagonist, the antagonist must overcome the “break” if he or she wants to be a performer of meaningful value, by taking the generalisations, or the laws, as a set of performances. This way he transforms himself, and thus actualises the dominant value. This is what Ricoeur proposes, following Husserl, as a process of filiation; for narrative understanding reactivates phases of derivation by establishing a relationship of filiation as a transitional structure by means of a plot. With its significant implications of patriarchal order, “filiation” can be the *inner bond of the system* that replaces a hierarchical structure with a new modulating field. Now the dominant value is sensed not just as a contentious entity but as a standard of performance. This is the dual implication of filiation for the object, since the context of performance of subjective value becomes the ontological and epistemological substratum of the object as *the form of its adoption*. The object has to identify itself on the power-field of the subject in a concretisation of the “ontological building-brick” (Ricoeur, 1984: 133). He is the performer of the new architecture, or a member of the macroeconomic meta-frame of value transference.

Along with the IMF senior officials’ narrative enunciations, Robert Rubin, the US Treasury Secretary, operates the cooperated narrative intervention of the event. From here the *conditional continuity* of the event is further implemented to create new congruence in understanding and performing the context. In the address delivered at the Brookings Institution in April 1998, Rubin, mirroring the core statements of the IMF, first of all emphasises the urgency for an “architecture” of a new international financial system, locating the Asian crisis in an “historical context.” According to him, the Asian crisis is the necessary byproduct of a mixture of “*unsound* macroeconomic, financial and *other* policies in emerging economies” (emphasis added). Since “the unsound policies in these countries can harm economies throughout the global economy,” “[t]he Asian crisis has demonstrated how *badly* flawed financial sectors in a few developing countries [...] can have significant impact in countries around the globe” (emphasis added). Although he admits there had been an issue of “inadequate risk assessment by international creditors and investors,” it is difficult to find any specific demand for “surveillance” of international private financial flows that

rushed into the region, at level of “more than \$250 billion” in 1996, tantamount to 10 times the “official” flows. As such, rather than regulating volatile flows of international short-term speculative money, which caused “vulnerability” across the region, the priority is once again to construct “international surveillance of countries’ financial regulatory and supervisory system, just as the IMF now carries out surveillance of macroeconomic policies” (emphasis added). He even warns of “drawbacks” in limiting inflows of international capital into the local—a policy actually implemented by some governments, such as that of Chile, and favored by progressive critics—on the grounds that “it is key that this sort of approach not distract policy makers from implementing the *underlying* sound policies that are the real *foundation* for stability and growth” (emphasis added). Through a series of performative utterances and speeches from financial narrators we can identify collective narrative intervention and representation that transform a conditional continuity of legitimate interpretations into stable universal criteria of performance. Coordinating such collective utterances and statements to produce a narrative knowledge constituting the narrative reality of the event, the extrapolation of the economic is eventually guided and legitimated.

To articulate the literary and cultural frame of reference of narrative into the analysis of finance, in Chapter 3 I will undertake a close scrutiny of the relationship between value and narrative. I suggest that value is the crucial locus where politics, economy, and culture converge. The chapter first explores the possibilities of a cultural theory of narrative, focusing upon the question of value and the actual process of value-formation. This will be related, in particular, to operativity and performativity of narrative as the cognitive operation constitutive of financial narrative politics, which implement value transference in the discourse of financial crisis. I examine the value theories of Simmel and Marx to articulate an economic theory of value as a cultural politics of narrative. I argue that this forms a mechanism of value transference, which will be correlated with the financial doctrines of entanglement and contagion. Through a narrative in which utterances and statements perform as a collective operativity of information, a value is constructed and transferred to inform and motivate actors. Chapter 3 asserts that a value is plotted and conveyed through the narrative process as an operation in creating a notion of the valuable. Examining the practice of articulation within the system, and its employment of capitalistically reconfigured temporality, as well as its representation of information that it takes into narrative, Chapter 3 suggests that narrative forms an objectifying field of value-transference in which the textuality of everyday narrative is produced, and in which it sees

actors as the ushering force of value. Proposing value as a guiding force of cognition and action, the chapter closely inquires into the value-forming process, arguing that narrative is an inevitable operation in creating new notions of the valuable.

## Chapter 3

### **Towards a Cultural Theory of Narrative: Narrative Operation and Value-Formation**

#### Defining Value and Crisis: Asian Value and the Korean Financial Crisis

In April 2009, the G20 summit in London tried to construct a “global plan for recovery and reform,” amidst widespread fear of global recession that had been triggered by the collapse of the subprime financial industry in the US. The summit consented to stimulate the national and international economy, using \$1.1 trillion for restoring credit, employment, and growth. In addition, its agenda was concerned with reshaping the global financial regulatory frame. One key agreement for this aim was the expansion and empowering of the role and function of the IMF, since it made it possible “to treble resources available to the IMF to \$750 billion, to support a new SDR (special drawing right) allocation of \$250 billion, to support at least \$100 billion of additional lending by the MDBs (multiple development banks), to ensure \$250 billion of support for trade finance, and to use the additional resources from the agreed IMF gold sales for concessional finance [...]”<sup>25</sup>

According to the statement, in order to reshape regulatory systems, the IMF should be the legitimate mediator and regulator and provide “early warning of macroeconomic and financial risks and the actions needed to address them.” Unifying access to macroeconomic prescription and action in the form of the IMF, the summit reinforced the institution’s recent loss of place as the sole international financial arbitrator. Although for the “reform,” the unilateral influence on the IMF from the Washington consensus is relatively moderated, the “voices” of the main players, such as the US, Europe, and Japan, would have more power in making decisions through the institution. It became basically a “quota and voice” reform, based on funding for IMF resources. The major donors would thus be the biggest influence in constructing macroeconomic programs, rather than in distributing resources to poorer countries. As an Oxfam report puts it, “[t]here are still 172 countries left outside, and the

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<sup>25</sup> The G-20 Statement, 2 April, 2009. (<http://www.londonsummit.gov.uk/en/summit-aims/summit-communicue>)

issue of their representation, especially of Africa, is vital.”<sup>26</sup> According to the Third World Network analysis of the G20 summit, “by greatly empowering the IMF and other international financial institutions while allowing them to continue with their pro-cyclical policies, the G20 Summit may actually worsen the situation facing crisis-hit developing countries as the G20 did not set up alternative sources for them to obtain crisis-related funding, and thus they may have to return to the IMF for loans that tie them to policies that worsen their economic situation.”<sup>27</sup>

In contrast to the heavy-handed tactics taken during the Asian crisis, when “it used its financial leverage to impose the Washington consensus recipe of financial liberalisation, privatisation and tight budgets” that brought “catastrophic results,”<sup>28</sup> the IMF started to use a new scheme called the Flexible Credit Line in 2009, to lend to countries suffering from the liquidity problem of the “credit crunch.” From October 2008 to April 2009, five countries (Iceland, Hungary, Pakistan, Latvia, and Mexico) received loans from the IMF under the new scheme. However, departing from the rhetoric of the IMF, insisting on “flexible application,” the conditions of the loan package continued to aggravate conditions in these crisis-stricken countries, since spending cuts and interest rate rises are two vehicles that stimulate the pro-cycle for international capital flows rather than the national economies. Iceland hiked interest rates to 18% right after a \$2.1 billion loan from the IMF; Hungary had to pledge public spending cuts in return for \$25 billion, exacerbating the recession. According to the Bretton Woods Project monitoring the IMF and World Bank, “despite promising IMF rhetoric about greater flexibility in fiscal and monetary policies because of the current crisis, IMF loans in Romania, Latvia and Armenia show that practice are not in line. The Fund is still pushing tight fiscal policy and single-digit inflation.”<sup>29</sup> An analysis, undertaken by the Third World Network, of nine IMF loans to developing countries hit by the economic crisis from September 2008, reveals that “fiscal and monetary tightening [as the conditionality of the IMF loan package] is still being prescribed. The loan conditions typically reduce or limit government spending and reduce or limit the budget deficit. Fiscal deficit reduction targets are to be achieved by cutting public expenditure, involving reductions in public sector wages, caps on pension payments, postponement of social

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<sup>26</sup> Oxfam, “What Happened at the G20?” 3 April, 2009.

<sup>27</sup> Bhumika Muchhala, “A Development-Blind G20 Outcome That Empowers an Unreformed IMF,” Third World Network, 8 April, 2009.

<sup>28</sup> Heather Stewart, “Can the IMF Now Feed the World?” *Observe*, 26 April, 2009.

<sup>29</sup> The Bretton Woods Project, “IMF Emergency Loans; Greater Flexibility to Overcome the Crisis?” 17 April, 2009.

benefits and minimum wage increase, elimination of energy subsidies and in the case of Pakistan, by raising electricity tariffs by 18% and reducing tax exemptions.”<sup>30</sup>

Throughout the Asian financial crisis of 1997, the credit crunch in 2007 and thereafter, the IMF implemented a process of restructuring the macroeconomic environment for international financial capital. Though the prescriptions of the IMF were proved wrong, and criticised as inappropriate management in local contexts, as have been other moves undertaken by the institution, Korea was, it was insisted by the IMF, “successful” in implementing the measures—in the sense that they were incorporated into the meta-frame of new value transference. The “progress” that was praised as a model case of the IMF structural adjustment was the result of a narrative operation as well as the economic performance of the IMF, which redefined the value-production system through a forceful re-inscription of the monolithic financial reality as the symbolic order. What the institution achieved in Korea was actually the reconfiguration of a new economic order, by which the local is constantly in an emergency state of monitoring itself or self-surveillance through the standards that have to be incorporated. It was, on the epistemological as well as economic level, a new governmentality—under which the object had to readjust itself to a new rationale of domination. As Paul Krugman reveals, the real intention of the IMF is, above all, to recreate the value systems of others:

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<sup>30</sup> Bhumika Muchhala, “A Development-Blind G20 Outcome That Empowers an Unreformed IMF,” Third World Network, 8 April, 2009. Recent important examples of fiscal regulation by the IMF are, in another TWN report, detailed as follows: “In Pakistan the Fund advises a reduction in the fiscal deficit from 7.4% of GDP to 4.2% through lowering public expenditure, gradually eliminating energy subsidies, raising electricity tariffs by 18% and eliminating tax exemptions; In Hungary, the IMF has targeted fiscal deficit reductions from 3.4% of GDP to 2.5% through a fiscal consolidation plan which involves freezing public sector wages, placing a cap on pension payments and postponing social benefits; Ukraine’s fiscal deficit is targeted at a zero overall balance as a binding conditionality in its loan agreement. Public savings are to be generated through freezing public wages, pensions and other social transfers, postponing for a minimum of 2 years any increase in the minimum wage and cancelling tax cuts that were previously scheduled for FY 2009” Third World Network, “The IMF’s Financial Crisis Loans: No Change in Conditionalities,” (11 March, 2009). While the fiscal policies are characterised as radically curtailing the fiscal deficit in the short term, as well as public spending cuts that directly affected the people of the countries, such monetary policies are heavily focused on raising the official interest rates that attract foreign capital rather than achieving low inflation. Following the same report by TWN, some cases pointed to this tendency: “In Latvia, the IMF has advised raising the official interest rate by 600 basis points in 2008. According to the IMF, a reduction in domestic demand is the mechanism through which wage and price inflation are to be lowered; In Iceland, the interest rate was increased by 600 basis points to 18% in October 2008. The IMF stated that a tightened monetary policy in Iceland would help stabilise the Krona; Pakistan’s interest rate was advised by the Fund to increase by 200 basis points, to 15%, with the provision that any additional increases that may be necessarily will also be implemented. The IMF also advised Pakistan to establish an ‘interest rate corridor’ which would protect international reserves and enable domestic financing of the government to be achieved through market placements of government securities.”

The crisis [...] has tempered the dangerous belief that “*Asian values*” somehow made the region’s economies invulnerable. [...] It has also softened free-market fundamentalism: countries are less likely to be pressured to throwing open their financial markets before they are ready.”<sup>31</sup> (emphasis added)

The flood of criticism of IMF “mismanagement” has barely dealt with this new incorporation strategy, in which a crisis is appropriated as a new field of domination. In this sense, the institution has achieved its goals, through powerful performance in terms of value politics with iterative narrative enunciations conditioning successive economic measures. While, for instance, witnessing the symbolic event of the IMF summoning the presidential candidates and forcing them to accept the conditionality of the program, Koreans could not but accept the transition in governance. The IMF’s role was to “temper,” and thus to enforce the invisibility of the local, such as dangerous “*Asian values*,” even if the attempt increased the vulnerability of the region. The real “danger” to be eliminated was the system of value. What is at stake is that under financial capitalism, unlike under former modes of capitalistic production, the inscription of “free-market fundamentalism” is established locally, as the financial institution has universal hegemony that forces transformation of local value. The newly-transformed value system is constantly supervised using a mechanism of credit systems interlinked with international loan conditionality.

Remarks on the cause of the Korean and Asian financial crises of 1997, for instance, made by the then deputy Treasury Secretary, Lawrence Summers, explicitly support this position on the necessity of narrative intervention for systemic valorisation in extrapolating the new economic drive. He first finds that the “Asian model” holds the “systemic roots of the crisis,” without even considering “the enormous differences between the economies of the region.”<sup>32</sup> He sees the same features in the local “model” as can be found on the factsheet (January 1999) of the IMF right after the Korean financial crisis. This identifies that the “Asian model” is largely based on an inefficient financial economic system, in which the economic “approach favored centralized coordination of activity over decentralized market incentives.” The crisis is, thus, not one of economics but, more generally, of *governance* of the local as such, because “the governments targeted particular industries, promoted selected

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<sup>31</sup> BBC News, 1 July, 1999.

<sup>32</sup> Lawrence Summers, “Opportunities Out of Crises: Lessons from Asia,” 19 March, 1998.

exports, and protected domestic industries.” The Asian model, according to this interpretation, shares an “element with almost all financial crises: money borrowed in excess and used *badly*” (emphasis added). Therefore “fundamental change is expected in what government is to do,” not to mention in the micro- and macroeconomic reforms of the region. Notwithstanding that “the Asian model was built on the fundamentals,” such as “high savings, high levels of education and hard work,” the factsheet adds that “the miraculous growth of Asia might owe rather little to sustained growth in productivity and a great deal more to rapid accumulation of capital.” Such statements basically reject the industrial fundamentals that Asian countries had maintained for their economic progress, instead representing the endogenous systematic weakness in financial structures of the local as the root of the crisis, and at the same time invoking the crucial factor of exogenous flows of international capital. The unified voices of “official” representations of local economies, given the varying economic circumstances of the countries, are an active engagement of financial narrative operation, which performs a subsumption of the local through the legitimisation of extrapolation of an economic revalorisation yet to come. What the collective utterances presuppose is that implementation of new models of dominant value-production is necessary, and that a far-reaching transformation of the Asian value system is required.

Extrapolating the new economic program with polemical statements full of performative modalities, which take the form of narrative representation and contain ethical judgment, financial capital re-describes the ‘old’ value regime as politically and morally inferior. It does this in order to contain the globally entangled financial problem of contagion at the local level. The politics of representation implemented by core financial narrators is, therefore, an operative mode of financial capital that reconstitutes the cultural identity of the object beyond economic restructuring, as it is more fundamentally associated with the intention to transform the value systems of others. We can assume that the financial system operates two-tier strategies in revalorising the system: one is the subsumption operation of the (semi) periphery in the expansion of the macro-financial environment—through the strong rewriting of ethical codes over economies—the other is the revisionist approach to core-developed economies, which demands the readjustment of economic policy without ethical judgment, both of which are cultural in the sense of being a ceaseless employment of systematic narrative operations for furthering the financialisation of the system as a whole. While the former procedure more explicitly employs ethical judgment of the object—as in the case of Korean financial crisis—in order to transform Asian

values, the latter's ethical dimension is not central, as visible in the ongoing European financial crisis since 2008, in which the ethical flaws of the system, as well as of the object, have hardly been thematised by the main financial narrators. Here, the goal is not to change the main value system.

All narratives ground the ethical dimension by insinuating the polemical categories of subject group and anti-subject group, as we will examine in detail by rereading Ricoeur's narrative theory, along with Simmel's value theory. Without the support of a polemical category that foregrounds the performing actor (a subject), ahead of non-performing actors (anti-subjects), in producing and transferring value, narrative cannot found a performative series. This series takes the form of a unit of value-production with purposeful actions by the actors. By engaging uncertainty as the point of leverage, the narrative intervention operates not just as an economic discourse but also as an interpretive cultural code with a strong ethical judgment of *Otherness*. This otherness takes the form of anti-subject, through the linguistic use of moral portrayals, designating the local cultural identity as something beyond the economic system, which we will instantiate in Chapters 5 and 6. Inscribing ethical and political keywords upon others as a form of interpretation through narrative operation, the financial system constitutes a nexus of intentionalities as the primal unity around the event. This establishes a set of relationships that help formulate new financial realities. For instance, the series of binary oppositions, as briefly observed in the introduction, representing the cause of the financial crisis in Korea run against Western standards, such as "old" and "new," "corruption" and "transparency," "anarchy" and "rational," "weakness" and "strength"<sup>33</sup>—these are the "ontological building-bricks" (Ricoeur, 1984: 133) signifying the cultural yet political schematisation of representations of otherness. This happens through the intervention of economic interpretation that necessitates and validates the radical extrapolation of the economic policy, which produces the new system of value and enacts transference. With regard to this, as Jameson emphasises, interpretation is the active "rewriting of the ethical codes." It can be weak yet allegorical, and from it "mystification or repression" further projects a "latent meaning behind a manifest one." He goes on:

Interpretation proper—what we have called 'strong' rewriting in distinction from the

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<sup>33</sup> Michael Camdessus, "Toward a New Financial Architecture for a Globalized World," Chatham House, 1998.

weak rewriting of ethical codes, which all in one way or another project various notions of the unity and the coherence of consciousness—always presupposes, if not a conception of the unconscious itself, then at least some mechanism of mystification or repression in terms of which it would make sense to seek a latent meaning behind a manifest one, or to rewrite the surface categories of a text in the stronger language of a more fundamental interpretive code. (Jameson, 1989: 60)

Describing ethical evaluation and interpretation, the system performs strong rewriting from which latent meanings of otherness (behind the manifest one) are imposed. For effective extrapolation of financial programs, polemical statements full of performative modalities (in the meta-frame of narrative representation), and with ethical judgments, are heavily applied. These subsume the local object into the dominant system.

Employing the political and cultural force of ethical evaluation, the narrator performs something beyond linguistic conventions and rules. Such ethical descriptions are actively transcoded as “*descriptions of a system of constraints*” on the object (Smith, 1988: 109, emphasis added). Through this “particular contingencies of which the value of the objects of that kind appear to be a function for people of that kind” (Smith, 1988: 103). Here it is important to note that the narrator, with his or her illocutionary force of description, indoctrinates “a system of constraints” on the object, against which conditions of possibility for valorisation of the subjective value create foundations—*through the contingencies of crisis*. In this regard, the financial narrators’ descriptions are performative interventions that induce successive actions, embedding the ethical and cultural identity of the object. The new mode of hermeneutics paves the way for activating the object, which can then undergo real subsumption and effective systematic integration into the financial regime.

From the perspective of Marxian analysis, an economic crisis is characterised as a “crisis of accumulation” deriving mainly from over-production of a material commodity, leading to the disruption of capital circulation. As the redundant accumulates beyond the level of demand, a sharp decline in profit rate comprehensively affects the division of labour, leading to a crisis. However, the monetary form of capital “accelerates the course of accumulation in terms of value,” overcoming the contradiction of overproduction of material products (Marx, 1981: 358). Here “production is production only for capital to maintain the existing capital value and to valorize it to the utmost extent possible” (Marx, 1981: 358). It exists without intermediaries by making concrete products immaterial in the

exchange-value relationship. The value of an article was, under industrial capitalism, understood as the average time invested in its production. However, under financial capitalism, the value of an article is embodied once it can be appropriated as exchange-value, as the IMF term “recovery in credit” shows. As financial capitalism is generally maintained as a system of credit in which monetary capital is guaranteed by legitimate legal and political institutions as well as economic ones, the credit system that underpins the financial mechanism is given enormous room for fluctuation or a crisis of credit. This is because it has many elements that can be used for the purpose of fixing credit status. The credit system forms the regime of the dominant value. Strong local government that has the initiative in economic planning for regulating foreign capital flow can be a crucial factor, and it is designated as an element of crisis, causing disruption of capital flows. The IMF and US Treasury’s intention, to inscribe the rationale of financial capital over other value systems, thus leads to reduction of local government’s influence: it cannot reach beyond recommendation of adjustment to the economic program. The recurrent process of formation of problematic certainty through the uncertainty of a crisis, and through the implementation of economic policy valorised by narrative operation, makes this clear. Thus we see a kind of value struggle between narrator and narratee.

#### Narrative, Aesthetic Function and Semantic Meaning

In proposing narrative as a cultural organising principle beyond its usual literary terms, it is important that we explain narrative as a form of *a priori* experience beyond a literary tool of organising events—from which actors gain a notion of the sensible. Although this is basically an aesthetic experience, narrative is a form of politics too, since it conveys the intention of the operator—the narrator—to *(re)define relations*, thus producing an effect in reality, and distributing the notion of the sensible. As such, narrative becomes the foundation of ethical and political correctness through the creation of relationships with serialised performances, which take the form of experience or a way of life beyond aesthetic function.

Narrative, as an artistic function in literary criticism, is explored in depth in Shklovsky’s important article ‘Art as Technique.’ He contends that artistic tension is created through the weaving of stories into plot, which then impedes the automatised perception. In this sense, “art exists that one may recover the sensation of life; it exists to

make one feel things [...] to make object 'unfamiliar', to make forms difficult, to increase the length and difficulty of perception because the process of perception is an aesthetic end in itself and must be prolonged. Art is a way of experiencing the artfulness of an object; the object is not important" (Shklovsky, 1998: 778). To experience "the artfulness of an object," he proposes that:

A work is created "artistically" so that its perception is impeded and the greatest possible effect is produced the slowness of perception. As a result of this lingering, the object is perceived not in its extension in space, but, so to speak, in its continuity. Thus, "poetic language" gives satisfaction. (Shklovski, 1998: 783)

This artistic technique of "defamiliarization" is made possible through "plot construction," which later important concepts of narrative representation and semantic modification underlie. Shklovsky goes on to say that "the perception of disharmony in a harmonious context is important in parallelism. The purpose of parallelism, like the general purpose of imagery, is to transfer the unusual perception of an object into the sphere of a new perception—that is, to make a unique semantic modification" (Shklovsky, 1998: 783).

In this explication of a formalistic approach to text, we can draw out three important features of plot in this approach to narrative: first, plot is the specific use of stories to "prolong" experience of the (artistic) object; second, plot construction is based on parallelism between colliding poles of harmony and disharmony in order to create new perception and new cognition; third, the modality of (re)presentation is realised in sequential temporal continuity. Through these conditions, the aesthetic function of defamiliarization becomes a mode of presentation, as "the law of expenditure and economy" in poetic language (Shklovsky, 1998: 778). Although the understanding of defamiliarization and plot construction is generally limited to the aesthetic function in the static origin of a text, it is no doubt a critical threshold in the study of narrative, given that Shklovsky's tenet imparts ontological and epistemological explanations of plot applications in relation to meaning and temporality.

As Prince also acknowledges, the object of narrative analysis is a set of already recounted elements (events, stories) in order to answer the question of *what*, rather than *why*.

The narratologist should therefore be able to examine the narrated, the story presented, independently not only of the medium used but also of the narrating, the discourse,

the way in which the medium is used to present the *what*. (Prince, 1994: 524)

To overcome setbacks, recent narrative theorists propose a 'transmedial narratology,' which focuses on "the side of the signified" to try to tackle the question of *why* in analysis of narrative construction. Marie-Laure Ryan, for example, seeks to define the "cognitive template constitutive of narrative" through which the epistemological edifice of narrative can be made visible. This is a bold enterprise, which aims to delineate the epistemology of narrative. Ryan on this point goes on:

If the transmedial identity of narrative lies on the side of the signified, this means that narrative is a certain type of mental image, or cognitive template which can be isolated from the stimuli that trigger its construction. I propose to define the cognitive template constitutive of narrative through the following features.

1. Narrative involves the construction of the mental image of a world populated with individuated agents (character) and object (spatial dimension).
2. This world must undergo not fully predictable changes of state that are caused by non-habitual physical events: either accidents (happenings) or deliberate actions by intelligent agents (temporal dimension).
3. In addition to being linked to physical states by causal relations, the physical events must be associated with mental states and events (goals, plans, emotions). This network of connections gives events coherence, motivation, closure, and intelligibility and turns them into a plot (logical, mental and formal dimension). (Ryan, 2005: 5)

This is an interesting attempt to map out a framework for the epistemology of narrative as "the cognitive template constitutive of narrative." Her reasoning is based on the idea that "narrative is a certain type of mental image," rather than limited rule-binding functional reconstruction of plot (the signifier)—as in Russian formalism and other early projects. From this perspective, physical states (actions, events) must be mirrored in mental states (goals, plans, emotions) to formulate any kind of coherence for a plot. Within the process, narrative as a mental construction of the world can be supposed.

This is an important step forward, in that the view tries to correlate the functional modality of narrative with a corresponding semantic context, thereby providing a scope for

wider socio-political and cultural articulations of narrative. However, the critical question of *how* remains unanswered. How can narrative impart coherence between functional modality and the semantic drives that underlie it? Although mental states such as goals and plans are proposed as the guiding force pairing the two, the method of correspondence can vary in each narrative. Instead, if we propose narrative as a mechanism of value-transference—as in our analysis—we can ground a more balanced frame of reference for narrative analysis. As analysed in Chapter 2, the notion of value can be the mediating category, combining functional modality and its meaningful dimensions.

Narrative as the objectifying field of value-transference sets the coordinates of the narrator and the narratee as the field of power in search of the main value. Value in narrative operation then becomes the force of cognition and source of motivation for the actors. Here, individual actions and events do not remain separate in terms of value transference. They become meaningful by being incorporated as a nodal unit into an actual sequence. This produces a frame of reference as a general form, or a unity of mental process. The sequential process orients unspecific disseminated actions into a frame—not just to force them but also to *motivate* them as purposeful actions. In this way they create meaning in value transference. Purposefulness subsumes disparate actions alien to teleology and then (re)appropriates them as means of *transferring*, as well as producing, meaning and value, because “a value is a purpose from a practical-volitional point of view” (Simmel, 2004: 229). It is the volitional, or in other words, voluntary participation that is at stake, considering that purposefulness causes transformation within an object. This, then, catalyses a series of meaningful actions in value transference. That Simmel and Ricoeur underscore value from the perspective of its sequence in the value transference mechanisms allows room for articulating narrative theory as a framework of valorisation of the cultural—as well as the economic—, thereby laying the ground for interpretation and anticipation as a synchronic series. It also highlights the existence of purposeful actions, combined with a diachronic reconfiguration of temporality, in the performance of the subject—just as in Ricoeur’s analysis.

By emphasising narrative as a fundamental category of metaphorical reference, Ricoeur, following Aristotle, suggests three senses of mimesis with which the sense of a relationship is formulated in narrative process: this imparts a “poetic refiguring of the pre-understood order of action.” There are, according to Ricoeur, “three senses of this term mimesis: a reference back to the familiar pre-understanding we have of the order of action;

an entry into the realm of poetic composition; and finally a new configuration by means of this poetic refiguring of the pre-understood order of action. It is through this last sense that the mimetic function of the plot rejoins metaphorical reference. And whereas metaphorical redescription reigns in the field of sensory, emotional, aesthetic, and axiological values, which make the world a habitable world, the mimetic function of plots takes place by reference in the field of action and of its temporal values" (Ricoeur, 1984: xi). These claims foreground narrative as a form of *a priori*, yet social, experience, through which cognitive operation towards a set of relationship is anticipated and recognised with "mimetic function of plots." This is a primary operation that aims to "make the world a habitable world," by guiding value, action and temporality out of uncertainty.

In locating the relationship between value and narrative, and in extending narrative analysis into financial operation, it is essential to understand that value—as a guiding force of cognition and action—is plotted and conveyed through a narrative process. Narrative is the mechanism of representation of the intentions of the system, through which seemingly disseminated elements are interpellated, interpreted, and evaluated. Eventually a set of expectations and anticipations of a new value are formed as a meta-frame of cognition and action for the actors. Narrative opens a channel of cognition of a value and regulates a context of performance, while providing a frame of reference for the actors, allowing interpretation with heuristic force beyond functional tool of aesthetic effect. Narrative as the heuristic force, or the thematic mode of representation, is effectively implemented at a time of uncertainty. Producing a narrative of an object or an event is a distinctive feature of the financial era, in which any legitimate interpretation of and forecast about financial centres and global financial institutions becomes crucial knowledge concerning the flows of financial capital. Narrative exploits uncertainty and ushers in a new standard, influencing heterogeneous actors in the markets. A financial crisis is the crucial point of narrativity in the making of a legitimate guiding structure that overcomes uncertainty to manage risk, producing a narrative as a frame of socially symbolic acts. These modulate the invisible boundary within which any rational and productive act is informed and performed. In this respect, "[n]arratives are indeed performative speech acts [...] They not only connote certain kinds of meanings [...] but they also perform identities and rehearse, enact and change social realities and norms" as "political statement and literary utterance produce effects in reality" (Threadgold, 2005: 265). "[M]odels of speech and action" that eventually formulate "regimes of sensible intensity" can be more specifically identified as narrative frames,

considering that political statements and literary locutions are operated within certain frames of value to “produce effects in reality.”

Political statements and literary locutions produce effects in reality. They define models of speech or action but also regimes of sensible intensity. They draft maps of the visible, trajectories between the visible and the sayable, relationship between models of being, modes of saying, and modes of doing and making. They define variations of sensible intensities, perceptions, and the abilities of bodies. They thereby take hold of unspecified groups of people, they widen gaps, open up space for deviations, modify the speeds, the trajectories, and the ways in which groups of people adhere to condition, react to situations, recognise their images. They reconfigure the map of the sensible by interfering with the functionality of gestures and rhythms adapted to the natural cycles of production, reproduction and submission. Man is a political animal who lets himself be diverted from his ‘natural’ purpose by the power of words. This literarity is at once the condition and the effect of the circulation of “actual” literary locutions. (Rancière, 2004: 39)

Rancière’s analysis shows the effect of political statements and literary locutions. However, we still need to understand the specific way in which such utterances are collectively represented, and how they produce cultural performativity. We also need to identify how they guide, cognition and action in order to access the dominant value and establish a “relationship between models of being, modes of saying, and modes of doing and making.” Ricoeur’s dense analysis of the relationship between narrative emplotment and its effects in reality can be examined in more detailed. For him “[c]onceptualization, the search for objectivity, and critical reexamination thus mark the three steps in making explanation in history autonomous in relation to the ‘self-explanatory’ character of narrative” (Ricoeur, 1984: 177). The three narrativist theses form the underlying principles that organise narrative, for which emplotment is central to operation of temporality. In this way they locate the power relationship between narrator<sup>34</sup> and narratee, and impart meaning into descriptions

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<sup>34</sup> According to Genette, there are five functions of the narrator: i) narrative function: which no narrator can turn away from without at the same time losing his status as narrator, and to which he can quite well try; ii) narrative text: which the narrator can refer to in a discourse that is to some extent metalinguistic (metanarrative in this case) to mark its articulations, connections, interrelationships, in short, its internal organization; iii) narrating situation: whose two protagonists

of action and rhythm, along with the intentions of the system:

The [three] narrativist theses, in my opinion, are basically correct on two points. First, the narrativists have successfully demonstrated that to narrate is already to explain [...] This basic thesis has a number of corollaries. If every narrative brings about a causal connection merely by reason of the operation of emplotment, this construction is already a victory over simple chronology and makes possible the distinction between history and chronicle. What is more, if plot construction is the work of judgment, it links narration to a narrator, and therefore allows the 'point of view' of the latter to be disassociated from the understanding that the agents or the characters of the story may have of their contribution to the progress of the plot. Contrary to the classical objection, a narrative is in no way bound to the confused and limited perspective of the agents and the eye-witnesses of the events. On the contrary, the putting at a distance that constitutes a 'point of view' makes possible the passage from the narrator to the historian. Finally, if emplotment integrates into a meaningful unity component as heterogeneous as circumstances, calculations, actions, aids and obstacles, and, lastly, results, then it is equally possible for history to take into account the unintended results of action and to produce descriptions of action distinct from its description in purely intentional terms. (Ricoeur, 1984: 178-179)

Ricoeur's analysis is significant. It analyses the financial narrators' intentions and coding operations over a specific event. The process of emplotment is a process of implication of operativity and performativity with the aim of establishing a "point of view," thereby creating a distance between the narrator and the narratee, and historicisation beyond fictional representation. It moves toward the necessity, and these moves effectively replace political procedures through narrative operation and regulation. "The true goal of the [capitalistic] system," Lyotard argues, "is the optimisation of the global relationship between input and output—in other words, performativity" (Lyotard, 1984: 11). In postindustrial

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are the narratee—present, absent, or implied—and the narrator. The function that concerns the narrator's orientation toward the narratee recalls both Jakobson's "phatic" and his "conative" functions (function of communication); iv) testimonial function or function of attestation; v) ideological function: explanatory and justificatory discourse. A vehicle of realistic motivation (Genette, 1980: 255-256). With the functions, "[t]he narrator is present as source, guarantor, and organizer of the narrative, as analyst and commentator, as stylist—as producer of 'metaphors,'" (167) which we will return to in Chapters 4 and 5 in more detail.

societies, according to Lyotard's diagnosis, the normativity of laws is replaced by the performativity of procedure. This performativity is a kind of context control, in which performance improvement wins at the expense of the partner or partners constituting that context. Through the process, performativity acquires "legislation." To elucidate the rules of the game, Lyotard uses the example of the relationship between "an utterance" and "the operativity of information":

The performativity of an utterance, be it denotative or prescriptive, increases proportionally to the amount of information about its referent one has at one's disposal. Thus the growth of power and its self-legitimization are now taking the route of data storage and accessibility, and the operativity of information. The relationship between science and technology is reversed. The complexity of the argumentation becomes relevant, especially because it necessitates greater sophistication in the means of obtaining proof, and that in turn benefits performativity. (Lyotard, 1984: 47)

Each utterance, especially those by the main players, acts as a condition of performativity in proportion to collective information. And the performativity embodies its function with the communication of an utterance because "every utterance should be thought of as a 'move' in a game" (Lyotard, 1984: 10). This form of participation (through performativity), in order to optimise the system, is symptomatic of financial capitalism, in that financial capitalism interpellates every individual as a form of the credit system. Here an individual can access the system only if he or she agrees to enter it as a player or a performer. In the system, any fluctuation is registered, monitored, and evaluated as a "move" in an endless game; and the moves accumulated become data, which is stored and provides a probability forecast. Thus, it contributes to the stability of the system and allows it to produce effects in reality. The performativity of the credit system thus foregrounds the economic as a protagonist, reinterpreting other values as deuteragonists that are tolerated within the boundaries of the system. Like the money-form as mediator of exchange relations, the credit system, therefore, presupposes the transformation of the object, which is to be subsumed in the ceaseless chain of exchange relations in the financial market. "Marketization of social relations and the dominance of credit money," as Peterson puts it, "are significant because they *reconfigure* both the players and how the game is played" (Peterson, 2003: 115, emphasis added).

Through narrative, in which utterances perform as collective operativity of

information, a value is constructed and conveyed to inform and motivate actors. Narrative structure should be approached as a mechanism of cultural valorisation of the economic, in that on the stage of financial capital, a systematic interpretation of a specific instance takes the form of narrative to which actors resort to perform. This is a crucial aspect of cultural production under financial capitalism, which valorises the uncertainty of financial flows by signifying a plane on which to construct a value. The narrative process is the onto-psychological dimension of economic value, supporting the process of valorisation in the main value system. Threadgold tells us that:

Narrative structures are recognized and then interpreted as having particular kinds of social function in very specific contexts or locations. Narrative here seems to be identified as the denotative level of analysis while the interpretations of social function are connotative readings: a meta language in each case whose 'plane of contents is itself constituted by a signifying system,' in this case 'narrative.' (Threadgold, 2005: 262)

In undertaking the theoretical project associated with value and its cultural implications in a political economy of financial capital, we are first of all required to define value associated with narrative. Here, value is a guiding force of cognition, while action is plotted and conveyed through a narrative process. I will highlight the value theories of Simmel and Marx here, based on which some definitions and possibilities of a cultural theory of narrative can be articulated with *narrative as a mechanism of value transference*. This is later associated with the financial doctrine of entanglement and contagion. Then I will correlate value with narrativity, which is here proposed as an important operational method of creating a meta-frame of cognition and performance for value transference. The narrative theories of Ricoeur and Jameson are revisited for the purpose of this interdisciplinary articulation. To substantiate the thesis, I will also exemplify critical remarks and interpretations by financial narrators and international financial regulators at times of financial crisis. This is a point where narrative operations are collectively and systematically exercised by manipulating uncertainty in the formation of narrative.<sup>35</sup> Narrative re-

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<sup>35</sup> "The world of economy," as Esposito argues following Shackles, "feeds on uncertainty." "Uncertainty is the basic resource of economic behaviour and of the possibility for obtaining profits [...] It is an unavoidable and uncontrollable uncertainty, one that is produced by the very behavior of operators. Without uncertainty, the economy could not function or exist" (Esposito, 2013: 110). Uncertainty is, therefore, the key term that is inseparably related to economic

designates contingent relations of the crisis as stable and universal relations. Reinterpreting Ricoeur's notion of narrative process and his narrative model, we will grasp how value can be produced and transferred by the narrative procedure.<sup>36</sup>

## Narrative, Meaning, Symbol, and Rhythm: Narrative and the Objectifying Field of Value Formation and Transference

Georg Simmel focuses upon value and its economic and cultural implications in reality in his path-breaking *The Philosophy of Money*. For Simmel, value is "a [critical] category through which our perceptions become images of the world" (Simmel, 2004: 59). His theoretical concern is to investigate how osmosis between value and reality is activated and operated. Simmel asserts that "a value is determined by its usefulness and scarcity" (Simmel, 2004: 505). However, this determination presumes a process of valuation in the objectifying field. Value, in principle, presupposes two principles:—hierarchy and sequence (or chain)—because what creates the economic value of an object is not an individual demand but "a comparison of demands, i.e. the exchangeability of its objects" (Simmel, 2004: 92). A value can be formed in proportion to utility and scarcity, but the economic value of an object can only be acquired through the *exchangeability* of an object, according to which the value can be measured, evaluated, and ranked. Only through the formation of an objectifying field of "comparison," where each value is measured and evaluated, can objective valuation arise. Here Simmel elaborates:

Two value-formations are interwoven; a value has to be offered in order to acquire a

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performativity, in that "[t]he entire economy, therefore is performative because it is based on uncertainty which is exploited in order to produce possibilities." As such, "[t]he distinction between theory and economic action, then, must be far more subtle, and cannot rely only on the performativity of theory, given that performativity is everywhere. Not only economics, but all economic transaction, observe the economy and produce information." With regards to this, "[w]hat must be studied is observation and its forms [in economics], as well as theory as a particular modality of observation" (Esposito, 2013: 115).

<sup>36</sup> According to Ricoeur, what narrative transfers and produces is, above all, value. As narrative presupposes "performative series," correlating a multitude of actors and actions and thus orienting them, "if we consider just the value objects, acquired or transferred by doing something, the topological syntax [of narrative] can represent the ordered series of operations on the semiotic square along the lines of contradiction, contrariety, and presupposition as a circular transmitting of values. If we next consider not just the operations but the operators, that is, within the schema of exchange, the senders and the receivers of the transferences, the topological syntax governs the transformations affecting the capacity to do something, hence the bringing about of the transference of values" (Ricoeur, 1985: 50).

value. Thus it appears that there is a *reciprocal* determination of value by the objects. By being exchanged, each object acquires a practical realization and measure of its value through other object. This is the most important consequence and expression of the distance established between the objects and the subject. (Simmel, 2004: 78, emphasis in original)

He explains that through exchange, value is transformed into supra-subjective or supra-individual property, which grounds the abstracted relations of exchange-value, replacing human contacts. This is the existential condition of the subject, because “exchange brings about socialization; for exchange is a form of socialization” (Simmel, 2004: 175). As “exchange achieves a level of objectivity” (Simmel, 2004: 318), it becomes a form of life. Money then becomes the medium of this exchange, because it is “an abstract representation of interaction” that brings “a mental unity of values,” like a teleological chain among disparate actors (Simmel, 2004: 198). In capitalist society, the establishment of exchange relations is crucial, since it becomes “the first means for combining justice with changes in ownership” (Simmel, 2004: 291). This is the political economy of exchange, in Simmel’s theory, revealing how accumulation of wealth, through exchange, affects social relations on its own terms. It is, however, also the point at which cultural analysis can intervene in the making of economic value; and its widespread establishment as the initiator of anonymous culture becomes entangled with exchange relations in the money economy. This is especially evident considering that “it [money] tends to be identified with the holder’s generic, hidden capacities for action” (Graeber, 2001: 95).

Here an anthropological approach to value can be considered with regard to cognition and action in the formation of value. While reconsidering “qualitative” relations of the gift economy, which is located opposite the “quantitative” relation of commodity, Graeber poses a fundamental critique of Western capitalistic society:

Gift economies tend to personify objects. Commodity economies, like our own, do the opposite: they tend to treat human beings, or at least, aspects of human beings, like objects. The most obvious example is human labor: in modern economics we talk of ‘goods and services’ as if human activity itself were something analogous to an object, which can be bought and sold in the same way as cheese, or tire-irons. (Graeber, 2001: 36)

According to him, “[t]he classic distinction between commodities and gifts is that while commodity exchange is concerned with establishing equivalencies between the value of objects, ‘gifts’ are primarily about relations between people” (Graeber, 2001: 32). Reinterpreting Strathern’s neo-Maussian approach, Graeber suggests that “[g]ifts are transactions that are meant to create or effect ‘qualitative’ relations between persons [...] Commodity exchange, on the other hand, is meant to establish a ‘quantitative’ equivalence of value between objects” (Graeber, 2001: 36). Gift economy has gradually been replaced as capitalistic commodity and money economy, through the emergence of the medium of exchange: money. Money economy is a system of anonymity, replacing human relations with relations of things. By revisiting Mauss’ project to overcome the basic rationale of modern economy, which strictly limits human motives as self-interest based on individualism, Graeber tries to illuminate “a system of total reciprocities” (Graeber, 2001: 159). In this system the gift economy functions as a system of generosity. From this perspective, the reciprocity, for instance, of the Maori can be reinterpreted as a new system of value, in that the Maori exchange is a way of creating the generic value of community without immediate individual reward or interest. It is thus based on voluntary dissipation of gifts rather than on accumulation, for constructing a community value that presupposes reciprocity and equality.

Maori systems of value, then, were based not only on a remarkably strong emphasis on invisible, creative powers, and very little on exterior display, but also on a peculiar cosmology that saw powers of creativity—even those hidden with humans—as partaking of the divine, and in which the most characteristically human forms of action instead of consisted of one or another sort of appropriation, consumption, or destruction. It was through the latter—especially, through transgressive exploits of one sort or another—that one made oneself an individual and left one’s mark on history. (Graeber, 2001: 187–188)

This totally different way of activation in constructing and consolidating the value of the community is important, because the value-system presupposes a constructive totality of the community. In gift exchange, every actor’s action acquires meaning as an exchange of performance, and it is thus realised in the public sphere in writing the narrative of the

community. As gift economy presumes a system of giving-away gifts, even to enemy, as generosity and reciprocity in producing value. Thus it can ironically motivate every actor to participate and create value system. This can be an antidote to the closed totality of capitalistic accumulation, in which every actor is viewed as a potential performer according to the simple possession of money.

