Review

Portfolio society: On the capitalist mode of prediction

Ivan Ascher
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Ivan Ascher's fleet-footed volume portrays the contemporary world of financial markets as divided between 'those who are free to run a race and those who are free to bet on its outcome … between those whose lives keep placing them at risk and having thus to seek protection … and those whose position of relative security, by contrast, gives them the opportunity to take risks' (p. 124). This image of anxious racers and secure bettors is revelatory, for, as Ascher points out, the racetrack captures the relational aspects of financial capital better than does Keynes's famous image of the casino. The jockeys would not be racing 'if betting were forbidden' (p. 123). Likewise, the everyday borrower would not be living the American dream of a house and a car – on credit – were it not for the obscure financial instruments that make the sophisticated investors gobsmackingly rich. The financial shenanigans orchestrated eighty floors above Wall Street pervade and enclose the everyday marketplace in which, 'in order merely to engage in [the] exchange of commodities, customers and merchants now have to be evaluated as *borrowers*' (pp. 104–105).

After a brief preface, an introductory chapter sets the scene: 'for the first time since the Great Depression,… many of us in the Global North have finally become aware of the extraordinary – and terrifying – power of financial institutions' (p. 20). To contribute to 'a proper critique of contemporary finance and the society that lives under its spell' (p. 10), Ascher proposes to repeat Marx's analysis from *Capital*, but with a difference. Instead of beginning, as Marx does, with the commodity, and the fetishism that attaches to it, Ascher begins with the financial security, 'the "economic cell form" of our own societies' (p. 26).

Détournement is the procedure here. Ascher is not applying or extending Marx's analyses of nineteenth century capitalism. Nor is he criticizing Marx's analysis as out-of-date. Rather, Ascher lifts from Marx certain phrases or tropes or bits of analysis – the specter of communism, the monstrous collection of commodities, the hidden abode of production, etc. – and works a substitution, inserting a new word, or letter, so as to make Marx's text speak directly to our society, insofar as it is structured by investment portfolios. Hence, the capitalist mode of pr*o*duction becomes the subtitle's capitalist mode of pr*e*diction. These *détournements* are always provocative, and occasionally produce the electric conceptual short circuit