Reinterpreting Strathern's notion of value, Graeber correlates value with a cognitive concept of meaning, in that "the value of an object, or a person, is the meaning they take on by being assigned a place in some larger system of categories" (Graeber, 2001: 41). Meaning ushers action in creating value. "Value [...] is the way people represent the importance of their own actions to themselves" (Graeber, 2001: 45). According to his analysis with regard to value theories of Strathern and Munn, "Strathern sees value as a matter of 'making visible': social relations take on value in the process of being recognized by someone else. According to Munn's approach, the value in question is ultimately the power to *create* social relations; the 'making visible' is simply an act of recognition of a value that already exists in potential. Hence where Strathern stresses visibility, Munn's language is all about 'potencies,' 'transformative potential,' human capacities that are ultimately generic and invisible" (Graeber, 2001: 47). "Value as the importance of actions" in social process of creation of meaning, is "something that mobilizes the desires of those who recognize it, and moves them to action" (Graeber, 2001: 105).<sup>37</sup>

In Simmel's analysis, value is basically economic, because a value can only be realised through exchange, which functions as the medium of representation of exchangeability through the medium of money. To maximise its exchangeability, each subject performs to overcome the distance the evaluation mechanism has set, measuring performativity against

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<sup>37</sup> Graeber categorises approaches to value in "three large streams of thought": "1. 'value' in the sociological sense: conceptions of what is ultimately good, proper, or desirable in human life, 2. 'value' in the economic sense: the degree to which objects are desired, particularly, as measured by how much others are willing to give up to get them, 3 'value' in the linguistic sense, which goes back to the structural linguistics of Ferdinand de Saussure, and might be most simply glossed as 'meaningful difference'" (Graeber, 2001: 1-2).

These different approaches are intertwined and intersected in the formation of value, as presenting unrelated motives, actions, and meanings as the operational constitution of the value itself. Under our scope of analysis, this is an all-encompassing narrative process, narrativisation, in the construction of value under our theoretical concerns. Ricoeur points out that with regard to the organising principle of unrelated events on the level of manifestation of stable relations: "[T]o account for the unstable character of the narrative process at the level of manifestation" "is so important to put the structure into motion. We may ask, however, whether it is not the competence gained through a long acquaintance with traditional narratives that allow us, through anticipation, to call 'narrativization' the simple reformulating of the taxonomy in terms of operations, and that also requires us to proceed from stable relations to unstable operations" (Ricoeur, 1985: 49).

the axiom of money. Here it begins to engage with the symbolic field of value representation, which is linked with cultural trends. Simmel continues on this point:

Money passes from the form of directness and substantiality in which it first carried out these functions to the ideal form; that is, it exercises its effects merely as an idea which is embodied in a representative symbol. The development of money seems to be an element in a profound cultural trend. The different levels of culture may be distinguished by the extent to which, and at what points, they have a direct relationship with the objects that concern them, and on the other hand by the extent to which they use symbols. (Simmel, 2004: 148)

The role of the symbol and its significance in economic value is crucial, given that “the multitude of factors—of powers, substances and events—that operate in modern life demands a concentration in comprehensive symbols which can be manipulated with the assurance that they will lead to the same result as if all the details had been taken into account, so that the result will be applicable and valid for all particulars” (Simmel, 2004: 150). Although it seems that a highly developed society can free from “symbols in the realm of cognition,” symbols, actually “makes us more dependent on them in practical matters” with its representativeness in guiding interests:

[In symbolic relationship of money] the relation between reality and symbol fluctuates in narrower as well as in more general areas. One is almost inclined to think – though such generalities cannot be demonstrated – that either every stage of culture (and finally every nation, every group and every individual) displays a specific proportion between the symbolic and the directly realistic treatment of its interests, or else that this proportion is generally stable and only the objects that are affected by it are subject to change. But perhaps it may be stated more specifically that a conspicuous prevalence of symbolism is as much part of primitive and naïve as of very highly developed and complicated stages of cultural development. It may be that the progressive development frees us from symbols in the realm of cognition, but makes us more dependent on them in practical matters. (Simmel, 2004: 149)

In this regard, the symbolic significance of economic value produces system functions as a

mechanism of (pseudo) belief. This way it generates economic credit that, according to Simmel, occupies the position of religion in modern capitalist society. He goes on:

Economic credit does contain an element of this supra-theoretical belief, and so does the confidence that the community will assure the validity of the tokens for which we have exchanged the products of our labour in an exchange against material goods [...] it contains a further element of social-psychological quasi-religious faith. (Simmel, 2004: 179)

Just as religion, an economic system functions as a system of social integration through the symbolic as well as through the actual influence of money. Just as a person with religious piety understands the world as a teleological chain of God's schema, and therefore acts with a series of purposeful actions, the symbolic importance of money in producing value triggers a series of purposeful actions from the subject. It is this stage, at which *value as a symbolic distinction* creates a chain of purposeful actions, that it projects the subject's energy into the objectively valid field. Here, the actor participates in the working field of the system as a performer of meaningful action, on the one hand by *interpreting* the value relation of the reality of the moment and, on the other hand, by *anticipating* the reality yet to come in terms of the teleology of the system.<sup>38</sup> Therefore, according to Simmel, purposefulness as the

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<sup>38</sup> Ricoeur also explains that the teleology is formed through the narrative description conveying the intentions of the system. Articulating narrative intention into a "teleological explanation," through which the unity of the system is initiated with certain modalities of behaviour, Ricoeur also contends that "[t]eleological explanation bears on actionlike forms of behaviour. The phases of an action, in its outer aspect, are not tied together here by a causal bond. Their unity is constituted by their being subsumed under the same intention, defined by what the agent intends to do (or to abstain from doing, or to neglect to do)" (Ricoeur, 1984: 138). Whilst the intentional description ushers in teleological foundations of action and cognition, once the teleology sets up, it does not need any further logic for the actor, as the narrative teleology itself functions as the tool of self-reference, as we observed in Chapter 1. "On one side, therefore, the intentional description only constitutes the rudimentary form of a teleological explanation. Only the practical inference brings about the passage from the intentional description to the teleological explanation properly speaking. On the other side, there would be no need for a logic of the practical syllogism if an immediate apprehension of the meaning bearing on the intentional character of the action did not give rise to it" (Ricoeur, 1984: 138). With its "intentional description," narrative with teleological explanation functions as the epistemological tool of self-explanation and self-observation, through which subsequent actions are guided. Ricoeur, in this sense, terms it the 'followability' of narrative. It is the source of cognition and action: "Here the notion of followability offers another face. Every story, we have said, in principle explains itself. In other words, narrative answers the question 'Why?' at the same time that it answers the question 'What?' To tell what has happened is to tell why it happened" (Ricoeur, 1984: 152). In a financial system, this kind of teleological contagion and action (with its self-referentiality) becomes more apparent.

psychological transcoding of quantity into quality is the mechanism of value transference in the chain of teleology of the system. He states:

This *value transference* on the basis of purely external connections arranges itself in a very general form of our mental processes which one might call the psychological expansion of qualities. If an actual sequence of objects, forces or events contains a link that brings about certain subjective reactions in us, e.g. pleasure and displeasure, love or hate, positive or negative value sentiments, then not only do these values seem attached to their immediate representatives, but we also allow the other unspecified mental links of the series to participate in them. (Simmel, 2004: 228, emphasis added)

Individual action does not remain separate in value transference. It becomes meaningful by being incorporated as a nodal unit into an actual sequence. This produces a frame of reference as a general form, or a unity of mental process. The sequential process orients unspecified disseminated actions into a frame—not just to force them but also to *motivate* them as purposeful actions. In this way they create meaning in value transference. Purposefulness subsumes disparate actions alien to teleology and then (re)appropriates them as means of *transferring*, as well as producing, meaning and value, because “a value is a purpose from a practical-volitional point of view” (Simmel, 2004: 229). The volitional, or in other words, voluntary participation is at stake, considering that purposefulness causes transformation within an object. This then catalyses a series of meaningful actions in value transference.

But, then, what operation ushers the sequential process into the system of valorisation? This is the critical question that may reveal the conjuncture of value and its sequential

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As Orléan argues, “[a] market in which everyone tries to foresee the average opinion corresponds to a particular formal structure: self-reference. Self-reference may be contrasted to hetero-reference. The latter designates a system where an external and transcendent norm is the referent in relation to which the position of the different elements of the system is evaluated. This external norm stands apart from the action of the elements within the system. In a self-referential system, on the other hand, the value in relation to which the elements’ positions are measured itself the product of the interaction of the elements. This value can only be defined in a circular manner, for it is both the origin of the elementary actions and their result. The average opinion formed on a speculative market provides a perfect example of such a situation, because it is nothing but the result of individual expectations, yet each and every one of these expectations has only the average opinion as its object” (Orléan, 1989: 69). Therefore, in relation to a self-referential system of finance, what is at stake is “a matter of the members of the collectivity setting up a common point of reference, a collective representation [...] that makes the coordination of their actions possible. This common, externalized meaning making coordination possible is [...] a [economic] convention” (Orléan, 1989: 75).

representation as a teleological system of value. As such, narrative should be considered a process of initiation and concretisation of the *psychological operation of motivation necessitating teleology as a form of experience*. With heuristic force in search of a main value, narrative becomes fundamental practice for facing uncertainty, out of which a new set of a relationships is constructed through rhetorical intervention. This means managing risk on epistemological level, “which involve(s) the individual or collaborative telling (sometimes seen as the performing and usually as the constructing) of stories in order to understand how these practices function to construct selves and realities and to manage ‘crises’ in the daily living of those selves and realities” (Threadgold, 2005: 262). That Simmel underscores value from the perspective of its sequence of the value transference mechanisms allows room for articulating narrative theory as a framework of valorisation of the cultural—as well as the economic—thereby laying the ground for interpretation and anticipation as a synchronic series. It also highlights the existence of purposeful actions, combined with diachronic reconfiguration of temporality, in the performance of the subject.

While reviewing Greimas’s article, “The Interaction of Semiotic Constraints,” Ricoeur suggests how narrativity transforms unoriented relations among heterogeneous factors into a dynamic representation of narrative operation. The conditions of narrativity he introduces are “the three relations of contradiction, contrariety, and presupposition” that “appear as transformations by means of which one content is negated and another one is affirmed”<sup>39</sup> (Ricoeur, 1988: 49). With the arrangement of these three premises of “contradiction, contrariety and presupposition,” narrative functions as the cultural operation of inclusion and exclusion, and works through affirmation and negation of the contents. In structuring a narrative, there are two levels of statements: the narrative statement and the program statement. The role of the former is to instantiate the constitutional model in the order of “doing something,” by operating the three relations. Through this the value relation eventually takes place. The role of the latter is more critical, since it actually allows the emerging value relationship to be operated by providing different modalities in the frame of narrative intention.

To turn this [the narrative statement] into a “program statement,” we must add to it

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<sup>39</sup> According to Ricoeur, the three relations can be explained, for example, by the word “white”: “‘White’ means something because we can articulate it in terms of three relations, one of contradiction (white vs. not-white), one of contrariety (white vs. black), and one of presupposition (not-white vs. black)” (Ricoeur, 1985: 49).

various modalities that give it different potentialities: wanting to do something, wanting to have (something), wanting to be (a value), wanting to know (something), wanting to be able (to do something). (Ricoeur, 1985: 49)

While the narrative statement constitutes patterns of actions formed on the basis of contrasting positions, and this is often expressed as binary opposition by comparing the different values, the program statement encodes the desire of the actor by setting up modalities from which the actor can, following Simmel's term, overcome a form of distance. He overcomes the value producing program by transforming him/herself into the subject of desire, who wants to be a bearer of value. Yet he must hold the four modalities of recognising, having, being, and doing. In a narrative, an actor can remain a bearer of the narrative statement, but he or she may not acquire meaning as the signifier of value. Only by taking the program statement of the narrative the actor can access the signifying chain of value. Ricoeur's analysis might be an appropriate explanation of how Simmel's teleological chain or sequence can arrange heterogeneous actors and thus motivate them to participate in the system of value transference.

More significant in Ricoeur's narrative analysis is the introduction of the polemical category, which is inevitable in the transference of value. The two statements in narrative, according to Ricoeur, need an additional coding task, which is the introduction of the polemical relation, to reach the level of narrativity:

The constituting of the narrative model ends with the addition to the polemical category of *transference*, borrowed from the structure of exchange. Reformulated in terms of exchange, the attribution of an object/value, the last of the three narrative statements constitutive of the performance, signifies that one subject acquires something which another subject is deprived of. Attribution can thus be decomposed into two operations: a privation, equivalent to a disjunction, and an attribution properly speaking, equivalent to a conjunction. Together they constitute the transfer expressed by two 'translative' statements. This reformulation leads to the concept of a 'performative series.' And it is in such a series that we are to see the formal skeleton of every narrative. (Ricoeur, 1985: 50, emphasis in original)

Articulating Ricoeur, Simmel, and Jameson's theses into narrative operation of finance, and

in the reformulation of disseminated events into a “performative series” of teleological action in setting up a polemical relationship, it is, I contend, important to bear in mind some significant points. Namely, we must understand narrative as a value system with purposeful action, more particularly, *narrative is the system of transference or exchange of value*, in which the actor’s performance can be signified through the intervention of the polemical category as a ground of justification of exchange and attribution of value. Through this a narrative is strongly supported as the frame of *ethical vindication*, as well as that of *rational justification* in contrasting and thus transferring the value of the main character (protagonist, subject) to other characters (deuteragonists, anti-protagonists). The polemical category divides characters into two groups: subject group and anti-subject group. In this sense Ricoeur insists that all narratives have an *ethical dimension*, for which evaluative standards of binary opposition are usually employed in narrative operation. Without the support of a polemical category that foregrounds the performing actor (a subject) from non-performing actors (anti-subjects) in producing and transferring value, narrative cannot associate a performative series with value-production as an operational mode of predication of value.

While a narrative reaches the level of narrativity at which the actors are motivated and activated, we need to consider the two actual organising principles of narrative, which I have specified as ‘reconfiguration of temporality’ and ‘representation of information.’ Time above all becomes historical, or becomes a functional temporality in narrative, conditioning the narrative process as the *rhythm* of the value regime. Simmel argues this rhythm functions as a temporal factor by making sequences that bring about a “leveling effect” in valorising the system. This is because “[a]ll sequences of our life are regulated by upward and downward rhythm; the undulation that we immediately recognize in nature and as the basic form of so many phenomena also holds sway over the soul. The alteration of day and night which determines our whole form of life indicates as a general scheme” (Simmel, 2004: 485). Therefore:

Rhythm satisfies the basic needs for both diversity and regularity, for change and stability [...] Simplicity or complication of rhythm, the length or brevity of its individual periods, its regularity and its interruptions provide, as it were, the abstract scheme for individual and social, objective and historical life-sequences. (Simmel, 2004: 486)

Rhythm provides a *temporal ground* on which uncertainty is eventually valorised. Rhythm functions “as symmetry in time, just as symmetry is rhythm in space” (Simmel, 2004: 488). Unlike the natural rhythm, the rhythm in a monetary economy can be construed as the “rational-systematic principle,” since “money is the most decisive and completely indifferent means for transposing the *supra-individual rhythm* in the conditions of life into the harmony and stability that allow a freer, more individual and more objective confirmation of our personal energies and interests” (Simmel, 2004: 495, emphasis in original). This statement is significant because, in serialised capitalist society, money as the ultimate value transposes its “supra-individual rhythm” as the condition of stable performance. This gives purposeful action meaning in valorised time. The rhythm in fluid financial capital is even more crucial, since “a *change* in monetary circumstances brings about a *change* in the pace of life” (Simmel, 2004: 498, emphasis in original). “The fluctuations in exchange prices frequently indicate subjective-psychological motivations, which, in their crudeness and independent movements, are totally out of proportion in relation to objective factors. It would certainly be superficial, however, to explain this by pointing out that price fluctuations correspond only rarely to real changes in the quality that the stock represents” (Simmel, 2004: 325).

The concept of value-transfer through rhythmic performative series in narrative should therefore be the entry point for understanding how a value can be recognised, formed, circulated, and thus performed through the logic of narrative—a narrative that orients disparate actors, necessitates performances, and (re)produces value relations with modulation of rhythm in society. With regard to generic formation of value in a genre in which narrative is employed as the mode of mediation,<sup>40</sup> Jameson also finds a correlation between Marxism and narrative, in that Marxism is basically a theoretical and practical

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<sup>40</sup> Mediation, in Jameson’s theory, is considered alongside the notion of totality, for which mediation functions as an encompassing category for the analysis of social unity: the totality. “Mediations are thus a device of the analyst, whereby the fragmentation and autonomization, the compartmentalization and specialization of the various regions of social life (the separation, in other words, of the ideological from the political, the religious from the economic, the gap between daily life and the practice of the academic disciplines) is at least locally overcome, on the occasion of a particular analysis” (Jameson, 1989: 40). Reinterpreting Althusser’s “structural causality,” for the analysis of semi-autonomy or “the relative autonomy of the various structural levels” (Jameson, 1989: 44), as the fundamental “practice of mediation” (Jameson, 1989: 41), Jameson articulates the practice of mediation. He sees this as a practice of transcoding, which is the domain of interpretation and identification. “Mediation undertakes to establish this initial identity, against which then [...] local identification or differentiation can be registered” (Jameson, 1989: 42). “[I]t (mediation) is an identificatory transcoding which requires you at one and the same time to maintain these three ‘levels’ at some absolute structural distance from one another” (Jameson, 1989: 43).

methodology with a strategic value of generic concepts of the dialectic transformation of use-value and exchange-value. In addition, it can be reinterpreted as the mechanism of value exchange and transference. As Marxism focuses on the generic production of value through the mediation of exchange relations in society, narrative likewise achieves generic conceptual operation by mediating heterogeneous elements to produce a history-effect that fills the void and unconscious of the text (Jameson, 1989). Therefore, for Jameson, what dominant narrative contains is the actual aspects of societal fragmentation for the universalisation of the ideal of the dominant value. Narrative produces social fantasy, but the fantasy is not a virtual but a real form of ideology. Through it economic libidinal energy flows for the circulation of value. In this sense, narrative constructs meanings about value, while mediating actions as a series of performances that conceal and, at the same time, reveal the political (un)conscious of narrative itself. In this system “[a] story will link together all the protagonists, events, descriptions, and other textual elements, and, as such, narrative, is the place in fiction most directly to express the ‘unconscious’ totality (or linked-togetherness) of real life” (Roberts, 2000: 81). The narrative model communicates with reality as a way of filling the lacunae of ideology. However, the way in which narrative corresponds to reality seems *heuristic* for actors, as it *orients*, rather than enforces, opening up possibilities for performance in proportion to the distance actors keep from the narrative program and from their roles in transferring value. If the fulfillment of these possibilities for performance can be subservient to the dominant value politics, the only real possibility for alternative narrative is in an implosion of the political unconscious of the value system represented in dominant narrative.

While Simmel epistemologically emphasises value and value-formation related to exchange, as well as a series of purposeful actions and exchange causes, Marx considers material labour the essential value-forming substance. For Marx, “values are the objective expressions of homogeneous labour” (Marx, 1990: 134). Here labour is not labour in general; it is labour power as a quantified unit that can be bought and sold as a commodity by wage-price since, as Marx puts it, “[p]rice is the money-name of the labour objectified in a commodity” (Marx, 1990: 195–196). By distinguishing labour power from labour, Marx asserts that labour is a unity of two values: use-value and value (exchange-value). “Just as the commodity itself is a unity formed of use-value and value, so the process of production must be a unity, composed of the labour process and the process of creating value” (Marx, 1990: 293). Here, value of labour is nothing less than exchange-value of labour power,

through which capitalistic production constructs the labour process as the foundation of value-valorisation. As such, in Marxian value theory, exchange-value is independent from the particular use-value from which it is borne. Although Marx acknowledges that a use-value of some kind can be a value, it remains a use-value if it does not undergo any form of exchange. If, for instance, someone who cannot play the guitar bids at an auction for the guitar that belonged to Jimmy Hendrix at the price of £280,000, for him, the value of the guitar is not use-value but rather exchange-value. It is the symbolic importance of the item functioning as potential exchangeability in value-production. The bidder might sell it in future for a large surplus value. Here, the labour of the bidder becomes labour power as a unit of exchange-value, and it is mediated in the value-creating process. From the perspective of value, what is important in this case is that, in the unity of use-value and exchange-value of labour, exchange-value becomes the main composition of labour for the mechanism of valorisation of exchange-value. Labour power, in which its own use-value is sublated for exchange-value, is, thus, an essential substance. It is socially necessary for the capitalistic mode of production.

Unlike Marx, Simmel regards labour power as one of various factors that are exchanged for producing value. For Simmel, it is, as I have suggested, the possibility or exchangeability of labour power, rather than labour itself, that constitutes labour power as a value-producing agent. As exchange can also take place without labour power, taking labour power as the crucial substance of value is, Simmel insists, insufficient for the purpose of answering “the question of how labour power itself becomes a value.” He explains:

The idea, for instance, that the essential feature of value is the socially necessary labour time objectified it has been used in both these senses to provide a measure of the deviation of value from price. But the concept of this uniform standard of value does not answer the question of how labour power itself became a value. This could not have happened unless the activity of labour in producing all kinds of goods had given rise to the possibility of exchange, and the exertion of labour had been experienced as a sacrifice offered in return for its products. Labour power, too, enters the category of value only through the possibility and reality of exchange, regardless of the fact that subsequently it may provide a standard for measuring other values within this category. Even if labour power is the content of every value, it receives its form as value only by entering into a relation of sacrifice and gain or price or value. According

to this theory, if price and value diverge, one contracting party exchanges a quantity of objectified labour power against a smaller quantity; but this exchange is affected by other circumstances which do not involve labour power, such as the need to satisfy urgent wants, whims, fraud, monopoly, etc. In a broader and subjective sense, the equivalence of the values exchanged is maintained here, whereas the uniform norm of labour power, which makes possible the discrepancy, does not originate in exchange. (Simmel, 2004: 96)

This criticism is persuasive because the composition of use-value and exchange-value in labour can be disproportionate according to, for instance, different levels of development. However, we should also note that the function of exchange is central to Marx's analysis, since what Marx proposes capitalism to be, namely the exchange relation of commodities, means we must investigate the actual method of transformation of disparate use-value for the valorisation of the system. Marx's theory should thus be looked at with regard to how economic value as exchange-value becomes the foundation of capitalistic social relations *through exchange*, because "[e]xchange does not create the differences between spheres of production but it does bring the different spheres into a relation, thus converting them into more or less interdependent branches of the collective production of a whole society" (Marx, 1990: 472). When Marx analyses how money, as an autonomous medium representing exchange relations, is the fluid monetary form of the self-valorisation of capitalist society, it is particularly vivid how use-value, separated and alienated from concrete contexts, is abstracted. As a consequence it vanishes as the result of the circulation of money:

The independent form, i.e. the monetary form, which the value of commodities assumes in simple circulation, does nothing but mediate the exchange of commodities, and it vanishes in the final result of the movement. (Marx, 1990: 255)

Thus, the monetary form as the automatic subject becomes both the starting point and conclusion of every valorization process through which exchange-value (as the form of dematerialised use-value) mediates and vanishes. For Marx, exchange-value is a form of alienation of use-value, which transforms the actual composition of, not just labour, but also the value relation itself. The full-blown establishment of exchange-value relations finds its expression in financial capitalism, under which use-value is assumed, advanced, and thus

totally alienated in terms of exchange-value or financial commensurability in the markets.

### The Dynamic Formation of Value and the Question of Representation of Value

In this context it is worth recalling Spivak's criticism of Marx, where she tries to reveal the political unconscious of use-value. Spivak raises doubts about Marx's value theory, above all about the place of use-value, which she suggests is the alienated portion of value in the circuit of value-production. Diverging from mainstream Marxian explanations, Spivak considers use-value the main host of value, from which exchange-value—a "superfluity" or a "parasite of use-value"—is first decomposed. It is from here that it is eventually (re)composed as the dominant foundation of value:

The parasitic part (exchange-value) is also the species term of the whole, thus allowing use-value the normative inside place of the host as well as banishing it as that which must be subtracted so that Value can be defined. Further, since one case of use-value can be that of the worker wishing to consume the (affect of the) work itself, that necessary possibility renders indeterminate the 'materialist' predication of the subject as labor-power or super-equation as calibrated and organized by the logic of capital. In terms of that necessarily possible 'special case,' this predication can no longer be seen as the excess of surplus labor over socially necessary labor. The question of affectively necessary labor brings in the attendant question of desire and thus questions in yet another way the mere philosophical justice of capital logic without necessarily shifting into utopian idealism. (Spivak, 1985: 80)

A value can be both in and outside of the circuit of exchange, as Marx acknowledges. However, according to Spivak, while keeping the possibility of value realisation *outside* the circulation, which is necessarily associated with the fabric of representation of value, Marx simplifies the wide context of economic value-formation. However, this inevitably entails cultural representation of economic value, for which Spivak proposes *textuality* as the construction process of value on the psychological level. She argues that this is inexorably intertwined with the emergence of economic value. The process of making a notion of value through textual coding, which has been overlooked by mainstream economists as well as cultural theorists, is an essential part of value-production. As such, Spivak diagnoses that

the two separated parts, relations of use- and exchange-value, should be realigned in order to explain the dynamic formation of value. Without retextualising use-value in the chain of value-formation, the representation scheme of exchange-value (value -> money -> capital -> value) is superficial, as she insists that “[i]n my reading, on the other hand, it is use-value that puts the entire *textual chain of value* into question and thus allows us a glimpse of the possibility that even textualization (which is already an advance upon the control implicit in linguistic or semiotic reductionism) may be no more than a way of holding randomness at bay” (Spivak, 1985: 80, emphasis added). Therefore, in this regard, to answer the “onto-phenomenological question” of value, value-production in the economic sphere is necessarily articulated into “an adequate analogy to the psychoanalytic narrative,” and this explains how economic value can have meaning as value in the individual mind as well as in society. Spivak goes on:

The consideration of the textuality of Value in Marx, predicated upon the subject as labor-power, does not answer the onto-phenomenological question “What is Value?” although it gives us a sense of the complexity of the mechanics of evaluation and value-formation. It shows us that the Value-form in the general sense and in the narrow—the economic sphere as commonly understood being the latter—are irreducibly complicitous. It implies the vanity of dismissing considerations of the economic as ‘reductionism.’ I have already indicated various proposed formulations that have the effect of neutralizing these suggestions: to find in the development of the money-form an adequate analogy to the psychoanalytic narrative; to see in it an analogy to metaphor or language; to subsume domestic or intellectual labor into a notion of the production of value expanded within capital logic. What narratives of value-formation emerge when consciousness itself is subsumed under the ‘materialist’ predication of the subject? (Spivak, 1985: 82)

It is at this juncture that she raises the critical question: if “the question of value necessarily receives a textualized answer” (Spivak, 1985: 74), “[w]hat narratives of value-formation emerge when consciousness itself is subsumed under the “materialist” predication of the subject?” Any consideration of narrative instances of value-formation, which are “onto-phenomenological question[s] of value,” should, I want to argue, begin with narrative as value system, in which cultural valorisation of the economic is introduced and concretised

through the production of the notion of the valuable. Narrative in this sense needs to be reconsidered as a subsumption mechanism, through which a notion or consciousness of value is accompanied in the construction of value—and for which a value is collectively and systematically represented in support of capitalistically reconfigured temporality around the notion of the valuable in narrative processes. By analysing actual instances of narrativity in the financial mechanisms that function as context control—and which also channel the possibility of performance for actors in necessitating new value valorisation—we can concretely reveal how financial narrative is the operational mode of value predication. It is the mode of transference through which a notion and consciousness of value is valorised and supported in the construction of the dominant economic value.

Throughout the following chapter, we will examine the organising principles of narrative, temporal reconfiguration, and representation of information as a set of epistemic operations. This will be the basis on which the ground of narrative operation in our contemporary financial climate will be closely explicated. Without dense scrutiny of financial workings themselves, any effort to articulate narrative theory in the financial system will not be substantiated. In exemplification of the activities of the investment banks in the Korean financial crisis, we will clearly witness the process of financialisation and the cultural operations associated with temporality and representation. These were used in the making of a teleological chain of value-production and transference, or the new value system, and given to the local people.

Substantiating the narrative operation as a value system, Chapter 4 analyses the cultural logic of financialisation that is associated with the emergence of investment banking. This is exemplified in the Korean financial crisis and its aftermath, in order to reveal not just the economic restructuring of this society but the actual aspects of cognitive dissonance of the financial system. I will portray this as a disinformation campaign of finance capital, and show the operation of overcoming this cognitive dissonance by means of the cultural operation—in terms of financial rationale. Demonstrating that financialisation, which is critically motivated and generated through the engine of the investment banking model and technique, is detrimental to the growth of the nation's economy, I contend more importantly that the transactional orientation of investment banking is *the system of temporal articulation of human relationships*. Here, a series of transient combinations of human resources, experience, knowledge, and information is encoded and implemented for a transaction from the perspective of cultural performativity; this transaction thus incorporates other forms of

value-production into its rhythm and temporal reconfigurations. This will be further examined in Chapters 5 and 6, especially concerning temporal reconfiguration and narrative representation. By instantiating the process of widespread establishment of investment banking in commercial banking, non-financial corporations, and individual actors through major financial shake-ups after the Korean financial crisis, the next chapter shows how the master code of investment banking became the symbolic as well as material code by necessitating this process of financialisation in Korea. With the accentuation of financialisation as a process accompanying transactional orientation and mechanisms, seen as legitimate processes of the realisation of dominant value, I further suggest that financial capitalism is a set of epistemic operations that transcodes cognitive dissonance with an operativity of information. The collective information produced by financial narrators, transcodes the dissonance into consonance grounds in the field of cognitive operation, as the cultural logic of financialisation beyond economic diagnosis; it thus functions as the source of cognition and action for the actors.

As for my theoretical concerns, I propose the cultural logic of financialisation should be seen in terms of the *(re)configuration of temporality* and *(re)presentation of information*, both of which have been critically undertaken and maintained by the operativity of investment banking. This functions, following Bourdieu, as “the sign of wealth” (Bourdieu, 1992: 66), or a proto-narrative, in what follows. It is time for cultural theorists and practitioners to approach finance as a set of epistemic cultural processes that modulate the epistemological and ontological context. These affect actors’ cognition and behaviour in value-production and realisation. Financialisation is, in this regard, viewed as a disinformation campaign, through which the cognitive dissonance of the financial system is effectively contained; financialisation conceals the damaging effects of this transactional mechanism and thus valorises the short-term speculative mechanism as the legitimate rhythm of value-production and circulation. Throughout instances of the Korean financial crisis, the financial centres collectively and systematically intervened with narrative operations to sustain and amplify the ultra-speedy transactional orientation of investment banking among actors in the financial markets. Through this cultural campaign the financial system ceaselessly conceals the cognitive dissonance, and the contradictions in the system, with operativity of information for construction of financial reality. It stimulates beliefs and guides actions, without which financial integrity, credit relations, and transactional orientation could not be sustained.

## Chapter 4

### **Cultural Logic of Financialisation and the Korean financial Crisis: (Dis)information, Temporality and Representation in Neoliberal Paradox**

Financialisation, according to Epstein, is one of the “three keywords of the last thirty years’ change,” along with neoliberalism and globalisation<sup>41</sup> (Epstein, 2005: 3). Financialisation is at the center of socio-economic concerns, with its widespread influence over the various sectors of society. However, until now, theoretical analyses of the phenomenon have mainly focused on the economic field, although “distributional implications” (Epstein, 2005: 3) of financialisation overlap onto diverse milieus outside the economic. Financialisation should also be approached, then, as the process of establishment of “epistemic culture” (Knorr Cetina, 1999). It works towards the legitimatisation of new economic methodology, producing and transferring new rationality for cognition and action in value-realisation. While reviewing the economic literature on the implications of the new economic tendency, this chapter aims to reveal what sort of economic process is actually applied in financialisation, and what cultural connotations it has. To do so, it first examines a process of qualification of the economic: a tendency toward diversification from commercial banking to investment banking. Observing the change in the banking structure in the Korean economy after the Korean financial crisis, this chapter suggests that financialisation specifically entails a transformation in the nature of banking, which leads to the dominance of investment banking over commercial banking. From this temporal consciousness and behaviour toward the main value is reconfigured, with its cognitive operation involved in redesigning social relationships, so that, above all, investment banking pursues extremely short-term profits

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<sup>41</sup> Questions can be asked about relationship and interactions between the three processes. Gérard Duménil and Dominique Lévy explain that “[n]eoliberalism is the ideological expression of the reasserted power of finance” (Duménil and Lévy, 2005: 17), since “[n]eoliberalism is” above all “the expression of the new hegemony of finance” (Duménil and Lévy, 2005: 40). It can be thus inferred that finance is the main engine that defines new political and social arrangements and order. In this sense, globalisation, following their parlance, is the global expression of financial operation and prevalence in capitalistic development, for “[i]t is finance that dictates its forms and contents in the new stage of internationalization; it is not internationalization or globalization that creates the insuperable necessity for the present evolution of capitalism” (Duménil and Lévy, 2005: 17).

over long-term stability and social and individual relationships.

This change is closely associated with the cultural, for the change, first of all, connotes temporal reconfiguration, or the temporal readjustment of speed of circulation and realisation of value. This then functions as the *extrapolation of a new rhythm* as the condition of the new reality.<sup>42</sup> Rhythm actualises a *pattern of mobilisation of value* in the monetary economy. According to Simmel, rhythm is “the rationalistic-systematic principle” that defines reality (Simmel, 2004: 490). Considering that “reality is in constant motion” (Simmel, 2004: 511), the tendency towards acceleration in the monetary economy, especially by investment banking, greatly influences the pace of life. Here we need to ask whether shortening of turnover time in financial transactions is affecting socio-political arrangements and relationships in society. If so, by introducing a new rhythmic movement, what kind of cultural operation is entailed in legitimising the new “rationalistic-systematic principle” that redefines reality? These are questions economists and cultural theorists rarely pose. By appraising the change in the nature of banking as a process symptomatic of financialisation, one that involves the inscription of a new rhythm, this chapter articulates the transformation as diversification and expansion of the capitalistic mode of production. It sees this as something that also functions as an epistemological and ontological reconfiguration, thereby affecting actors’ cognition and behaviour. It is where performativity of the economic is at stake,<sup>43</sup> in that, following the linguistic philosopher Austin, the intervention of performative

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<sup>42</sup> Valorisation of rhythm is an inevitable operation in extrapolation, or reconfiguration of temporality, from the cultural perspective as well, in that extrapolation, beyond transformation of policy in the economic, eventually aims to valorise futurity. It aims to do this through the narrative constitution. As it is a conditional constitution, the constitution is basically unknowable and unproven to actors. That is why Ricoeur insists that narrative extrapolation and valorization of the futurity only exist “in the context of a story.” “To talk about the whole history is to compose a complete picture of the past and the future. But to pronounce on the future is to extrapolate from the configurations and concatenations of the past in the direction of what is still to come. This extrapolation, constitutive of prophecy, consists, in turn, of speaking about the future in terms appropriate to the past. But there is no history of the future due to the nature of narrative sentences, which re-describe past events in light of subsequent ones unknown to the actors themselves. Such a meaning can be conferred on events ‘only in the context of a story’. The vice of substantive philosophies of history, as a consequence, is that they write narrative sentences with regards to the future when they can only be written with regards to the past” (Ricoeur, 1984: 144).

<sup>43</sup> The performativity of financial economics can be viewed as *the power of intervention and representation of financial hypothesis that leads to practical action* if such hypothesis fails to describe the reality, as MacKenzie succinctly puts it in association with economic performativity and semantic representation. “[F]inancial economics in the form of the efficient-market hypothesis has not simply been ‘applied’ (for example, in the form of index funds): ‘failed’ tests of the hypothesis have given rise to practical action that generally has had the consequence of tending to restore the hypothesis’s empirical validity. It is this kind of interweaving of ‘words’ and ‘action’—of representations and interventions – that the concept of ‘performativity’ is designed to capture” (MacKenzie, 2008: 5).

information, such as speeches, statements, and representation of the market situation, introduces and grounds a new economic rationale and, therefore, functions for the production of rationality in (re)cognition and behavior. This will be closely analysed in Chapters 5 and 6. In the case of Korea, the financial crisis functions as a leverage point for neoliberal restructuring, by which financialisation of the banking sector, non-financial corporations, and individual actors is critically generated and motivated. A collection of economic information and statements by narrators in the dominant financial apparatuses supported financial structural change in the Korean economy, and this is the exemplar of the performativity of the economic that sutures “cognitive dissonance” (Parenteau, 2005: 127). This, Parenteau explains, is the operativity of information in finance that functions as a “disinformation campaign” (Parenteau, 2005: 131).<sup>44</sup>

Financialisation is indeed a “disinformation campaign” through which the cognitive dissonance of financial mania is effectively contained, concealing its damaging effects and valorising the inherent bubble-mechanism as a legitimate mode of value-production and realisation. Sustaining and amplifying transactional orientation among actors in the financial market, the financial system masks cognitive dissonance through its operativity of information. This modulates the epistemological and ontological context of the actors. The intensification of the *transactional orientation* of investment banking over commercial banking, non-financial corporations, and individual actors becomes the criteria of *behaviour* and *expectation*, with the collective information of financial narrators supporting such behaviour as the rational and legitimate condition of dominant value-production and transference. This in turn valorises the temporality of futurity, the future value, associated with flows of dominant value. With this double operation, reconfiguring the ontological and epistemological context, financialisation is eventually set to function as the condition of performativity in individual actors, which is critical in the construction of financial reality. It stimulates belief and guides action, without which financial integrity, credit relations, and transactional orientation could not be sustained. To reveal the concrete aspects of cognitive dissonance and the operation of overcoming it through the performativity of the financial economic, this chapter first proposes that from the perspective of the general economy,

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<sup>44</sup> In Ricoeur’s analysis, narrative transforms the “cognitive dissonance” into “dissonant consonance,” which he traces as a “theme” in narrative theory. Transcoding cognitive dissonance into consonance is a crucial narrative operation; even Ricoeur insists that “[t]he [narrative] encoding is thus governed more by the expected meaning effects consist essentially of making the unfamiliar familiar” (Ricoeur, 1984: 168), thus emphasising the study of encoding as “my theme of dissonant consonance” in whole narrative theory (Ricoeur, 1984: 168).

financialisation (which is motivated and generated through the engine of the investment banking model and technique) is detrimental to the growth of a nation's economy. Looking at the process of widespread establishment of investment banking in commercial banking, non-financial corporations, and individual actors through a major financial shake-up—after the Korean financial crisis—this chapter reveals that the code of investment banking becomes a “sign of wealth” (Bourdieu, 1992: 66). It functions as the sign of authority and communication in motivating the process of financialisation.

### The Transactional Orientation of Investment Banking: A System of Temporal Articulation

As Greg Albo suggests, “there is a mismatch between the time horizons of financial and industrial capital: where the latter requires long-term investment, the former thrives on short-term profits” (Albo, 1996: 7). However, it should be noted that there are different temporal workings even within financial capital. Unlike a commercial bank, which offers long-term loans to corporations and businesses as well as individuals, an investment bank trades securities in the capital markets and invests hedge funds, mutual funds, and pension funds. Crucially, it operates on a short-term basis. In essence, the investment bank operates on an “opportunistic basis,” without an embedded relationship with customers. As such, it has more of a “transactional orientation” than a relational orientation (Eccles and Crane, 1998: 205). According to Eccles and Crane, the investment bank has three features for a speedy response to market opportunities: complexity, fluidity, and flatness. First of all, “[c]omplexity is required because of the mediation function, economic characteristics and production process of investment banking,” in that “matching issuers and investors required a large number of ties between those who have contact with each side of the market interface.” Second, “[f]latness is required in order to process information in a *timely fashion*,” while “[f]luidity is required because of the constant change in internal ties created by constant change in external markets” (Eccles and Crane, 1998: 206, emphasis added). Here, “flatness” refers to a tendency toward an immediate and direct interrelationship between front office brokers and back office managers in making deals. These factors are essential for facilitating both deals and the flow of assets. The highly technical and specialised practice of banking formulates “internal ties,” through which investment bankers “share information” and “identify opportunities.” Because “each deal itself requires a unique and changing mix of specialist resources, ties are created between the people who work together to get it done”

(Eccles and Crane, 1998: 206). However, these internal ties are not as strong as those in traditional firms. They are flexible and “weak ties,” which can be characterised as the organisational feature of financial and global cutting edge firms, mainly given the fact that “firms will exploit weak ties to extend their network. Because it correlates with difference, distance from the centre adds to the value of information peripheral partners can yield.” In addition, “weak ties have the further advantage of being easily breakable if a peripheral agent is no longer of use to those at the centre—who thereby avoid having their adaptation sabotaged or slowed by a network partner who proves resistant to, or incapable of, necessary change. Shedding of weak ties is generally easier in inter-firm than intra-firm networks, membership of which confers status which makes disloyal or dysfunctional agents harder to cast off, or dangerous to do so because of the information they can carry to rival firms” (Shipman, 2001: 138). To capture the unexpected “creative” point of intervention in the creation of market opportunities, an up-to-date player in the financial industry, such as an investment bank, orients itself toward a “loose structure,” in which each agent maximises his or her turnover. This is done by an arbitrary sharing of knowledge and information. However, “[c]omplementing the loose structures in a self-designing organisation are,” as Eccles and Crane also point out, actually “tight management control system[s] designed and installed by top management. These systems direct the energies of people throughout the firm and are thereby important way by which top management exercise control” (Eccles and Crane, 1988: 207).

The transactional orientation of the investment bank does not allow horizontal or democratic relationships, it seems. It is, rather, a *system of temporal articulation of human relationships*, in which a series of transient combinations of human resource, experience, knowledge, and information is implemented in a *transaction*. *Financial flows* can then be seen as *the objective expressions of consecutive and collective temporal articulations of transactions* in financial markets, on which each trader can project his or her subjective expression. This is usually in conjunction with temporal fluctuations. In this sense, financial flows are changeable entities that “must be expressed in terms of a time interval” (Knorr Cetina and Preda, 2004: 53). Here changes of volumes and positions of participants eventually become *meaningful actions*. According to Knorr Cetina and Preda, financial flows that formulate financial realities perform “bridging and mediating roles in giving support to a moving market and in updating and forwarding the market on a time zone trajectory” (Knorr Cetina and Preda, 2004: 55). Thus we must emphasise that “[t]emporal features of finance capital

empower it [economic globalisation] to subject other forms of capital to its rhythms” (Sassen, 1999: 222), thus transforming “the slow moving and rule-bound public accountability of governmental processes” for “the accelerated dynamic of private ‘regulatory’ functions and markets” (Sassen, 1999: 224).

The financial rhythm, led and maintained by investment banks, is not just an “accelerated dynamic” but a series of “rapid-fire trades”<sup>45</sup> that are performed in milliseconds. According to a report from the *Wall Street Journal*, the US investment bank Goldman Sachs is the “dominant player in high-frequency trading, in which computers use complex formulas to conduct rapid-fire trades in markets around the world.” It says that “[i]n the week ending July 3 [2009],” the investment bank “accounted for 24% of all program trading, or computer-generated trading.” “High-frequency trading,” performed by a dominant investment bank, “has become one of the fastest-expanding strategies on Wall Street, accounting for more than 73% of stock-trading volume in the U.S. this year [2009], up from 59% in 2008.” This pattern of transaction, called a “flash-order,” virtually removes the temporal gaps between selling and buying. “Powerful algorithms execute millions of orders a second and scan dozens of public and private marketplaces simultaneously. They can spot trends before other investors can blink, changing orders and strategies within milliseconds.”<sup>46</sup> High-frequency traders in investment banks can “bully slower investors,” for they often “confound other investors by issuing and then canceling orders almost simultaneously. Loopholes in market rules give high-speed investors an early glance at how others are trading.” Due to the introduction of this new financial pattern, the “[a]verage daily volume has soared by 164 percent since 2005.” According to the report, the New York Stock Exchange estimates that “a handful of high-frequency traders,” in investment banks, “now account for a more than half of all traders.”<sup>47</sup> High-frequency traders are thought to have generated profits of \$21 billion in 2008. Here, the new cutting edge method of investment banking indicates two things: first, *investment banking* is fundamentally a *temporal operation* that is combined with ultramodern technology—because of which investment bank traders have a vantage position, thereby creating massive volumes in the form of dominant financial flows; second, the temporality investment banking seeks is an abstract entity severed from the real economy, superseding concrete human relationships in the field of the economy in an instant money game. “There is,” as Parenteau explains, “a

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<sup>45</sup> “Rivals Play Catch-Up as Goldman Thrives,” *Wall Street Journal*, 13 July, 2009.

<sup>46</sup> “Stock Traders Find Speed Pays, in Milliseconds,” *New York Times*, 23 July, 2009.

<sup>47</sup> “Stock Traders Find Speed Pays, in Milliseconds,” *New York Times*, 23 July, 2009.

trading culture” that demarcates investment banks from commercial banks at the level of temporal operations. He goes on:

There is a trading culture. This more rapid turnover of asset holdings also means investment banks find their principal less damaged by periods of unanticipated inflation. There are no 30-year mortgage loans, for example, sitting on the books of investment banks, with the purchasing power of the loan principal getting eaten up by high and rising inflation during the term of the loan. Consequently, in very gross terms, the interests of investment bankers are more closely aligned with wealth-holders owning equities than with commercial bankers *per se*. (Parenteau, 2005: 134)

Investment bankers with specialised banking techniques, maximising information for higher profits in each deal, earn a distinctive position in financial capitalism. This is due to their power to make rules that influence other participants’ behaviours and expectations. As such, the specialisation of the banking system provides investment banks with a source of operativity of information: reputation. And this functions with cognitive and behavioural value to guide the financial markets to meaningful action. Since it obtains reputation in value-realisation through its performance, an investment bank can maintain ceaseless “differentiation through reputation” (Eccles and Crane, 1988: 109), transforming itself as a “self-designing organization” (Eccles and Crane, 1988: 207). This way of pursuing the banking system as a methodology for dominant value-production and transference motivates commercial banking as well.<sup>48</sup> Therefore “[d]uring the past two decades, “the *“bank model has been replaced by most issuing customers, particularly sophisticated and heavy users*

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<sup>48</sup> There are, however, limitations in commercial banking, although some big commercial banks, such as Chase Manhattan and Citicorp, have been operating investment banking components “within the constraint of the Glass-Steagall Act.” This act was established in America in 1933 for controlling speculation. But the issue of legal regulation is somewhat auxiliary. There are “two major obstacles” to a commercial bank succeeding in investment banking. The two factors are “skilled people and culture,” According to Eccles and Crane. And the “[t]ypical corporate loan officer is perceived as lacking in the final sophistication necessary in the investment banking business.” However, as this issue is one of human resources, a commercial bank can cope with the weakness by means of “massive internal training programs and by recruiting from investment banks.” The second issue is more fundamental because it is a “legitimate reason for commercial banks to be concerned about credit risk, as investment banks doing bridge loans are aware.” Risk aversion regulates epistemological and ontological boundaries as it grounds perception and behaviour with regard to risk by commercial bankers. Nevertheless, as Eccles and Crane insist “[f]or commercial banks attempting to be successful in the investment banking [...] they will have to move significantly toward the practices used by investment banks as a few commercial banks have begun to do” (Eccles and Crane, 1988: 214–215).

of investment banking services, by a set of investment banks” (Eccles and Crane, 1988: 205, emphasis added). This is a crucial diagnosis, from which we can infer the way in which the financial banking structure has been transformed and evolved—as the main source of performativity in finance.

The prevailing position of investment banking in today’s financial climate is in no doubt. For example, as of 2004, Morgan Stanley is the leader in world stock markets, in market sectors such as global equity and equity-related stock, global convertible offerings, and global common stock, with a market share of more than 10%. Another investment bank giant, JP Morgan, tops global loans with a 18.9% share. Goldman Sachs is the overwhelming force in mergers and acquisitions (M&A), as “worldwide announced financial advisors,” occupying 29.5% with a profit of nearly \$400,000 million.<sup>49</sup> International stock and loan markets, as well as M&A markets, are all under the sway of big investment banks. The “transactional orientation” of investment banks proves that they are more actively engaged in stock markets than with bonds, which generally have fixed terms for repayment with interest. These patterns of banking are very different from those of traditional commercial banks, which profits from deposits from individuals and businesses, and by lending to them. With its specialized market-making and rule-setting banking techniques, including the operation of arbitrage and hedge funds, investment banks ceaselessly undertake “differentiation” in widening market opportunities. In the context of this research, one question is whether there is any relation between the proliferation of investment banking and financialisation. When a national economy’s financial restructuring is forced in the name of financial liberalisation, by considering the nature of the structural change in the banking sector it is possible to find out whether financialisation facilitates and fosters a tendency toward transaction-oriented financial behavior. In this sense it would be severed from long-term investment in the real economy, and characterised by investment banking as the *content* of financialisation. The Korean financial crisis can be considered an exemplary case, in which financialisation of a national economy was witnessed in the banking sector as well as in non-financial companies and individual actors. The rise of investment banking is the episteme of value.

## Financial Crisis and Financialisation in the Banking Sector

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<sup>49</sup> Thomson Financial League Tables  
([http://thomsonreuters.com/products\\_services/financial/league\\_tables/](http://thomsonreuters.com/products_services/financial/league_tables/))

Financialisation can be observed in the gradual prevalence of investment banking, where its techniques dominate value-production and transference in the financial sector. Epstein states that “financialization means the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies” (Epstein, 2005: 3). However, financialisation does not just influence the financial sector, for it ushers in structural change and encourages the investment behaviour of non-financial corporations (NFCs) as well. NFCs are thus also being more and more strongly affected in terms of financial motives and operations. The two trends in financialisation eventually insinuate and motivate individual actors as well, given that each actor recognises and reacts to the actions of dominant players in financial markets. These players embody the (meta) frame of dominant value, functioning as the objective field into which the actor is assimilated. Considering specific processes as the concrete momentum of financialisation, this chapter continues to articulate the Korean financial crisis as a case of neoliberal financialisation, where the structure of the nation’s economy was transformed in order to internalise and intensify three trends in financialisation. Provided that financialisation is the process of reassertion of the “power of financial elites that benefits handsomely from these policies despite these cost to many others” (Epstein, 2005: 12), it is fundamentally detrimental for the democratisation of a local economy. However, such harmful processes are officially legitimatised by the intervention of performative economic statements and utterances, as well as of economic theories and models. Such official intervention exploits “[t]he resource dependence of developing countries’ development models that make them depend on economic theories and models that support financialization, liberalization and globalization,” and thus functions as a kind of performativity of the economic, which redefines and reconfigures the normativity of economic process and its affects. In this sense, “[t]he unwillingness of most economists themselves to honestly face the profound problems associated with these theories and policies” (Epstein, 2005: 12) is an act of tacit approval authorising the intervention. As I contend throughout this chapter, the Korean financial crisis needs to be reevaluated as a convergence point at which the trends of financialisation and the performativity of economic and political statements were collectively performed.

In January 1998, amid rising fear of financial turmoil in Korea, US financier George Soros, who owns the world’s biggest hedge fund firm, Quantum Fund, met President-Elect Kim Dae-Jung and his chief economic aides. He forced the nation—suffering from a liquidity

crisis in the private sector—to restructure its financial system, in order “to create a better environment for foreign investment.” Soros directly requested financial liberalisation and flexibility in the labour market, both of which were described as “crucial” for recovering foreign investors’ confidence in the Korean financial market. Pull-backs of financial restrictions and massive layoffs in labour were once again recommended as important steps following the provisions of the IMF bailout plan.<sup>50</sup> Soon after, the limit on foreign ownership of domestic listed firms on the Korean stock market was lifted from 4 to 50%, both on an aggregate and individual basis. This meant allowing foreign investors to hold the position of main shareholder of basically any company in Korea. Meanwhile 14, almost half of the nation’s 30, merchant banks were suspended. With this structural change, foreign capital began to rush into the Korean financial market. Foreign investors soon took over the management of major commercial banks, such as Korea First Bank, Hanmi Bank, Korea Exchange Bank, and Kookmin Bank. American private equity fund Newbridge Capital bought Korea First Bank, while another equity fund, Lonestar, became the major shareholder of Korea Exchange Bank. Hanmi Bank was sold to Carlyle. Along with American private equity fund firms, investment banks also joined the Korean financial market. Goldman Sachs became the largest shareholder of Kookmin Bank, with the acquisition of 30% of its shares, replacing the Korean government, which had an 8.2 percent stake; Lehman Brothers led and managed Hanvit Bank’s new stock issue, which was sold to foreign investors.<sup>51</sup> As Korean bank shares had plummeted due to the crisis, these investment banks and private equity funds bought them at very low prices and were soon rewarded with massive profits. Goldman Sachs made \$571 million from reselling Kookmin Bank shares, which made a 100% profit in four years. The Korean financial crisis was, according to a newspaper report, “a gold mine for Goldman Sachs” as the bank made huge profit from brokerage as well as from direct investment. The report stated that:

During the nation’s financial crisis and its aftermath, Korea was actually a gold mine for Goldman Sachs. The core area of its operation was as a brokerage firm when the nation

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<sup>50</sup> “Soros to Send Investment Team to Korea,” *Korea Times*, 6th January, 1998. The IMF specifically prescribed financial liberalisation as the core of the bailout economic program designed to deal with financial crisis. In the program, foreign investment was given full access to Korean financial as well as industrial markets, stipulated as follows: “all foreign investors to purchase, without restriction, domestic money market instruments; all foreign investment to purchase, without restriction, in the domestic corporate bond market; eliminate restrictions on foreign borrowing by corporations” (“Summary of IMF Bailout Economic Program,” *Korea Times*, 6 December, 1997).

<sup>51</sup> “Foreign Banks’ Advance into Korea Accelerating,” *Korea Herald*, 12 April, 1999.

seeking to attract foreign capital, providing corporate sale-related consulting and investing directly into the country. Its Hong Kong branch, which is responsible for investments in Korea, said, 'since 1992, we have acted as a brokerage firm when Korea sought foreign capital worth 16 trillion won [\$16 billion] and provided consulting for 21 trillion won worth [\$21 billion] in corporate sales deals plus 1.45 trillion worth [\$1.45 billion] of direct investment.'<sup>52</sup>

Goldman Sachs was an important mediator in introducing foreign capital and, thus, in transforming the nation's financial sector. It also became an influential investor in the Korean financial markets. However, the bank also aggressively invested in the non-performing loans market as well as the real estate market. The bank was the largest single investment financial institution in Korea, spending \$500 million purchasing non-performing loans (for example, Jinro Corporation), corporate equity stakes (such as Kookmin Bank), and corporate buildings (such as Daewoo Group's headquarters). In 2003, foreign investors possessed 45% of the nation's main banks. In major banks such as Kookmin Bank, Korea Exchange Bank, and Shinhan Bank, foreign investors led by American investment banks and private equity funds held more than 50% equity.<sup>53</sup> From these radical changes of ownership right after the crisis, we can see that this was the *extrapolative fashion* of financial restructuring, performed by foreign speculative capital. "The most serious danger posed by foreign bank domination in Korea is," as Crotty and Lee point out, "that investment spending will continue to be constrained by a shrinking corporate bank loan market"<sup>54</sup> (Crotty and Lee, 2006: 673). This would come with a *change in the lending pattern* of major Korean banks, under the control of foreign investment banks and equity funds.

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<sup>52</sup> "Goldman Puts Its Midas Touch on Korea," *Korea Herald*, 24 December, 2003.

<sup>53</sup> "Introduction to Foreign Capital," *Korea Times*, 1 November, 2004.

<sup>54</sup> According to their analysis, right after the crisis, corporate bank loans were drastically "evaporating." "Between 1998 and late 2003, foreign banks slashed corporate loans as a percentage of total loans by 33 percentage points. The share of corporate lending in total bank lending decreased from about 75 percent in 1996 to 43.5 percent in 2004. External funds provided by all financial institutions to the corporate sector decreased from about 118 trillion won in 1997 to an average of 65 trillion from 1999 to 2004, a drop of 45 percent in nominal term" (Crotty and Lee, 2006: 673). Unlike the sudden drop in lending to the corporate industry, household lending saw a spike as "the household debt doubled from 214 trillion won in 1999 to 439 trillion won in 2002, with the ratio of consumer debts to GDA soaring from 44 percent to 74 percent" ("Nonbanking Financial Firms Brace the Shakeup," *Korea Times*, 22 July, 2003). In 2002, the Bank of Korea reported that household loans had increased four times in 2002, compared to 1998, a trend that would "cause an increase in bad loans and lead to the weakening of individual banks and even the financial system" ("Plans for the Improvement of the Operation of Banks' Assets," Bank of Korea, 2003).

What is at stake in this change of lending pattern is that “foreign banks have reduced Korea’s growth potential by shifting from corporate lending toward consumer loans and the purchase of government bonds.” These banks are also better able to “resist pressure to cooperate with government economic policies that are domestic institutions” (Crotty and Lee, 2006: 673). A series of investment bank takeovers of Korean commercial banks shows the near-instant change in banking patterns and behaviours of the nation’s banks, now preferring short-term profits and shunning the mid- or long-term investment of traditional industries. This is a conspicuous symptom of financialisation in Korea from which, above all, temporal reconfiguration of profits is redefined, interlocking the interests of investment banks at the expense of the interests of the nation. Carlyle, for example, resold their KorAm Bank shares in 2003, garnering capital gains of \$500 million in three years; Newbridge Capital also disposed of their stake in Korea First Bank to HSBC after three years. Investment banks and funds “invest with the clear target of exiting the investment normally within a 3–7 year timeframe” after “turnaround restructurings” that fundamentally transform the roles of commercial banks.<sup>55</sup> The “turnaround restructuring,” from commercial banking to investment banking, was the core target for neoliberal financialisation of the national economy. Restructuring the financial sector into a new frame of value-production and transference by reconfiguring temporality for a transactional orientation is not limited to this sector alone: by affecting and influencing the pattern of lending to industry more generally, the new banking practice also alters the structures of non-financial corporations.

#### Financialisation of Non-Financial Corporations and Individual Investors

Radical financial deregulation and subsequent takeovers of commercial banks by foreign investment capital gave Korea’s leading conglomerates, Chaebols, the opportunity to join the financial market, thus bringing about a structural shakeup of non-financial corporations as well. Korean conglomerates such as LG and Hyundai affiliated themselves with the financial sector by acquiring financial firms, in order to cope with the fast-growing demands of investment banking.<sup>56</sup> The increase in financial components in chaebols led them to heavily engage in the stock brokerage industry, speeding up capital circulation in non-

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<sup>55</sup> “Are Foreign Funds Poison or Medicine for Banks?,” *Korea Times*, 7 November, 2003.

<sup>56</sup> “Manufacturers Muscle into Investment Banking,” *Korea Herald*, 10 April, 2008.

financial corporations. This move saw a concentration of short-term profits and, thus, an increase in the speed in which shareholder value was maintained. Growing financialisation in the structure of non-financial corporations has been a characteristic of financial liberalisation since 1970s. This structural change, according to Crotty, bridged the gap between the highly increased productivity (due to technological revamps) and the slowing aggregate demand, which led to a fall in profit rates of non-financial corporations. However, the transformation, as it focused on the increased value of shares for shareholders rather than long-term “managerial incentives,” has been extremely detrimental for “long-term survivalist strategies,” lowering profit rates of non-financial corporations:

[...]in the 1970s and thereafter NFC [Non Financial Corporation] performance was adversely affected by two major changes in their environment created by the impact of neoliberal globalization on product and financial markets: a slowdown in the rate of global aggregate demand (AD) growth and an increasing intensity of competition in key product markets and a shift from ‘patient’ finance seeking long-term growth to impatient financial markets that raised real interest rates, forced NFCs to pay an increasing share of their cash flow to financial agents, drastically changed managerial incentives, and helped *shorten NFC planning horizons*. The combined effect of changes in both sectors lowered NFC profit rates, raised NFC indebtedness, slowed the rate of capital accumulation, and forced NFC top management to switch from the long-term ‘survivalist’ strategies that involved attacks on white- and blue-collar labour and on key firm suppliers. (Crotty, 2005: 78, emphasis added)

As a result, there is a situation of neoliberal competition, through which the non-financial corporations are becoming more and more heavily involved in “coerced investment,” in order to maintain their share value in the stock market. However, due to the very fact that “[t]he combination of sluggish demand growth and coerced investment leads to chronic excess capacity,” neoliberal competition is caught in a vicious circle. In this regard, Crotty suggests “three stylized facts about the condition of most NFCs in the neoliberal era”:

First, slow demand growth and more intense competition reduced average NFC profit rates well below their Golden Age levels. Second, while NFC investment spending eventually declined, coerced investment delayed the decline and limited the extent of its

fall. Third, coerced investment in the context of falling profits forced NFCs into ever-rising indebtedness. (Crotty, 2005: 82)

This is exactly what the “neoliberal paradox” consists in—considering that “intense product market competition made it impossible for most NFCs to achieve high earnings most of the time, but financial markets demanded that NFCs generate ever-increasing earnings or face falling stock prices and the threat of hostile takeover. We can see the logical outcome of this contradictory set of forces in the USA stock market bubble of the late 1990s and its subsequent collapse, as well as in the unmasking of widespread fraud in the financial statements of US NFCs” (Crotty, 2005: 79). By pursuing short-term profit in the stock market for the purpose of maintaining shareholder value rather than seeking long-term management, NFCs have poured their capital into the stock market and sustained the bubble mechanism. For example, “in 1998 alone, NFCs made net purchases worth \$267 billion, over 30 percent of cash flow that year. From 1995 to 2001, NFCs purchased \$870 billion of their own stock, helping prolong the bubble.”<sup>57</sup> The growing tendency towards financialisation of US NFCs has, instead of enhancing productivity and capital accumulation of NFCs, proved harmful for them. This is because coerced investment leads to an increase in indebtedness.

The productivity of NFCs in Korea has also been radically dragged down in conjunction with the structural shakeup of financial initiatives. According to the Korea Productivity Center, the industrial productivity rate fell drastically from 18% to 5% over the 10 years (1999–2009) after the financial crisis. Employment and reinvestment rates were also decreased by 3% and 8% respectively.<sup>58</sup> These data clearly show that, unlike what the dominant financial narratives tell us, financial liberalisation, characterised by extrapolation of transactional orientation in commercial banks and NFCs, is not helpful for the nation’s general economy. It is not for the majority but for “a particular class and a sector of the

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<sup>57</sup> *Business Week*, 1 July, 2002: 30. Escalating asset prices, according to Parenteau, are directly associated with the “macrodynamic asset bubble.” This spreads to individual actors, given the fact that “[r]ising asset prices can act as a financial accelerant on investment spending and a financial depressant on the desired household savings rate thereby shifting the investment accelerator function and the consumer expenditure multiplier enough to fuel boom conditions in the economy. Booming economic conditions in turn appear to validate and further inflate the asset price bubble. A self-amplifying feedback loop is introduced, taking portfolio positions and the economy far from a sustainable dynamic equilibrium” (Parenteau, 2005: 111). Bubble dynamics are a “latent tendency of asset markets that can endogenously emerge under the right conditions” (Parenteau, 2005: 115).

<sup>58</sup> “Manufacturing Without Employment,” *Kyunghyang Daily Newspaper*, 18 August, 2009 (In Korean).

economy” that “benefited from the crisis in amazing proportions” (Duménil, 2005: 18). This is where “cognitive dissonance” is sutured by the collective intervention of financial narrators, whose “euphoric episode is protected and sustained by the will of those who are involved in order to justify the circumstances that are making them rich. And it is equally protected by the will to ignore, exorcise or condemn those who express doubts” (Parenteau, 2005: 127–128).

The prevalence of investment banking in commercial banking and non-financial corporations directly influences the investment patterns of individual investors in Korea. Kookmin Bank, under the control of Goldman Sachs, aggressively recommended that individual investors open accounts related to stock investment funds, in an effort to reduce the institution’s reliance on the corporate loan business; this can be seen as a fundamental transformation of Korean individual investors’ buy and hold mentality and attitude. According to a report, the bank opened more than 450,000 individual accounts worth \$1.1 billion in 2004 and “[a]ll in all, the money is rolling back into equity investments, helping to push funds under management to an estimated \$204 billion this year [2005], up from \$140 billion just two years ago.”<sup>59</sup> Sales of fund products by major banks have been soaring, from 17% in 2003 to 27% in 2004 and 32% in 2005, of which individual investors formed the major portion, occupying 66% in 2004 and 80% in 2005. With the boom in fund investment, as of 2009, the number of fund products in Korea is 9,512, with more than 10 million individual accounts, putting the country first in the world in terms of fund products offered, ahead of Luxembourg (9,196), France (8,240), the US (8,051), Brazil (4,302), and Japan (3,376).<sup>60</sup>

### Cognitive Dissonance and Operativity of Information in Financialisation

As we have seen, financialisation is a process of involving financial institutions, non-financial institutions, and individual actors in financial fluctuations at the expense of long-term stability, growth, and employment. By maintaining the bubble mechanism, which is inherent in the stock market, the process conceals the reality and the cost the majority of people have to pay, reconfiguring its operation as an irrevocable procedure in the evolution of the capitalistic mode of production. Necessitating financialisation by accompanying the bubble mechanism with transactional orientation as a legitimate process in the realisation of

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<sup>59</sup> “Fund Frenzy Hits Korea,” *BusinessWeek*, 14 March, 2005.

<sup>60</sup> “Korea World No.1 in the Number of Fund Products,” *Hankyoreh Daily Newspaper*, 13 August, 2009 (In Korean).

dominant value, financial capitalism re-describes cognitive dissonance. The collective information produced by financial narrators that transcodes the dissonance as consonance grounds the field of cognitive operation beyond the economic diagnosis; thus it functions as a source of performativity and operativity by guiding cognition and action for actors. With the operativity of information, the real economy is transformed in terms of financial rationale. Analysing the relationship between real value and financial expectation, Parenteau points out that the operativity of information is a “disinformation campaign,” through which the cognitive dissonance of financial mania is effectively contained:

Management, in their single-minded attempt to enhance shareholder value (now that they too are shareholders), learned how to take the management of Wall Street analyst expectations to a higher level as well. With the evolving campaign to obscure earnings, it is no surprise that analyst earnings expectations came to bear no relation to the sinking profitability visible in the national income accounts during the latter half of the 1990s. After all, cognitive dissonance is much easier to breed amidst the fog of a disinformation campaign. (Parenteau, 2005: 131)

As this disinformation campaign is “made most urgent by the alignment of management interests with shareholder interests intended by the granting of stock options as management compensation” (Parenteau, 2005: 131), it prioritises short-term financial interests for shareholders over long-term investment and stability, and thus accelerates the departure of financial markets from the real economy. In the end, financial rationale becomes the main engine influencing the restructuring of the real economy, in terms of financial initiatives. The financial rationale, which transcodes the adverse effects of financialisation of the nation’s economy as a process of legitimisation and normalisation of value-production and realisation, is actualised through collective intervention of information. Through this a meta-frame of cognition and expectations of individual actors is informed and activated. With a lack of information and technical and theoretical skills, individual investors become *trend-followers* in financial markets in order to identify the dominant value, for “[w]hile widespread adoption of computers and the internet have surely democratized the tools for trading, such information has not led to more informed investment decision making by individuals. Rather, it has facilitated the identification of asset price trends, fostered momentum investing and for a while at least, made momentum

investing a self-fulfilling prophecy” (Parenteau, 2005: 118). It is a mechanism of financial flows, where the main players’ initiatives create momentum for identifying future value for individual investors—who do not generally have the information power to modulate the trends.<sup>61</sup> However, the financial narrator’s view conceals this *inequality in the information game*, transcoding the undemocratic situation as the democratic field of information, which is portrayed as accessible to all participators in the market. Denouncing Greenspan’s view that suggests that improved technology provides market participants with equal access to information, Parenteau criticises the financial narrator’s performativity, which he thinks “primarily reinforces extrapolative behaviour” in rationalising the trend following behaviour of the actors:

In Chairman Greenspan’s view, the future is less opaque and more predictable given the improved information flow that technology has made available for the average investor. Yet in reality, precisely the opposite has emerged. Information flows have been employed by individual investors in a manner that primarily reinforces extrapolative behaviour. Extrapolative expectations behaviour seriously undermines the very basis of the asset pricing models constructed by efficient marketers. (Parenteau, 2005: 118)

The adaption of extrapolative information, such as prices, rumors, monetary policies, and the statements of financial narrators, by individual actors is an act of valorisation of risk and uncertainty. This applies especially with temporally reconfigured action, advancing the future in fluctuation of stock prices. In this sense, “[t]he future that market participants seek to anticipate consists primarily of stock prices, not of fundamentals,” because, “[t]he fundamentals matter only insofar as they affect stock prices” (Parenteau, 2005: 121); this symptomatically and substantially shows the reversed relationship between the virtual and the real economy. What is at stake in individual actors identifying the fundamentals in the

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<sup>61</sup> Trend-following in the financial market is, according to Orléan, “mimetic rationality,” where the “the rationality of imitation in a situation of uncertainty is quite obvious in those cases where the model in fact has some knowledge about the value one is after.” In the financial markets, “this kind of situation is formalized in numerous models of speculation with rational expectations, where two types of agents—those with and without information—are distinguished” (Orléan: 1989: 77). As such, it is important to understand that for those uninformed agents, trend-following is a ‘formalized’ rational choice, through which specularity becomes apparent. In this sense, “[a] mimetic contagion of opinion is seen as the main explanation for speculative bubbles, be it a matter of describing the market’s steady climb or its catastrophic crash” (Orléan: 1989: 76).

financial system, and thus in participating in financial markets, is that while the financialised propensity of institutional investors (motivated and enhanced by the transactional orientation of investment banking of financial and non-financial corporations) provides individual actors with a criteria of *behaviour*, the collective information of financial narrators, by supporting the behaviour as the legitimate action of dominant value-production and transference, becomes the criteria of *expectation*, or *anticipation*. It aims to valorise the temporality of futurity, the future value, associated with flows of the dominant value.<sup>62</sup> With this double operation, of reconfiguring the ontological and epistemological condition, financialisation is eventually set to function as the condition of performativity for the individual actor. The double operation is critical for the construction of reality, stimulating belief and guiding action, through which financial integrity, credit relations, and transactional orientation can be operated and maintained.

Although it is thought that the process of adapting external information performed by individual actors can be heuristic, rather than coercive, it should be also noted that the actors cannot be free from the externality of information, given that trend-following is justified as a rational and irrefutable hypothesis. In this sense, the concept of, for example, a “self-fulfilling prophecy” whereby the behaviours and expectations of actors are justified in association with collective action, is no less than an economic convention, as we briefly mentioned at the beginning of the introduction. Analysing the famous Black and Scholes formula, which a foundation of the modern theory of finance, Callon explains that “the Black-Scholes-Merton model can be self-fulfilling because it is all about the behaviors and

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<sup>62</sup> The collective information, which here is narrative statements, according to Ricoeur, “implies memory and prediction implies expectation” (Ricoeur, 1984: 10). For him narration is a critical device of valorization in futurity, as it can function as a causal sign, bringing things from the future into the present. We will investigate this further in Chapters 5 and 6. In relation to temporality and anticipation, Ricoeur continues: “Now, what is to remember? It is to have an image of the past. How is this possible? Because this image is an impression left by events, an impression that remains in the mind” (Ricoeur, 1984: 10). “Expectation is thus the analogue to memory. It consists of an image that already exists, in the sense that it precedes the event that does not yet exist (*nondum*). However, this image is not an impression left by things past but a ‘sign’ and a ‘cause’ of future things which are, in this way, anticipated, foreseen, foretold, predicted, proclaimed beforehand” (Ricoeur, 1984: 11). More importantly, prediction, with its signifying operation, has a “predictive value of a hypothesis.” Here we instantiate through Black and Scholes model: “Prediction is just the inverted statement of the explanation in terms of an if/then statement. One result is that the predictive value of a hypothesis becomes one criterion of the validity of an explanation, and the absence of a predictive value is a sign of the incomplete character of the explanation. This remark, too, has to apply to history” (Ricoeur, 1984: 113).

human beings, and human beings depend on beliefs and expectations” (Callon, 2007: 322). He goes on:

To predict economic agents’ behaviors an economic theory does not have to be true; it simply needs to be believed by everyone. Since the model acts as a convention, it can be perfectly arbitrary. Even if the belief has no relationship with the world, the world ends up corresponding to it. We can thus consider that the famous Black and Scholes formula has no truth value, that it says nothing of real markets, and that it is simply a coordination tool that allows mutual expectations. It constitutes a false but effective representation, and can be seen as pure convention. (Callon, 2007: 322)

This “pure convention” is the performativity of the economic, with which even a false representation of reality can be described as “effective.” What is at stake in this intervention of the economic, for producing a new “convention” by guiding behaviour and expectation, is the effectiveness of a model in setting financial flows—rather than the appropriateness of a description of reality. By containing the ethical and social context in which the economic is located, the economic performativity of finance re-describes the world as existing in terms of its effectiveness. It can thus be thus said that the new economic intervention, which is implemented by a new hypothesis or assumption, is the operation of representation of financial cognitive dissonance. Here the fundamental difference between the reality and the new hypothesis is imaginatively sutured. In this sense, Milton Friedman, who is regarded as the designer of modern economics, and who was also successful in portraying unrealistic assumptions as normative economics, exposes an important mechanism of performativity of the economic hypothesis, which works to create a new reality:

Truly important and significant hypotheses will be found to have ‘assumptions’ that are wildly inaccurate descriptive representations of reality [...] A hypothesis is important if it ‘explains’ much by little [...] if it abstracts the common and crucial elements from the mass of complex and detailed circumstances [...] and permits valid predictions on the basis of them alone. To be important, therefore, a hypothesis must be descriptively false in its assumptions. (Friedman, “The Methodology of Positive Economics,” quoted in

It is no wonder that financial flows are becoming more and more detached from reality, given the fact that financial models, statements, and utterances,—which support a “descriptively false” financial reality as the irrevocable evolution of the capitalistic mode of production in the name of financial liberalisation—are based on assumptions bracketing “the common and crucial elements from the mass of complex and detailed circumstances.” The two processes of financialisation, which are the widespread application of investment banking techniques to commercial banks and non-financial corporations, prove to be detrimental to the structural stability and long-term growth rates of these sectors. But despite this, financial models and financial narratives legitimise the reality they describe mainly because, regardless of the flaws in their representation of current situations, they function as the source of predictions and further action.

One of main financial narrators, Michel Camdessus, described the Korean financial crisis as a matter of a decaying “old mansion” that could not be repaired without the radical intervention of “an audaciously modern architect” of the Western financial system.<sup>64</sup> This statement did not just effectively conceal the fundamental and universal risk of financial contagion and entanglement on a global scale, but also operated as a presentation, or as a *preliminary cognitive operation* with which the necessity of radical imposition of action and anticipation was materialised in the performativity of the economic. The statement is undeniably performative, in that it guides action and cognition with its (il)locutionary force, thereby framing the distance between the subject and the object, and suggesting the necessity of overcoming the distance. It suggests producing the dominant value, through which a specific mode of financial production, transactional orientation of investment banking, is motivated and supported as financial liberalisation. This in turn leads to integration with the global market. According to Austin, the term “performative” is used in

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<sup>63</sup> Here it is important to note that, as Ricoeur puts it, “the predictive value of a hypothesis,” rather than the appropriateness of the hypothesis as such, becomes the “criterion of the validity.” That is, if the assumption of the hypothesis is not verifiable. “Prediction is just the inverted statement of the explanation in terms of an if/then statement. One result is that the predictive value of a hypothesis becomes one criterion of the validity of an explanation, and the absence of a predictive value is a sign of the incomplete character of the explanation. This remark, too, has to apply to history” (Ricoeur, 1984: 113). According to this explanation, prediction or assumption functions as the code of the truth claim, in that it accompanies valorization of uncertainty through guiding expectation, even if “the hypothesis must be descriptively false.” In this sense, prediction implies expectation towards the truth claim (Ricoeur, 1984: 10).

<sup>64</sup> “Toward a New Financial Architecture for a Globalized World,” Chatham House, 1998.

a “variety of cognitive ways and constructions, much as the term ‘imperative’ is” (Austin, 1976: 6). Since the word “perform” is derived from the word “action,” this indicates that “the issuing of the utterance is the performing of an action” (Austin, 1976: 6). Therefore “the uttering [...] is, or is a part of, the doing of an action, which again would not normally be described as, or as ‘just,’ saying something” (Austin, 1976: 5). A performative statement, uttered by the main financial narrator, in this regard becomes “a code both legislative and communicative” (Bourdieu, 1992: 44), thus valorising cognitive dissonance into the “sign of wealth”:

Linguistic exchange—a relation of communication between a sender and a receiver, based on enciphering and deciphering, and therefore on the implementation of a code or a generative competence—is also an economic exchange which is established within a particular symbolic relation of power between a producer, endowed with a certain linguistic capital, and a consumer (or a market), and which is capable of procuring a certain material or symbolic profit. In other words, utterances are not only (save in exceptional circumstances) signs to be understood and deciphered; they are also *signs of wealth*, intended to be evaluated and appreciated, and *signs of authority*, intended to be believed and obeyed. (Bourdieu, 1992: 66, emphasis in original)

The financialisation of post-financial crisis Korea was made possible through the imposition of such a “sign of wealth,” which had “to be believed and obeyed.” Investment banking, the true sign of wealth, was propagated as the quintessential hypothesis of “an audaciously modern [financial] architect.” This led to the fundamental structural change in the banking and non-banking sectors, transforming the criteria of behaviour and expectation of the actors through a temporal reconfiguration in realising value. Although more than fifteen years have passed since the Korean financial crisis, and even after the global credit crunch, the signs of wealth still haunt the country—and will continue to do so.

### Neoliberal Financialisation and the Changing Position of Korea after the Global Financial Crisis in 2008

In this chapter we have explicated the process and impact of neoliberal economic restructuring in Korea that was initiated and undertaken by the IMF after the Korean

financial crisis in 1997, demonstrating that the neoliberal transformation was carried out through a financialisation of the country—not just through financial institutions, but also through non-financial corporations (NFCs), where individuals were strongly affected in terms of financial rationale. We have also shown with hard data that the transformation was and has been detrimental, as it above all focused on short-term shareholder value rather than long-term initiatives of wealth redistribution. In this respect, we have pointed out that the “neoliberal paradox,” following Crotty, which is clearly identified in contemporary capitalism, is propped up by intensifying and subsuming financialisation. While intense product market competition decreases the profit rate of NFCs to the point of stagnation, the financial market forces NFCs to “generate ever-increasing earnings or face falling stock prices and the threat of hostile takeover” (Crotty, 2005: 79). Neoliberal financialisation is therefore caught up in coerced investment in order to sustain share value in the stock market; for example, NFCs in the US alone were reported to have purchased \$870 billion of their own stock from 1995 to 2001<sup>65</sup> in an effort to prolong the bubble mechanism. The coerced investment naturally leads to profit rate fall and rising indebtedness.

It is worth observing John Bellamy Foster’s analysis in this context. He finds the causes of financialisation in the more fundamental structural features of capitalism, namely in a general tendency to stagnation. To break the deadlock of this stagnation tendency, capitalism regenerates monopoly finance as the new mode of capital accumulation. With a close observation of the causes of the financial crises since the nineteenth century, Foster argues that financial expansion in developed capitalist countries—including the U.S.—is “symptomatic of the underlying stagnation tendency that has its roots in the whole pattern of accumulation under monopoly-finance capital” (Foster, 2009: 19-20). Therefore it is the stagnation tendency that drives the financialisation of the economy. The neoliberal paradox is once again confirmed here in terms of stagnation and ever-expanding financialisation. Stagnation and finance are symbiotic in facing the economic impasse. According to Foster, the symbiosis has “three crucial aspects that can also reveal fundamental causes and directions of financial crisis”:

- (1) The stagnation of the underlying economy meant that capitalists were increasingly dependent on the growth of finance to preserve and enlarge their money capital.
- (2) The financial superstructure of the capitalist economy could not expand entirely

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<sup>65</sup> *Business Week*, 1 July, 2002: 30.

independently of its base in the underlying productive economy – hence the bursting of speculative bubbles was a recurrent and growing problem. (3) Financialization, no matter how far it extended, could never overcome stagnation within production. (Foster, 2009: 83)

Foster's view provides a more systematic insight into the causes of financialisation, which are in direct association with the stagnation tendency inherent in capitalism. It is important to see in the stark explanations the idea that the speculative bubble mechanism cannot be sustained in the long-term, as it will not be able to become completely detached from the real economy in the end. The necessity of a neoliberal disinformation campaign, or Neoliberal Thought Collective (NTC), to use Mirowski's terminology, arises at this locus of paradox to mask and thereby revalorise the irrevocable truth of stagnation and its dilemma. The disinformation campaign, actualised through the collective and concerted intellectual interventions of the main financial narrators, constantly transcodes the adverse effects of financialisation as a legitimate process of value realisation and reproduction.

Mirowski notes certain concerted interventions, such as the operative feature of NTC, whose involvement is *not to act* on an economic model but *to construct* an economic model that justifies the market as a self-sufficient entity. The "injunction to act in the face of inadequate epistemic warrant is," as he contends, "the very soul of constructivism, an orientation sometimes shared with the field of science studies, and the very soul of the Neoliberal Thought Collective" (Mirowski, 2013: 53). In this sense, neoliberalism is seen as a collective epistemic operation that constructs the conditions of a model, or a hypothesis, which is no less than the economic performativity of representation in our analysis.

The starting point of neoliberalism is the admission, contrary to classical liberal doctrine, that their vision of the good society will triumph only if it becomes reconciled to the fact that the conditions for its existence must be constructed, and will not come about "naturally" in the absence of concerted political effort and organization. As Foucault presciently observed in 1978 "Neoliberalism should not be confused with the slogan 'laissez-faire,' but on the contrary, should be regarded as a call to vigilance, to activism, to perpetual interventions." (Mirowski, 2013: 53)

As we substantiated when examining Milton Friedman's bold tenet of narrative

representation of the neoliberal project in this chapter—which supports a descriptively false financial reality as the irrevocable evolution of the capitalistic mode of production in the name of financial liberalization—it is interesting to turn to Mirowski to underscore this use of narrative as a crucial attribute of NTC, one which constructs the market as a self-sufficient model in containing market failures—although he does not develop the notion of narrative further in his analysis.

Neoliberals conventionally reject all such recourse to defects or glitches, in favor of a narrative where evolution and/or “spontaneous order” brings the market to ever more complex states of self-realization, which may escape the ken of mere humans. This explains why the NTC has rejected out of hand all neoclassical “market failure” explanations of the crisis. (Mirowski, 2013: 56)

Mirowski argues that the financial crisis is an epistemic phenomenon that holds up NTC interventions in the financial crisis as a point of construction of “spontaneous order” for revalorising the system.<sup>66</sup> We have already analysed that definition and representation of the crisis given through financial narrative interventions support the mechanism of self-valorisation of financial capital, which corresponds to constant contradictions in the exploitation of the uncertainty of the crisis. These are the actual implementations of a narrative practice of finance, through which the problem of ever-growing systematic defects of indebtedness and stagnation is continuously sutured in the epistemic operation. The contradictions and the financial crisis function as a leverage point for neoliberal restructuring, by which, as exemplified in the Korean financial crisis, financialisation of the banking sector, non-financial corporations, and individual actors is critically generated and motivated.

Greg Albo in this respect suggests that the financial crisis reinforces neoliberalism rather than undermines it, which is the “central paradox,” yet at the same time an “integral

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<sup>66</sup> In paralleling the uncertainty of the financial crisis and the intervention of the NTC, Mirowski figuratively yet aptly asserts that the NTC’s operation is based on performing an uncertainty that manufactures ignorance, which is ironically termed “agnotology”: “[t]he deployment of agnotology is a major hallmark of the neoliberal collective [...] From this perspective, the crisis is, in the first instance, an epistemological phenomenon. The beauty of the manufacture of ignorance is that it has proven an ideal short-term response to unanticipated surprises: when disaster hits, and reformers proposes to strike while the iron is hot with their nostrums and antidotes, the Neoliberal Thought Collective can stymie them and can buy time by filling the public sphere with fog” (Mirowski, 2013: 344).

feature” of the system. Financial crises thereby provide “developmental features of neoliberalism”:

The fault-line internal to financial capital of breeding financial crises and speculative bubbles—in the pursuit, as Marx phrased it, of “money begetting money” —must be interpreted with these integral features in mind. This is the key to unlocking a central paradox of neoliberalism within American capitalism: *financialization gives rise to such financial volatility that crises actually become one of the developmental features of neoliberalism, and this reinforces rather than undermines the central position of financial interests in capitalist power structures.* (Greg Albo et al., 2010: 35, emphasis in original)

Under the process of neoliberal financialisation the role of the state is redefined “to meet the new imperatives of financialization” (Foster, 2009: 84). Thus a “primary ambition of the neoliberal project is to redefine the shape and functions of the state, *not to destroy it*” (Mirowski, 2013: 56, emphasis in original). However the state is doubly implicated in financial geopolitics, which will be further explicated in the case of the Brady Plan in the final chapter. While the role of the borrowing state is greatly reduced to guarantor of risk, or lender of last resort responsible for the risk of private sector debt as well as sovereign debt in support of conditionalities imposed upon it, the role of the dominant states, which oversee global debt conditions through international financial institutions, is ever more powerful over indebted countries. Our examination of the Brady Plan will clearly show how commercial banks backed by the U.S., Europe, and Japan became the main creditors to debt-ridden countries, imposing heavy sanctions on the states in planning and implementing economic policies such as capital flow and interest-rate setting.

I will briefly reflect and update on the changing role of Korea and the limitations in the contemporary context of the post-2008 credit crunch crisis. It will then give an insight into how Korea has been transformed since the neoliberal financial restructuring, and how the change affects the country after the crisis in 2008. Through this, we will see the neoliberal financialisation and its subsumption mechanism more clearly, in terms of how the object is activated in the objectifying field of main value (the global financial market) set by the subject and its criteria. At surface level, the subsumption process seems successful, as Korea has, for instance, been awarded enhanced membership in the IMF reform of ‘quota and voice.’ But the subject effect is the subjectivation of object, which internalises limited

conditionality as a condition of participation into the system and thus transforms itself into a model of a heroic investor without fear of risk taking and indebtedness, as we will also see in Chapter 8. As will be closely examined in the case of the international debt framework of the Brady Plan, the formation of pseudo-subjectivity is therefore revealed as a concrete exemplar of subjection or subjectivation of the object in the financialisation of Korea. In this respect the Korean financial crisis and the tendencies of far-reaching financialisation can be seen as an actual instance of the subsumption mechanism of the financial system—in which the formation of a new economic subjectivity of the object is finally activated.

To see the reality more closely, I will briefly recapitulate the distinctive data that show what was brought about in the Korean financial crisis and the successive neoliberal financial restructuring in a global context. With this information on the table, I will suggest three attributes (the intensifying coupling movement of the Korean financial market with global financial markets; the increased quota in the membership in the IMF; and the emergence of a new regional economic block by BRICS (Brazil, Russia, India, China, and South Africa) and Asia) as the most conspicuous tendencies of neoliberal financialisation in Korea—all of which clearly reflect the changing role of Korea in bearing new economic subjectivity and identity under the subsumption process into the international financial system.

### Neoliberal Financialisation in Korea and Global Context

In the beginning of the chapter we have demonstrated the key aspects of financial liberation in Korea undertaken by the IMF in detail. They were: radical financial market deregulation, tight fiscal policy (public spending cuts and high interest rates), and labour market flexibility, all of which were concerted to reducing the autonomy of the Korean government in economic planning and financial management and thus interlocking the economy with the global financial markets. Indeed, the forceful implementation of the new economic prescriptions brought fundamental changes in the Korean financial market that can, above all, be characterised as an intensifying coupling with global financial markets—at its apex with the U.S. As exemplified, following the provisions of the IMF bailout plan, the Korean government deregulated the limit on foreign ownership of listed firms in the Korean stock market. Within a couple of years, foreign ownership soared from 4 to 50%, both on an aggregate and individual basis, allowing foreign investors to hold the position of main shareholder. The total amount of stock bought by foreign investors in the Korean financial

market more than quadrupled to 42% in 2004 from 9% in 1997.<sup>67</sup> This fundamental change transformed the Korean stock market, interweaving it with the global financial movement and introducing fluctuation in short-term profit realization.

According to a financial report on the patterns of foreign stock buyers in the Korean market, the turnover rate of foreign investors has increased at an astonishing rate, to 91.3% in 2002. In 1996, the turnover rate was 53.8%. By contrast, the turnover rates of institution traders and individual traders in Korea decreased to 49% and 56% respectively during the same period.<sup>68</sup> The rising turnover rate reaffirms the transactional orientation and short-term profit realisation of foreign investors, who are mostly American and European investment banks and hedge-funds, which was illustrated in this chapter. Due to the volume of and information from foreign investors, their movements were keenly perceived as an index of trendsetting in the daily stock market, which proved their prevailing influence. It was therefore paralleled in the report, such that when foreign investors bought more stocks than they sold, the KOSPI (Korea Composite Stock Price Index) rose 0.33%; when they sold the stocks, the index fell 0.75% in average daily terms.<sup>69</sup> This meant that the Korean stock market came under the critical influence of foreign buyers.

However, with regard to the changing pattern of financial behaviour of Korea and its subsumption into the global context after neoliberal financialisation, a more significant transformation can be found in the tendency towards an intensified coupling with global financial fluctuations. As the influence of foreign investors became prevalent in the Korean stock market, their modulations in alignment with the global financial climate became more and more directly reflected in the domestic financial reality. In this respect, and following a recent analysis, the distinctive feature of this coupling tendency can be identified in three ways: first, this tendency was found to have been strengthened since the global financial crisis in 2008; second, the tendency has been more conspicuously present in times of global financial volatility and unrest; and finally, the coupling movement started to diversify with newly emerging financial centres – particularly with the Chinese stock markets and Europe, beyond the ever-dominant U.S. and Japan.<sup>70</sup> Although these changes are directly intertwined with the ever-growing number of foreign investors in the Korean stock market,

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<sup>67</sup> *Dong-A Ilbo* (Dong-A Daily Newspaper), 6 Jan 2009; “Weekly Economy Report,” LG Economy Research Institute, 9 June 2004. (In Korean)

<sup>68</sup> “Weekly Economy Report,” LG Economy Research Institute, 9 June 2004.

<sup>69</sup> *Ibid.*

<sup>70</sup> “LG Business Insight,” LG Economy Research Institute, 23 May 2012. (In Korean)

they are also implicated in the activation of the new economic subjectivity Korea is now identifying in the objectifying field of value. After the financial liberalization, Korean public and private institutions were equipped with financial portfolio techniques operating within their own financial components or via external investment or funding sources, as shown in the chapter. As a result of this, their investment portfolios have now diversified to include China and other newly-emerging economies. In reflecting these changes, the correlation rates of the KOSPI index with the MSCI (Morgan Stanley Capital International) World index covering global stock market indexes, rapidly increased to 0.460 points after the global financial crisis in 2008. Before the Korean financial crisis in 1997, the index point had been 0.118.<sup>71</sup> This distinctive tendency towards co-movement and an increase in reliance on global financial markets provide further evidence that the Korean financial market has been extensively tied to global markets, exposing it to external risk factors and thus making it susceptible to global financial volatility.

With the accelerated integration into the global financial system, Korea has acquired a new position in the global context, with more shares in the IMF operation, which is known as 'quota and voice' reform. We have explained the alteration in terms of IMF reform after the financial crisis in 2008 in Chapter 2. But the real point is to be found in the way in which the subject interpellates the object in the coordinates of value objectification, and then activates the object by insinuating the position of the subject. With the so-called 'quota and voice' reform, it seems that the position of Korea in an international economic context is qualitatively transformed from the object of rescue (by the IMF loan package) to a subject participating in the management of the institution. As observed, the G20 summit in London in 2009 received wide and critical attention, as it was held right after the global financial crisis, which was triggered by the collapse of the American subprime mortgage industry, to avert widespread fear of further financial unrest and global recession. Whilst the summit focused on stimulating the national and international economy, inputting massive funds (\$1.1 trillion for restoring credit, employment, and growth), the real agenda was singlehandedly focused on radically enhancing the role and function of the IMF as the omnipresent financial apparatus of the global financial system.<sup>72</sup>

The G20 summit endorsed the IMF as the legitimate mediator and regulator, enforcing access to macroeconomic prescription and action through the IMF. Without rectifying the

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<sup>71</sup> Ibid.

<sup>72</sup> The G-20 Statement, 2 April, 2009 (<http://www.londonsummit.gov.uk/en/summit-aims/summit-communicue>)

institution's consecutive mishandlings of previous regional financial crises—including Korea—the summit authorised it to act as the unilateral financial institution through the reform, in an alleged 'quota and voice' restructuring of governance of the institution, in turn based on the portion of funding for IMF resources. Under the new contribution and membership program, Korea's contribution was drastically increased more than twenty times, from \$500 million to \$10.5 billion.<sup>73</sup>

The influence on the IMF from Washington, however, does not show any sign of significant moderation, as the 'voices' of the main players, such as the US, Europe, and Japan, would have still more power in making decisions. In this respect, in line with the increased funding contributions of the emerging economies—including BRICS and Korea—their shares were supposed to be raised to up to 6 percent (in case of China), which is average rate of advanced countries other than the U.S. (who hold 17 percent). It was, however, reported that the raising of shares (voice) for emerging countries was still "met with conflict from the advanced nations and the emerging economies"<sup>74</sup> in the G20 summit in Seoul in 2010. The G20 summit in Seoul reached an agreement that the quota and voice share of BRICS countries would be moved up to the top ten share positions, with Korea being the 16th.<sup>75</sup> The necessity of restructuring the governance of the IMF surfaced due to a lack of resources, especially after the financial crisis 2008. Without contributions from emerging economies, which were subsequently reflected in quota increases, the funding and coordination of the IMF would no longer have been feasible. However, the real transformation in the governance of the IMF was yet to be accomplished.

The new position of Korea in the IMF was highly welcomed by the mainstream media in Korea, who widely interpreted the change as a recognition of the country as an economic powerhouse of the institution.<sup>76</sup> Given that Korea was under IMF trusteeship just 15 years ago, the change meant a qualitatively different era had begun, in which the country held some status as well as influential membership, in the financial world order. Unlike the appreciative rhetoric murmured by the conservative camp, it is still unsubstantiated whether the increased portion of financial contribution could lead to real transformation in the structure of governance in the IMF. With regard to this point, a more meaningful and critical change is sensed throughout BRICS and Asia—including Korea—reflecting a move

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<sup>73</sup> *E-Today Daily Online Newspaper*, 1 June 2010. (In Korean)

<sup>74</sup> *Korea Herald*, 'Over 6% of Quota to Move to Emerging Economies,' 23 October 2010.

<sup>75</sup> *Korea Herald*, 'IMF Faces Huge Governance Reforms,' 24 October 2010.

<sup>76</sup> *Mun-HwaIlbo* (Mun-Hwa Daily Newspaper), 8 October 2009.

of divergence from the U.S., Europe, and Japan as the leaders of a dominant global financial order represented by the IMF and the World Bank.

On 15 July 2014, after the sixth BRICS summit in Fortaleza, Brazil, the five presidents of these countries reached a historic agreement to create the New Development Bank (NDB) and the Contingent Reserve Arrangement (CRA), “with the purpose of mobilizing resources for infrastructure and sustainable development projects in BRICS and other emerging and developing economies.”<sup>77</sup> NDB and CRA will both have a \$100 billion fund for concerted operations towards financial crisis response, as well as development lending for emerging economies.<sup>78</sup> The move has been widely regarded as a counter-movement to the IMF-centred global financial order. The long-standing dissatisfaction with the IMF and the failure of recent ‘reform’ of quota and voice resulted in this new economic block, which holds separate financial arrangements in a global context. The inner demand of the IMF reform, particularly by BRICS and other emerging economies, was to enhance their voice following increase share, but this has been disregarded by the U.S. House of Representatives for more than four years. The Fortaleza Declaration clearly points this out in Clause 18:

We remain disappointed and seriously concerned with the current non-implementation of the 2010 International Monetary Fund (IMF) reforms, which negatively impacts on the IMF’s legitimacy, credibility and effectiveness. The IMF reform process is based on high-level commitments, which already strengthened the Fund's resources and must also lead to the modernization of its governance structure so as to better reflect the increasing weight of EMDCs (Emerging Market Economies and Developing Countries) in the world economy. The Fund must remain a quota-based institution. We call on the membership of the IMF to find ways to implement the 14th General Review of Quotas without further delay. We reiterate our call on the IMF to develop options to move ahead with its reform process, with a view to ensuring increased voice and representation of EMDCs, in case the 2010 reforms are not entered into force by the end of the year. We also call on the membership of the IMF to reach a final agreement on a new quota formula together with the 15th General Review of Quotas so as not to further jeopardize the postponed deadline of January 2015.

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<sup>77</sup> Sixth BRICS Summit – Fortaleza Declaration (<http://brics6.itamaraty.gov.br/media2/press-releases/214-sixth-brics-summit-fortaleza-declaration>).

<sup>78</sup> Xinhua Press, ‘BRICS Forges Stronger Economic Partnership,’ 16 July 2014.

The new financial coordination of BRICS was, however, often met with strong scepticism by the mainstream western media.<sup>79</sup> For instance, *The New York Times* diagnoses that, due to internal division, political unrest, and divisive agenda among the members, BRICS will have difficulty in formulating a concerted global financial operation like the World Bank and the IMF, and thus falls short of being a counterweight to the West. However, on the other hand it is also seen as a critical step towards “a challenge to western economic supremacy” by rejecting the neoliberal economic model.<sup>80</sup>

Along with the establishment of a new BRICS-led global financial institution, there has been another important movement in Asia, which can be read as another sign of divergence from the neoliberal financial system. In 2000, Asian countries tried to form an alternative funding source that would mobilise and share an emergency fund in case of looming financial crisis in the region. This was to avoid repeating the predicament faced by these countries in the Asian financial crisis of 1997-1998, facilitating regional cooperation without harming the autonomy of each member country. This shared concern was initiated as the Chiang Mai Initiative Multilateralization (CMIM), with the wide participation of ‘ASEAN+3’ (Association of Southeast Asian Nations plus China, Korea, and Japan). The initiation of the plan by the thirteen countries was accelerated after the European financial crisis of 2008, and eventually took effect in March 2014 with the expected reserve pooling a total of \$240 billion, to which Korea would contribute about \$40 billion. Unlike the operation of the dominant financial apparatuses, such as, the IMF and the World Bank, CMIM was allegedly designed to give more weight to smaller economies, accorded no right of veto by more powerful countries. In Korea, the implementation of CMIM was generally seen to be a meaningful movement for enhancing the region’s financial safeguard. Along with the growing amount of foreign currency reserve – tantamount to \$360 billion as of May 2014, which is the world’s 7<sup>th</sup> largest foreign reserve – the creation of multilateral funding mobilisations such as the CMIM was thought to effectively increase safety measures.

Both the BRICS-centred new financial arrangements and the new financial organisation of the CMIM in Asia can be seen as meaningful divergences from the dominant neoliberal financial system, in both of which China became the foundational and driving force. In this changing global financial context, Korea will strive to balance in the existing order and the emerging order. But in terms of global capitalism, in which the capitalistic

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<sup>79</sup> ‘BRICS Leaders Fail To Create Rival to World Bank,’ *New York Times*, 29 March 2012.

<sup>80</sup> ‘The BRICS Are Building A Challenge to Western Economic Supremacy,’ *Guardian*, 2 April 2013.

mode of production is more and more dependent on finance and its operations to maximise its money capital and overcome the general tendency of stagnation, the main propensity of financialisation will be more consolidated. In this respect, regardless of internal inflection in a global financial order—such as new financial arrangements in BRICS and Asia—the tendency of financialisation is expected to be more pervasive and extensive as long as the system recurs to finance as the dominant mode of capitalistic production. Korea is also trapped in this paradox.

After the Korean financial crisis in 1997 and the global financial crisis in 2008, the position of Korea is more thoroughly intertwined with the financial system, in existing global financial institutions, or in the newly emerging regional block with an allegedly enhanced status. A critical question should be posed in the context of neoliberal financialisation. Korea has been desperately looking for a safer and sounder financial reshaping in alignment with global financial criteria. Yet, however sound it maybe on the surface level, the change was made possible at the expense of the economic autonomy of the nation, exposing the country to more risks involved with foreign money—as detailed in the intensifying coupling with global financial market and thus increased dependency on the neoliberal financial system. In this respect, the changing position and role of Korea, represented as enhanced membership in the IMF along with its new membership in ‘ASEAN+3’ and its capability to respond to a possible financial crisis, cannot conceal the damaging consequences on the economy from deepening financialisation, which “could never overcome stagnation within production,” as Foster points out (Foster, 2009: 83). The internal consequences of financial market dependency, soaring household debt, and excessive polarisation as the symptom of neoliberal financialisation have been left unsettled, although Korea sought to improve the financial index such that it could fit external financial criteria without resolving its internal predicaments.<sup>81</sup> The subject effect undergone by Korea in the global financial context can thereby be reaffirmed as a process of the subjection of the object. The further financialisation extends in order to conceal the irreversible structural tendency of stagnation and recurring financial boom-burst cycles, the more the narrative operation by the main narrators will be intensified to refine its allodoxia—a truth claim that

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<sup>81</sup> It was reported that from 2001, average household debt exceeds average household income for the first time and the tendency has been accelerating ever since. After the global financial crisis 2008, it was so exacerbated that the ratio of households with debt three times their income reached 20%. The tendency, as the report pointed out, was fuelled by economic stimulation through public money injection as a form of lending by the government. “Korean Economy Trapped into Debt,” *Hankyoreh*, 10 Jan 2011.

is made on the basis of mis- or false information, as explicated in Chapter 2 and in the following chapter—in order to justify the legitimacy of economic prescriptions for the furthering of financialisation.

Chapter 5 will in this respect demonstrate the practices and functions of financial narrative in detail, particularly of the IMF and World Bank throughout the Korean financial crisis. Narrative operation problematises a crisis-in-the-making even before the event becomes the preliminary cognitive frame and before subsequent political action. To underscore that narrative is the structure of meaning-making around the event, with the grounding of foreknowledge and its ensuing performative procedures, the chapter examines narrative truth claims, *allodoxia*. This functioning narrative truth claim works as a device of consent by replacing the socio-political procedure. In this regard, the chapter also shows narrative explanations provided by the US government and intelligence, as well as the Korean government, contribute to the portrayal of shock-therapy as a legitimate process of restructuring in the Korean economy. This reveals that the process of identification of subjective value—from the object—and its subjectivation in activation in the financial system work by associating the intentions of the financial narrators with the formation of economic subjectivity. To develop the theoretical concerns further, and with regards to the formation of economic subjectivity in financial narrative operation, the following chapter instantiates the concrete strategies of narrative intervention and representation. It shows that these are a specific mechanism of cultural as well as economic subsumption which valorise the uncertainty. I situate the IMF in the making of narrative junctures through the Korean financial crisis, whereby the intention of the system is represented informs of narrative accounts. What narrative aims at, I argue in this chapter, is the bringing about of problematic certainty through uncertainty, by guiding purposeful action. Through these contingent meanings and relations surrounding the crisis are transformed into a stable and practical relation. Above all, this occurs through the imposition of narrative reality.

As such I will specifically examine how the main narrative agents—international financial apparatuses, credit rating firms, and governments—insinuate narrative interpretations as hermeneutic procedures. We see narrative articulations and performative criteria replacing political changes, affecting ownership and actualising and implementing the new value relationship. Investigating instances of narrative intervention by financial narrators in the Korean financial crisis in terms of political action as well as preliminary cognitive operation, I identify instances of this intervention supporting the subsequent

imposition of political intentions onto the economic event. With its explanatory effect, narrative necessitates the construction of the valuable by valorising external economic shock therapy. Narrative intervention in the Korean financial crisis justified the subsequent imposition of political intentions. It had an explanatory effect that transcoded economic uncertainty into problematic certainty, in the design of the economic structure.

## Chapter 5

### **Narrative and Representation—From Uncertainty To Problematic Certainty: Linguistic Exchange and Narrative Problematisation of the Korean Financial Crisis**

Associating narrative practice and speech act theory with the actual discourse of international and Korean financial authorities and bankers, based on which both cognition and actions towards new value production and transference is guided, we will in this chapter reveal how such discourse-making contributes to the problematisation of financial narrative. This narrative works as a performative force, or as cultural performativity, in the formation of the financial reality. To understand this process of value struggle and adoption, this chapter first observes how the main international financial apparatuses interpret the roots of the financial crisis in Korea, based on which a set of new values is inscribed in the local economy. This subsequently leads to value struggles and adaptation, suggesting that the definition of the crisis (as the politics of description and representation) are examples of grounding actual *signifying practice*. Through this practice the code of wealth is problematised and becomes the frame of valorisation.

According to Bourdieu, the politics of description and representation are an essential part of the “rite of institution” (Bourdieu, 1992: 117). This functions as social “labour of dramatization” through “*labour of enunciation*” in linguistic exchange (Bourdieu, 1992: 129, emphasis in original); for what the linguistic exchange pursues is the actualisation of “power relations between the speakers and their respective groups” (Bourdieu, 1992: 37). It is important to note that this process of actualisation is performative, given that it insinuates cognition, recognition, and even misrecognition with regard to legitimacy. As such, the “arbitrary boundary” set by the narrative intervention of the institution becomes effective in the realisation of value-production and transference. Bourdieu insists that:

[t]o speak of rites of institution is to suggest that all rites tend to consecrate or legitimate an *arbitrary boundary*, by fostering a misrecognition of the arbitrary nature of

the limit and encouraging a recognition of it as legitimate; or, what amounts to the same thing, they tend to involve a solemn transgression, i.e. one conducted in a lawful and extra-ordinary way, of the limits which constitute the social and mental order which rites are designated to safeguard at all costs [...].” (Bourdieu, 1992: 118, emphasis in original)

It is important to note that the rite of institution tends to legitimatise an “arbitrary boundary by fostering a misrecognition” involving “a solemn transgression” “in a lawful and extra-ordinary way.” Problematising this “arbitrary boundary” entails a process of redefining “misrecognition of the arbitrary nature of the limit” as legitimate “recognition.” In the case of the Korean financial crisis, this “misrecognition” is represented through the (dis)information campaign, which we analysed in Chapter 3. It aims at transcoding the necessity of the subsumption of the local, in order to problematise the “misrecognition” as a legitimate “recognition.” There is a redefinition of the local economy, through which the stark reality financial of restructuring causes is contained, and the narrative interventions of the international apparatuses describe as existing.

In the intervention, it is suggested that moral and cultural leadership of the western financial regime should be reinforced, since the core regime, from which the local economy recognises its epistemological and economic distance, provides the local economy with an identity. This identity is such that it allows problematisation of the other to function through the margin of uncertainty in crisis. It is where a narrative discourse of crisis is at stake as the critical formation and actualisation of performance, with cultural as well as economic implications and practices, appropriating the temporary lacuna of forces in a crisis. These become the point of redefinition and, thus, reorganise the relationship between the narrator and the narratee, or the subject and the object. This cultural representation of narrative, according to Homi Bhabha, becomes “political rationality” (Bhabha, 1990: 2) in the discourse of (trans)national identity. Reinterpreting Benedict Anderson’s *Imagined Communities*, Bhabha contends that a nation is a process/result of narrative problematisation. Narration takes the form of narrative wherein “textual strategies, metaphoric displacements, sub-texts and figurative strategems” are systematically exercised for narrating the nation. (Bhabha, 1990: 2)

The narrative intervention, from which the problematisation of the event is initiated, following McCloskey, conveys above all authorial intention, which is from our theoretical

concern the intention of the narrator. Creating an “authorial audience” is to instigate the field of objectification. “The entire game,” for instance, “in a science such as biology or chemistry or economics is to evoke this submission to authorial intentions [...] An economist expounding a result creates both an ‘authorial audience’ (an imagined group of readers who know that this is fiction) and a ‘narrative audience’ (an imagined group who do not)” (McCloskey, 1990: 12). Citing Peter Rabinowitz (1980: 245), McCloskey explains that “the narrative audience of “Goldilocks” believes in talking bears’: the authorial audience knows it is fiction. The split between the two audiences created by the author seems weaker in economic science than in explicit fiction, probably because we all know that bears do not talk but we do not all know that marginal productivity is a metaphor” (McCloskey, 1990: 12–13). McCloskey also emphasises the use of metaphor in economics, with which the “authorial audience” is introduced to economic discourse. We will demonstrate in this chapter how a problematisation of this “arbitrary boundary” as a legitimate frame of reference was undertaken throughout the Korean financial crisis, with economic discourse performing with regards to the uncertainty of the critical instance.

Attracting foreign capital, for instance, was the crucial catchphrase for the newly-elected president Kim Dae-Jung in early 1998, right after financial panic had led to an exodus of foreign capital. He also had to cope with a strong demand for short-term loan repayments, which amounted to \$25 billion in the three months from January to March of 1998. Financial crisis, on a local level, created a vacuum of capital, with which the local economy had hitherto been totally unfamiliar and based on which, ironically, the force of capital was *recognised* as the dominant value in society—not just at the local level but on the international financial stage. Soon the imperative necessity of attracting foreign capital became the slogan of the new era as the code of wealth. This *recognition*, above all, of the urgency to overcome the contingency, effectively contributed to the grounding of a new financial narrative. The main narrator exemplified the performative standard for cognition and action in value production and transference. In this sense, such recognition, which is misrecognition for the general economy of the local, eventually turns into cultural performativity in the formation of financial reality. Reconceptualisation of the notion of necessity and value is the crucial thing we must note about the financial crisis, as observed in Chapter 2, whereby narrative intervention of financial institutions functions as “the scheme of perception and thought” (Bourdieu, 1992: 128) at the margin of uncertainty. Bourdieu points out the relation between the “constitutive power of language” and “crisis,”

insisting that the extra-ordinary situation produces and, thus, justifies, an “extra-ordinary kind of discourse”:

[...]the constitutive power of language, and of the schemes of perception and thought which it procures, is never clearer than in situations of crisis: these *paradoxical* and *extra-ordinary* situations call for an extra-ordinary kind of discourse, capable of raising the practical principles of an ethos to the level of explicit principles which generate (quasi-) systematic responses, and of expressing all the unheard-of and ineffable characteristics of the situation created by the crisis. (Bourdieu, 1992: 128-129, emphasis in original)

Crisis invites “the constitutive power of language,” and financial narrators extrapolate the “extra-ordinary kind of discourse” for problematising the crisis as the frame of new cognition and action. This problematisation becomes “the scheme of perception and thought” for narrative operation, and through this the crisis is recognised and, thus, “generate[s] (quasi-) systematic responses.” With this redescription and representation of the old regime, entailing so-called self-fulfilling crisis factors (with which the weak link for the new financial regime is materialised as the problematisation of the event), a paradoxical and extra-ordinary prescription and therapy—a “shock doctrine”—is effectively promoted. Financial narrators express “all the unheard-of and ineffable characteristics of the situation created by the crisis,” positioning the local country, focusing, in particular, upon the newly emerged financial system and making a “call for an extra-ordinary kind of discourse.” This act of reinterpretation exposes the intentions of the financial system, whereby, in the local context, the necessities of incorporation into the financial system are effectively emphasised; and in the wider context, the international stability of the financial system is further consolidated with the subsumption of the variable. By analysing the problematisation practices of the main financial narrators in the crisis, this chapter argues that the narrative operation is simply as politics of representation, by which a local economic structure are recognised under the new value-creating system. After retracing the crucial occurrences in the Korean financial crisis, this chapter investigates the explanatory effect of the narrative operation. This is associated with illocutionary linguistic force as a process of (dis)information, which grounds the code of wealth in narrative politics.

Rhetoric vs. Reality: Justifying the Allodoxia

Narrative intervention promotes a crisis-in-the-making. The grand narrative of the Korean financial crisis, regardless of the entanglement and transference of international finance capital within the local economy, was the urgency of financial deregulation in restoring foreign investors' confidence; foreign capital became the communicative as well as legislative code in the local economy. It was, thus, widely promulgated that attracting foreign capital would lead to improved circulation of capital, and this would contribute to the creation of work place and sound consumption. However, financial deregulation in Korea brought with it the vicious circle of the neoliberal economy, with its emphasis on short-term profits and shareholder value, and this led to deterioration in productivity of non-financial corporations, as observed in the previous chapter. It fundamentally reconfigured temporal consciousness for value realisation.

What this sort of grand narrative works with is a form of *allodoxical presentation*, based on which the constructive totality of the system is effectively problematised—as I briefly suggested in the introduction. It is, therefore, a crucial constituent of the preliminary operation for cognition and action for the event. Although his explication of the liturgical conditions of language and crisis does not focus upon the actual aspects of value production and transference, Bourdieu hints at how the linguistic intervention of the authorities in a crucial phase of crisis operates, reconfiguring the false presentation, the allodoxia, as a truth claim in the name of the public good.<sup>82</sup>As such, he emphasises that the uncertainty of a crisis works as the engaging point for “pre-vision” or “theory effect” that can be decisively articulated with narrative intervention:

The pre-vision or theory effect operates in the margin of uncertainty resulting from the discontinuity between the silent and self-evident truths of the ethos and the public expressions of the logos: thanks to the allodoxia made possible by the distance between

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<sup>82</sup> As Ricoeur argues, a truth claim is conveyed through narrative description. But the truth claim is made over the “particular occurrences,” which is ‘the event’ in our analysis. By claiming truth over the partial instance, the claim transcends particularity as universality, which, therefore, makes the claim allodoxia. “So if history is characterized by statements that account for the truth of a particular occurrence in terms of its unintended consequences, the truth of the statements bearing on the subsequent events is important for the meaning of the narrative description. The theory of narrative sentences thus is valuable in a discriminating way as regards discourse about action in ordinary language. The discriminating factor lies in the ‘retroactive re-alignment of the Past’ brought by the properly narrative description of action. This alignment is far-reaching. To the extent that the past is considered temporally in terms of unintended consequences, history tends to weaken the intentional accent in action.” (Ricoeur, 1984: 150)

the order of practice and the order of discourse, the same dispositions may be recognized in very different, sometimes opposing stances. (Bourdieu, 1992: 132-133)

The “allodoxia” is “made possible by the distance between the order of practice and the order of discourse” “in the margin of uncertainty” of crisis. False judgment and the process of its justification are unveiled, based on which the stark reality is contained—both for the order of discourse and the problematic of the dominant value. This is the disinformation campaign that the financial narrators eventually aim at. It can be more clearly demonstrated by approaching the performative narrative speeches of the financial institutions as acts of truth claim, or “the allodoxia.”

The 21<sup>st</sup> November, 2007, marked ten years since Korea was hit by the financial crisis and requested emergency financing from the IMF. In Korean society, most major media gave special coverage to reviews of the turmoil. Although more than a decade has now passed, the event still traumatises the public. It is, according to one daily newspaper, “the ongoing event as the present continuous form.”<sup>83</sup> Twelve years ago, the day was commonly described as a national disgrace or humiliation day, and the face of the general director of the IMF was depicted as “the face of the commander of the occupational army.”<sup>84</sup> Korea was under “the IMF trusteeship.” The crisis was not just an economic disruption but a far-reaching transformation of society, in which the prescription of financial institutions (open financial market through deregulation, financial and non-financial sector restructuring, and high interest rate policy for attracting foreign capital) was widely and forcefully implemented as the new rationale of the time.

It is widely agreed that, when tracing the origins of the crisis in Korea, a series of bankruptcies of chaebols early in 1997 should be seen as the starting point. The investment boom in manufacture in Korea during, in particular, 1994–1996 attracted a massive influx of foreign capital. The dishonored chaebols have been criticised for their inappropriate investment behaviours, such as repeated and overlapping investments and expansion-driven policies that caused a crisis in confidence. However, the role of international capital in the investment boom has been also widely pointed out. According to the Institute of International Finance, based in Washington, the influx of international private funds in four countries (Korea, Indonesia, Malaysia, and the Philippines) soared from \$45 billion in 1994

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<sup>83</sup> “Through the Eyes of the Victims: 10 Years of Financial Crisis,” Editorial, *Chosun-Ilbo*, 21 November, 2007.

<sup>84</sup> *Segye daily newspaper*, 11 November, 1999.

to \$93 billion in 1996. The capital involved was mostly speculative, aiming at high interest rate returns on a short-term basis.<sup>85</sup> The overflowing transnational financial capitals were competing to find profitable investments in the emerging markets. In addition to the stock markets, in Thailand capital was concentrated in the property market; while in Korea it was heavily concentrated in the manufacturing sector.

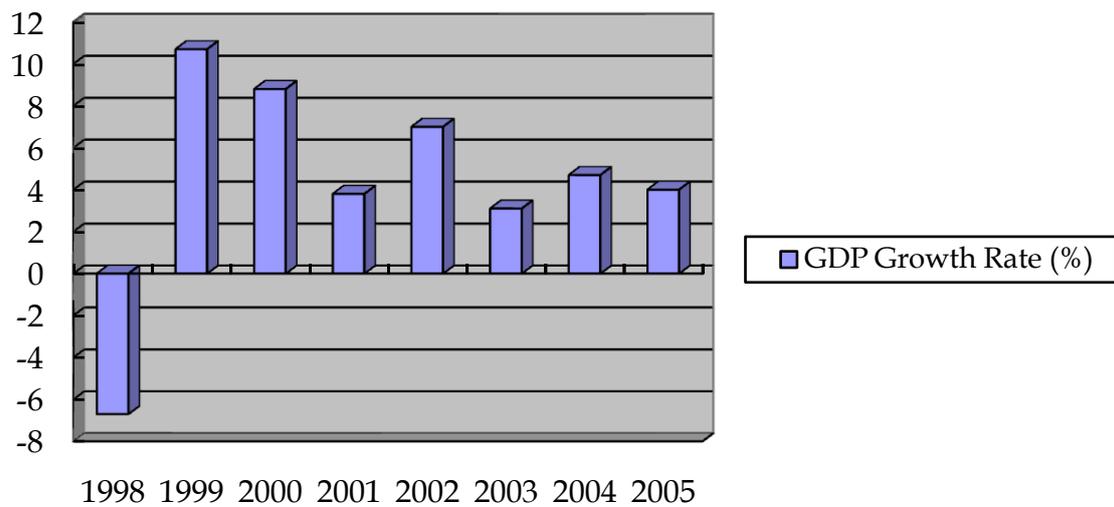
Hanbo, ranked the 14<sup>th</sup> biggest company in 1997, was rapidly expanding into the steel industry. At the time of its bankruptcy in January 1997, the total amount of debt of the company, borrowed from the prime and sub-prime financial market, was more than \$5 billion. Later, it was revealed that Hanbo had bribed financial officials to make such massive loans. What made the lending possible was a flood of foreign capital into the financial market. Whenever the conglomerate planned to expand its facilities, the major resource was foreign capital. After the default of the Hanbo group, between March and June, big corporations such as Sammi, Jinro, and Newcore collapsed consecutively, owing to the liquidity problem. On top of this, the sudden fall in value of the Thai Baht currency on the 2<sup>nd</sup> of July was a severe blow to Korean economy, accelerating the flight of foreign capital. The liquidity crisis led almost immediately to the bankruptcy of Kia motors, which was the 8<sup>th</sup> biggest chaebol in Korea.

On the 14<sup>th</sup> August, the Indonesian currency crashed. After two weeks, the investment bank Morgan Stanley published an urgent report entitled "Withdraw all the investment in Asia," which, critically, justified the herd behaviour of the investors as the only rational choice. Following the news from Bloomberg that suggested that Korean foreign reserves amounted to \$2 billion,<sup>86</sup> Peregreen, a securities company in Hong Kong, released a report headlined "Get out of Korea" on the 5<sup>th</sup> November. With the worsening liquidity situation, the government made a request for an IMF emergency loan on the 21<sup>st</sup> November. In accordance with the restructuring program, in January 1998, the Korean financial supervisory commission announced the names of fifty-five companies that had to be removed, while immediately closing five banks as one step in the implementation of financial reforms. As the restructuring program was executed to 'enhance' labour flexibility in the labour market, the unemployment rate, which had been 2~3 percent throughout the 1990s, soared to 12.2 % in 1998.

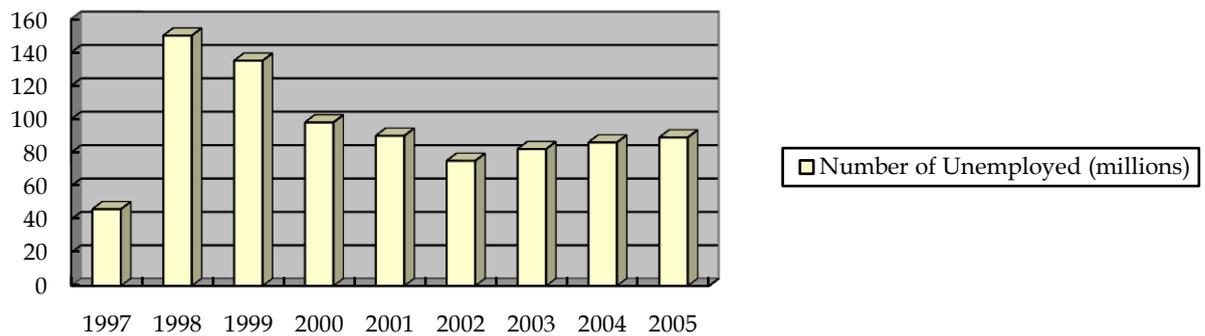
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<sup>85</sup> Walden Bello, "Asia's regression to low growth?" Chamsesang, 3 September, 1998 (In Korean).

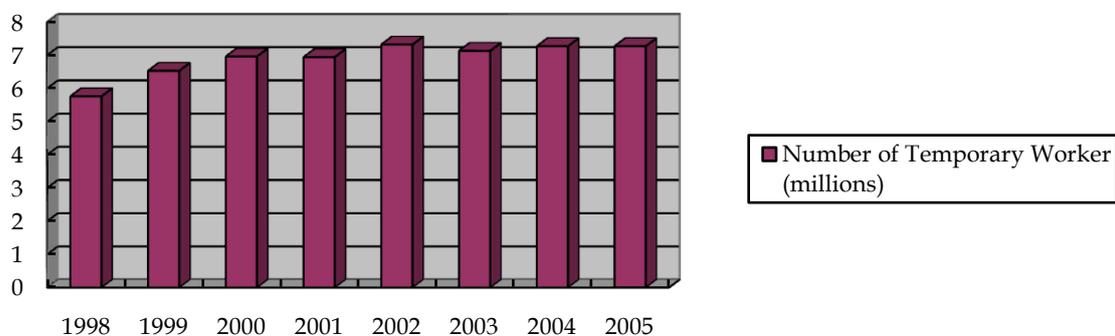
<sup>86</sup> The actual amount of foreign reserve was, as of October 1997, \$24 billion (Bank of Korea data).



\*Table 1: GDP Growth Rates Since the Financial Crisis in Korea (Source: Korea Statistical Information Service)



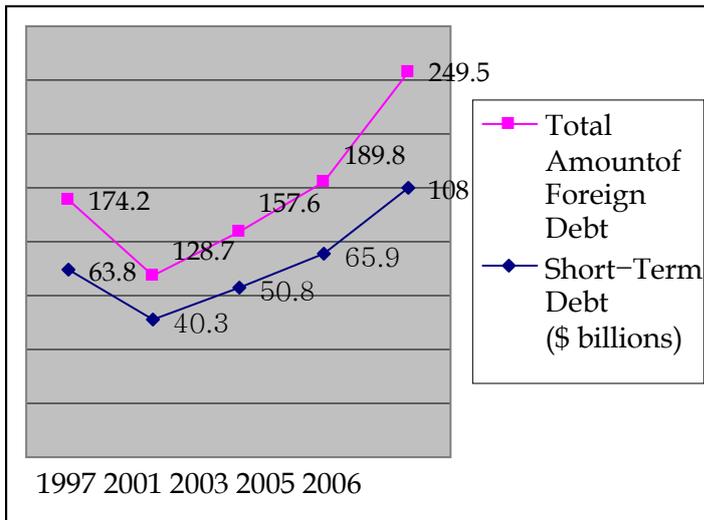
\*Table 2: Number of Unemployed before and after the Financial Crisis in Korea (Source: Korea Statistical Information Service)



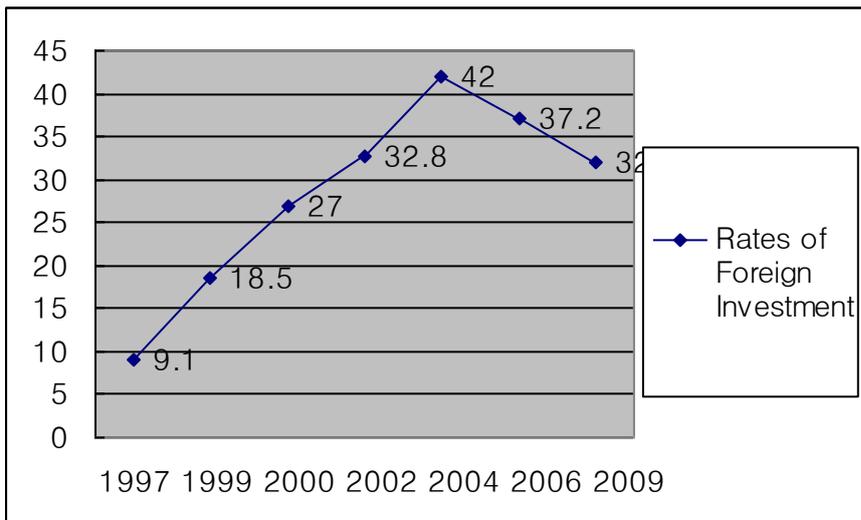
\*Table 3: Growth in the Number of Temporary Workers After the Financial Crisis in Korea (Source: Korea Statistical Information Service)

The data clearly show that the IMF intervention contracted the nation's economic growth, transforming the labour market from one based on long-term employment to one that was volatile and temporary, as short-term employment exceeded 50% of the labour market with a record number of unemployed people. What is at stake here is how such a deep structural change, or extra-ordinary transformation of a society at the cost of the majority, can be justified for the necessity of financial restructuring.

Was the financial restructuring itself as successful as the U.S.-led international financial apparatuses promised instabilising financial composition in the local economy? In November 1997, right before taking the IMF rescue package, President Kim Young-Sam suddenly sacked the deputy prime minister and economy minister, Kang Kyung-Sik and the president of the Bank of Korea, Lee Kyung-Sik, who were allegedly hindering negotiations with the IMF by insisting on independent approaches to policies of foreign exchange rates and autonomy of the Bank of Korea. Mr. Kang's position was immediately filled by Lim Chang-Yeol, a former officer of the IMF. Mr. Lim's appointment was a crucial point in the initiation of extrapolation of the IMF prescriptions. While the foreign exchange rate had been regulated as the market average rate by the authorities before the crisis, it was fully deregulated as a variable exchange rate. With the transition in foreign exchange rate policy and deregulation for foreign acquisition of Korean chaebols and banks, the Korean financial market was even further destabilised—as Tables 4 and 5 clearly show. The total amount of foreign debt soared, and, more critically, steep increases in short-term speculative money resulted in serious volatility and led to the financial crisis of 1997. The Korean economy came under the sway of foreign capital.



\* Table 4: Change in Foreign Debt and Short-Term Debt Since the Financial Crisis (Source: *Kyunghyang Newspaper*, 1 July, 2007)



\* Table 5: Rates of Foreign Investment in the Korean Stock Market

This stark reality shows how “the allodoxia” was made possible through the uncertainty of crisis. The narrative politics of the authorities operated false judgment, and its justification, through which the bare reality was contained for the order of discourse, was the problematic of the dominant value. This radical transformation of society cannot be legitimised without coordinated dissemination of narrative information by the main financial apparatuses, investment banks, and mainstream media in the initial stages of the financial problems. Here the intentions of the main financial apparatuses are circulated and proliferated, and

responses of market participants are generated in an effort to actualise cognition and action of the event and implement the subsequent prescription. This proposition can be corroborated if we show that the narrative operation of the system problematises a crisis-in-the-making, *before* as well as *after* the event, as the preliminary cognitive frame and subsequent political action.

According to a special coverage report of KBS (Korea Broadcasting System), well before the crisis, the intention of the main apparatuses was coordinated for the reconstitution of society from a “state led closed economy to fully deregulated free market system.”<sup>87</sup>The report team had continuously demanded, over two years, the release of classified documents produced by the U.S. Treasury, State department, and CIA concerning the Korean financial crisis, and finally they obtained them. The documents are particularly important because they reveal how the intention of the system works with regard to the particular event and, in doing so, what kind of preliminary frame of reference is conceptualised to *problematise* the crisis. The crucial information the report discloses is as follows:

- 1) The U.S. intelligence agency, the CIA, started to leak information on a possible financial crisis in Korea in the early 1997, when the Korean government was stressing the nation’s “sound fundamentals.”
- 2) Once the problem loomed, the U.S. government completely contained any alternative solutions, except for the IMF loan package and its restructuring program for the liquidity problem of Korea, which *made the situation a crisis*. The uncompromising preconditions of the IMF rescue program aimed at the total transformation of the Korean economy into a deregulated neoliberal free market.
- 3) The U.S. government blocked the creation of a Japanese government-led Asian Monetary Fund, through which Korea could have availed of emergency loans to implement the principle thoroughly. This fact, according to the report team, was repeatedly confirmed throughout interviews with the then Korean Economic Minister and the Japanese Deputy Economy Minister.
- 4) Throughout the process of negotiation with the Korean government, the IMF was in close liaison with the U.S. government. As a result, the IMF stipulations demanded

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<sup>87</sup> “Over the Surface: The US Classified Documents, the IMF and the Trojan Horse,” Issues and News: *Ssam*, KBS, 1 September, 2009 (In Korean).

agreement with conditionalities beyond the ordinary for a debtor country, accomplishing rapid deregulation and labour market flexibility for foreign capital.

5) The U.S. government-backed IMF program eventually targeted long-term benefits for the U.S. finance and trading industry, rather than the economic stability and prosperity of the debtor country.<sup>88</sup>

The declassified documents clearly support the proposition that narrative intervention promotes a crisis-in-the-making, in that, first of all, the financial narrators of the U.S. government, the U.S. Treasury, and the CIA, along with the IMF, had clear intentions even before the crisis, grounding foreknowledge of the event. Second, the intervention aims to valorise the future temporality of the event with its schematised road map. Finally, and most importantly, it reconfigures the relationship between the narrator, the subject, and the narratee, the object, insinuating performative roles throughout the process of “restructuring.” This prearranged judgment with the intention, the *allodoxia*, for the object, in this sense, problematises the event, institutionalising the uncertainty through the frame of the IMF. By imposing conditionalities, the narrators leverage the uncertainty of the financial situation as the threshold beyond which no other alternatives can intervene to reverse the prescription. They aim to establish and transfer the intentions of the system by replacing the democratic process of the people.

Narrative, as the structure of meaning-making of the event—and with the grounding of foreknowledge and its ensuing performative procedures—therefore eventually functions as a *device of consent* in the financial era. It contains political conflicts and procedures by the people for the necessity of macroeconomic integration. In this regard, narrative intervention into a financial crisis is political action that justifies the subsequent imposition of political intentions. It had an explanatory effect that represents economic uncertainty as *problematic certainty* in the design of economic structures. Unlike the formation of a discourse, in which competing agents struggle and assimilate in the acquisition of new values, narrative, above all, presupposes the position of the narrator and the narratee: this becomes at hierarchical structure in which he cognition and action of the main value is guided through performative utterances and speeches. With the clear intention of the narrator, narrative unfolds “the labour of dramatization” (Bourdieu, 1992: 129) for the initiation and valorisation of new

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<sup>88</sup> “Over the Surface: the US Classified Documents, the IMF and the Trojan Horse,” Issues and News: *Ssam*, KBS, 1 September, 2009 (In Korean).

economic dominance. In the case of the narrative intervention of U.S. institutions, it goes even further, since it is not just a financial shakeup but, as Chossudovsky correctly points out, “to extend the free market to the entire Korean peninsula” with the intention of valorising a future inter-Korean relationship:

The system of indirect colonial rule first instated by the U.S. Military under President Syngman Rhee in 1945 had been disbanded. Korea’s ruling business elites had been crushed. An entirely new system of government under President Kim Dae Jung had been established, geared towards the fracture of the chaebols and the dismantling of Korean capitalism. In other words, the signing of the IMF bailout Agreement in December 1997 marks an important and significant transformation in the structure of the Korean State. It also marks a decisive step in inter-Korean relations and Washington’s design to extend the free market to the entire Korean Peninsula.<sup>89</sup>

The narrative for the new “design” of the market system is insinuated in the making of the crisis-yet-to-come, with the clear intention of restructuring the relationship between the narrator and narratee altogether. The crisis is thus the inevitable point of leverage through which the unprecedented is materialised, for “all the unheard-of and ineffable characteristics of the situation [are] created by the crisis” (Bourdieu, 1992: 128–129). The narrative is critical, problematising the financial uncertainty into a new context of financial imperialism. We will now analyse in detail how narrators of the system actually narrate the intention of the system, insinuating an intention to problematise the crisis through performative utterances.

#### Performative Utterances of the “Official” Apparatuses and Illocutionary Force

Reviewing the procedures of response to the financial crisis in Asia, the IMF published a “factsheet” (January 1999) in which the origins of the crisis in the region were comprehensively described and represented, symptomatically revealing the narrative operation. The document first of all defines “the origins of the crisis,” which “stemmed from weaknesses in the financial system and, to a lesser extent, governance.” The disruptions have, according to the report, not just originated from the financial system in the economic

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<sup>89</sup> Michael Chossudovsky, “The Recolonization of Korea—Seoul Black Monday and IMF Intervention in Korea,” *Global Research*, 22 July, 2005. (<http://www.globalresearch.ca/index.php?context=va&aid=719>)

field but also, from the defects of governance itself. Here, the specific arrangements of “governance” of each country are bracketed and labeled as a universal problem in the region. “A combination of inadequate financial sector supervision, poor assessment and management of financial risk, and the maintenance of relatively fixed interest rates,” the report continues, “led banks and corporations to borrow large amounts of international capital, much of it short-term, denominated in foreign currency, and unhedged. As time went on, this inflow of foreign capital tended to be used to finance poorer-quality investments.” These systematic problems in the financial sector were worsened by “governance issues” in the region, as there were problems due to “government involvement in the private sector and lack of *transparency* in corporate and fiscal accounting and the provision of financial and economic data” (emphasis added). This discursive framing has been widely shared by Western financial narrators.

The U.S. Deputy Treasury Secretary Lawrence Summers’s performative utterances prove this point.<sup>90</sup> As also briefly mentioned in Chapter 2, Summers defines the “Asian model” as the “systemic root of the crisis.” The “Asian model” exemplifies an inefficient financial system, in which an economic “approach favored centralized coordination of activity over decentralized market incentives.” The crisis of governance is described, as “the [Asian] governments targeted particular industries, promoted selected exports, and protected domestic industries.” The model thus has a “common element with almost all financial crises: money borrowed in excess and used *badly*”<sup>91</sup> (emphasis added). As such, “fundamental change is expected in what government is to do”—not to mention micro and macroeconomic reforms in the region.

The World Bank shares this view of the crisis, and its concerns are focused mainly on the “domestic systemic weaknesses” in the financial sector and “macroeconomic policy” in governance of the local.<sup>92</sup> Such a weakness, irrespective of various indexes of the fundamentals, led to “the crisis of confidence.” The World Bank report remarks that “the Asian crisis was precipitated by savings-investments imbalances in the private sector [...] unlike the Latin American episodes.” The public sector, along with the private sector, was

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<sup>90</sup> Lawrence Summers, “Opportunities out of Crises: Lessons from Asia,” 19 March, 1998.

<sup>91</sup> Putting evaluative ethical codes, such as ‘good’ and ‘bad’, into the formation of Otherness is a simple yet critical coding task in narrative operation, as Jameson argues: “what is really meant by ‘the good’ is simply my own position as an unassailable power center, in terms of which the position of the Other, or of the weak, is repudiated and marginalized in practices which are then ultimately themselves formalized in the concept of evil” (Jameson, 1989: 117).

<sup>92</sup> Javad K Shirazi, “The East Asian Crisis: Origins, Policy Challenges, and Prospects,” World Bank, 10 June, 1998.

operated “in a weak domestic institutional and regulatory environment and permissive international capital market.” “The engines of Asian progress—savings and investment,” thus, “need to be overhauled with an emphasis on quality objectives.” The “quality objectives” are mainly centered upon establishing criteria for the financial order. “Developing domestic long term finance market” is the first task for “reducing vulnerability to external flows.” As the report suggests, “the East Asian countries still have one of the highest savings rate in the world—above 30 percent on average over the 1975–95.” “Prior to the crisis, they also had investment rates of 30–40 percent of GDP.” These fundamentals were easily renounced as inappropriate for the new international exchange regime, as they ensured that resources generally remained within the boundary of the local as “non-performing capital.” Korea had enjoyed an average 8% annual economic growth as a result of these strong fundamentals, and even right after the crisis Korea managed to recover to some extent. In 1999, the GDP growth rate was over 10%, while it was 8.5% in 2000, as Table 1 shows. However, the speedy recovery of the Korean economy was attributed to the “early resolution of creditor panic” (Lee and Rhee, 2006: 1), rather than to the country’s fundamentals, since these could revalorise financial flows.

Another report by the IMF suggests that, in the Korean case, the lack that caused the crisis surfaced due to the “tradition of fiscal conservatism,” which was basically *incommensurate* to financial capitalism (Beaumont et al., 2004: 5. Emphasis added). Fiscal conservatism might be an optimum fiscal policy “in heavy and chemical industries,” but such an approach eventually brings about financial crisis “when fiscal deficits exceeded 4 percent of GDP.” Such fiscal conservatism had kept “spending within revenue,” which has become a “touchstone of fiscal policy” (Beaumont et al., 2004: 5). “Keeping spending within revenue” is repeatedly diagnosed as a critical defect in a financial regime, as the financial system has to be sustained by the ceaseless circulations of international capital. As the report acknowledges, Korea’s tradition of fiscal conservatism “has helped to contain the accumulation of public debt to just over 20 percent of GDP, which is very low compared to the average of 74 percent among OECD countries” (Beaumont et al., 2004: 5). Therefore the “effectiveness of counter-cyclical fiscal policy” is underscored. “There appears to be a belief in Korea that the larger the surplus the better,” continues the report. “The approach,” however, “has fostered a tendency to underestimate revenues and overstate planned expenditures. In addition, strict adherence to the principle of spending within revenue is not always consistent with counter-cyclical fiscal policy” (Beaumont et al., 2004: 9). The

transformation of conservative fiscal policy to counter-fiscal policy made it easy to borrow and invest international capital.

Throughout these explanations, provided from the perspectives of the main financial institutions, it is insinuated that the crisis was not the problems of industrial fundamentals but of *symptoms of incommensurability* between the “conservative” local economic system and the international financial system. The official hermeneutic move foregrounds the necessity of system-transformation from the perspective of financial rationale, through collective interpretation of the causes of the crisis. The causes are also commonly represented as endogenous to the local itself, stemming from its “structural weakness,” not in manufacturing or industrial or public sectors, but “in financial and corporate sectors.” The chart below, however, shows how the movement of international financial capital, the exogenous factor, influenced the crisis.

Type of flow	<u>Latin America*</u>		<u>East Asia**</u>	
	1993-1994	1995-1996	1995-1996	1997-1998
Liabilities to banks	14.9	-0.1	51.3	-60.3
Debt securities issued abroad	5.6	1.3	5.2	4.3
Total	20.5	1.4	56.4	-56.2

\* Argentina and Mexico, \*\* Korea, Malaysia, the Philippines, and Thailand

\* Table 6: Net short-term capital flow during the recent financial crises (\$ billions) (Source: BIS-IMF-OECD-World Bank, Joint Statistics on External Debt online database)

During the first and second years of the financial crisis, the total amount of capital outflow in the four countries was, as the table shows, more than \$100 billion. In 1997, the foreign reserve, for instance, in Korea, amounted to only \$24 billion. In contrast, the outflows of capital during the Latin American financial crisis—and its effect: the impact of the sudden movement of international short-term money—could be regarded as one of the crucial factors directly precipitating the breakdown of the vulnerable local financial system. Analysing the financial flows alongside the real fundamentals of these countries, Krugman defines the crisis “as the one brought on by financial excess and then financial collapse”:

What all of this suggests is that the Asian crisis is best seen not as a problem brought on by fiscal deficits, as in 'first-generation' models, nor as one brought on by macroeconomic temptation, as in 'second-generation' models, but as one brought on by financial excess and then financial collapse. Indeed, to a first approximation currencies and exchange rates may have had little to do with it: the Asian story is really about a bubble in and subsequent collapse of asset values in general, with the currency crises more a symptom than a cause of this underlying real (in both senses of the word) malady. (Krugman, 1998)

According to this examination, the "underlying real malady" (the structural defects of the real indexes and fundamentals of the economies of the region) was not the "cause" of the crisis. What is important in Krugman's analysis is that the currency crises are seen to have been more of a "symptom" than a direct cause of the financial crisis. Under financial capitalism, a symptom can be described as a risk factor. As Rudolf Hilferding explains, a symptom can even be manufactured as the general climate of a financial market. A symptom is not a fixed cause but a fluid one, which can be given shape as a form of articulation, with which various factors are temporally aligned and realigned to affect the situation in process—as the financial narrators perform.

The representation of the crisis, through which a symptom of risk is described and interpreted, is the actual implementation of *articulation practice* in which "a number of distinct elements interact, in a moment of temporary unity" (Evans and Hall, 1999: 5). This is enacted for the (re)valorisation of the system. The sealing of the "temporary unity," out of the disequilibrium of crisis, is the signifying practice in question. As mentioned, the unifying voices of the official perspectives on the local economies, given the varying economic circumstances of the countries, is the active engagement of the regime in the subsumption of the local; grounding foreknowledge of the event and, thus, legitimising subsequent actions. Therefore, alternative views—such as the insistence on external capital movements influencing the local—are difficult to find in the official diagnosis, although outside the official sector, Krugman insists that "it is clearly wrong to blame all of the overinvestment and overvaluation of assets in Asia on domestic financial intermediaries. After all, private individuals—and foreign institutional investors—did buy stocks and even real estate in all the economies now in crisis. This suggests that other kinds of market failure, notably 'herding' by investors, still have some explanatory role to play" (Krugman, 1998). The

diagnoses of the main international financial narrators therefore function to *misrepresent* the workings of external and international capital and speculative mechanisms, transcoding the cognitive dissonance of the bubble mechanism into cognitive consonance in the making of the crisis. The process of imposition of new conditionalities, for transforming the local into the main financial system, as we have shown, entails a narrative emphasis on structural weaknesses in the financial sectors of the local, which works against valorising the locality as such.

What is even more critical is that the information, or linguistic performance and exchange produced by the narrators, becomes the condition of possibility for cognition and action, encoding the economic situation in terms of ethical judgment and evaluation. This is clearly witnessed in the words used, such as “bad,” “weakness,” “lack of transparency,” and “conservatism.” Speech-act theory generally presupposes an equal relationship between the speaker and the listener, often overlooking the power relations between the two. The political and cultural force of the ethical evaluation the speaker performs goes beyond linguistic conventions and rules. Such ethical descriptions are actually, following Smith, “descriptions of a system of constraints” (Smith, 1988: 109, emphasis added), through which “particular contingencies of which the value of the objects of that kind appear to be a function for people of that kind” (Smith, 1988: 103). It is important to note that the narrator, with his illocutionary force of description, indoctrinates “a system of constraints” on the object—against which conditions of possibility for the valorisation of subjective value create foundations through the contingencies of crisis. In this sense, the financial narrators’ descriptions are distinctively performative; they are utterances that guide successive actions, embedding the ethical and cultural identity of the object for full implementation of the narrator’s intention. Speech act theorist Searle (1969), for instance, categorises the illocutionary acts of the speaker into five groups:

1. Representatives: Illocutionary acts that undertake to represent a state of affairs, whether past, present, future, or hypothetical, e.g. stating, claiming, hypothesizing, describing, predicting, telling, insisting, suggesting, or swearing that something is the case.
2. Directives: Illocutionary acts designed to get the addressee to do something, e.g. requesting, pleading, inviting, daring.
3. Commissives: Illocutionary acts that commit the speaker to doing something, e.g.

promising, threatening, vowing.

4. Expressives: Illocutionary acts that express only the speaker's psychological state, e.g. congratulating, thanking, deploring, condoling, welcoming.

5. Declarations: Illocutionary acts that bring about the state of affairs they refer to, e.g. blessing, firing, baptizing, bidding, passing sentence. (recited in Pratt, 1977: 80–81)

These five categories of illocutionary force, however, cannot fully explain the actual formation of narrative discourse in which the five components are inevitably intertwined and thus brought into play in the field of power. They should be analysed in association with the constructive totality of the system—at which the intention of the speaker eventually aims.

McCloskey, however, more specifically applies Searle's analysis of illocutionary acts, analysing economic propositional sentences into four different modes of linguistic implications:

The economic scientist is a linguistic actor, and to his performance can be applied the dramatic notions of Kenneth Burke or the philosophers J.L. Austin and John Searle. Scientific assertions are speech-acts made in a scene of scientific tradition by the scientist-agent, though the agency of the usual tropes, for purposes of describing nature of mankind better than the next fellow. Searle's analysis of the Law of Demand for gasoline would go as follows:

The *utterance* act (speaking) "the demand curve for gasoline slopes down."

The *propositional* act (logic): "the demand curve for gasoline (referent) slopes down (predicate)."

*Illocutionary* act (rhetoric, argument, attempt to persuade): "Believe me, the demand curve for gasoline slopes down."

*Perlocutionary* act (the reader's response, the result of the illocutionary act): "By God, you're right: the demand curve for gasoline *does* slope down."

The error is to think that one is engaged in the propositional act, which is a matter of formal logic, when in fact one is engaged—all day, most days—in illocutionary acts, which are rhetorical. (McCloskey, 1984: 105-106)

The utterance itself, “the demand curve for gasoline slopes down,” is a propositional act. However, it is actually an illocutionary act in which intentional “rhetoric, argument, attempt to persuade” is implicated, inviting a reader’s response. Therefore an utterance is a performative illocutionary act, in which the intention of narrator is conveyed in order to activate the narratee. To dissect how the propositional utterances of narrators in fact function as illocutionary acts, or as the guiding force in identifying the main value, we will continue to observe the operation with the “description of a system of constraints” for the object. This conveys the intention of the narrators modulating the narrative struggle for the object in acquisition of the dominant value.

### The Internal “Official” View and the Adoption of Dominant Value<sup>93</sup>

In December 1999, two years after the financial crisis that brought about far-reaching and forceful social restructuring—as well as financialisation—in Korea, as a condition of financial aid from the IMF, the National Assembly operated a special committee that was supposed to investigate the causes of the crisis and, if necessary, charge the officials associated with any grave mistakes made in the process of policy decision making. The committee planned to summon more than ninety government officials and business leaders as witnesses and observers, including ex-president Kim Young-Sam and the former Economic Minister, although some of these eventually refused to attend the hearings. The Bank of Korea, which was also under investigation by the committee, submitted a report analysing the origins and contexts of the crisis in relation to the international financial climate. As it was an official publication detailing the causes and development of the critical situation from the authoritative perspective of a financial institution in Korea, it has also

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<sup>93</sup> “Economists have two attitudes towards discourse” according to McCloskey, which are “the official and unofficial, the explicit and the implicit. The official rhetoric, to which they subscribe in abstract and in methodological ruminations, declares them to be scientists in the modern mode. The credo of Scientific Method, known mockingly among its many critics as the Received View, is an amalgam of logical positivism, behaviourism, operationalism, and the hypothetico-deductive model of science” (McCloskey, 1983: 484). As she argues, however, the official view or attitude is in many cases “unexamined,” since the official narrative is not an objective of examination but of consent, authorial approval, or disapproval. “What is alarming about the workaday rhetoric is not its content but that it is unexamined, and that in consequence the official rhetoric pops up in mischievous ways. Economists agree or disagree—their disagreements are exaggerated—but they do not know why. Any economist believes more than his evidence of a suitably modernist and objective sort implies. A recent poll of economists, for example, found that only three percent of those surveyed flatly disagreed with the assertion that ‘tariffs and import quotas reduce general economic welfare’” (McCloskey, 1983: 493).

been widely regarded as the orthodox stance of the Korean government on the crisis. The report looks at the nature of the Korean financial crisis in association with two main factors that led to the fiasco. To focus on the specific aspects of the Korean case, it first defines the general financial crisis, reflecting various historical cases, "as a product of sudden and drastic depreciation of a currency triggered by international speculative money which eventually drains foreign currency reserves." "The degree and impact of a financial crisis," it continues, "are influenced by the international financial market factor and the response of a local government."<sup>94</sup> This view of the financial crisis accentuates the fact that any financial crisis on a local level is inseparably related to the international circulation of money, in particular, with "international speculative money." The nature of the financial crisis proposed by the Bank of Korea thus shows that the workings of the exogenous element are a critical part of the making of a crisis, in contrast with descriptions of the international financial apparatuses. It presents the financial crises of the UK (1992), Mexico (1994), and Thailand (1997) as representative cases in which speculative money played a major role, considering that the countries' currencies were generally over-evaluated with strict exchange rate policies, which eventually exposed them to attack by speculative money aiming at maximising short term profits.

While underscoring the influential forces of international hot money in the historical financial crises, the report downplays, however, the role of international money in the Korean case, positioning endogenous factors as the main cause of the crisis, in line with the interpretations of the main international financial agencies. "The Korean financial crisis is different from the ones triggered by international speculative attacks," it decisively insists, because in early 1997 a series of bankruptcies of chaebols such as Hanbo and Daewoo brought about a feeling of fundamental distrust, which led to lowered credit ratings; thus worsening the problem of liquidity in the financial market. Such an analysis clearly admits that the endogenous factor is at the core of the crisis, although the report later reluctantly accepts the workings of international money as an auxiliary factor in the problem.

The report, therefore, finds the source of the currency crisis in the weakness of internal fundamentals that brought about panicked herd behavior in the financial sector. According to the report, stability of the financial system in Korea was harmed by the weakness of the fundamentals underpinning the country itself. This weakness is "over-investment of

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<sup>94</sup> "Report on the Causes and Development of the Financial Crisis in Korea," the Bank of Korea, 1999 (In Korean).

conglomerates, the inflexibility of labour market and some structural problem accumulated throughout the rapid economic growth.” The roots of these fundamental weaknesses “simultaneously” surfaced, along with the economic decline of the time. In this sense, the internal defects of the economic structure itself *invited* the speculative attacks. The report adds that the financial and political authorities in Korea did not respond properly to the initial symptoms of the financial crisis, owing to the “lack of consistency and transparency in policy,” which echoes the views of financial narrators. The radical downgrading of Korea’s credit rating was, thus, according to the report, “inevitable.” The interpretation of the financial crisis by the internal financial authority undoubtedly overlaps with the analyses of international financial institutions such as the World Bank or the IMF, underscoring the role of endogenous defects, and particularly structural weakness, in the formation of the financial crisis—rather than raising its own voice for regulating short-term speculative capital for the majority.

It is here worth noting how an economic value is formed through the interaction of the subject and the object, through the analysis of Simmel, who observes that an economic value is a form of objectification of subject value. Formulating a value is to overcome the economic distance between the subject and the object through exchange relations. Under the universal monetary system, the economic value is set by the “renunciation of the non-monetary uses of monetary material” (Simmel, 2004: 152). For Simmel, money is the autonomous medium through which objects acquire exchangeability or commensurability in financial terms. Here, “renunciation of the non-monetary uses” of an object is an essential process in incorporation into the dominant value of the financial regime, and, thus, in identifying the value of the subject. Simmel’s analysis of the value-creating process—involving the subject and the object—can be applied to the interpretations of the crisis. The view of the bank of Korea, as an object in the exchange relation, was to identify the economic value of the subject to overcome the distance. Accentuating its own systemic defect in the process of recognition of the subject value, the object renounces manifold instances of the crisis and its own fundamentals and, thus, represents itself through the value of the subject. The politics of representation, as the signifying practice, are, in this case, effectively completed as the economic distance is overcome. This is achieved through the formation of the new financial value in accordance with the grand narrative. As a result, the local economic system becomes more easily commensurable to the financial exchange regime, after renouncing the narrative struggle for making its own discourse.

In the following chapter, I reinterpret Gérard Genette's theory of narrative discourse to propose a notion of narrative economy. By applying Genette's literary notion to the analysis of financial operation, the chapter supposes organisational and mediating features of narrative temporality, in conjunction with the narrative schematisation of events, as the distinctive feature of a narrative economy. As the chapter scrutinises the notion of narrative economy, it focuses upon the salient features of the narrative temporality of financial capitalism, as closely instantiated in Chapter 3. There, I examined the case of financialisation, which I argued was propelled by investment banking. Here narrative economy can be understood as the main driving force operating the economy, through implicit methods of narrative scattering, just as international financial centres perform in the making of narrative junctures for the extension of the dominant financial narratives; they do this by promoting and consolidating financial value-politics.

For financial narrators, the financial crisis is the crucial engaging point of narrative economy. From here the distortion of speed and transgression of order, and the 'abnormal' temporality of crisis, bestow on the system wider room for intervention. This allows valorisation of the dominant rhythm. From a cultural perspective, a financial crisis can be reassessed as a temporal disruption, against which a narrative temporal operation ceaselessly seeks to revalorize the rhythm for "intelligible time of futurity" (Lash et al: 1998: 3). By scattering narrative information through the main financial narrative apparatuses, particularly at the time of crisis, financial narrators encode narrative junctures. Through these the narrative economy articulates and proliferates its core intention as the foundation of legitimate knowledge-production, with strong rewriting of the financial master-code: this enables it to redefine cognitive dissonance as the legitimate financial rationale. Narrative economy is thus viewed as the cultural strategy of financial capital, or as a system of narrative regulation for effective and efficient "reciprocal entanglement" (Genette, 1980: 79). Here the frequency and duration of interpolations and extrapolations are exercised for the purpose of narrative valorisation and for realigning the social relationship. As narrative economy is set to function through a valorisation of information—on the basis of reconfigured temporality—representation is at the same time critical for the extension of the primal event. This event is the main theme for narrative thematisation, for which other events as the subsets of narrative information are interpreted and regulated. The primal event thus functions as the paradigm for other events yet to come.

Narrative economy produces narrative knowledge; discussing this, the chapter also reconsiders Lyotard's observations on the narrative field, and its production as the objectifying field of comparison and evaluation. It is associated with the making of economic subjectivity by indicating the distance between the narrator and the narratee, without which the necessitation of the legitimacy of financial domination and expansion is unfeasible. Actors participate in the weaving of a field of narrative knowledge, which is portrayed as the necessary condition for knowledge-production and extension. It is seen as the condition of valorization of not just economic but also existential status. This new activation of legitimacy is appraised as the distinctive mechanism of narrative economy.

With regard to temporal configuration in narrative economy, I will expand the scope of analysis to look at the implications of narrative temporality by reinterpreting Gerard Genette, Marx, and Simmel. I will articulate capitalistically configured temporality in terms of narrative time, in which, following Ricoeur, the "circular transmitting of values" (Ricoeur, 1988: 50) is embedded, and a series of narrative performances thus take place.

## Chapter 6

### Narrative and Temporality: Narrative and the Temporal Reconfiguration of Finance Capital

Repetition enables accumulation. By being repeated, time becomes a meaningful and productive entity in the actualisation and realisation of value. A value-system presupposes constant repetition for the valorisation of value production. With the establishment of the valorising system, a certain rhythmic pattern gives legitimate access to the dominant value, and becomes the performative criterion in value production and transference. “Rhythms,” at this stage, “enter into products” (Lefebvre, 2004: 6). As Marx asserts, in the money economy, “the circulation of money as capital is an *end* in itself, for the valorization of value takes place only within this constantly renewed movement. The movement of capital is therefore limitless” (Marx, 1990: 253, emphasis added). By appropriating time as the agent of the self-valorizing process, capital builds a foundation for the condition of reproduction for further valorization. As suggested in Chapter 3, financial narrative expands this economic condition into the conditions of psychological life, encoding its modalities as a form of economic as well as cultural performance. This chapter inquires into the implications of time by reinterpreting Marx and Simmel, relating capitalistically-configured temporality to narrative time, in which the circular transmitting of values is embedded. It links this to a series of narrative performances which thus takes place. Focusing on how the temporal operations of monetary capital are activated, it also articulates Gérard Genette’s theory of narrative discourse, from which organisational and mediating features of time—in conjunction with events and actions—are illuminated under the schematisation of narrative. Finally, this chapter proposes a notion of narrative economy as the strategy of the cultural economy for guiding and legitimatising financial reality.

From the perspective of description and representation of information, narrative economy employs specific methods such as narrative scattering and narrative juncture, supporting the performativity of a new financial structure and its temporality as the rhythm of life. For financial narrators, financial crisis is the crucial engaging point from which the

distortion of speed and transgression of order of the 'abnormal' temporality of crisis bestows on the system room for intervention for revalorising the dominant rhythm. In this regard, a crisis is a temporal disruption against which the narrative temporal operation ceaselessly seeks to revalorize the rhythm for "intelligible time of futurity." (Lash et al: 1998: 3) By scattering narrative information through the main players at the time of crisis, financial narrative make narrative junctures, and through these the narrative economy articulates and proliferates its core intentions as the legitimate narrative process. The narrative economy presupposes narrative knowledge as an objectifying and operational field, with regard to which we will reconsider Lyotard's observations as to the role of narrative. Actors participate in the weaving of narrative knowledge, which is the necessary condition of knowledge production for narrative extension. I suggest that this new way of activation of legitimacy is the distinctive mechanism of the narrative economy.

The valorisation system of rhythm in the financial regime necessarily accompanies a devalorisation process of rhythm *outside* the system. "The spontaneous established link" is effectively implemented at a time of crisis, "between narrative inspiration and repetitive event," since the narrative juncture, as Genette puts it, functions not merely to interpret the instance; it is also the process of making the event absent for the unification of the dominant narrative rhythm—by containing the multiple identities of the event (Genette, 1980: 126). As we saw in the introduction, narrative functions as the cultural operation of inclusion and exclusion through an affirmation and negation of content, especially considering that "amending the iterative plural to singular" is one of essential operations in narrative the effectively screens *unsaid* events<sup>95</sup> (Genette, 1980: 150).

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<sup>95</sup> Concerning narrative operation through the double function of representing and containing the multiple identities of the event, Threadgold puts it that "[t]he whole notion of habitus, and of ideology, of the ways in which institutions and practices become corporeal for example, introduces other questions about the significance of narrative" (Threadgold, 2005: 263). This is due to the fact that "[in narrative] what matters is who has the power to name, to represent common sense, to create 'official versions,' and to represent legitimate social worlds, while excluding other stories which might construct these things very differently" (Threadgold, 2005: 264). Therefore, what narrative performs is the politics of inclusion or exclusion ("unsaid events," to use Genette's term) around which the actors are motivating as well as motivated for the dominant set of relationships.

As Genette points out, narrative information doesn't just make the event absent but also excludes the presence of the narrator. It is therefore not just lack of information but also excess of information that can make the narrator absent. "The strictly textual mimetic factors, it seems to me, come down to those two data already implicitly present in Plato's comments: the quantity of narrative information (a more developed or more *detailed* narrative) and the absence (or minimal presence) of the informer—in other words, of the narrator [...] Cardinal precepts and, above all, *interrelated* precepts: pretending to show is pretending to be silent [...] therefore, we will have to mark the contrast between mimetic and diegetic by a formula such as: information + informer = C, which implies that

The narrative of events [...] is always narrative, that is, a transcription of the (supposed) non-verbal into the verbal. Its mimesis will thus never be anything more than an illusion of mimesis, depending like every illusion on a highly variable relationship between the sender and the receiver. (Genette, 1980: 165)

The iterative narrative, which is repeated with different modalities throughout the narrative process, regulates disseminated episodes and thus unifies them into a singulative narrative. It gives an actor the *sense of the variations in experience from which the impact of further fluctuation is valorised epistemologically*. This is the “classic function of iterative narrative,” for “[t]he classic function of iterative narrative is thus fairly close to that of description, with which, moreover, it maintains very close relations: the ‘moral portrait,’ for example, which is one of the varieties of the descriptive genre that operates most often through *accumulation of iterative traits*. Like description, in the traditional novel the iterative narrative is at the service of the narrative ‘as such,’ which is the singulative narrative” (Genette, 1980: 117, emphasis added). This double implication of the narrative process, in concealing as well as revealing events in narrative, is symptomatic of the politics of interpretation of a crisis in the financial era. It can be dealt with using narrative temporal operations, through which “accumulation of iterative traits” of financial narrators aims at a “moral portrait” of the other economic system—to which we will return shortly.

### Valorised Time and the Temporality of Finance Capital

In Marxian analysis, time is the basic condition of production. Without valorisation of time as the continuous movement with which a series of stable circulations takes place in the sphere of production and consumption, the capitalist system cannot be operated or sustained. Under the system, time becomes rhythm, rhythm as a form of economic life. Value is determined using the measure of the time-unit, transcoding human labour into a definite quantity of congealed labour-time, such as a working hour or time-wage. Time is embodied as the split units of the quantitative continuum<sup>96</sup> which are necessarily

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the quantity of information and the presence of the informer are in inverse ratio, mimesis being defined by a maximum of information and a minimum of the informer, diegesis by the opposite relationship” (Genette, 1980: 166).

<sup>96</sup> According to Bergson, material or quantitative representation of time, which is the cultural

incorporated into the entire performative series of production:

The duration of [capitalist] turnover is determined by the sum of its time of production and its time of circulation. This time total constitutes the time of turnover of the capital. It measures the interval of time between one circuit period of the entire capital-value and the next, the periodicity in the process of life of capital, or, if you like, the time of the renewal, the repetition, of the process of self-expansion, or production, of one and the same capital value. (Marx, 1992: 235-236)

Congeaed labour time, in the form of quantitative units, becomes the condition of valorisation of the value system, in which human labour turns into the constant that has to be continuously quantified and measured as the magnitude of value. However, the crucial point is that the capitalist value-system mystifies the relationship between labour-time and its determination in terms of value. "The determination of the magnitude of value by labour-time is," as Marx grasps, "a secret hidden under the apparent movements in the relative values of commodities," (Marx, 1990: 168) in that "[t]he alienation of labour-power and its real manifestation, i.e. the period of its existence as a use-value, do not coincide in time" (Marx, 1990: 277).

The fundamental discordance, through which the inevitable difference between the actual value of labour power and its expression of time-measured wages appears, however, is evaporated; this is due to the fact that surplus value, which is not measured in time-wages, is bracketed in labour time and, thus, concealed. For the system, such "unpaid labour" is, according to Marx, decisively important in the process of "the transformation of the value and price of labour-power into forms of wages, or into the value and price of labour itself," given that "[a]ll notions of justice held by both the worker and the capitalist, all the mystifications of the capitalist mode of production, all capitalism's illusion about freedom, all the apologetic tricks of vulgar economics, have as their basis the form of appearance, which makes the actual relation invisible, and indeed presents to the eye precise opposite of that relation" (Marx, 1990: 680). Concealing the "invisible" (surplus) value of labour, which is labour unpaid in abstracted time-wages, enables capitalists to operate in the constant basis

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tendency of our era, presumes a notion of duration, since a certain time unit is signified in conjunction with the successive units. In this sense, "we picture the causal relation as a kind of prefiguring of the future phenomenon in its present condition" and it also becomes "objective by this very entanglement" (Bergson, 2001: 204-205).

of competition with low wages:

The unpaid part of the price of labour does not need to be reckoned as part of the price of the commodity. It may be given to the buyer as a present. This is the first step taken under the impulse of competition. The second step, also compelled by competition, is the exclusion from the selling price of the commodity of at least a part of the abnormal surplus-value created by the extension of the working day. In this way, an abnormally low selling price of the commodity arises, at first sporadically, and becomes fixed by degrees; this lower selling price henceforward becomes the constant basis of a miserable wage for excessive hours of work, just as originally it was the product of those very circumstances. (Marx, 1990: 689)

The modified time, which can be transformed into the form of wages, becomes socially necessary and meaningful as a temporal unit; it can determine as well as conceal the magnitude of value, conditioning further valorisation in constant competition and stabilisation for low prices. The fundamental contradiction, namely the growing gap between paid labour and unpaid labour in time, should be laid bare with the increase in the unpaid labour. However, as the portion of actual time used in producing surplus-value throughout the labour-time is abstracted, labour-time expressed in nominal time-wages becomes *standard time* in the configuration of temporality under capitalism. “The worker is” therefore “nothing more than personified labour-time” (Marx, 1990: 353). The equation of labour-time with time-wage, along with the establishment of money as the means of payment, becomes the threshold in valorisation of time—at which the complete circulation of capital production can take place.

What is at stake here is that *the fundamental discrepancy between nominal wage through labour time and its original value is sutured in valorised time, in which even the value in future is advanced and anticipated*. This valorisation of time conditions the active transformation of the system, because *the reconfigured time presupposes and subsumes the latency of value yet to come*; this is an important point for capital. It is required in order to preoccupy the latency of a certain value, and to subsume it into the regime of value, which is the critical operation of valorisation in temporality. The advanced time of the future, in the capitalist mode of production, exists in the present. To exemplify the advanced time in everyday life, interestingly, Marx points out that the mode of payment in a capitalist society is normally

prefixed by a contract for a certain period in the future, rather than prepaid for labour-power. This method of appropriation of future labour in the present becomes the foundation of the credit relationship, because “the worker allows credit to the capitalist.” He goes on:

In every country where the capitalist mode of production prevails, it is the custom not to pay for labour-power until it has been exercised for the period fixed by the contract, for example, at the end of each week. In all cases, therefore, the worker advances the use-value of his labour-power to the capitalist. He lets the buyer consume it before he receives payment of the price. Everywhere the worker allows credit to the capitalist. That this credit is no mere fiction is shown not only by the occasional loss of the wages the worker has already advanced, when a capitalist goes bankrupt, but also by a series of more long-lasting consequences. (Marx, 1990: 278)

By *advancing* the value of labour-power in the future, capital valorises labour-time for the schematisation of credit circulation, thus covering up “a series of more long-lasting consequences” in the sphere of production and consumption.

### Rhythm as Formative and Oppressive Power

Simmel takes the problem of temporality under capitalism much further, illuminating its cultural implications in our life. By tracing the radical changes in the configuration and operation of time, he suggests that these changes also bring about significant transformations in the style of life,<sup>97</sup> for “the rhythm or symmetry” is one of important “contents of life” that can ground the field of objectification and normativity. In the money economy, the division of labour dissimilates individual actors’ rhythms and, thus, assimilates them into the artificial rhythm as the new pattern of life. In this sense, Simmel underscores that the imposition of rhythmic symmetry through initial dissymmetry is *the first means of production*:

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<sup>97</sup> While “style” is becoming more and more patterned in accordance with the tendency of objectified culture, Simmel also notes that style always presupposes “discrepancy” in proportion to how “the entire life-style of a community depends upon the relationship between the objectified culture and the culture of the subjects” (Simmel, 2004: 453). This discrepancy or “ambiguity” gives a momentum of differentiation in rhythm. “Style will include the creation of new metaphor, stories, concepts, percepts and affects but will, at the same time, contain considerable ambiguity; indeed this ambiguity is a crucial part of the power of style.” (Thrift, 2002: 202)

So far the division of labour has been interpreted as a specialization of personal activities. Yet the specialization of objects themselves contributes no less to the process of their alienation from human subjects, which appears as an independence of the object, as the individual's inability to assimilate it and subject the object to his or her rhythm. In the first place, this is true of the means of production. The more differentiated these means are, the more they are composed of a multitude of specialized parts, the less is the worker able to express his personality through them, and the less visible is his personal contribution to the product. The tools that the artist uses are relatively undifferentiated and thus afford the personality the widest for releasing all his capacities. (Simmel, 2004: 459)

The demand for rhythm has, more or less, existed throughout culture, since “[r]hythm satisfies the basic needs for diversity and regularity, for change and stability [...] Simplicity or complication of rhythm, the length or brevity of its individual periods, its regularity and its interruptions provide, as it were, the abstract scheme for individual and social, objective and historical life-sequences” (Simmel, 2004: 486). However, since the regularity of rhythm, even if it is a highly differentiated rhythmic movement, un-differentiates the worker—who is only able to express his subjective rhythm in accordance with the partial work he engages in. As such the division of labour greatly increases the tendency of “the preponderance of objective over subjective culture” (Simmel, 2004: 470). In this regard, the modern factory is the representative locus that produces “strong rhythmic elements” (Simmel, 2004: 491). Rhythm, thus, brings about the “leveling effect of culture” (Simmel, 2004: 487). The rhythm realised in symmetry is regarded as a rational form:

Rhythm may be defined as symmetry in time, just as symmetry is rhythm in space [...] Symmetry is the first indication of the power of rationalism to relieve us of the meaninglessness of things and do accept them as they are [...] The symmetrical structure is completely rational in origin; it facilitates the control of the multitude from one vantage point. (Simmel, 2004: 488)

This rhythmic-symmetry is the “*technique of centralising tendencies*” in the systematic form of life. Within this the individualistic-spontaneous principle of life is in conflict as well as in

harmony:

The forms that rhythm or lack of rhythm bestow upon the contents of existence finally lost their form as alternating stages of development and present themselves simultaneously. The two principle of life that one can characterize with the symbols rhythmic-symmetrical and individualistic-spontaneous are two profoundly different trends whose opposition is not, as in previous examples, always reconcilable through integration in the course of development, but rather ultimately characterizes the permanent character of individuals and groups. Not only is the systematic form of life the *technique of centralizing tendencies*, where of a despotic or socialistic kind, but also it gains an independent charm. The inner harmony and external conciseness, the harmony of the parts and the calculability of their fate, confer an attraction upon all symmetrical-systematic organizations, the effects of which exert a formative power that extends far beyond politics to countless public and private interests. Such organizations are supposed to give the individual contingencies of existence a unity and transparency that transposes them into a work of art. (Simmel, 2004: 492-493)

This is a significant passage, which articulates the rhythmic-symmetric drive as a *formative power* through which repetition also diversifies spheres of interests, not just for the system but for the individual as well. Rhythm expands the *sphere of interests*, valorising the system as a modulating structure rather than a fixed one. Thus it can regulate its pace, according to which “individual contingencies of existence” have a foundation of stability as the performative field. Simmel analyses this modulation of rhythm as a matter of changing pace, through which the intensity and span of our lives transform. This regulation of pace is a critical distinction in monetary economy, extending our inner world according to the changes implied:

Our inner world extends, as it were, over two dimensions, the size of which determines the pace of life. The greater the differences between the contents of our imagination at any one time—even with an equal number of conceptions—the more intensive are the experiences of life, and the greater is the span of life through which we have passed. What we experience as the pace of life is the product of the sum total and the depth of its changes. The significance of money in determining the pace of life in a given period

is first of all illustrated by the fact that a *change* in monetary circumstances brings about a *change* in the pace of life. (Simmel, 2004: 498, emphasis in original)

The pace of life affects both our span of life and our experience, since it psychologically brings about a radical break in the contents of our imagination and our conception. Any imagination or conception faces the necessity of change when it faces “a change in the pace of life.” Unlike the natural rhythm, which is relatively stable and is difficult to impose artificial modulation upon, the monetary economy opens up a new horizon with its fast circulation. While the establishment of rhythmic pace functions as a formative power for the system, it conceals the “transitory character” of relationships among the actors, because, as Simmel warns, “[t]he basic human trait of interpreting what is relative as an absolute conceals the transitory character of the relationship between an object and a specific amount of money and makes it appear as an objective and permanent relationship. This brings about disturbance and disorientation as soon as one link of the relationship changes” (Simmel, 2004: 499). The “disturbance” and “disorientation,” often characterised as fluctuation and *crisis*, which we will see throughout following chapters as the critical break in the making of new subjectivity, can be seen as a diversification of rhythmic pace. It insinuates in the actors a sense of change—even in seemingly stable rhythm. As such, these fluctuations function as differentiations in the rhythm of our life. In the monetary economy, frequent “fluctuations in ownership brought about a sense of continuous change, sudden rifts and convulsions with the economic scene that spread to many other areas of life and were thus experienced as the growing intensity in the trend of economic life or as a quickening of its pace” (Simmel, 2004: 500). The “trend of economic life” is, therefore, “mirrored psychologically” according to variations in the amount of money one can possess:

The close relationship between money and the pace of life is illustrated by the fact that an increase as well as a decrease in the amount of money, as a consequence of its uneven diffusion, brings about those manifestations of differentiation that are mirrored psychologically in break-downs, irritations and the compression of mental process. This implication of change in the quantity of money is only a phenomenon or an accumulation of the significance of money for the relationship of objects, that is for their psychic equivalents. (Simmel, 2004: 503)

In this regard, Simmel tries to analyse the psychology of the stock exchange, where ceaseless fluctuations are witnessed as the *generic rhythm of the monetary system*. The stock exchange is the “geometrical focal point” of all changes in valuation, where the “swiftness” of the “sanguine-choleric oscillations between optimism and pessimism” directly affect emotional and psychological operation:

[In the stock exchange] Economic values and interests are [...] reduced to their monetary expression. The stock exchange and its representatives have achieved the closest possible local assembly in order to carry out the clearance, distribution and balancing of money in the quickest manner possible. This twofold condensation of values into the money form and of monetary transactions into the form of the stock exchange makes it possible for values to be rushed through the greatest number of hands in the shortest possible time [...] The frequency of the turnover increases with fluctuations in the quoted price of a particular value [...] Changes in valuation are greatly increased and even often brought about by the flexible quality of money to express them directly. And this is the cause as well as the effect of the fact that the stock exchange is the centre of money transactions. It is, as it were, the geometrical focal point of all these changes in valuation, and at the same time the place of greatest excitement in economic life. Its sanguine-choleric oscillations between optimism and pessimism, its nervous reaction to ponderable and imponderable matters, the swiftness with which every factor affecting the situation is grasped and forgotten again- all this represents an extreme acceleration in the pace of life, a feverish commotion and compression of its fluctuations, in which the specific influence of money upon the course of psychological life becomes most clearly discernible. (Simmel, 2004: 506)

The rhythm in the stock market entails countless differentiations. It sees fluctuations, with which the rhythm seems to turn into an autonomous entity for the actors. Ceaseless changes in the amount of transactions and in valuations in the stock exchange embody rhythm as concrete and lived experience, for the frequency or the turnover time becomes, as such, a meaningful movement in the realisation of value. In this sense, rhythm transforms psychological life into a synthetic machine for reciprocating motions between pessimism and optimism, thus effectively modulating, for instance, any failure of the present for the anticipation of future success. It thus gives the actors a sense of forgetfulness as well as of

anticipation. By destabilising the psychic situation of the actors in constant “feverish commotion and compression of its fluctuations,” the “extreme acceleration in the pace of life” ironically stabilises the temporal operations upon which the capitalist narrative meta frame, the series of performances, can be conditioned as “a form of defining reality” (Simmel, 2004: 511). With the support of *rhythm as lived experience* in actualising value, as well as in defining reality in the monetary economy, narrative knowledge grounds contexts of performance for the formation of legitimatisation and normativity. Presupposing a temporal sequence with rhythmic repetition and differentiation, financial capitalism, under which even instant short-sellings and day-tradings are regarded as normal in the rhythmic movement of value realisation, effectively valorises temporality in order to impose serialised narrative time as the “extensions and configurations” of reality (Carr, 1991: 16). This is, of course, to guide the action and cognition of the actors.

#### Narrative Time and Narrative Knowledge

Articulating time with narrative, Ricoeur suggests first of all that narrative and time are, like two sides of a coin, in a symbiotic relationship, since “time becomes human time to the extent that it is organised after the manner of a narrative; narrative, in turn, is meaningful to the extent that it portrays the features of temporal experience” (Ricoeur, 1984: 3). As the basic principle of organising temporality with semantic synthesis, narrative embodies the contents of time in association with events. Narrative, as the self-reproductive mechanism seeding “productive imagination” for “the schematism” of the “signifying matrix,” guides human understanding and action in the representation of an event. Ricoeur goes on:

With narrative, the semantic innovation lies in the inventing of another work of synthesis—a plot. By means of the plot, goals, causes, and chance are brought together within the temporal unity of a whole and complete action. It is this synthesis of the heterogeneous that brings narrative close to metaphor. In both cases, the new thing—the as yet unsaid, the unwritten—springs up in language. Here a living metaphor, that is, a new pertinence in the predication, there a feigned plot, that is, a new congruence in the organization of the events. In both cases the semantic innovation can be carried back to the productive imagination and, more precisely, to the schematism that is its signifying matrix. (Ricoeur, 1984: ‘Preface’ ix)

Here, the plot is the core intention of narrative, framing heterogeneous actions and events within a certain temporal unity of guiding action. For “[a]ll the dynamism of employment finds itself referred to the logical-semantic operations and to the syntagmatisation of the narrative statements into programs, performances, and performance series” (Ricoeur, 1988: 51). However, it also entails “unsaid” or “unwritten” interstices in narrative, in the synthesis of the heterogeneous. This occurs while “bring[ing] narrative close to metaphor,” for which the narrative regulation brings up the possibility of reinterpretation as participation—as well as of subsuming any sudden or unexpected actions in the name of creative articulations, which work for the extension of the system. Explaining this significant passage, Carr suggests that narrative, exploiting the capacity of “seeing-as,” opens to “the realm of the ‘as if’”:

[N]arrative is a ‘semantic innovation’ in which something new is brought into the world by means of language. Instead of describing the world, it re-describes it. Metaphor, he [Ricoeur] says, is the capacity of ‘seeing-as.’ Narrative opens us to ‘the realm of the “as if.”’ (Carr, 1991: 15)

The opening of “the realm of the ‘as if,’” which is concomitant with the narrative representation of events, is the new mode of activation and extension of the intension of the system. Chiefly it brings up *possibilities of synthesis through the politics of symbolic representations* for the event—both at present and for the event yet to come. This is in order to make a “new congruence” in the interpretation as well as a new organisation of these events. In this sense, economists even acknowledge the necessity of employing literary tools for the analysis of the financial system. Following Lakoff (1992, p.418), McCloskey introduces metaphor as “a structural mapping from one conceptual domain to another”<sup>98</sup> (McCloskey, 1995: 215). McCloskey is one of few economists that underscore the need to incorporate literary devices in the analysis of mainstream economics. She tells us:

In economic language, metaphors concern substitutability, metonymies concern complementarity. A set of supply and demand curves on a blackboard is a substitute, a

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<sup>98</sup> McCloskey also puts emphasis on the relationship between metaphor and prediction in economic discourse, telling us that “[t]he metaphors are best adapted to making predictions of tides in the sea or of shortages in markets, simulating out into a counterfactual world” (McCloskey, 1990: 6).

map, for a market. By contrast, the prediction of next month's unemployment is complementary with this month's figure: it completes the story. The one is modeling, the other history. When metaphor and story are combined, the result is allegory [...] Allegories are particularly powerful systems of belief. Marxism combines a metaphor of class struggle with a story of the proletarian journey. Mainstream economics combines a metaphor of free exchange with a story of the bourgeois journey. The free exchange and the bourgeoisie are not in strict logic connected to each other but in combination make an impressive ideology. (McCloskey, 1995: 216)

The traditional demarcation between 'scientific' explanation and 'fictional' metaphor is no longer feasible. The point is complementarity between the two, for persuasiveness of the case. In this sense, the equations and hypotheses in economy (as well as mathematics), along with all disciplinary fields of science, are "stories":

The equations are stories because they speak of time and therefore organize it, at least implicitly. The time-speaking themes will shape the raw experience, as a story does when it is more than a mere unthematized chronicle. The 'time-speaking theme' is called in mathematics a 'differential equation,' the fundamental mathematical idea introduced by Newton. (McCloskey, 1995: 217)

Shaping the "time-speaking themes," which we observed as the temporal reconfiguration in the thematisation of financial narrative, economists live by metaphor by thematising the stories in which the market is a conversation (McCloskey, 1995: 230). McCloskey continues to associate economic thinking with literary theory in terms of value in her article, 'The Literary Character of Economics':

Both economics and synchronic linguistics are theories of value, that is to say, theories of psychological attitudes attached to things. [...] The knowledge of economic history or economic politics or economic institutions is in this view the material for synchronic thinking. It becomes part of what the chemist and philosopher Michal Polanyi called the 'tacit knowledge' about which the theorizing speaks. Synchronic theories such as neo-classical economics or Saussurean linguistics are suitable for mathematization. (McCloskey, 1984: 112-113)

For McCloskey, economics is literary and figurative operation; it is a discursive practice with the intention of persuasion. It works through the method of explanation, by suggesting “economics as rhetorical activity, in which economists deploy authorities, stories, and metaphors (models, for instance) to persuade each other” (McCloskey, 1989: 140). Interestingly, rhetorical activities in economics provide a “moral entry point” (McCloskey, 1989: 141) for the extension of a conversation in intellectual trade. As Genette also argues, narrative description contributes to a “moral portrait,” which we will return to below. Rhetoric in economic discourse provides this moral entry point as an activation of discussion, which is opened to a wider field of conversation, for effective persuasion in the logic economists use. However, the rhetoric, metaphor, and literary character of economics that McCloskey accentuates are all unrelated devices, and should be encompassed within an organising principle. This is how they enter the field of power and exercise ‘complementarity;’ it is how such literary devices are employed and how they function: as narrative.

Narrative operation allows actors to participate in the making of narrative extension only if they diversify the narrative plot in a *new* way. Financial narratives at a time of financial crisis, for instance, open up the possibility of reinterpretation of the event, and of reorganisations of the system, insofar as they are based on the main plot, of the bank as the crucial financial institution that has to be rescued at any cost. Narrative extensions are, however, differentiated, on the *conditional continuity of ‘as if’*—that is, if they are legitimatised. In this sense, narrative “requires no legitimisation because *it legitimates itself*” (Sim, 2001: 1, emphasis added). A process of self-legitimation through self-reference is the ground of extension for narrative knowledge, as we observed in Chapter 2.

### Narrative Time, Action, and Event

As observed in the introduction, narrative legitimisation, following Lyotard, is a process of replacing the normativity of laws with performativity of discursive narrative procedures. This necessitates narrative configurations of time in the *redescription* of the event. The narrative capacity to represent, thus, entails understanding of the event in the context of temporal “retention” and “protention,” to use Husserl’s terms, from which the event is located and anticipated. This is because the event is expressed in relation to temporal

procedures in which the “protentional and retentional gaze” of the present spans the future as well as the past, in an actualisation of the event:

The idea of an ‘event’ is already that of something that takes time, has temporal thickness, beginning and end; and events are experienced as the phrases and elements of other, larger-scale events and processes. These make up the temporal configurations, like melodies and other extended occurrences and happenings, that are the stuff of our daily experience. Even though as temporal they unfold bit by bit, we experience them as configurations thanks to our protentional and retentional ‘gaze’ which spans future and past. Like the spatial horizon, the horizons of the future and the past recede indefinitely, and it would surely be a mistake to identify retention and protention with ‘short-term’ memory and expectation. (Carr, 1991: 24)

As temporal consciousness fuses the perspective of the present with the gaze of retention and protention in actualising the event, the event can acquire meaning as an organised series of performances. This is mainly because “[i]n the midst of an action the future is not something expected or prefigured in the present, not something which is simply to come; it is something to *be brought about* by the action in which I am engaged” (Carr, 1991: 34, emphasis added). As such, the temporal span advances the future through the workings of action in the present, incorporating configured temporality into (future) event and action:

[T]he temporal span is structured or configured into *events*, in the one case, and *actions*, in the other. For experience and for action, then, in order to qualify as a *present* phase, a given point in time must not only be a member of a sequence but must be an integral, functioning part of a temporal configuration constituting an event or an action. (Carr, 1991: 41)

The temporal configuration between action and event is “essential to narrative structure” (Carr, 1991: 45). Here, it can be noted that in financial narrative, the “financial gaze” is constantly working towards “the increasing attention given to the measurement of short-term financial performance” (Thrift, 2002: 203). Through this the actualisation of the event, or the realisation of value, is brought about by the performance, and by exploiting the latency of the future as the concrete as well as symbolic form of, for instance, “futures.” In

temporal financial configuration, the future accommodates the present as the *sense of ending that is to be realised*. Hilferding comments that this is the act of manufacturing the mood in the stock market. Any “analysis” in the market thus works to bring about actions on the part of the actors in the making of future value—at a time when the ongoing present is already intervening in the making of the future. Scattering narrative knowledge as various interpretations and analyses, the main players encourage the actors to participate in the extension of the narrative process. The actions of the actors, represented as volumes of the transaction, are directly linked with the profit. In this sense, narrative structure is “intersubjective and social” in which “a self-reflective operation” of the actor, against the narrative voice, becomes the “activity of interiorization of the social situation” (Carr, 1991: 63).

This can be seen in what Ricoeur characterises as the act of “*emplotment*” in narrative formation. This is analysed as “*emplotment* is the operation that dynamizes every level of narrative articulation. *Emplotment* is much more than one level among many. It is what brings about the transition between narrating and explaining” (168). “*Emplotment*,” in this sense, “is what qualifies an event as historical” (Ricoeur, 168). Carr also accentuates the mediating role of *emplotment* “between events and story, [and] unifying the chronological with the non-chronological,” which thus constitutes the events in a “linear fashion” (Carr, 1991: 64).<sup>99</sup> Signifying the sense of linearity in the constitution of event and action, the narrative process functions, as Simmel observes, as the specific “technique of centralising the tendency.” In this process, the actor gains a sense of “self-awareness” as a “subject” in the group in action:

Thus, in the relation between formulating and communicating, on the one hand, and receiving or accepting a narrative account, on the other, the group achieves a kind of reflexive self-awareness as a ‘subject’ that is analogous to what we found in the individual. As with the individual, so with the group, the more complex and extended the undertaking, the greater the need for collective stock-taking or *Besinnung*, which may require revision of the narrative account to meet changing circumstance. (Carr, 1991: 156)

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<sup>99</sup> More fundamentally, the operation of constitution of the events in linearity is the operation dealing with uncertainty: *aporia*. “*Emplotment* [...] replies to the speculative *aporia* with a poetic making of something capable, certainly, of clarifying the *aporia*, but not of resolving it theoretically” (Ricoeur, 1984: 6).

The formation of the subject, which is often seen in the use of the collective pronoun, *we*, in a narrative account, is an important technique in subjection/subjectivation—as we examined in Chapter 2—since the formation of a collective subject produces *narrative inter-subjectivity* between the narrator and the narratee. “We” as the “transcendental subject” is thus the essential narrative operation in the constitution of the group for a certain context. This grouping effect is, however, also an action in the politics of exclusion, with its containment of second- and third-person pronouns, and thus it makes the group “forget” those outside the narrative context. This politics of oblivion does not just exclude the second- and third-person pronouns; it also excludes individual positions, ushering the distinctive plural into the collective narrative subject *we*:

The interesting thing is that such an analysis need not even give up the “first person” perspective: in calling on these grammatical categories we have almost forgotten that the first person (like the second and the third) can be plural as well as singular. It is often in using the pronoun “we” that each of us as an individual expresses his or her membership in some particular group. It is in each case *I* who say ‘we.’ When this happens, a new subject emerges for the experiences and actions in which I am engaged. (Carr, 1991: 120)

Genette contemplates that this first-person narrative politics of inclusion above all structures a sense of anticipation, according to which the actor’s role and action can be alluded to. Here “[t]he ‘first-person’ narrative lends itself better than any other to anticipation, by the very fact of its avowedly retrospective character, which authorizes the narrator to allude to the future and in particular to his present situation, for these to some extent form part of his role” (Genette, 1980: 67).

### Narrative Discourse and Narrative Economy

Although Genette focuses his theory of narrative upon textual analysis, he also opens up the possibility of further articulation in three ways: first, his emphasis on narrative reality and narrative relationships can be reinterpreted for the analysis of narrative operation as “the function of a sort of indispensable transfer point” for “dispatching narrative” (Genette, 1980:

45); second, since he considers the essential feature of narrative operation to be temporal distortion, or narrative “anachronism” in his terms—through temporal (re)order, duration, and frequency—temporal (re)configurations in narrative time can be further articulated in the making of narrative operation; finally, his postulations of narrative temporality and its effects describe some important organising principles of narrative operation, such as “narrative economy.” Though he does not deliver a full analysis of these featured, his notions—such as “narrative economy,” “narrative scattering,” and “narrative juncture”—provide crucial points of engagement from which we will seek to reassess narrative in the field of finance, and examine its operation in supporting economic value.

Genette defines “three aspects of narrative reality,” extending the boundaries of narrative outside textual analysis and including “oral” as well as “written” narrative statements. “Narrative,” according to him, first “refers to the narrative statement, the oral or written discourse that undertakes to tell of an event or a series of events.” As narrative entails a “series” “real or fictitious,” the second aspect of narrative reality highlights the relational operation it entails. Here, “narrative refers to the succession of events, real or fictitious, that are the subjects of this discourse, and to their several relations of linking, opposition, repetition, etc.” “Analysis of narrative,” he adds, “in this sense means the *study of a totality of actions and situations taken in themselves*, without regard to the medium, linguistic or other, through which knowledge of that totality comes to us.” Accentuating narrative as “the system of relationship,” Genette assumes a “narrative totality,” in which actions and situations are located in relation to temporal “succession.” What should be noted finally is the implication of the event, for “narrative refers once more to an event not, however, the event that is recounted, but *the event that consists of someone recounting something: the act of narrating taken in itself*” (Genette, 1980: 25–26, emphasis added). For Genette, the event of narrative is not just the event “recounted” (as static) but the *event as active*, which interconnects with the act of “recounting” itself. The active event of recounting is the *becoming event*, and it is in a constant relationship with “narrative enunciating.” Therefore, “it is just as evident that the narrative discourse depends absolutely on that action of telling, since the narrative discourse is *produced* by the action of telling in the same way that any statement is the product of an act of enunciating” (Genette, 1980: 26, emphasis added). In Genette’s theory, an event has an entity and meaning within the “action of enunciating.” Unlike other narratologists, Genette persistently points out that any narrative analysis must pay careful attention to “the problems of narrative enunciating,” because they reveal how

the event and the action are interwoven and produced in the making of a narrative discourse—as “the study of relationships” in reality.<sup>100</sup>

[A]nalysis of narrative discourse [...] constantly implies *a study of relationships*: on the one hand the relationship between a discourse and the events that it recounts, on the other hand, the relationship between the same discourse and the act that produces it, actually or figuratively. (Genette, 1980: 26–27; emphasis added)

Genette defines “story” as “the signified or narrative content,” and “narrative” as “the signifier, statement, discourse or narrative text itself.” However, these two signifying frames are active only through the mediation of “narrating” as “the producing narrative action, and, by extension, the whole of the real or fictional situation in which that action takes place.” Here, what is underscored is, once again, the “narrating” or “enunciating” process, by which actions and events eventually become *productive* (Genette, 1980: 27).

Genette specifically emphasises that narrating or enunciating is effectively implemented in “temporal distortions,” which act “on the relationships of linking, alternation, or embedding among the different lines of action that make up the story” (Genette, 1980: 29). As the “time of enunciating” “focuses on the act of narrating and its protagonists” and, thus, forms “the modalities of representation or the degrees of mimesis,” the temporality and its delivery of enunciation, through the making of “*narrative pseudo-time*” (Genette, 1980: 30, emphasis added), is the crucial point in understanding the narrative operation. This critical analysis articulates narrative into temporality, conceptualising the narrative elements of event, and placing actor and action in linearity through temporal reconfiguration—or in the instance of “temporal distortions” for “modalities of representation” with the narrator’s intention.

Episodic stories turn into a collective operativity. They form a narrative representation in aid of three basic classes of determination: tense, mood, and voice (Genette, 1980: 31). Tense operates temporal relations between narrative and story by way of order, duration,

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<sup>100</sup> In this regard, Genette asserts that narrative is nothing other than a “system of relationship[s]” in which repeated narrative events and statements guide a certain relationship. “A system of relationships is established between these *capacities for ‘repetition’* on the part of both the narrated events (of the story) and the narrative statements (of the text)—a system of relationships that we can *a priori* reduce to four virtual types, simply from the multiplication of the two possibilities given on both sides: the event repeated or not, the statement repeated or not” (Genette, 1980: 114, emphasis added).

and frequency. Mood is concerned with “dealing with modalities (forms and degrees) of narrative ‘representation’,” while voice is concerned with “dealing with the way in which narrating itself is implicated in the narrative;” “that is, the narrative situation or its instance, and along with that its two protagonists: the narrator and his audience, real or implied.” What is distinctive in Genette’s account of narrative is that his observations are heavily focused on narrative tense, for he understands this as the essential category of the narrative system. It is here that which order, duration, and frequency make time the narrative temporality of “pseudo-time” (Genette, 1980: 34). They guide cognition and action for the valorization of narrative operations.

Narrative time is, in this regard, “narrative anachrony” (Genette, 1980: 35). Here “anachrony” “designates all forms of discordance between two temporal orders of story and narrative” (Genette, 1980: 40). Although “anachrony is one of the traditional resources of literary narration” (Genette, 1980: 36), the effect of narrative anachrony does not remain fixed in the field of literature. In this sense, Genette points out that Proustian narrative is the refined realisation of anachronism, given that “[t]he importance of ‘anachronic’ narrative in *À la Recherche du Temps Perdu* [*In Search of Lost Time*] is obviously connected to the retrospectively synthetic character of Proustian narrative, which is totally present in the narrator’s mind at every moment” (Genette, 1980: 78). It is the fundamental process of making things live, as it above all evokes “memory” and allows “the doing of life” in the present:

Thus, the anachronism of the narrative is now that of existence itself, now that of memory, which obeys other laws than those of time. The variations in tempo, likewise, are now the doing of ‘life,’ now the work of memory, or rather of forgetfulness. (Genette, 1980: 157–158)

Narrative anachronism thus involves a double operativity: by formulating memory in a certain anachronistic form, through which “all forms of discordance” between heterogeneous disseminated stories and narrative are correlated in narrative temporality, it also does the work of “forgetfulness.” It works for “the doing of life” as living experience, which can be seen as the politics of narrative in organising the real world as well. In this sense “they [prolepses] are testimonies to the intensity of the present memory, and to some extent authenticate the narrative of the past [...] To the extent they bring the narrating

instance itself directly into play, these anticipations in the present constitute not only data of narrative temporality but also data of voice" (Genette, 1980: 69–70). The temporal variation signifies the necessity of "retrospection" and "anticipation" for the actors in *narrative regulation*, and this can in turn be associated with a temporal understanding of the phenomenology of "retention" and "pretention." While prolepsis is the "narrative maneuver that consists of narrating or evoking in advance an event that will take place later," analepsis is the "evocation after the fact of an event that took place earlier than the point in the story where we are at any given moment" (Genette, 1980: 40). "But the very ideas of retrospection or anticipation, which ground the narrative categories of analepsis and prolepsis," are viewed as the fundamental operations of "psychology," which makes temporal configurations "take for granted a perfectly clear temporal consciousness and unambiguous relationships among present, past, and future"<sup>101</sup> (Genette, 1980: 78–79). Narrative operation, mainly through these two temporal distortions, aims for the implementation of narrative pseudo-time as the existential condition. It thus has "the function of a sort of indispensable transfer point for dispatching narrative" (Genette, 1980: 45). These basic narrative maneuvers, along with ellipsis and paralipsis, lend themselves to retrospective-prospective "filling-in(s)" (Genette, 1980: 52). Through the process of temporal reconfiguration, events are not just sequenced but valorized in different temporal operations, which then effectively

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<sup>101</sup> Concerning the temporal reconfiguration of narrative and its psychological proposition, narrative repetition—mainly through analepsis and prolepsis—needs to be analysed as a process of "mental construction." As Genette explicates, "[t]he 'repetition' is in fact a mental construction, which eliminates from each occurrence everything belonging to it that is peculiar to itself, in order to preserve only what it shares with all the others of the same class, which is an abstraction: 'the sun,' 'the morning,' 'to rise.' This is well known, and I recall it only to specify once and for all that what we will name here 'identical events' or 'recurrence of the same event' is a series of several similar events *considered only in terms of their resemblance*" (Genette, 1980: 113, emphasis in original).

Repetition in narrative therefore eventually brings valorisation of temporality and action, as it establishes a relationship among events and their development. "A system of relationships is established between these capacities for 'repetition' on the part of both the narrated events (of the story) and the narrative statements (of the text)—a system of relationships that we can a priori reduce to four virtual types, simply from the multiplication of the two possibilities given on both sides: the event repeated or not, the statement repeated or not." (Genette, 1980: 114) The repeated events, with narrative statement—which is iterative narrative in Genette's analysis—determines, specifies, and extends the main event. "Every iterative narrative is a synthetic narrating of the events that occur and reoccur in the course of an iterative *series* that is composed of a certain number of singular *units*. Take the series: Sunday in the summer of 1890. It is composed of a dozen real units. The series is defined, first, by its diachronic limits, and then by the rhythm of recurrence of its constituent units [...] We will term the first distinguishing characteristic *determination*, and the second, *specification*. Finally, we will term the diachronic extent of each of the constituent units, and consequently of the constituted synthetic unit, *extension* [...]" (Genette: 1980: 127).

represent the structure of events. "Narrative is," therefore, "not only constitutive of the temporal structure of communal events, which take the form of configured sequences with beginnings, middles, and ends, turning points and reversals, departures and returns, suspensions and resolutions, etc. It is also found in the reflective, prospective-retrospective grasp of these sequences which assigns them these configurations by telling about them as they are going on" (Genette: 1980: 168).

This is the context Genette refers to with regard to "narrative economy," where he suggests that the "narrative matrix" (Genette, 1980: 66) is effectively operated temporally. If we extend Genette's view to the analysis of the cultural strategy of financial capital in formulating financial reality, we see that narrative economy can be seen as a system of regulating narrative for effective and efficient "reciprocal entanglement" (Genette, 1980: 79). Here the frequency and duration of interpolations and extrapolations are exercised, for the purpose of narrative valorization in supporting the narrator's intention. What narrative economy aims at is *the extension of the primal event*, for which other events are effectively interpreted and regulated in a reconfiguration of narrative temporality. The primal event thus functions as a paradigm that other events should follow. Genette explains, for instance, how some crucial scenes are primal events in Proust's novel, *À la Recherche du Temps Perdu* [*In Search of Lost Time*], function through the effects of narrative frequency and repetition:

[...]on the occasion of *first time* (first kiss of Swann and Odette, first sight of the sea at Balbec, first evening at the hotel in Doncières, first dinner with the Guermantes) [...] it serves as a paradigm of the others that follow [...] paradigmatic function by opening out a view onto the later series [...] They are thus, like any anticipation, a mark of narrative impatience. (Genette, 1980: 72, emphasis in original)

*The primal event is produced repeatedly with multiple identities.* So the identity of the primal event is at stake in the multiplicity of representations of the intensity of the experience. By describing the primal event with different modes of narrative temporal distortions, narrative constitutes a nexus of intentionalities—these form the *primal unity* from which a set of relationships takes shape, transferring and amplifying the intention of the narrator. As phenomenology has it, a "primal impression" is constituted, since "[c]ontinuous immanent production of primal moments always forms a multiplicity which undergoes temporal modification as it runs off. Although each primal multiplicity runs off as a simultaneous

unity, all belong to a single flow, always sharing the form of transience from not-yet to no-longer now" (Turetzky, 2000: 170). Thus, "[p]rimal impressions share the same running-off modes, even though they may vary in duration and in other intentional modifications included in their content. The being-together-now of this complex does not vary, but gets retentionally modified as a whole in a continuum of phases" (Turetzky, 2000: 170). This narrative work forms in the emergence of a simultaneity, for "[s]imultaneity is constituted when primal impressions arise at a single now point" (Turetzky, 2000: 170). Therefore retentional-protentional "being-togetherness" connects "the primal impression" with the complex whole of the narrative process. According to Turetzky, "[t]his intentional nexus unites the multiplicity of impressional consciousness and the complex of its running-off modes; hence the constitution of simultaneity cannot be extricated from that of temporal succession. Immanent time is constituted as a unity, a being-together of immanent objects and contents, necessarily and continually elapsing as ever new primal unities arise" (Turetzky, 2000: 170).

The primal event is proliferated and intensified through narrative operations that interweave and realign various events around the primal event, distributing narrative junctures as points of reinterpretation of the event: thus they produce a the sense of connectedness. Narrative intervention at the time of the primal event initiates the extrapolation of a primal impression of the event *through* collective narrative scatterings, such as of media coverage, comments of international financial agents, and government briefings. When South Korea was hit by the Asian financial crisis in 1997, the narrative interpretation that defined the primal scene was a series of reports made by the World Bank. In 1998, the institution presented a comprehensive report titled "East Asia: The Road to Recovery," giving explanations of the causes and effects of the crisis and prescribing a temporal road map for opening up the financial markets of the region in order to overcome the crisis. As it was the first detailed official version of narrative intervention into the crisis, the report was widely enunciated. It had a "paradigmatic function,... by opening out a view onto the later series," as Genette puts it, that marked the narrative anticipation with repeated signification of the identity of the event. (Genette, 1980: 72) The main points it raises shed light on how narrative politics works, since the narrative representation of the event reveals a core nexus of intentionalities in the financial regime. It sets a context of performance and regulates narrative articulations with the portrayal of multiple identities of

the event.<sup>102</sup> The report, first of all, clearly defines the root of the crisis as “endogenous” rather than an exogenous or correlated, even though the event was the product of multilayered issues—with global as well as regional financial flows creating contagion and entanglement effects. Even if the report initially acknowledges the uniqueness of the crisis as it “fused a currency crisis, banking crisis and a regional financial panic into a particularly virulent strand of economic malady,” the “prescriptions” focus on the far-reaching restructuring of regional financial sectors for the purpose of “revitalizing international capital flows by restoring investor confidence.” The aim was to contain exogenous factors such as excessive lending by international investment banks and sub-financial institutions to the region.

The crisis, according to the main author of the report, Richard Newfarmer, was even designated a “human crisis” of a lack of governance. It is not surprising that, based on this line of interpretation and representation, the institution, along with the IMF, rehistoricises the financial narrative by extrapolating the unprecedented—including imposing drastically raised interest rates throughout the crisis-stricken area, mainly to attract foreign “investors.” The prescription immediately led to a high rate of unemployment (12% in Korea as of 1998, from 4% in early 1997) and rapid contraction of the economy in the region. According to an Oxfam report, this measure was nothing but a schematization for “mortgaging the country’s future to international creditors”<sup>103</sup>—by politicising the influence of international creditors in the local financial crisis and thus depoliticising the local government and the people. The narrative of the World Bank became the paradigm of the event, based on which other mainstream narrative articulations were made. What the narrative operation implies is, thus, not just economic “reform” but the imposition of a new set of relationships between the narrator and the narratee, performing economic uncertainty as the narrative transfer point in delivering and consolidating the narrators’ intentions.

The following chapters, including the conclusion, extend the problematisation of narrative representation to the formation of economic subjectivity and the subsumption mechanism, showing how the narrative intention of the system is encoded and identified

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<sup>102</sup> In narrative articulations, the role and function of news media associated with main narrative apparatuses is critical. Although mainstream media, such as Time and Newsweek, are seemingly “arbitrary” in covering a certain event, “a *distinct linear pattern* that can predict how coverage will unfold for future crisis coverage” can be witnessed as their “narratives” are “coded and identified” (Caldiero, 2007, emphasis added). “The salient issue beyond the use of the narrative in crisis reporting,” according to Caldiero, “is whether a pattern of reporting exists between the public and the news media by which stories are ‘pre-destined’ to be reported in a particular way.”

<sup>103</sup> “East Asian ‘Recovery’ Leaves the Poor Sinking,” Oxfam International Briefing, October 1998.

in the object. I will examine how the formation of new economic subjectivity is an activation or subjection/subjectivation of the object. The cultural operation of finance should be firmly probed, on the basis of financial economic rationales, in locating the epistemological context of finance capital and its mediating character, and in transforming the social relationship. It is therefore important to map out the economic necessity of capital transformation that is related to the emergence of the monetary system.

Chapter 7 focuses on the mediating function of monetary capital. Monetary capital is also emphasised as a form of cognition associated with symbolic influence and value transcoding functions in transforming social relationships. Money becomes an autonomous entity when accumulated as financial capital. The banking culture, for instance, as a legitimate regulatory activity and a universal measure of the mobilisation of individual money for the money-capital reserve, functions, following Ernest Mandel, as a “*mediating link in the process of cognition*” (Mandel, 1981: 29, emphasis in original). It will be suggested that it gives legitimate access to the system, beyond economic procedures, and that it reshapes individual and social relationships. This theoretical approach is critical in scrutinising how the mode of production becomes *social cognition*, in which an economic process occupies the position of a *socially symbolic episteme*. This regulates cognition and subsequent actions in the actualisation and realisation of the dominant value. It is implemented through the mediation and transformation of social relations, opening thereby a narrative operation that works more effectively for cultural representation of value, and which thereby consolidates the economic. In the chapter, the newly authorised mediation, linked with the cultural performativity of financial capital, is analysed as the *dialectical process of measurement of bank capital* that underlies the accumulation of capital itself.

As the chapter assays this new valorisation system, I show how it is radically different from the industrial mode of capitalistic production. I consider the fact that that in the process of surplus value production the monetary mode of production *tendentally negates the mediation phase* with which the concrete value of human labour and social relations is redefined in terms of financial logic—particularly in terms of the reconfigured temporality of financial transactions. It also transmits value through the circulation of abstracted and dematerialised financial flows, often decoupled from material contexts.<sup>104</sup> Based on this

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<sup>104</sup> Financial abstraction or immateriality is “the *form* of capital *empty* of content” in Alliez’s analysis. Therefore “it is economic determination in its pure form, [and] it signifies the reversal of the true order of things on the basis of which money as such is already potentially value becoming valued. Because it *capitalizes* the essential dissemblance of potential time, its empty form and its pure force,

investigation, we can assume that finance capital is in a position to realign and appropriate social relations as the store of value; and therefore it is much easier for finance capital to foreground value politics on its own terms. This is the point at which I bridge the all-permeating, subsuming mode of production with an analysis of narrative theory, through which we can eventually articulate the monetary form into its cultural strategy. We can see how the necessity of the new economic value is contrived, producing a hermeneutic code based on the abstraction of the division of labour and social and (inter)national relationships, according to which a local economic sub-system should be reinterpreted as existing.

Focusing on the distinctive modes of activation of financial capital, the chapter also investigates the roles and functions of the credit system, which are closely coordinated with the banking system. As a transformational money-mediator, a capitalistic exchange relationship formulates a system of value in order to valorise its own value independent of material reproduction. A credit ratings company, like a bank, mediates social relations through surveillance of diverse sources of credit, transcoding heterogeneous actions into economic performance. This in turn is inseparably associated with the growing integration and international responsiveness of markets. As such, the seemingly decentralised and dematerialized globalization that occurs through financial activation is considered to be *an oppressive form of diversity*, through which differentiation of actions presupposes valorisation and moves toward de-differentiation and de-individuation—under the constant monitoring of the financial narrative apparatuses. With the credit agency's role correlated to the reference of *Otherness*, by providing information as a legitimate index for economic evaluation under financial capitalism, the interpretation becomes official data. Recall Moody's role in representing and rating the Korean financial crisis—this reveals the specific evaluating strategies of cultural performativity on the part of the financial agency. It occurred through the firm's ceaseless hermeneutic shifts in reinterpretation and redefinition of various local factors, by which the operativity of information and actors in the market are conditioned.

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the critique of finance capital sums up the whole critique of capitalism," which lead to "the operative autonomy of its mechanical action, in the senseless efficacy of its nominalist structure" (Alliez, 1996: xviii, emphasis in original).

## Chapter 7

### Monetary Capital, Mediation and Transformation of Social Relationship

After my close examination of the process of financialisation and its legitimisation and activation through narrative operation in the previous chapters, this chapter explains monetary capital as a mediating form of social relationship. It locates the role of monetary capital and shows its cultural implications under financial capitalism. Suggesting that the bank is one of three main agents, along with the international financial organisations and credit rating firms, that subsume the object into an exchange-value relationship, the bank is approached as, first, the capital reservoir of the monetary form, from which accumulation of money is eventually transformed into financial capital. Such a critical transformation of the character of money from the means of purchase to the means of payment, implying *credit money*, can only be possible as the bank emerges at the centre—mobilising all idle money. It operates the money-pool for financial commodities in the financial capital market. This chapter focuses upon three dimensions of the bank's role, associated with the formation of banking culture and its discursive performativity—for transformation of value and cultural valorisation of the economic under financial capitalism.

The first approach is based on the traditional theoretical framework of economic studies, in which banks are viewed as entities engineering mobilisation of capital. However, I suggest that banking is a legitimate regulatory activity and universal measure, not only for the mobilisation of individual money, but for the reserve of money capital. They also function, according to Ernest Mandel, as a "*mediating link in the process of cognition*" (Mandel, 1981: 29, emphasis in original), which is essentially to say they encroach on the realm of epistemology beyond the economic in contributing to the valorisation of the system. This theoretical approach will show how a specific financial strategy becomes social cognition, with which the economic process attains a position of socially authorised mediation. Second, in conjunction with the cultural performativity of financial capital, the role of the bank is analysed from the perspective of credit and credit expansion. In this regard, the bank is, with the empowered authority of transferability, actively engaged as a "guarantor of credit"

(Hilferding, 1981: 84).

As a credit regulatory framework, the bank, finally, on an (inter)national level, plays a pivotal role in processes surrounding the capital flow, for which it even gets involved in the sphere of the cultural. That is to say, its conditionalities regulate expectations and behaviours beyond economic procedure. The conditionalities imposed by the World Bank and examined in this chapter are suggested to be not just economic guidelines but cultural assumptions affecting the performativity of the object. These three aspects of the bank's role are inseparable from one another in that they fundamentally presuppose the definition and realisation of the dominant value and its legitimacy, accompanying the reconfiguration of the position of the subject and the objects and their roles in the system. Reconsidering the processes of standardised banking culture and its (inter)national policy, this chapter seeks to reveal the actual ways in which monetary capital functions for the stabilisation and efficiency of the financial system, and thereby transforming the social relations. For the third theoretical concern, the role of the World Bank—in association with borrowing countries—is reconsidered, along with some representative commercial banks of the financial crisis in Korea, in order to underscore the mediating function of the bank. Namely, the bank coordinates banks as a form of cognition; the bank is the universal measure, performing qualitative difference with symbolic influence in realigning the social relations.

#### The Bank as a Mediator of Transformation in the Quantity-Quality Paradigm: Dialectic Measure of Quantity into Quality

The transformative and operative function of financial capital can be more clearly understood by revisiting the old law of transformation of quantity into quality, as financial capital undergoes a fundamental change through quantitative accumulation. On being accumulated, monetary capital develops its own momentum, which is radically different in quality. To grasp the transforming character of the accumulated money of financial capital—as the *store of value* affecting cognitive operations around the notion of the valuable, as well as economic behaviour in value realisation—we will revisit Marx's concept of money. Marx's theory states that the quantity-quality paradigm of capital is performed through the *value transcoding function* of accumulated money capital. Recapitulating the development of the concepts of the quality-quantity formulation by Kant, Hegel, and Marx, this chapter will focus on the function of *mediation* that financial capital performs which, if it does not

determine, creates the conditions for the possibility of cognition and action by reorganising social relations. It then describes the cultural implications of financial capital, inquiring into the existential conditions of the subject under a financial regime.

Hegel's dialectic notion of quantity-quality-measure relations can be read alongside Marx's theoretical construction of the value form, by transposing the quality-quantity-measure relationship onto the general human labour-abstract labour-general equivalent money in Marx's schema:

In the first section [of Hegel's *Science of Logic*] on *quality* one finds terms and developments parallel to Marx's elaboration of the value-form, which is constituted in and constitutes the development of *abstract labour* (quality), and ultimately appears in the universal equivalent money (measure). In the second section Hegel's *quantity* is introduced as the suspension of quality [...] where particular equivalents are inadequate because they are fractured forms of 'general human labour,' an endless series of various commodity equivalents that deprives abstract labour of any unified appearance. Also in measure one has a '*qualitative Quantum*,' and interestingly, although Marx's notes are in German, this phrase is in English. 'Measure is the qualitative quantum, in the first place as immediate—a quantum, to which a determinate being or a quality is attached [...] Measure, where quality and quantity are in one, is thus the completion of being'. (Nelson, 1999: 177, emphasis in original)

This is a significant passage, which needs to be articulated further in order to consider further the transformational mechanism of "the leap" from abstract labour to general equivalent money. The theoretical conundrum here stems from taking Hegel's methodology as the presupposition of analysis, when it lacks the *relational* aspect of the three processes in the dialectic. Hegel's concept of "measure" signifies the point of imagined unification by the thinking subject rather than by the dialectic transformation of thesis and anti-thesis in reality, within which an actual power relationship is constantly working. Therefore, Hegel's "measure," which is positioned as the (provisional) completion of the dialectic, lacks a mediating link as it is fulfilled through the procedure of primary (quantity) and secondary (quality) development; it is synthesised for the "completion of being" corresponding to the absolute, such as the ideal for Plato. As the schema is basically speculative, in part I of "Anti-Dühring," Frederick Engels criticises the Hegelian nodal line of measure relations, arguing

that in it quantitative change passes at certain points into qualitative transformation, but does not assume any relevant *mediating working* that formulates the qualitative leap.<sup>105</sup>

According to Kant, cognition is perfect as to quantity, if it is *universal*, while as to quality, if it is *distinct*. Viewed from this angle, cognition will be logically perfect when it has, with regard to quantity, objective universality (universality of the concept or rule) and with regard to quality, objective distinctness (distinctness in the concept) (Kant, 1988: 43). When quantity is achieved as the universal position, it enters the sphere of epistemological operation, while quality has its distinction as cognition. However, the metamorphosing relationship between the two is not suggested; although this explanation is critical in revealing the process of cognition of quantity as objective universality.

Although some theorists defend Hegel's assumption that "quantity reveals qualitative meaning, or rather, a multiplicity of meanings within a finite determination," it is not clear how quantity acquires momentum for "multiplying" the signification of meanings (Haas, 2000: 132). Quantity can be identified as the implicit quality in that "for quality, quantity is not simply any quality, not just one among many; rather, it is *the* quantity of quality. Here the qualitative-quantitative concept means that quality is *a* quantity [...]" (Haas, 2000: 132, emphasis in original). The qualitative difference between quantity and quality is here sutured. What is at stake, however, is the actual mechanism that makes a qualitative transformation, to which Marx tries to apply his theory of value. As Hegel and Kant, along with a number of other theorists, do not pay close attention to the aspects of value formation by which quantity-quality is recomposed, the relationship often assumes that the two are constant, rather than variable and inevitably fluctuating within the socio-economic field of power—and in acquisition of value.

From the viewpoint of capital, the bank functions as a source of quantity. However, the source is not static. It ceaselessly mediates to produce value, transforming the relationship between the operator and the actor. The bank as mediator becomes a "measure," performing qualitative difference. While it accumulates capital, it also metamorphoses itself into a value-transcoding agent, for it has potential to act as a (re)organisational power. The *accumulated capital* operates its accumulated quantity as the *condition of possible actions and cognition in producing and transferring legitimate value*. *Bank capital*, thus, represents, as Marx puts it, *the transformed social relationship* with, on the one hand, the centralisation of money capital of the lenders and, on the other, the centralisation of the borrowers (Marx, 1981: 528).

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<sup>105</sup> <http://www.marxists.org/archive/marx/works/1877/anti-duhring/ch10.htm>.

By means of accumulation in terms of quantity, the double function of capital is established, since progressive accumulation expands “spheres of interest” for both lender and borrower (Luxembourg, 2003: 424). The expansion, as Luxembourg argues, becomes a pretext for valorisation of the political as well as the economic in society. The “centralisation of money capital” is, then, the point at which accumulated money-capital operates within its own self-valorising logic. It is here that capital acquires the self-referential or self-validating mechanisms necessary for the reconstitution of social relations: these eventually aim at the reproduction of capital and the (re)production of the financial mode of social relationships. Ernest Mandel in this regard points out that monetary capital eventually functions as the “*mediating link in the process of cognition,*” setting up a qualitatively different social rationale that actors resort to in order to perform (Mandel, 1981: 29, emphasis in original). It is at this stage that bank capital transforms itself into a meaningful signifier as well as the signified, since its symbolic distinction devalorises and revalorises disparate values of society in financial terms.

Bank capital eventually becomes the source of surplus value, irrespective of the physical mediation of labour power, and this grounds the fluid workings of the financial mode of production. “Capital” at this stage “appears as a mysterious and self-creating source of interest, of its own increase” (Marx, 1981: 516). As Marx also explains, “in interest-bearing capital, the capital relationship reaches its most superficial and fetishized form” (Marx, 1981: 515). Mandel, in this sense, suggests that the role of the bank and the banking system is not just to provide “available money reserves” but also to transform the reserves into “functional” capital:

Through the capitalist banking system, all available money reserves (savings and non-invested surplus-value + idle money capital resulting from non-investment of part of surplus-value realized during previous cycles) are transformed into functioning capital, in other words lent to capitalist firms which are actually operating—i.e. employing wage-labour—be it in the sphere of production or in that of circulation. In this way, capitalists are able to operate with much more capital than they own personally. Capital accumulation can take place at a much quicker pace than would be the case if each capitalist firm could practise enlarged reproduction only on the basis of the profits it had itself realized. (Mandel, 1981: 53–54)

Here, the new functional capital, stemming mainly from “capital accumulation,” in the bank, does not just multiply itself as interest-bearing capital but also exchanges itself to be ceaselessly “lent”; this, thus, becomes the mode of activation as the doctrine of financial entanglement and contagion. The process of widespread “expansion”—from lender to borrower as the form of financial intermediary—implies a qualitatively different role of bank capital in the process of accumulation, limiting the positions of social subjects to those of the lenders (creditors) and borrowers (debtors). It can thus be assumed that bank capital, through its workings, fills the mediating link that Hegel’s quantity-quality paradigm lacks. While multiplying money, bank capital transforms not just the character of capital as surplus value-bearing financial capital, but the social relationship as well, with the implication of qualitatively different criteria of performance.

The rise and establishment of bank capital materialises value transformation for the exchange-value mechanism, while the money-reserve *abstracts* the individual difference of small capital as empirical or concrete qualities of subjects. This tendency toward abstraction, which Simmel calls the culture of anonymity in the money economy, is the essence of the capitalistic mode of production; this is because abstraction is a common characteristic mechanism of commodity, money, and money capital. As commodities and money are the embodiments of abstract human labour, money capital is the (im)material expression of a general abstraction of the human labour relationship. Ironically, in the regime of exchange-value, equality is achieved based on the fact that the regime abstracts real inequality, as Marx cynically points out:

Equality in the full sense between different kinds of labour can be achieved only if we abstract from their real inequality, if we reduce them to the characteristic they have in common, that of being the expenditure of human labour power, of human labour in the abstract. (Marx, 1990: 166)

The abstraction is the function and effect of “measure,” following Hegel, which leads to a “qualitative leap” toward establishing the exchange relationship. Thus Marx comments in the *Paris Notebook* that the *abstract relationship* is *value* itself. The qualification does not just remain in the economic but also grounds the exchange regime of formal standards as a social norm. The expansion of banking guarantees the pursuit of a stable macroeconomic environment (Brabant, 1998) as a regulatory frame of reference for the new financial order.

Here the general managers of capital flows reconfigure any participatory function as a financial “market transaction” (Mohan, 2000: 92).

The banking culture, as a regulatory activity and universal measure of mobilisation of individual money (for the reserve of money capital), thus functions as a “*mediating link in the process of cognition*”; based on this, Mandel suggests how quantitative accumulation acquires qualitative meaning in value-realisation. This theoretical concern is related to how a specific financial strategy becomes social cognition and action. It looks at how the economic process attains a position of socially necessary mediation—as a custom-built process present in the everyday.

The Politics of Mediation of Financial Capital: The Moral Economy and Performative Speech

With its mediating role, the bank sets crucial *entry points* in the three main categories, as in the case of the US central bank:

In the U.S. the central bank has three entry points: (1) it controls the amount of primary money available to the banking system; (2) it sets the discount rate; (3) it can exercise ‘moral suasion.’ (Taylor, 2000: 60)

The central bank is, through the structure of the banking system, able to influence the terms on which monetisation of the pool of fluid capital proceeds (Taylor, 2000: 60). With regard to its second role, the central bank implements an interest rate policy with which it manages the general amount of capital in fluctuation with the economic situation. However, the third role, “moral suasion,” does not just remain a recommendation. It is a “preventive instrument” in the ethical dimension, as well as a “benevolent compulsion, [...] making others *conform* without enforcing rules directly” (Masciandaro, 2005: 46, emphasis added). Although moral suasion can be carried out through bilateral or multilateral discussion, its fundamental aim is “to *influence expectations through public statements or speeches* by Board Members.” The second function of moral suasion is “to persuade financial intermediaries to *modify their behaviour* when it is deemed to be prejudicial to the sound development of markets” (Masciandaro, 2005: 46, emphases added). Although the refined mode of management does not seem to directly force the implementation of central bank policy, it should be noted that moral suasion through performative utterances and speeches of the financial regulator, or

financial narrator, is asymptomatic as well as practical sign of a financial moral economy. It signifies that the bank, as the new meta-frame of value transference in economic and cultural valorisation, takes the moral leadership. It then works to effectively modify cognition and the actions of the participants. The political and cultural implications of performative speech in the formation of a new financial reality were explicated in detail in the previous chapters.

Using such enhanced and effective methods of control, which create a climate of capital management, the bank reformulates the social relationship as a credit relationship. The effect of the centralisation of money in banks is the emergence of credit relations as the dominant mode of activation of financial capitalism—the central bank manages capital flows as a form of loan to commercial banks and sub-intermediaries as well as individuals, turning social relations into a network of lenders and borrowers. With the interest policy accompanying the loan system, the bank's influence becomes all-pervasive. The criteria implemented are, then, not just preventive but also conditional, where the exchange-value regime accompanies and appropriates the political apparatuses, such as governments, for effective activation. The imposition of conditions on the borrowing party is based on credit supervision and surveillance—these are the politics of mediation operated by the bank.

When financial unrest was initially sensed in Korea in early 1997, the Korean government had originally decided not to accept any aid from the IMF or the World Bank. However, under strong pressure from the U.S. and Japan, Korea could not but accept the conditions of the international financial apparatuses. The conditions were entailed with loan-making by the institutions, and were “rigorous requirements” that set out “the bank's expectations.” The conditions involved “prior actions” and “performance criteria” (Woods, 2006: 70). The conditions were even more conspicuous with the structural adjustment loan.

It is important to note that the introduction of structural adjustment lending by the World Bank and the IMF in the 1980s was devised to address any “endogenous” economic crises in developing countries, “downplaying the exogenous factors and structural constraints emanating from the position of developing economies within the global economy” (Tshuma, 1999: 77). As opposed to the “project-based loans” that were normally invested in construction programs or infrastructure projects, the adjustment programs have qualitatively different aims. They are designed to create a policy environment conducive to growth and development; these aims eventually ground conditions attached to adjustment loans that require the retrenchment and downsizing of the state (Tshuma, 1999: 77). From this perspective, Tshuma diagnoses that the 1997 Asian financial crisis had its roots in the

“[World] Bank and the Washington consensus vindicating its development model including its legal framework” (Tshuma, 1999: 84).

The new conditions that came with the structural adjustment loans from the World Bank and the IMF should be read as a *transformational leverage function* for global financial capitalism. They were a result of capital accumulation and thus of centralisation of value-forming attributes, in that the conditions, among other things, demanded a far-reaching liberalisation program that affected society as a whole. This in turn led to a further valorisation of the expanding value regime. The intervention and imposition of conditions by the international financial apparatuses was a new mode of activation for the purpose of subsuming a weak link into the financial regime, inscribing any financial problem as a local and “endogenous” one and necessitating global performative criteria. Therefore the restructuring program, which was strongly supported through the intervention by performative speeches that spoke about the necessity of changes at the time of the financial crisis, focused upon adjustment of the local—regardless of international capital flows. It ignored hot money such as hedge funds, thereby transforming the relationship with the borrowing country into one of debt politics.

The framework for an international solution to a local government debt problem has been changed in to a market-based system. The Brady plan, which will be more closely investigated in the following concluding chapter, represents this transformation; in this plan, international commercial and investment banks backed by the U.S. government become the crucial mediators in international debt politics. When Korea was hit by the liquidity crisis in 1997, the plan resurfaced as a legitimate framework for the situation, as it had been implemented during the Latin American financial crises in the 1980s. In early 1998 in New York, with the mediation of the IMF, thirteen major international banks agreed to extend \$24 billion worth of short-term loans to Korean private banks. Under the plan, “Seoul will guarantee the new loans which will be publicly traded.” The deal included three key points:

1. Bad loans on which Korean banks might have defaulted were replaced by new bonds that can be publicly traded and sold by the original Japanese, German, and U.S. banks. Thus, the banks that made the original bad loans will not retain the bonds issued to replace those loans.
2. A bad private debt is replaced by a new government-guaranteed debt.
3. The deal was made under heavy pressure from the IMF and the U.S. Treasury.

(Jochnick and Preston, 2006: 116)

Under the conditions, the Korean government is liable for the debt of private banks and any bad private loan that might surface due to poor judgment or mismanagement by the banks—it is itself the risk taker. While endorsing a virtually risk-free loan condition for the international banks, the deal tacitly approved an “illegitimate successor loan,” that would be prompted by any “misconduct” by the lenders. This is the most serious point Jochnick and Preston raise, that “a government guarantee of an illegitimate successor loan does not make the loan any less illegitimate. Furthermore, it strengthens the illegitimacy if international financial pressure has forced the government to accept responsibility for a private debt” (Jochnick and Preston, 2006: 117).

Consent to the loan conditions is the premise for the local subject to participate in the new regime of economic performance. Only by agreeing to restrictions as the conditions for new economic performance, can the object eventually be activated to perform as the new economic subject, retaining a relative and equivalent value that is to be legitimated under the new financial imperial regime. In this sense, the subjectivity the local subject finally attains is, in essence, limited subjectivity—for the conditionality restricts full access to the dominant system. By taking the loans, the subject allows *bailout* to re-enter the system. The subject is ceaselessly propagandized in the new financial regime; whenever the limited subject performs to his full economic ability, insofar as the subject takes its liabilities as a form of life.

The structural adjustment loan and its conditions for a country in financial difficulty are seen to be “healthy” for the financial system. They are a prescription, which fundamentally aims to revalorise the entire system by appropriating the local into the dominant financial chain. Mandel’s analysis still applies to this point:

The effects of the crash, for the system as a whole, are healthy, however nasty they may be for individual capitalist. General devalorization of capital is not accompanied by a proportional reduction in the mass of surplus-value produced. Or (which amounts to the same) an identical mass of surplus-value can now valorize a smaller total amount of capital. Hence the decline in the rate of profit can be stopped and even reversed. Large scale reconstitution of the reserve army of labour, occurring during the crisis and the depression, makes possible a vigorous increase in the rate of surplus-value, not only

through speed-ups but even through a cut in real wages, which in turn leads to a further rise in the rate of profit. Raw material prices generally fall more than the prices of finished goods, so part of constant capital becomes cheaper. The rise in the organic composition of capital is thereby slowed down, again pushing up the average rate of profit on industrial capital. (Mandel, 50-51)

Mandel's analysis of a crisis in the capitalistic system gives an account of the valorisation mechanism. Even though the theory focuses on the industrial mode of production, the devalorisation-valorisation fluctuation is still effective in the financial system, for any financial crisis on a local level makes room for intervention toward the reconstitution of a surplus-value producing system. Even with a global-scale crisis, such as the ongoing "credit crunch," the bank becomes more influential by means of systematic involvement with the public sector. The systematic contradiction of the financial mode of production, because of entanglement and contagion from excessive lending and speculation, is, unlike the mainstream views emphasising the narrative of crisis, the process of financial self-valorisation of the contradiction. It is the point of transition to a new mode of production.

Marx succinctly grasps this irony of transformation, saying that the universal mechanism becomes "the abolition of the capitalist mode of production within the capitalist mode of production itself, and hence a self-abolishing contradiction, which presents itself *prima facie* as a point of transition to a new form of production" (Marx, 1981: 569). Drastic measures, such as a government intervention, to guarantee commercial banks, should be thus considered an important step towards transforming financial entanglement into an even more *ubiquitous structure*, in which all taxpayers are eventually interpellated as the performers of financial reconstitutions, as we observed in Chapter 2. The functions of the bank (as the legitimate mediator in transforming social relations), is to transcode heterogeneous values into commensurable financial exchange, but this needs to be reconsidered in conjunction with the credit system. Through this system local information and circumstances are interpreted and articulated in the global system.

The Cultural Roles and Functions of Credit System: Credit Rating and the Representation of Data

In the capitalistic mode of production, exchange relations presuppose a medium through

which a product is eventually transformed into a commodity. The mediator, unlike in the barter system, performs a double function: measuring a product's value and catalysing its engaging role as the universal value system. A value of a product under the industrial mode of production is, according to Marx's analysis, the sum of the amount of invested labour and time.<sup>106</sup> It is, however, the mediator as the bearer of social promises who materialises the value of the invested means of production. Today, it is the money-form as monetary capital that performs a double function as "the legitimate standard of value" (Hilferding, 1981: 33). As Hilferding explains, following Marx, "the object which is thus authorized by the common action of commodities to express the value is—money" (Hilferding, 1981: 32). The aspect common to the double function of the mediator (as money-form) is that the individual character of a subject is transformed into an object, with which the regime of exchange-value is operated; as Hilferding also mentions, "[t]he value of an article is a social relationship and is always represented in terms of another article regardless of the differences in their respective use value" (Hilferding, 1981: 31).

With regard to the value politics money performs, Marx diagnoses that "money is in fact the very form in which the distinctions between commodities as different use-values are obliterated, and hence also the distinctions between industrial capitals, which consist of these commodities and the conditions of their production; it is the form in which value—and hence capital—exists as autonomous exchange-value" (Marx, 1981: 517). Through the process of transformation of value—with the intervention of the mediator—the capitalist system lays the foundation for valorisation. This is because "all commodities thus acquire a standardized social position through their transformation into money" (Hilferding, 1981: 34). Marx in this sense underscores that competition and credit are the two main instruments in centralising the capitalistic system, as the credit system becomes the main engine for the centralization of accumulated money:

The battle of competition is fought by the cheapening of commodities. The cheapness of commodities depends, all other circumstances remaining the same, on the productivity of labour, and this depends in turn on the scale of production. Therefore the larger capitals beat the smaller. It will further be remembered that, with the

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<sup>106</sup> However, as Marx puts it, the value is mystified since the correlation between surplus value and labour time is fluid, or "immaterial." It is immaterial because it is unclear how much additional value in the form of means of production is required in the various lines of industry for the utilisation of additional labour.

development of the capitalist mode of production, there is an increase in the minimum amount of individual capital necessary to carry on a business under its normal conditions. The smaller capital, therefore, crowd into spheres of production which large-scale industry, has taken control of only sporadically or incompletely. Here competition rages in direct proportion to the number, and in inverse proportion to the magnitude, of the rival capitals. It always ends in the ruin of many small capitalists, whose capitals partly pass into the hands of their conquerors, and partly vanish completely. Apart from this, an altogether new force comes into existence with the development of capitalist production: the credit system. In its first stages, this system furtively creeps in as the humble assistant of accumulation, drawing into the hands of individual or associated capitalists by invisible threads the money resources, which lie scattered in larger or smaller amounts over the surface of society; but it soon becomes a new and terrible weapon in the battle of competition and is finally transformed into an enormous social mechanism for the centralization of capital. (Marx, 1981: 777-778)

This transformational role of money is part of a standardising process for risk management and prediction for economic stability; but only if “it is taken as logically anterior to its own production process” with “the *misrepresentation and objectification* of the relations of production” (Hilferding, 1981: 516, emphasis added). With the transformational performance of the money-mediator, the capitalistic exchange relationship formulates a system of value “to valorize its own value independent of [material] reproduction” (Hilferding, 1981: 516). What is at stake is that the monetary economy appropriates the relationship and imposes its own abstract value; this then leads to further valorisation through the misrepresented objectification that justifies the relations of production.

The system of value, therefore, does not just remain a system of efficiency in the economic dimension. Instead it operates as a mechanism of valorisation through which the normativity of society is ceaselessly restructured around the efficiency of the economic. The mode is ultimately political, as it inscribes social intentions, with which the legitimacy of the system is internalised. The system of value—or “regime of value”—as John Frow argues, “constitutes ‘a broad set of agreements concerning what is desirable, what a reasonable “exchange of sacrifices” comprises, and who is permitted to exercise what kind of effective demand in what circumstances’; this regulation is always political in its mediation of discrepant interests” (Frow, 1998: 60). For effective involvement with the object, the system

of value, in which the mechanism of exchange-value operates, works with an epistemological set of values; as Frow points out, “the regime of value” is “a *semiotic institution* generating evaluative regularities under certain conditions of use, and in which particular empirical audiences or communities may be more or less fully imbricated” (Frow, 1998: 60, emphasis added). Frow’s analysis can be reinterpreted in order to explain the cultural performativity of the economic, through which the economic subsumes and regenerates competing factors beyond the mediation of the material.

The emergence and establishment of the credit system is regarded as one of the core features of financial capitalism; it enables “the multiplication and growth of mutual advances” (Marx, 1981: 528). Marx points to the “dual character” of the credit system, which eventually aims at creating a new mode of production based on the expansion of credit; this would be impossible on the basis of metallic money. Marx insists that “[t]he credit system has a dual character immanent in it: on the one hand it develops the motive of capitalist production, enrichment by the exploitation of others’ labour, into the purest and most colossal system of gambling and swindling, and restricts ever more the already small number of the exploiters of social wealth; on the other hand however it constitutes the form of transition towards a new mode of production” (Marx, 1981: 572). The new financial mode of production, however, radically reconfigures the relationships between members of society and the system itself. Hilferding clarifies the change as moving from a trust relationship in which the system seems to have direct contact with actors to one where all actors become players to participate in the regime:

In credit transactions the material, business relationship is always accompanied by a personal relationship, which appears as a direct relationship between members of society in contrast to the material social relationship which characterize other economic categories such as money; namely, what is commonly called ‘trust.’ In this sense a fully developed credit system is the antithesis of capitalism, and represents organization and control as opposed to anarchy. It has its source in socialism, but has been adapted to capitalist society; it is a fraudulent kind of socialism, modified to suit the needs of capitalism. It socializes other people’s money for use by the few. At the outset it suddenly opens up for the knights of credit prodigious vistas: the barriers to capitalist production—private property—seem to have fallen, and the entire productive power of society appears to be placed at the disposal of the individual. The prospect intoxicates

him, and in turn he intoxicates and swindles others. (Hilferding, 1981: 180)

Hilferding's analysis reveals that the credit system redefines the social position of its members according to economic performance, while allowing those members new room for engaging with the system. It is a new mode of activating the system, in that every member gains "trust" in the process of economic optimisation, by contrast to "anarchy," or the uncertainty of the market. As the credit system is operated under the condition of a player's direct contact and participation, it effectively conceals the intervention of "institutional agents" that "control the access to credit," as Germain argues:

[...] the key question of finance is gaining access to credit [...] the idea of credit represents a social invention in which fungible assets are exchanged for future promises to pay. Credit here is a resource which people, firms, and governments have access to at the discretion of others, and at a cost established by others: it is both a material resource and a set of social practices associated with realising it. In other words credit is more than a social convention, it is also an actual network of institutions whose business is precisely to provide access to the value represented by this social convention. As a material resource, credit can exist in several forms: as cash, bank balances, lines of credit, or as an enforced right (e.g., to tax or to compel the purchase of future promises to pay). In this sense credit either arises out of economic activity in the form of savings or profits, or it can be created by public and private monetary authorities through the manipulation of the banking system, what is sometimes called fictitious credit. Credit however, must also be mobilized or realized if it is to have any effect upon economic actors, and therefore we must also consider it as a set of social practices through which a particular kind of resource passes. In this sense credit is a closely knit yet intensely competitive network of institutional agents who control the access of others to the resources which they either own themselves or have access to. The social and political implications of credit thus concern who controls the access of others to credit, who is privileged by access to credit, and who reaps the competitive advantage which access to adequate credit imparts. (Germain, 1997: 17)

In financial capitalism, credit ratings companies, such as Moody's and S & P, have emerged. These companies perform their roles as "institutional agents" for the purpose of evaluating

others' credit. The evaluation process by such agencies becomes an inevitable part of financial capitalism, as "the international organization of credit is fully embedded within the larger wealth-creating dynamics of the world-economy" (Germain, 1997: 20). As Germain succinctly summarises, the task of the credit agency is closely associated with the wider context of the global monetary order, yet at the same time allowing "*decentralization to occur*" (Germain, 1997: 104, emphasis added). Although the "differentiation" process is based on increasing room for performativity of participants, it is a tightly supervised process that will "strengthen the dynamics" for the new order:

While the globalization of monetary agents has allowed decentralization to occur, decentralization has in turn itself strengthened the dynamics which are directing monetary agents to continue globalizing their activities in line with the growing integration and international responsiveness of markets. The notion of 'decentralized globalization' thus indicates precisely how the structure of monetary order is marked by diverse sources of credit knit together through global networks of monetary agents active across a range of financial practices. (Germain, 1997: 104)

A credit evaluating agent, like money as a mediator in the exchange relation, mediates an object, but does so with the refined method of "diverse sources of credit"; this seems to give the object room for autonomy in terms of its own performance. But the performance cannot be separated from "the growing integration and international responsiveness of the market." Therefore, the "decentralized globalization" of financial capitalism can be seen as another form of, following Fredric Jameson, the politics of *oppressive diversity*. Differentiation presupposes de-differentiation and vice versa:

Every universalizing approach, whether the phenomenological or the semiotic, will from the dialectical point of view be found to conceal its own contradictions and repress its own historicity by strategically framing its perspective so as to omit the negative, absence, contradiction, repression, the *non-dit*, or the *impensé*. (Jameson, 1989: 110)

This tendency of differentiation, under the logic of financial universalisation, has been radically strengthened with the dismantling of the Bretton Woods fixed-exchange rate

regime. This heralded a new sophistication of the capitalist system and strengthened the evaluating power of credit agencies, which could better face the unstable climate of financial capitalism. As Germain considers, “[i]f the pre-1914 gold standard is more accurately understood as a London-centred global system, then the Bretton Woods fixed-exchange rate standard can be more accurately understood as a New York-centred global credit system. Its monetary order can be identified by outlining its principal sources of credit, the form which that credit took the dominant channels of international clearance and information exchange, the capital recycling mechanism, and the state of great power rivalry” (Germain, 1997: 78). The collapse of Bretton Woods stimulated newly-emerging financial centers around the world, within which local information and circumstance was interpreted and articulated into the global system. Thus, the transition from a fixed-rate standard to a variable-rate one comes from the need for active engagement with the locality. This is to evaluate performativity and manage risk, in Jameson’s term, transcoding various factors into the economic.

Therefore, in taking into account the actual operational mode of transcoding, Nigel Thrift’s comments about financial centres is worth reconsidering. In particular, he points to their role of “discursive representation”: “International financial centres are centres of representation. They are [...] centres of discursive *authority*, able to describe what constitutes ‘news’ and how that ‘news’ is interpreted” (cited in De Goede, 2005: 334). Here, the newness “represents” the newly rated “economic” position of an object, inevitably accompanying, to use Frow’s term once again, the “exchange of sacrifice” of various other factors. Such representation is a “discursive utterance,” which signifies practices of cognition and action in establishing the object’s distance from the core value and making the object reconfigure its position voluntarily. In this sense, the role of the credit ratings agency, which performs a central role in the “financial center,” is fundamentally cultural, as it tries to redefine the “otherness” of the object through economic performativity. Terms such as “moral hazard” or “Asian value,” used by IMF officials at the time of financial crisis in Korea, locate the object in a chain of economic performativity, and also represent the cultural identity of *Otherness* through the interpretive codes of the economic. In this regard, De Goede also underscores “finance as a discursive domain made possible through performative practices, which have to be articulated and rearticulated on a daily basis. In discursive theory, a performative is that which enacts or brings about what it names [...] Understanding finance as a performative practice suggests that processes of knowledge importance do not exist in

addition to, or of secondary importance to, 'real' material financial structures, but are *precisely the way in which 'finance' materializes*" (De Goede, 2005: 7, emphasis in original).

What is at stake for credit ratings companies is that their reports on economic performativity function, at the microeconomic as well as macroeconomic level, as a frame of reference to which other players resort and through which financial flows (re)channel. The credit ratings agency becomes a main determinant in financial capitalism, with its discursive performativity of observation and representation. The credit system is a cultural politics of the economic, in which "the processes of knowledge [making]" are not "of secondary" importance, but in fact primarily materialise "the financial structures." With regard to the credit agency's role, associated with creating the referent in a valorisation of economic evaluation under financial capitalism, Moody's case exemplifies the credit ratings agency as the financial narrative apparatus. He shows it functioning as the operational mode of value-valorization and predication in the Korean financial crisis.

#### The Case of Credit Agency and the Representation and Predication of Value

Before the financial crisis of 1997, the Asian economy had enjoyed a boom that attracted massive foreign investment. South Korea, Malaysia, Thailand, and Indonesia achieved 8–12% GDP growth throughout the 1980s and 1990s. For instance, from 1993 to 1996, net capital flows to Thailand doubled to about \$20 billion; flows to emerging Asia had, in contrast, hiked from less than \$10 billion to almost \$80 billion in 1996. In 1997, however, with the symptoms of the crisis now felt, capital outflows amounted to about \$14 billion (Kaminsky, 2003: 61). Before the crisis, with the real estate market and the stock market both "hot," and with the recent manufacturing expansion, massive amounts of foreign capital flowed into the region. The sources of capital were mostly European, American, and Japanese commercial banks.

Economists have pointed out that a "large increase in the stock of short-term foreign debt" and a "heavily managed exchange rate" (Kaminsky, 2003: 63) worsened the situation. While Thailand and Malaysia suffered from the latter, Korea's financial crisis was rooted in short-term foreign debt. As of 1997, the amount of foreign debt owed by Korea was \$119.6 billion, out of which short-term loans amounted to \$65.6 billion, more than 50% of the total. Japanese commercial banks were the main lenders of these short-term loans, to the amount of \$23.7 billion. As Korea's dollar reserves amounted to only \$30 billion at the time, the

Korean government could not deal with the Japanese refusal to rollover the short-term loan, which had been negotiated and accepted previously. In this light, one analyst asserts that the sudden demand from Japanese banks to repay their loans was the direct cause of the Korean financial crisis, since their demand eventually triggered “herd behavior.”<sup>107</sup>

However, the sudden outflows were triggered by credit ratings for those countries, as were the initial massive investments. The South Korean credit rate was, for instance, above A level, as estimated by the three major credit ratings agencies, Moody’s, S&P, and Fitch (A1, AA-, AA- respectively). The grades were the so-called official barometers of capital inflows as they signified economic stability for investment. The ratings went unchanged even during the initial phases of the crisis, but soon plummeted as the IMF aid-package loomed. In December 1997, the three agencies simultaneously downgraded the country’s credit rating more than seven grades (Moody’s: Ba1, S&P: B+, Fitch: B-), even though they had not sensed or forecasted the symptoms of the crisis, strongly recommending continued investment in the country. S&P and Fitch dropped their ratings by ten and thirteen grades respectively. The readjusted ratings had a decisive impact on capital outflows. In particular, the intervention of the leading credit company, Moody’s, was critical in describing and representing the necessity of restructuring the object.

With regard to the impending change, interestingly, on the 7th July 2004, the Blue House, the presidential office in Korea, posted an article entitled “Effects of the U.S.-Korea Relationship upon Korean Economy” on its official website. The report, in Korean, was prepared by the state-owned economic advisory bureau, the Korean Institute for International Economic Policy. The release of the description was, however, widely regarded as an exceptional case, since the document included politically sensitive contents that would typically have been classified and kept off-the-record. Throughout the report, the KIEP above all strongly suggested that any deterioration in the U.S.-Korea relationship would be a severe blow to the Korean economy, since the economy was heavily depend on exports to the U.S. The report then suggested that any actions that might harm the U.S.-Korea relationship could have grave consequences; leading to an exodus of foreign capital that saw a huge impact the nation’s credit rating and internal economy.

What is more symptomatic was the report’s outlook on the movements of the financial main players, namely the U.S. government and Wall Street, which, according to the report, “have wide room” for influencing international financial markets. The dense and

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<sup>107</sup> Lee Jong-Wook, “A Way to Avoid a ‘Financial Shock,’” *Dong-A daily Newspaper*, 5 March, 2007.

communication network of the financial inner circle, the report argued, could directly or indirectly influence the financial climate in Korea. Even though this perspective was criticised by many journalists and business managers, who insisted that strengthening economic fundamentals should take priority over external factors,<sup>108</sup> the report undeniably revealed the impasse Korea was facing. When the Blue House released the report, Korea was inflamed with demonstrations against the dispatch of Korean military forces to Iraq to cooperate with U.S. forces. As such, for the Korean government, revealing the document to the public was potentially an effective move, since the Korean people had become fully aware of the impact of the “credit grade” of the nation after the financial crisis. Reminding its people of U.S. influence on crucial financial factors would contribute to more or less suppressing anti-U.S. sentiment. However, what should not be overlooked here is that any important social or political issues pitting the local against the centre were ceaselessly transcoded in terms of economic performativity—collectively labeled the national credit rating.

The increasing tendency to transcode social or political value into economic value was also clearly witnessed in Moody’s approach to the country’s credit rating. The ratings firm had been known for taking an extremely conservative stance vis-à-vis Korea. Although the firm’s impartiality in evaluating was widely doubted, Moody’s was one of the major authorities in the credit ratings field. The credit rating by the firm functions as a reference; if, for example, it grades a country as “negative” (below “Ba1” rating), any US financial organisation that has invested public funds into the downgraded country will automatically sell the bonds.<sup>109</sup> It is so powerful that international capital flows cannot but recourse to its ratings report as the source of economic operativity and performativity. After the financial crisis, the firm has intervened in various issues. On the 8th January 2001, the Korean Ministry for the Economy announced that Moody’s had expressed “growing concerns over ‘candle demonstrations spreading anti-Americanism’ and ‘North Korea nuclear matter.’”<sup>110</sup> The two factors Moody’s was concerned with were not directly linked to the economy. Such interferences in domestic and international affairs were and have been justified for the purpose of evaluating the economic performativity of that country.<sup>111</sup>

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<sup>108</sup> “Refusal to Dispatch of Korean Military forces into Iraq Would be a Disaster to Korean Economy?” *Daily Pressian*, 8 July 2004.

<sup>109</sup> Park Tae-Kyun, *Dong-A Daily Newspaper Monthly Magazine*, April 1999.

<sup>110</sup> Park Yong-Keun, *Chosun Daily Newspaper*, 8 January, 2001.

<sup>111</sup> Moody’s interference performs a double function, establishing a critical point of “articulation of

Moody's has regularly delivered "utterances" through which, following Lyotard's analysis once again, context control is constituted, to elucidate "the rules of game"—as we observed in the previous chapter (Lyotard, 1984: 47). *Context control through utterances or discursive formations* is analogous to the process of manufacturing rumors in financial markets, as Hilferding has suggested. Moody's evaluative strategies expose how economic performativity in financial capitalism is activated through reconfiguring various factors, while at the same time reinterpreting otherness in accordance with economic performativity.

For a concrete explanation of the cultural performativity of the economic we should be reminded ourselves here of Lyotard's observation of the 'performativity' associated with the formation of legitimation and normativity. "The true goal of the [capitalistic] system," he argues, "is the optimization of the global relationship between input and output - in other words, performativity" (Lyotard, 1984: 11). In postindustrial societies, according to Lyotard's diagnosis, the normativity of laws is replaced by the performativity of procedure. The performativity is a kind of "context control" in which performance improvement is won at the expense of the partner or partners constituting that context. Through the process performativity acquires "legislation" (Lyotard, 1984: 46-47). To elucidate the 'rules of game' of performance, Lyotard takes an example of the relationship between "an utterance" and "the operativity of information." The performativity of an utterance, be it denotative or prescriptive, increases proportionally to the amount of information about its referent one has at one's disposal. Thus the growth of power, and its self-legitimation, now take the route

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causal explanation" as well as "closure of system," thereby "isolating a system from external causal influence" following Ricoeur's analysis (Ricoeur, 1984: 135). This interference can be then considered an "action as being" in constructing the cognition and action to follow. Explicating the relationship between interference and narrative condition and articulation, Ricoeur makes the convincing argument that "[w]e are now ready for the decisive step, the articulation of causal explanation on the basis of what we originally understand *action* as being. The phenomenon of 'interference,' which we anticipated in speaking of producing and bringing about, or of setting aside and preventing, requires such articulation, in the sense that it conjoins that ability to do something of which an agent has an immediate understanding, with the internal conditional relations of a system."

Closure of the system, just as opening it in a new realm through narrative interference, conditions further valorization in the system, considering that the interference is itself an active involvement ushering cognition and action to come. In this sense the interference is action, "the action of putting a system in motion" (Ricoeur, 1984: 136). Therefore, "[t]he metaphysical consequences of this concept of interference are important and indirectly concern history, inasmuch as it relates action," (Ricoeur, 1984: 136) in association with extrapolation of causal relations. "If we doubt our freedom to do something, it is because we extrapolate to the whole world the regular sequence we have observed. We forget that causal relations are relative to the fragments of the history of a world that has the characteristics of a closed system. But the capacity to put systems in motion by producing their initial states is a condition for their closure. Action is therefore implied in the discovery of causal relations" (Ricoeur, 1984: 136-137).

of data storage and accessibility, and the operativity of information. The relationship between science and technology is reversed. The complexity of the argumentation becomes relevant, especially because it necessitates greater sophistication in the means obtaining proof, and that in turn benefits performativity (Lyotard, 1984: 47).

In the concluding chapter, I will investigate the cultural problem of distance in the creation of economic subjectivity, through a rereading of Simmel's notion of distance in economic value formation, and also by extending my analysis of the existential conditions of the object on the coordinates of the value-field of the subject. I will correlate the notion of distance in narrative operation with the process of formal and real subsumption—mainly by delving into the notion of distance in the context of the cultural question of narrative field and financial operation, and by revisiting Marx's analysis of formal and real subsumption. Modulating the object, for real subsumption at an international level, financial capital not only dominates but also allows the object direct contact with the fluctuations of the system—by producing the subjective effect for the object. It is the effect of power, as Foucault points out, that produces the dominant reality. It does this as the condition of rationalization, from which the recognition of power is discursively formulated. Finance capital codifies, and the condition of power produces, a new reality; at the same time, the bearers of the new reality make the actors participate in the process of recognition of power with heuristic force.

If this is the process of constitution of a new reality, we see that it overlaps with the truth claims of the financial narrators in the name of financial reconstruction. Yet the more the subject is involved in the discursive process the more she is actually subjecting herself to power, even if the subject identifies herself as bearing and creating the new values.<sup>112</sup> This is the point at which the object eventually aims. For in order to overcome the distance the narrator sets for the object (identifying the radical imposition of new reality), he identifies the field of objectification, i.e. the narrative field, as the source of cognition and action in search of main value. As the process of subjection (subjectivation) is also a process of creating the economic subject, it motivates the object to voluntary performance, thus generating the subject effect. However, the performativity of the object is always *restricted*. As the chapter asserts, it is this restrictedness itself that is the condition of subjectivity for the object. With regard to the financial subject and restrictedness, the chapter will examine the

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<sup>112</sup> According to Ricoeur, a "truth claim" is the fundamental "referential function of discourse" (Ricoeur, 1984: x).

Brady Plan and its conditionalities.

Main narrative consistently conceals the conditions of limited subjectivity and asserts itself as the only performative ground, with no option of turning back. Through this restriction the object is self-disciplined. Restrictedness in the financial world order surfaces as a conditionality of capital flow, in the form of debts or loans. Although the object participates in the market, it has to recognise and thus internalise conditionality *as* the condition of participation. The Brady Plan is cited as a clear prototype of how the financial regime is established in the local, under conditionality by means of the newly emerging subjective force of the bank. This involves, but limits, the activation of the local object, in which process the existential conditions of the object in the financial reality are scrutinised. In this regard, the next chapter finally delves into the cultural problem of distance in the making of the new subjectivity, and examines the restrictedness of that subjectivity; against this the narrative operation persistently contains the real conditions of subjectivation. The cultural formation of subjectivity in financial capitalism will be examined in relation to the existential conditions of the subject, thereby explaining the cultural problem of distance in narrative operation as the discursive move of financial cultural politics. This is implemented in order to subsume the local into the newly emerging dominant system.

From the perspective of the cultural problem of distance in the creation of financial subjectivity, the crucial processes are analysed in order to show how the object finally transforms into the performer of the system. This is done through the subject effect, namely locating the existential conditions of the subject under financial capitalism. The workings of narrative politics are the concrete activation of distancing and of overcoming the distance, through which the dominant value is represented and transferred, exploiting the uncertainty by means of coordinated narrative intervention. Here collective interpretations and utterances of the specific instance function as operativity and performativity, by informing the distance the object takes from the main subject.

Reappraising narrative with regard to the social process of meaning construction, and to control the definition of market conditions, the concluding chapter focuses upon the problem of "distance." This is examined as the central epistemological and cultural issue in the formation of subjectivity under financial capitalism. The chapter first proposes that the encoding of new value over that of the local, under financial capitalism, is operated by the *objectification effect*. With this Georg Simmel tries to probe how the object can eventually *recognise itself* while it *objectifies* itself in conjunction with the formation of narrative field,

and with its cultural implications. The standardization process in the economic, in the subject-object relationship, presupposes an objectifying phase in which the universal exchange-value of the subject is measured against the normative and legitimate value of the object. The moment of objectification, for the purpose of framing the narrative field for the object, is crucial, given that it is the first moment of recognition and accommodation of the new value in the regime; Simmel tries to formulate this as the effect of “overcoming the distance” in the subject-object relation, which is the creation of economic value under the monetary system. What an object acquires by overcoming distance is the *subject effect*. A financial crisis functions as a primal event that creates distance between the subjective and objective value, through which uncertainty of the objective value is located, redefined, and guided—for the purpose of structuring a new problematic certainty of the subjective value. This new problematic certainty is structured through the narrative intervention of the main players, conditioning the context of performance of the object with its insinuation of the notion of the valuable. The creation of the heroic image of the investor—bearing risk without fear—is a product of the cultural politics of the regime. An object, in international loan politics, is interpellated as the subject-effect and the performer of the system, with the only limitation the internalisation of the preposterous conditions imposed by the subject to participate in the new financial market. The Brady Plan, imposed in Korea, is examined as a specific case that reveals how the subjective value, that is, the dominant value, transforms the position of the object, producing a pseudo-subject effect—through which the local object identifies itself as the bearer of new value.

While investigating such concrete aspects of real subsumption as the inscription of financial reality, the chapter inquires how a new type of capital has emerged and become the effective method of domination—both at the national and international level. This integrates local participants as cultural figures of the investor, bearing the latent value of the financial system. “The significance of money is,” as Georg Simmel puts it, “only to express the value relations between other objects” (Simmel, 1990: 147). To realise surplus value through exchange, *money-capital appropriates the relation itself as the circuit producing surplus value*, overlooking the existential conditions of the participants it mediates. With the widespread evidence of the finance economy superseding industrial capital, money secures its own place as “the autonomous manifestation of the exchange relation” (Simmel, 1990: 119). Here, the crucial processes of creating and overcoming distance in the money economy, through which the object finally transforms into the participant through the subject effect, is

associated with the politics of representation of the crisis. The workings of narrative politics are the concrete activation of distancing, through which dominant value is represented and transferred, exploiting uncertainty by means of coordinated narrative intervention. Here, collective interpretations and utterances of the specific instance function as operativity and performativity by redesigning the temporary and contingent relations around the crisis as stable and universal relations. The mechanism of value-transference, backed by the principle of financial contagion, inevitably accompanies the narrative procedure. This is in order to sustain the newly valorised flows as *meaningful cognition and action*, in actualisation of the dominant value. The making of symbolic value in actualisation and realisation of the dominant value, through narrative politics, is subsequently and conclusively the function and effect of economic distancing for real subsumption, which Marx once hinted at as the cultural effect of the economic. While suggesting how financial systematic appropriation works, namely through real subsumption in which subjective value is codified to a local object, the concluding chapter also asserts that the financial value regime is the second stage of imperialism. This is on account of its mobilisation of economic value with narrative intervention, supporting the symbolic and legitimate value of the system as the only frame for creating surplus value—regardless of the different material contexts of localities. To find the link between financial capital and the narrative mechanism, it is important to understand the cultural performativity of financial capital in terms of its functions of mediation and cognition in creating individual, social, and epistemic relations in financial capitalism—all of which eventually contribute to constructing the narrative field in which the roles of narrator and narratee are ceaselessly reconditioned and reconsolidated.

At stake here is a reconsideration of how economic value is formed through the interaction of the subject and the object. I will use the analysis of Simmel, who observes that economic value is the form of the objectification of subject value. Formulating a value is a process of overcoming the economic distance between the subject and the object through an exchange relation. Under the universal monetary system, economic value is set by the “renunciation of the non-monetary uses of monetary material” (Simmel, 2004: 152). For Simmel, money is the autonomous medium through which objects acquire exchangeability or commensurability in financial terms. Here, “renunciation of the non-monetary uses” of the object is a core process, one that is incorporated into the dominant value of the financial regime and, thus, identifies the value of the subject. Simmel’s analysis of the value-creating process, involving the subject and the object, can be applied to interpretations of financial

narrative operation in the crisis. In this vein, I have demonstrated that the aim of the Bank of Korea, as an object in the exchange relation, was to identify the economic value of the subject, the main narrator, and thereby to overcome distance. Accentuating its own systemic defects in the process of recognition of subject value, the object renounces manifold instances of the crisis and thus its own fundamentals. It thus eventually represents itself through the value-signifier of the subject. The politics of representation, as a signifying practice, are, in this case, effectively established: the economic distance is overcome through the formation of new financial value, in identification with the main narrative by the object. As a result, the local economic system becomes fully commensurable to the financial exchange regime, after renouncing the narrative struggle to make its own discourse.

## Chapter 8: Conclusion

### Distance, Value and Crisis: The Cultural Problem of Distance in the Formation of Economic Subjectivity and Real Subsumption

“The IMF trauma:” more than fifteen years after the forceful implementation of IMF emergency lending and the subsequent restructuring of Korean society, a deep scar has been left on the psyche of the Korean people. It has left, in the terms used by Walter Mignolo, an imperial wound.<sup>113</sup> How could a financial institution affect local people, who seemingly had nothing to do with the international financial climate? Why have the people, mostly those who were outside the banking and financial sectors, had to endure such intense pain? What was the cultural and economic impact of the financial crisis on the process of reconstituting the financial structure? What were the effects of macroeconomic rebuilding, in particular those related to construction of the sensible and the valuable in actualisation and realisation of the dominant value? What kinds of political and cultural devices were implemented in supporting and exercising contradictory economic policies as legitimate conditions or contexts of performance, in return for the lending? What was the cultural rationale for the economic in the international financial exchange? How did the financial centres subsume local values and transform them, in order to valorise and regenerate the dominant value? This project began with these urgent and varied questions. Although the inquiries are closely related to the particularity of the local, namely the Korean financial crisis, they can shed light on specific cultural aspects—as well as on the economic subsumption mechanism of the financial system—through which universality is constantly redefined and reconfigured to consolidate its legitimacy.

Under the theoretical concerns, we observed the cultural logic of finance in terms of representation of information and reconfiguration of temporality—the two organising principles of narrative operation. By analysing the relationship between culture and finance from the perspective of the cultural logic of financial narrative, we suggested that narrative

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<sup>113</sup> Walter Mignolo, “The Prospect of Harmony and the Decolonial View of the World” (<http://waltermignolo.com/the-prospect-of-harmony-and-the-decolonial-view-of-the-world/>)

was the device of activation and the frame of value transference under financial capitalism. Exploring the possibilities of the cultural theory of value, this project delved into questions of value and examined the actual process of value formation associated with operativity and performativity of narrative. We saw this as the cognitive operation and political action constitutive of financial narrative politics, working for value transference in the discourse of financial crisis, which was, as this thesis asserted, systematically operated throughout the Korean financial crisis. We revisited the value theory and narrative analyses of Simmel, Marx, Ricoeur, and Genette, in order to articulate the economic theory of value in the cultural politics of narrative. Following Ricoeur, we saw this as a mechanism of value production and transference that is correlated with the financial doctrine of entanglement and contagion. Through narrative, in which utterances and statements on a primal event perform as collective operativity of information, a value is constructed and transferred to inform and motivate actors. Narrative structure, from which the nexuses of intentionalities of the financial system are transmitted, is thus suggested as a meta-frame of cultural valorisation. It valorises economic value for the (re)production of dominant financial value; without this, any “shock doctrine” or economic prescription cannot be valorised or legitimated. Under the theoretical concerns, this thesis substantiated finance as a narrative apparatus working beyond economic entities, examining various performative statements and speeches by the main financial narrators of the IMF, the World Bank, and the U.S. government, which effectively presented unprecedented economic shock therapy as a legitimate process for restructuring the Korean economy. In this regard, narrative intervention was appraised as the preliminary cognitive operation and political action that justifies and legitimates the imposition of contradictory economic policies onto the crisis-affected country. With the narrative operation as a preliminary cultural cognitive operation, and political actions sustaining new financial arrangements by imposing a structure of meaning-making in production and transference of dominant values, financial narrators extrapolate economic policies. These have a force of necessity, and call for the radical imposition of macroeconomic transformation.

With the guiding structure of operativity and performativity as the cognitive operation of the discourse of financial crisis, narrative operation constantly represents the financial master code as the ontological and epistemological conditions of conduct. Narrative opens a channel of cognition of value, and regulates the context of performance, while providing a frame of reference for actors. It allows for interpretation to be effectively implemented at a

time of uncertainty. As we have shown, creating a narrative of an event and an object is a distinctive feature of the financial mode of production, in which legitimate interpretations and forecasts of financial centres, credit rating firms and global financial institutions, all function as the defining factors channeling the flow of money. Narrative exploits uncertainty as a resource for performativity, and necessitates a new standard, thereby regulating and activating heterogeneous actors in the markets. A financial crisis is the crucial point of narrativity in the making of a legitimate guiding structure, exploiting uncertainty to manage risk—and thus producing a narrative as a frame, or a socially symbolic device that modulates an invisible boundary. Within this any rational and productive behaviour is informed and performed.

Focusing on the cultural problem of distance, this concluding chapter suggests that narrative, the field of cognition and action supporting the notion of the valuable in the economic, formulates the objectifying field on which the colliding values of the subject and object are distanced. It is here that that distance is measured, and overcome in producing and transferring the dominant value. The problem of *distance* in the formation of subjectivity and objectivity is crucial; it is the key concept illuminating the formation of economic subjectivity and the subsumption mechanism in finance. Subject-effect is produced for the object, by taking on the modalities of narrative enunciations of the narrator. The effect justifies the limitations in subjectivity that the object gains. The Korean financial crisis is an example of how the subsumption of the object can be exercised in making a new economic subjectivity. With interpretations transmitting the official view of the object, as well as its economic system, the object is guided to recognize its distance from the main subjective value under the new reality.

The new reality is, thus, the product of articulation; it is embedded by the representation politics that problematises the new economic order. As such, the politics of representation is, according to Abolfia, regarded as interpretive politics, through which the financial institutions “frame their action, assessing how others would interpret it, and crafting the policy directive so that it would be interpreted as they intended” (Abolfia, 2005: 207). Interpretive politics, under financial capitalism, is “the social process of meaning construction” that will “control the definition of market conditions” (Abolfia, 2005: 227). This hermeneutical move intends, above all, to redefine the identity of the object as the new subject of dominant value, distancing the object in the new economic value regime through effective “meaning construction” for “the definition of (changed) market conditions.”

According to Ricoeur “meaning effect” is the “basic phenomenon of semantic innovation” (Ricoeur, 1984: preface, ix). Ricoeur also articulates the construction of meaning as the process of opening a new level: innovation—given that the “innovation is produced entirely on the level of discourse, that is, the level of acts of language equal to or greater than the sentence” (Ricoeur, 1984: preface, ix). The innovation is a schema, in which new sense of order is created through narrative operation.

Under the new value system, the formation of the new economic value is closely associated with subject-effect, allowing the object the imagined position of the subject. The subject-effect is a concrete aspect of subjectivation. Georg Simmel’s notion of distance can be reilluminated here, in order to propose a realignment process of the subject and the object in the formulation of new economic value. The effect, namely the cultural as well as economic subsumption of the object, is a new mode of activation in financial imperialism. I will examine the situation during the Korean financial crisis, and look at the cultural politics of finance capital that produced the subject-effect through the subjectivation process. The Brady Plan, which was imposed by the U.S. administration in 1990 to resolve Mexico’s financial crisis, will then be examined as the concrete strategy of finance capital in overcoming the subject-object distance through international loan conditions. The plan, as briefly observed in the previous chapter, is reevaluated as the critical moment in creating a financial reality grounded by a new architecture. It affected the Korean financial crisis by allowing private commercial and investment banks to encroach on the public sector. By politicizing private financial forces in the financial crisis, the plan annuls local autonomy. The political economy of the plan and its system of contagion is, thus, reconsidered, in order to focus its cultural influence on individual human existential conditions. Here the subject effect constantly works through a financial redefinition of the realities, employing performative narrative speeches and utterances to make objective value conform to the subjective value.

### The Problem of Distance in Economic Value-Formation

Expounding the process of economic value-formation, Georg Simmel emphasises the notion of *distance*. In his analysis, locating the distance between the subject and the object produces “the objectifying effect,” with which *recognition* of the object takes shape in the realm of the economic value (Simmel, 2004: 75). Although Simmel’s analysis focuses on the subject

desiring the object in proportion to its utility and scarcity, his theory can be approached from the point of view of the object as an interactive agent, rather than the desired thing, which thus interlinks in the formation of economic value. The objectifying procedure, which this thesis articulates as narrative process, is inevitable in the process of economic valuation, for in the act of establishing a distance the object itself presupposes the value regime. Meanwhile, it identifies the existence of the subject and its mediating roles between the subject and the object in the objectified field. Thus, establishing distance is a critical operation in positioning the object in the coordinates of the value regime. By having its distance designated or uttered, the object is informed and acquires its position in the field. However, the value of the object is not immediately gained; it is embodied only by overcoming the distance as the bearer of the new value, which has to be exchangeable in the dominant value regime. As a result, the object is eventually activated as the performer of the regime.<sup>114</sup>

The economic value regime, as the field of exchange, is, however, an “exchange of sacrifices” because “the general form of exchange” is “a surrender of something in order to gain something” (Simmel, 2004: 87). For the object, the exchange functions as an epistemological as well as ontological break with its intrinsic value, to gain, among diverse competing values, the economic value commensurable to the dominant value system. As such, “a value can become practically effective only by being equivalent to other values, i.e. by being exchangeable” in the market (Simmel, 2004: 92). Therefore, as Simmel puts it “the purpose of establishing a distance is that it should be finally overcome” through the exchange relationship, to create an economic subject by transforming the object (Simmel, 2004: 75). In this formulation, although Simmel does not pay full attention to the

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<sup>114</sup> From the cultural perspective, Ricoeur also emphasises the notion of “distance” as a fundamental conceptual category through which “figuring the predicative assimilation” is undertaken for “schematizing the synthetic operation” (Ricoeur, 1984: x). Therefore distancing practice through the signifying narrative operation is the initiation process of the system for “inventing imaginary or formal ‘solutions’ to unresolvable social contradictions.” This is “tolerant closure,” as Jameson puts it (Jameson, 1989: 79). Ricoeur explicates the function of distance with regard to the “synthetic operation,” in which “change of distance” provides “intelligible signification” in “schematizing the synthetic operation”: “It is this change of distance in logical space that is the work of the productive imagination. This consists of schematizing the synthetic operation, of figuring the predicative assimilation from whence results the semantic innovation. The productive imagination at work in the metaphorical process is thus our competence for producing new logical species by predicative assimilation, in spite of the resistance of our current categorization of language. The plot of a narrative is comparable to this predicative assimilation. It “grasps together” and integrates into one whole and complete story multiple and scattered events, thereby schematizing the intelligible signification attached to the narrative taken as a whole” (Ricoeur, 1984: x).

transformation of the subjectivity of the object, economic value is concretised when the subjective value is objectified through the interaction of the object—which *consents* to enter the economic value regime. Here, what is overcome for the object is its cognitive and material conditions of existentiality, toward the new value. A value itself is a form of secondary abstraction toward concrete reality, through which diverse interpretations and evaluations are interlinked and filtered under the influence of power. The possibility of realisation of various values, except the economic, is sublimated, since the capitalistic exchange-relation only tolerates economic value that is exchangeable in the market. Only this value will form further surplus economic value. As suggested in Chapter 3, this is the teleology of the economic exchange relationship, which Simmel suggests is the intention of the relationship, presupposing a causal connection between the elements. Thus we have a “teleological chain” on which the *inner* condition of the system is founded:

The factual and logical possibility of the teleological chain depends upon the causal relation, but the interest of this causal chain, its psychological possibility, arises from the pursuit of an end. (Simmel, 2004: 208)

Through the chain of causal connections, the teleology creates an “inner bond” (Simmel, 2004: 175). This inner bond is the product of “the interaction of exchange” from which “a mental unity of [economic] values” is created (Simmel, 2004: 198). The establishment of teleology through an exchange relationship is the formula for the relationship between the subject and the object. Through the process, the object identifies itself as the (pseudo) subject, sacrificing other values. While for Simmel money is the abstract representation of the universal relationship, it is, we might say, finance as universal rationale (as well as practice) that inscribes the teleology here—laying a foundation for the causal relation.

To examine the subject-effect as an aspect of the “inner bond” of the system, the build-up of capitalistic teleology might be, first of all, the effect of *real subsumption*, in Marx’s terms. According to Marx, exchange incorporates each object through the universal and legitimate medium, money, while bracketing “the differences between spheres of production.” This is where each individual object is located, for “[e]xchange does not create the differences between spheres of production but it does bring the different spheres into a relation, thus converting them into more or less interdependent branches of the collective production of a whole society” (Marx, 1990: 472). The establishment of a capitalistic exchange relationship is,

on the one hand, intended to serve as a foundation for “formal subsumption of labour under capital” through capitalistic means and conditions. However, “the formal subsumption,” as Marx continues, “is then replaced by a real subsumption” with which ways of life are gradually integrated and extended until it encompasses social relationships as a whole. Though Marx’s account of real subsumption is not fully explained in his analysis, the notion can be understood as the intensification of domination, which encroaches on the cognition and actions of the actor, and which is enforced as the teleology of the existence through narrative information. By means of real subsumption, the object is set to desire the subjectivity of the subject. This desire infiltrates the mentality of the object, filling the cracks in the system. In this sense, real subsumption, according to Hardt and Negri, is the practice of active subjective forces working over the object, “to establish over what was no longer controllable in disciplinary terms”:

The passage from the formal subsumption to the real must be explained through the practices of active subjective forces. In other words, disciplinarity pushed to its extreme, imposed by the global Taylorization of labour processes, cannot actually determine the need for a new form of command except through the expression of active social subjectivities. The globalization of market, far from being simply the horrible fruit of capitalist entrepreneurship, was actually the result of the desires and demands of Taylorist, Fordist, and disciplined labour power across the world. In this sense, the processes of the formal subsumption anticipated and carried through to maturity the real subsumption, not because the latter was the product of the former (as Marx himself seemed to believe), but because in the former were constructed conditions of liberation and struggle that only the latter could control. The movement of desiring subjectivities forced the development go forward—and proclaimed that there was no turning back. In response to these movements in both the dominant and the subordinated countries, a new form of control had to be posed in order to establish command over what was no longer controllable in disciplinary terms. (Hardt and Negri, 2000: 255–256)

While formal subsumption proposes stabilisation through a ceaseless process of differentiations in the dominant mode of production (using technically revolutionised phases, such as Taylorism and Fordism), real subsumption extends to social relations beyond the economic mode of production, underpinning such relations as not just

conditions of economic (re)production but conditions of a world view. The object depends on this view to recreate itself by constantly identifying itself as the subject, or as the performer in the system. The imposition and construction of the conditions of production and reproduction is, thus, a new form of control in the cultural dimension, as it even valorizes the existential human condition.

### The Economic Value Forming Process: Relative Form and Equivalent Form

Here, it is important that we rethink Marx's analysis of the reformulation of value—from use-value to exchange-value—in association with the conditions of formal and real subsumption. When Marx considers exchange-value as “mutually replaceable or of identical magnitude” (Marx, 1990: 127), he focuses on the transformation into exchange-value, which entails a fundamental change in the use-value. For Marx, the “value-forming substance” of the use-value is labour, given that “[w]hat exclusively determines the magnitude of the [use] value of any article is therefore the amount of labour socially necessary, or the labour-time socially necessary for its production” (Marx, 1990: 129). While labour in the use-value is the actual expression of private labour, labour in the exchange-value is abstracted—it is expressed as exchange-value, in which “all commodities are merely definite quantities of *congealed labour-time*” (Marx, 1990: 130, emphasis in original). Thus, “[exchange] values are the objective expressions of homogenous labour” (Marx, 1990: 134).

By entering the exchange relationship, the difference between, for instance, the labour invested in making the coat and the labour in the table is equated. The spatial and temporal differences between the two concrete labours are bracketed. Emphasising “congealed labour-time” and “homogenous labour,” Marx reveals that the two labours are transformed into *relative form* and *equivalent form*. The relative form of value mirrors a commodity and another commodity, articulating the value of a commodity in the commodity relation. As Marx suggests, “[t]he relative value-form of a commodity, the linen for example, expresses its value-existence as something wholly different from its substance and properties, as the quality of being comparable with a coat for example; this expression itself therefore indicates that it conceals a social relation” (Marx, 1990: 149). The relative form of value in commodity exchange, therefore, presupposes that “something wholly different” exists in the value-existence of the object, establishing a new social relation that is created on the cancellation of the former social relation. Recognising the relative form of value in the value regime, the

object takes its expression as the form of *equivalent value*, with which it enters into the exchange relationship. As Marx discusses, in the stage of acquiring equivalent value via relative value, the use-value is qualitatively differentiated. “The first peculiarity which strikes us when we reflect on the equivalent form is this, that use-value becomes the form of appearance of its opposite, [exchange] value” (Marx, 1990: 150). As private and concrete labour, embodied in use-value, become abstract and social labour, the object eventually gains equal value under the regime of exchange-value. The overcoming of the distance between the subject and the object is completed through stages of transformation of the economic value-forms, through the relative and equivalent form; the former form signifies the recognition of the distance, while the latter form implicates the formation of the new economic value of the object. This gives access to the system, as it does with the subject. By reconfiguring the object as the bearer of economic value, the dominant subject identifies the object as the actual *function and effect* of the system. “All ideology” Althusser states, “hails or interpellates concrete individuals as concrete subjects, by functioning of the category of the subject” (Althusser, 1971: 173).

In relation to the formation of economic value, Marx, however, does not fully explain the transformation of the epistemological condition of the object, which influences ontological condition as well. When the object experiences a fundamental change in existential form—as the new bearer of the exchange-value form—the change does not remain at the level of the production of the economic *per se*. What the object experiences on an epistemological level is a new conditionality of knowledge, as it has to transcode information and knowledge in terms of the economic. The new transcoding process is intended to establish a new set of representations of the world, in which the economic becomes the agency of the knowledge process—we analysed this as narrative knowledge in Chapter 6. For example, one common characteristic that reveals the changes after the Korean financial crisis is the expansion of concerns about the economic in the formation of society. According to a survey conducted ten years after the crisis, the most distinctive feature of the change can be summarised as a shift in interest and *awareness*, from the political to the economic. For the 3,600 people who participated in the survey, it was evident that what has changed most seriously is their recognition of money: money as the ultimate signifier of the society and everyday life.<sup>115</sup> While the proportion of those with concerns about domestic politics shrank to 10% from 30%, the interest in money and money management, as related

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<sup>115</sup> *Segye Daily Newspaper*, 25 November, 2007

to assets and stocks, visibly increased more than threefold. This new response to the economic as the dominant factor in society can be seen as the newly formulated structure of feeling, with which the effect of the system is expressed and embodied. It becomes the internal form of life in which value and meaning are newly perceived.

### Financial Crisis and the Distancing of the Object

On the 23<sup>rd</sup> of August, 2001, Korea repaid \$140 million to the IMF. With the final repayment, Korea returned the “relief” loan amount of \$19.5 billion to the IMF and other creditor institutions. On the surface, the financial crisis seemed to be at an end after just three years. However, the financial crisis in Korea is still ongoing, as most people have experiencing the *necessity of overcoming the distance* in the new financial reality.

Although more than ten years have passed, for Mr Kim Se-Chang, who had been working for the Kia motor company, the sudden “disaster” of the Korean financial crisis comes to mind as clearly as if it happened yesterday. Mr Kim immediately lost his job as the liquidity crisis of the company worsened. However, the most profound change for him has been the change in *mentality*. The change, according to Mr Kim, was the product of shock and anxiety after witnessing the sudden collapse of the company, as well as the humiliation of the country under the newly-imposed financial reality, since the unexpected formation of the objectifying field became the new criteria of performance. The inner psychological transformation occurred in an act of internalising and identifying the inevitable necessity, amounting to taking up the subjective value. This change triggered a new epistemology, realising the new economic regime. Mr Kim soon decided to enhance his “efficiency,” or commensurability to the new value system, in order to survive in new and harsh reality. The relentless self-demand for efficiency does not just originate from entrepreneurial virtue, but is also the product of the existential anxiety he has had to undergo since the financial crisis.

Thus Mr Kim’s decision to transform himself into the bearer of efficiency. Fitting into the new financial reality can be seen as a process of acquiring equivalent value form, given that “efficiency” is the general principle the object always mirrors in the regime of financial exchange. Despite the fact, Mr Kim adds, that he started as self-employed, creating a small interior design business, and the company gained a reputation in his local area after years of hardship, he still doesn’t feel any sense of security. Though his new venture is beginning to settle down, he always reminds himself that he should be prepared to have to find another

job if an unpredictable crisis comes up. What he learned from the crisis is that, as he cynically admits, “there is no one to protect me in this harsh reality except my economic ability to survive.”<sup>116</sup> At this stage, what Mr Kim feels is that he is transformed into an equivalent form in entering the exchange relationship. In the exchange, there is nothing to secure him except his value-forming attribute, namely, efficiency. The case of Mr Kim exemplifies how the international financial crisis affected a majority of people in Korea, distancing the object to encode a new reality. The sudden financial crisis, which radically severed the already-established local economic reality, based on “permanent workplace” and “full-employment,” embeds an individual in a totally new context. Here the individual has to reconfigure himself in order to survive, transforming himself in to the economic subject. An object has to objectify itself, while constantly changing itself as the relative and equivalent value-form in the new exchange relationship.

This radical imposition of a new economic reality is actually the orthodox therapy the U.S.-dominated financial forces sought to implement. Since the 1970s, as Naomi Klein suggests, a financial crisis in peripheral and semi-peripheral countries has been seen as the most appropriate time to prescribe shock therapy. In her analysis, the “shock therapy” that has been imposed as the legitimate prescription for an economic crisis, following Milton Friedman, is the *metaphor of torture*. It fundamentally aims to “provoke the level of disorientation” on which the unwanted economic therapy [free-market neoliberalism] is imposed with the least friction (Klein, 2007: 459). “Confusion, disorientation, [and] surprise” are, Klein emphasises, the break for taking out a clean sheet to inscribe a new ideology, revealing the patterns of effects that the market-oriented neo-liberalists have pursued. The sense of being lost, clearly seen in the case of Mr Kim, is a symptom of radical distancing, through which the object is severed from the traditional, to which he or she has been accustomed. These are the most favorable conditions, and thus the best opportunity, to prescribe the so-called legitimate therapy. The object, suffering from a sense of being lost, has to resort to the new authoritative prescription made by the international financial apparatuses, since, as Chapter 5 observed, such a prescription aims to transform the uncertainty of financial crisis into problematic certainty for revalorising the system. This is implemented through its explanatory effect. The object is exchanged for sacrifice, along with which the object has to, first of all, reconfigure its own identity to become the performer of the dominant value regime. In the formation of economic value, the process of renunciation

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<sup>116</sup> “No one can protect me,” *Weekly Hankyoreh* 21, 27 December, 2006.

of inherent values by the object is, thus, necessitated as the inevitable existential condition to acquire economic value. It is a moment of “breaking,” at which the traditional values rooted in locality are shattered, while the “legitimate” prescription of international financial capital is embedded as the new rationale. This transforms the object into something exchangeable in order to activate the system on a local and international level. By exploiting the sense of being lost, disorientation, narrative intervention, as Chapter 4 suggested, supports the necessitation of financialisation of the everyday. This accompanies the bubble mechanism with its transactional orientation as the legitimate process in realisation of the dominant value. The collective information produced by financial narrators transcodes the epistemological dissonance experienced by the object into the consonance of the subjective value; and this becomes a source of cognition and action for actors.

#### Financial Crisis as the Contingency of a New Imperial Drive

In this sense, as opposed to the widely accepted notion, in a capitalistic system a crisis can be “healthy” for the system, as Ernest Mandel puts it. The crisis can be a severe setback for those who are directly affected but, generally speaking, the “partial problem” also provides momentum for “possible vigorous increase in the rate of surplus-value,” producing “large scale reconfiguration of the reserve army,” which also contributes to increased surplus-value:

The effect of the crash, for the system as a whole, are healthy, however nasty they may be for the individual capitalist. General devalorization of capital is not accompanied by a proportional reduction in the mass of surplus-value produced. Or (which amounts to the same) an identical mass of surplus value can now valorize a smaller total amount of capital. Hence the decline in the rate of profit can be stopped and even reversed. Large scale reconfiguration of the reserve army, occurring during the crisis and the depression, makes possible a vigorous increase in the rate of surplus-value, not only through speed-ups but even through a cut in real wages, which in turn leads to a further rise in the rate of profit. (Ernst Mandel, 1981: 51)

Although Mandel points out aspects that are generally centered upon the crisis of accumulation and over-production, which are defects in the industrial mode of production, the analysis is still relevant to financial crises more generally. It hints that the mechanism of

the crisis is associated with the appropriation of the crisis. The most distinctive difference is that, while a crisis in the industrial mode of production presumes a real economy, producing and trading material and services, the financial mode of production of the virtual economy is dematerialised in the flow of liquid money capital. Such fluid capital blurs the traditional demarcation between worker and capitalist, allowing the former the position of investor. This produces the subject-effect for the object by systematically involving the object as the active performer of the system. However, the radical inclusion of the object in the system entails depoliticisation of its local contexts, homogenising the local economic system in accordance with the dominant one. "Finance capital," Mandel emphasises, "finds most convenient, and derives the greatest profit from, a *form* of subjection which involves the loss of the political independence of the subjected countries and peoples" (Ernst Mandel, 1981:86, emphasis in original). In this sense, the establishment of financial capitalism in the local is a stage of highly advanced imperialism, as Lenin has examined:

Imperialism is capitalism in that stage of development at which the dominance of monopolies and finance capital is established; in which the export of capital has acquired pronounced importance; in which the division of the world among the international trusts has begun; in which the division of all territories of the globe among the biggest capitalist powers has been completed. (Lenin, 1999: 92)

Prognosticating that imperialism will be fully established by highly-mobilised finance capital, Lenin argues that "*the export of capital*" from the core capitalist countries to semi-peripheral and peripheral countries plays a decisive role in the establishment of the imperial world order under modern capitalism. "Typical of the old capitalism, when free competition held undivided sway, was the exports of *goods*. Typical of the latest stage of capitalism, when monopolies rule, is the export of *capital*" (Lenin, 1992: 70, emphasis in original). Loan or debt was the prevalent form of capital export Lenin witnessed. "The principal spheres of investment of British capital are the British colonies, which are very large also in America (for example, Canada), not to mention Asia, etc. In this case, enormous exports of capital are bound up most closely with vast colonies, of the importance of which for imperialism" (Lenin, 1992: 72). He outlines five characteristics of modern imperialism associated with finance capital:

Five features of modern imperialism: (1) the concentration of production and capital has developed to such a high stage that it has created monopolies which play a decisive role in economic life; (2) the merging of bank capital with industrial capital, and the creation, on the basis of this 'finance capital,' of a financial oligarchy; (3) the export of capital as distinguished from the export of commodities acquires exceptional importance; (4) the formation of international monopolist capitalist associations which share the world among themselves, and (5) the territorial division of the whole world among the biggest capitalist powers is completed. (Lenin, 1992: 92)

What Lenin brings out, following the analysis of Hilferding, is finance as the refined mode of imperial domination. During colonial expansion, the most commonly-used methods in the export of capital were debts in the name of subsidiaries. According to Hilferding, capital export to the colony triggers a wide range of transformations, forcing the local to take on the capitalist social relations. But the most effective homogenisation process, the export of capital to the colony, should be achieved "at the level already attained in the most advanced country." He goes on:

The export of capital, especially since it has assumed the form of industrial and financial capital, has enormously accelerated the overthrow of all the old social relations, and the involvement of the whole world in capitalism. Capitalist development did not take place independently in each individual country, but instead capitalist relations of production and exploitation were imported along with capital from abroad, and indeed imported at the level already attained in the most advanced country. (Hilferding, 2006: 322-323)

Hilferding underscores that capital is imported in local countries "at the level already attained in the most advanced countries." The sudden implant of a new economic force shakes and disorients the existing social relationships, to effectively transform the colony with the new economic and social conditions. Shock therapy is the contemporary version of capital export and import, disregarding the level of capitalistic development with the intention of sudden and radical distancing. In this sense, Hilferding is fully aware that "the export of capital is a condition for the rapid expansion of capitalism. In social terms, this expansion is an essential condition for the perpetuation of capitalist society as a whole,

while economically it is a condition for maintaining, and at times increasing, the rate of profit. The policy of expansion unites all strata of the propertied classes in the service of finance capital” (Hilferding, 2006: 365).

### The Subject-Effect and the Subjectivation of the Object

Here, it is necessary to consider how finance capital actually mobilises the object for real subsumption. Financial capital dominates, but it also allows direct contact with the fluctuations of the system, producing the subject effect for the object. It is the effect of power, as Foucault theorises, that produces the dominant reality as the condition of rationalisation—from which recognition of power is discursively formulated. Finance capital codifies a new reality, as the condition of power produces, at the same time, the bearers of this new reality by making actors participate in a process of recognition of power. This is the process of constitution of the new reality, which overlaps with the truth claims that financial narrators perform in the name of financial reconstruction. This process is paradoxical and contradictory—it is the process of justifying “the allodoxia” suggested in Chapter 5—in that the more the subject is involved in the discursive process the more he subjects himself to power: the subject identifies himself as the subject bearing and creating the new values. This is the point at which the object eventually overcomes the distance, the radical imposition of new reality. Judith Butler explains that the process of subjection takes place in order to activate or form the subjectivity through the construction of new identity:

Subjection is, literally, the *making* of a subject, the principle of regulation according to which a subject is formulated or produced. Such subjection is a kind of power that not only unilaterally acts on a given individual as a form of domination, but also *activates* or forms the subject. Hence, subjection is neither simply the domination of a subject nor its production, but designates a certain kind of restriction *in* production, a restriction without which the production of the subject cannot take place, a restriction through which that production takes place. (Judith Butler, 1997: 84)

Butler indicates that as subjection stimulates the subject, it is neither merely domination nor its production. Though *motivation* produces voluntary performance of the subject, thus generating the subject-effect, performativity is, however, always *restricted*. What is at stake

here is that the restrictedness itself is the condition of subjectivity of the object. Through this restriction, the object can be self-disciplined. Restrictedness in the financial world order surfaces as a conditionality of capital flow, such as with regard to debts or loans. Although the object participates in the market, it has to recognise and internalize conditionality as the condition of participation. The Brady Plan is a clear example of how the financial regime is established in the local under conditionality by means of a newly emerging subjective value of the bank, involving but limiting the activation of the local object.

### The Brady Plan and Financial Imperialism: The Subject Effect and Risk Taking

Throughout the 1960s and 1970s, the undeveloped and developing countries borrowed a lot of money from the U.S. and Western governments. The debts were normally refinanced by creditor countries' government loans. As successive loans incurred more interest, the amount of debt grew, exposing debtor countries as well as their creditors to more risk. The Brady Plan was intended to alter the pattern of loan lending, involving commercial banks as the new creditors of the loans. The plan was originally initiated to settle the Latin American financial crisis in the 1980s. Mexico was the first country to be offered loans under the plan. The financial crisis in Mexico in 1982 stemmed directly from financial problems in the public sector, particularly from a government balance deficit that had fallen short of foreign debt repayment. The difficulty led the country to announce a national moratorium. In 1989, the US Treasury secretary Nicholas Brady proposed "debt-equity swaps"-based loan lending. The new method was "viewed with enthusiasm both by U.S. financiers and by U.S. officials. They were seen as a double advantage: both canceling a part of the debt, and thus reducing the burden, and attracting direct investment as a new source of funds" (Krugman, 1994: 698). Under the plan, the IMF and the World Bank mediated to allocate funds mobilised from commercial banks to debtor countries. The plan implied, first of all, the politicisation of commercial banks in global debt-politics, as their influence was decisive in local governments, in that the commercial banks became, for the first time, main creditors to a country. As the commercial banks became important agents in the political climate of these debt problems, local governments became, on the contrary, depoliticised under the pressure of the loans. Another important implication of the plan was the emergence of a representative role for the international financial apparatuses, such as the IMF and the World Bank, as the last resort for those experiencing financial problems. Securing the

interest of the first world commercial banks through the mediation of international financial apparatuses was the new financial strategy of the Washington consensus. By reducing the unpredictability of volatile local circumstances, the plan aimed to valorise the risk in the financial regime by guaranteeing that commercial banks would replace the debt of local governments with U.S. government-backed bonds.

In 1994, when Mexico faced a second financial crisis due to liquidity problems, the Brady Plan was implemented as the framework for the debt package. Under the initiative, commercial banks were at the center of the international debt solution. More than 500 commercial banks, mostly from America, Europe, and Japan, participated in negotiating the terms and conditions of “the menu,” which would be applied as the condition for lending to the country. A total loan amount of \$48.9 billion was arrived at by the banks. It was the moment of the emergence of commercial banks as the new subjects of economic and political force, which would thereafter prevail on debtor countries to implement conditions in which existing debts are replaced by prolonged (20-year) bonds. The banks can acquire bonds at far less risk than current debt, with the mediation of the U.S. treasury, as they are supposed to be secure under the plan. The menu option commercial banks have focused on is “the diversity of banks’ business interests” (Aizenman and Pinto, 2005: 489). This is basically a “market-based approach recognising the market value of impaired debt” (Aizenman and Pinto, 2005: 489). As Cohen suggests, the “underlying design” of the plan is to “minimize any serious risk of bank failures or financial-market instability”:

The resulting distribution of the burden of adjustment, [by the Plan] skewed so much in favor of commercial creditors, is no accident—quite the contrary, in fact. It is an inherent corollary of the prevailing strategy’s underlying design, which has always tacitly accorded highest priority to the interests of private lenders: specifically, to minimizing any serious risk of bank failures or financial-market instability. (Cohen, 1999: 239)

The empowering of commercial banks in lending to developing countries is closely associated with the investment boom in emerging markets in the 1990s. The Oxfam Poverty Report indicates that “the signing of the first Brady deal [in 1989] coincided with the start of the boom in private capital flows to developing countries, with the countries previously at the centre of the debt crisis figuring prominently among the newly favored ‘emerging

markets.' By 1993, Latin America was receiving the equivalent of 3% of regional income in private capital flows, reversing the outflows of the previous decade, prompting most commentators and Northern governments to draw a line under the 'debt crisis'" (Watkins et al., 1995: 176). It goes on: "As of 1995, twelve countries in Latin America have now completed deals under the Brady Plan, covering some \$190bn, or four-fifths of the debt stock owed in 1989" (Watkins et al., 1995: 176).

Since the "successful contracting" of the 1995 Mexican financial crisis, the political influence of commercial banks has increased unprecedentedly in developing countries. Empowering the banks implies that in any local financial crisis they will have space to intervene in the local economy, transforming a public matter into a private one by *redefining* the political situation as economic. The workings of the plan symptomatically reveal how financial capitalism subsumes local systems, while depoliticising the international debt problem as a device of imposition of financial order—under the sway of commercial banks. It is without doubt a device for financial rule, instituting the lending process as the focal point of the imposition of a new economic reality. With the emergence and establishment of the plan, a government debt package affected by the financial crisis becomes the channel of financial capital, through which the commercial banks and international financial apparatuses reinforce their command over the local system. In fact, right after the deal, huge amounts of commercial bank capital flooded Mexico. Gross capital flows toward Mexico rose tenfold from 1989 to 1993, from U.S. \$3.2 billion to \$32.6 billion. Some of those inflows reflected the repatriation of capital that had left in previous years. However, a large proportion was due to new portfolio investment (Brookings Institution, 1998: 155). As Brookings Institution emphasizes, "the fundamental problem is that a large proportion of the foreign capital pouring into emerging market is speculative in nature, and entirely disconnected from the real economy. Much of the explosion in private capital flows generated through the sale of government bonds and through portfolio investment represents high-risk short-term speculative activity, and institutional investment by pension funds and money market managers. Contrary to the popular perception, such flows have less to do with opportunities for productive investment and employment creation than with the pursuit of the fast-buck in money market" (Brookings Institution, 1998: 177).

As the framework of international solutions to local government debt problems changes the market-base system, Korea was also exposed in the climate of the crisis. When Korea was hit by the liquidity problem in 1997, the plan resurfaced as the legitimate

framework for dealing with the circumstances. In early 1998 in New York, with the mediation of the IMF, thirteen major international banks agreed to extend \$24 billion worth of short-term loans to Korean private banks. Under the plan, Seoul had to guarantee the new loans (Jochnick & Preston, 2006). The deal included three key conditions: “Bad loans on which Korean banks might have defaulted were replaced by new bonds that could be publicly traded and sold by the original Japanese, German, and U.S. banks. Thus, the banks that made the original bad loans would not retain the bonds issued to replace those loans; A bad private debt was being replaced by a new government-guaranteed debt; The deal was made under heavy pressure from the IMF and the US Treasury” (Jochnick & Preston, 2006: 116).

The conditions made the Korean government liable for the debt and the risk-taking itself, as the clauses clearly specify that the risk taker in any bad private loan, which might surface at any time due to possible poor judgment or mismanagement by the banks, should be the local government. While endorsing the virtually risk-free loan conditions for the international banks, the deal tacitly and overtly approved “illegitimate successor loans” by the banks, given that “if the lender was guilty of misconduct in the first instance, then its responsibility continues. Similarly, where publicly traded bonds are used to refinance an illegitimate debt, the buyers of such bonds should have known of the risk that these bonds would be declared illegitimate, and they accepted the risk. In other words, the illegitimacy carries forward—even if the original loan has been formally paid off, its successor loan or bond is, in practice, the same illegitimate loan. And a bank that sells a bond for an illegitimate debt has the same responsibility as a dealer who knowingly sells a stolen car. That lead us to the following definitions of what we will call an ‘illegitimate successor loan’” (Jochnick & Preston, 2006: 117). Under the scheme, the government guarantee of international private banks’ loans cannot actually guarantee the prevention of toxic “illegitimate successor loans” because—and in contrast with the coordinated narrative enunciations in legitimating the plan—by accepting responsibility for the private loan, the local government can “strengthen the illegitimacy” of the risk. Jochnick and Preston warn of this situation:

1. If an institution replaces, rolls over, or pays off an illegitimate debt with a new loan, then the new loan is an illegitimate successor loan.
2. If a bond or new loan is issued for the sole or main purpose of paying off an

illegitimate debt, then this is an illegitimate successor loan and the creditor has taken the risk.

3. A government guarantee of an illegitimate successor loan does not make the loan any less illegitimate. Furthermore, it strengthens the illegitimacy if international financial pressure has forced the government to accept responsibility for a private debt. (Jochnick & Preston, 2006: 117)

Such an illegitimate successor loan might be a grave setback to a local government and its people. Here, the crucial necessity of containing the risk is embodied through narrative intervention, through which the object should be identified as the risk taker, since the narrative operation accentuates “the problem was not with [western] capitalism but with the Asian countries and their bad policies.” Stiglitz tells us that:

Banks in Western developed countries were lending to the large Korean firms, knowing full well how leveraged many Korean firms were. The bad loans were a result of bad judgment, not of any pressure from the United States or other Western governments, and were made in spite of the Western banks’ allegedly good risk management tools. No wonder, then, that these big banks wanted to shift the scrutiny away from themselves. The IMF had good reason for supporting them, for the Fund itself shared in the culpability. Repeated IMF bailouts elsewhere had contributed to lack of due diligence on the part of the lenders... The East Asia crisis cast doubt on this new worldview *unless it could be shown that the problem was not with capitalism, but with the Asian countries and their bad policies*[...] By focusing on the weakness of the crisis countries, they not only shifted blame away from their own failures—both the failures of policy and the failures in lending—but they attempted to use the experience to push their agenda still further. (Stiglitz, 2002: 213, emphasis in original)

Consenting to the loan conditions is the premise for the local object to participate in the new regime of economic performance. Only by taking restrictedness as the condition of new economic performance can the object eventually be activated to perform as the new economic subject, retaining a relative and equivalent form of value commensurable to the financial imperial regime. In this sense, the subjectivity the object finally gains is, in essence, *limited subjectivity*, given that the conditions restrict full access to the dominant system. By

taking the loans, the object is allowed “bailout” in order to re-enter the system. The subject-effect for the object in the new financial regime is ceaselessly propagandised whenever the object performs, keeping only its liability. Under the new loan program, Korea, Mexico, and Chile are all cited as role models by the financial apparatuses. The Brady Plan is thus a new financial strategy for subsuming the local object, in order to produce the subject-effect, transforming the object as the bearer of the new economic value. A local financial crisis in a contemporary financial system is a critical point in which to establish financial imperialism, even redefining the conditions of the object through radical distancing and subsequent overcoming. It is the new mode of activation of the financial regime, producing the subject-effect for the object, while subjecting itself to the conditionality of the debt under the newly emerging commercial and investment banks. The real form of subsumption in financial capitalism is thus the subjectivation of object, which internalizes limited conditionality as a form of life and transforms itself in to a heroic investor without fear of taking risk. The formation of pseudo-subjectivity, through which the Korean financial crisis can be read as an actual instance of the subsumption mechanism of the financial system—in which the formation of the new economic subjectivity of the object is revealed as a concrete exemplar of subjection/subjectivation of the object in the new financial system. It enhanced the all-subsuming imperial drive of financial capitalism. What narrative intervention and its politics symptomatically prove is the initiation and actualisation of real subsumption.

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## Abstract

Wan Gi Lee

This thesis suggests a cultural logic of financialisation in terms of (re)presentation of information and (re)configuration of temporality, both of which are critically undertaken and regulated by financial narrative. This narrative functions, following Bourdieu, as “the sign of wealth” in our times. It is time for cultural theorists and activists to approach finance as a set of epistemic cultural processes beyond the economic, which modulates epistemological and ontological contexts, affecting actors’ cognition and behavior in value production and realisation. Financialisation is supported and maintained by narrative intervention in valorising the onto-phenomenological level of the economic. From this perspective, financialisation is suggested as a disinformation campaign, through which the cognitive dissonance of the financial mechanism is effectively contained, concealing its damaging effects and thus valorising the financial mechanism. It implements an intensification of the transactional orientation as the legitimate mode of value production and circulation. Sustaining and amplifying the transactional orientation of investment banking among the actors in the financial markets, the financial system conceals cognitive dissonance through its operativity of information. It works towards the construction of a new financial reality, stimulating belief and guiding action—without which financial integrity, credit relations, and transactional orientation could not be sustained.

Observing the contemporary culture-finance relationship from the perspective of value politics under financial capitalism, this thesis analyses specific aspects of homology between culture and finance from the perspective of the cultural logic of financial narrative. This is seen as a frame of value transference and a device of activation as well as of domination. Exploring the possibilities of a cultural theory of value, this project, first of all, focuses upon the question of value and the actual process of value formation associated with operativity and performativity of narrative. Narrative is analysed as the cognitive operation constitutive of financial narrative politics for value transference in the discourse of financial crisis, which has been, as this thesis upholds and examines, systematically operated throughout the Korean financial crisis. It mainly revisits the value theories and narrative analyses of Simmel, Marx, Ricoeur, Jameson, and Genette to articulate an economic theory of value in the

cultural politics of narrative. Following Ricoeur, it sees this as a mechanism of value transference, and it is here correlated with the financial doctrine of entanglement and contagion. Through a narrative, wherein utterances and statements around a primal event, or crisis, perform as the collective operativity of information, a value is constructed and transferred to inform and motivate actors. Narrative structure, from which the nexuses of intentionalities of the financial system are formulated and transmitted, is proposed as a meta-frame of cultural valorisation. It valorises economic value for the (re)production of dominant financial value, without which any unprecedented application of ‘methodology,’ such as a ‘shock doctrine,’ of economic prescription cannot be legitimised and extrapolated.

This project begins with the argument in Chapter 2 that narrative exploits uncertainty as a resource for performativity, and thus necessitates a new standard, thereby regulating and activating heterogeneous actors in the markets. A financial crisis is the crucial point of narrativity in the constitution of a legitimate guiding structure, exploiting uncertainty in order to manage risk—thus producing a narrative as a frame of self-reference. The narrative identifies the new main value by effectively performing the uncertainty of a financial crisis. In this regard, the chapter proposes that the necessity of negating (or guaranteeing) the fundamental contradiction, or “the self-abolishing contradiction,” bolstered by the sheer size of the entanglement and contagion in finance capitalism, is authenticated and initiated by a preliminary cultural operation of a discursive approach to the crisis. The discourse is not a randomly disseminated rhetoric, but is presented as a narrative in which temporal reconfiguration and sequences of action are carefully guided to represent the main event as a source of cognition and action for contextual control; a certain sequence of events is thereby thematised and anticipated through the interpretation of the event in question, with clear intentions by the main financial narrator. Narrative opens a performative field of objectification in which the power relationship between the main narrator and the object, the narratee, is established and coordinated. The narrative emphasis in a collapse, for instance, one that is yet to come, grounds the operativity and performativity through which actors are informed and motivated, while implementing and legitimising the necessary official description.

Articulating the intentions of the system, and its employment of capitalistically reconfigured temporality, as well as its representation of information into narrative, Chapter 3 suggests that narrative is the objectifying field of value and value-transference, in which the textuality of everyday narrative is produced to direct actors as the ushering force of the

main value. Proposing value as a guiding force of cognition and action, the chapter closely inquires into the value-forming process, arguing that narrative process is an inevitable operation in necessitating the notion of the valuable. In this regard, narrative as the cultural valorisation of the economic is suggested, and it is detailed as the symbolic mechanism of representation of the financial system's intentions. Through this, heterogeneous elements are interpreted, organised, and finally evaluated.

As Spivak points out, to answer the "onto-phenomenological question" of value, value production in the economic sphere should necessarily be articulated as "an adequate analogy to the psychoanalytic narrative" (Spivak, 1985: 82). The critical question is how to explain the way that economic value can acquire meaning in the individual mind, as well as in social relations, in valorising the actions and anticipations of actors. This is explained through detailed analysis of narrative operation and its impact in new economic modeling. The financial narrative expands the economic conditions into the conditions of psychological life, insinuating its modalities as a form of economic as well as cultural performance. If "the question of value necessarily receives a textualized answer," as Spivak argues, the question of how such a textualised response is actually necessitated and articulated in the formation of economic value needs to be urgently addressed. With this theoretical concern, I focus on narrative as the objectifying and subsuming mechanism through which a notion or consciousness of value accompanies the construction procedure of value. I revisit Simmel and Ricoeur's theories, with regards to how economic value is represented in sequence, with a form of temporal reconfiguration in narrative operation.

From the perspective of cultural performativity contributing to financialisation, the transactional orientation of investment banking is scrutinised in more detail in Chapter 4. It is viewed as a system of temporal articulation of human relationships, in which a series of transient combinations of human resources, experience, knowledge, and information is encoded and implemented for a transaction, which, thus, incorporates other forms of value production into its rhythm. Financial flows are the objective expressions of consecutive and collective temporal transactions in financial markets, on which each trader can project his or her subjective expression—mostly in conjunction with the temporal fluctuations. In this regard, financial flows are changing entities that "must be expressed in terms of a time interval" (Knorr Cetina and Preda, 2004: 53), in which changes of volumes and positions of participants become eventually meaningful actions. Demonstrating the process of establishment of investment banking in commercial banking, non-financial corporations,

and individual actors through major financial shake-ups after the Korean financial crisis, the chapter shows how the code of investment banking becomes a symbolic as well as economic code of wealth, functioning as the sign of authority and communication in motivating the process of financialisation.

Chapters 5 and 6 extend the analysis of narrative to the field of finance culture, arguing that narrative is a tool for the cultural valorisation of the economic. The two chapters explicate the two attributes of narrative operation respectively: reconfiguration of temporality and representation of information. Chapter 5 instantiates the concrete strategies of narrative intervention and representation as the specific mechanism of cultural as well as economic subsumption. This is implemented through narrative representation valorising the uncertainty. The chapter situates the IMF in the making of narrative junctures through the Korean financial crisis, whereby the intention of the system is represented as the forms of narrative accounts. What narrative aims at, I argue, is to bring about problematic certainty through uncertainty, by guiding purposeful actions that transform contingent meanings and relations into stable and practical relations. Corroborating the point that narrative operation problematises a crisis-in-the-making even before the event as the preliminary cognitive frame underscores that narrative is the structure of meaning-making of the event. It has a grounding of foreknowledge and ensuing performative procedures. As such the chapter suggests narrative as a device of consent for the object, through which the object overcomes epistemological and economic distance to the system of subject value. In this regard, the chapter specifically exemplifies performative narrative speeches and utterances provided by the official perspectives of the U.S. government and intelligence and the Korean government, which contribute to embedding shock-therapy as the legitimate process of restructuring the Korean economy. From this we can reveal the process of identification of subjective value from the object and its subjectivation in activation of the financial system.

Seeing value as the guiding force of cognition and action as examined throughout Chapter 2, Chapter 6 inquires into narrative temporality by reinterpreting Genette, Marx and Simmel. This is in order to relate capitalistically-configured temporality with narrative time, in which, following Ricoeur, a circular transmitting of values is embedded; and a series of narrative performances thus takes place. Focusing on the ways in which the temporal operations of monetary capital are activated, I also articulate Gérard Genette's theory of narrative discourse, from which organisational and mediating features of time—in conjunction with events and actions—are illuminated under the schematisation of narrative.

This chapter proposes a notion of narrative economy as the strategy of the cultural economy for guiding and legitimatising financial reality. From the perspective of description and representation of information, narrative economy employs specific methods—such as narrative scattering and narrative juncture—thereby supporting the performativity of a new financial structure and its temporality as the rhythm of life. For financial narrators, financial crisis is the crucial point from which the distortion of speed and transgression of order can take place. It works to subvert the ‘abnormal’ temporality of crisis, and bestows on the system room for intervention, which allows it to revalorise the dominant rhythm. In this regard, a financial crisis is approached as a temporal disruption, against which the narrative temporal operation ceaselessly seeks to revalorise the rhythm for “intelligible time of futurity” (Lash et al., 1998: 3). By scattering narrative information at the time of crisis, financial narrative makes narrative junctures, through which the narrative economy articulates and proliferates its core intention as the legitimate narrative process. The narrative economy presupposes narrative knowledge as an objectifying and operational field, with regard to which I examine Lyotard’s observations as to the role of narrative in modern times. Actors participate in the weaving of narrative knowledge as a necessary condition of knowledge-production for narrative extension. This new way of activating legitimacy is suggested as the distinctive mechanism of the narrative economy.

Tracing the economic necessity of capital transformation, related to the emergence of the monetary system that enables the establishment of finance, Chapter 7 delves into the epistemology of monetary capital. Here I focus on the mediating and transformative function of monetary capital. Through an analysis of the development of capitalistic mediation and expansion, I suggest that the monetary form of capital is a form of cognition, associated with symbolic influences. The monetary form becomes an autonomous entity while being accumulated as financial capital. The banking culture as a legitimate regulatory activity and universal measure of mobilisation of individual money for the reserve of money capital, functions, according to Ernest Mandel, as a “mediating link in the process of cognition” (Mandel, 1981: 29). It gives legitimate access to the system, beyond the economic procedure, that reshapes individual and social relationships. This theoretical concern is related to how a specific financial strategy becomes social cognition, with which the economic process even attains a position in the socially symbolic episteme regulating cognition and subsequent actions. It is thus deeply involved in the actualisation and realisation of the dominant value by transforming social relations.

Reappraising the narrative economy as a social process of meaning construction, which controls the definition of market conditions on behalf of the financial architect, my conclusion, Chapter 8, reconsiders the cultural problem of distance in the making of economic subject. This is seen as an epistemological and cultural issue in the formation of subjectivity and objectivity under financial capitalism. In conjunction with the formation of the narrative field, and with its cultural implications, the concluding chapter proposes that the encoding of new value in the local, under financial capitalism, is made operational by the objectification effect. In relation to this the chapter probes Georg Simmel analysis to reveal how the object can eventually recognise itself while it simultaneously objectifies itself. A financial crisis, it is argued, functions as a primal event in distancing and measuring the distance between subjective and objective value. From this the uncertainty of the objective value is redefined and guided in order to structure a new problematic certainty of subjective value through the narrative intervention of the main players. This conditions the context of performance of the object, with its implication of the notion of the valuable. The process of subjection (subjectivation) is suggested as a process of creating the economic subject, for it motivates the object to voluntary performance, thus generating the subject effect. However, the performativity of the object is always restricted. As the chapter asserts, it is this restrictedness itself that is the condition of subjectivity for the object. With regard to the financial subject and restrictedness, the chapter examines the Brady Plan and its conditionalities. The Brady Plan is analysed, in order to illuminate the formation of pseudo-subjectivity, through which the Korean financial crisis can be read as an actual instance of the subsumption mechanism of the financial system. Here the formation of a new economic subjectivity of the object is revealed as a concrete example of subjection/subjectivation of the object. This takes place in the new, enhanced, yet all-subsuming imperial drive of contemporary financial capitalism.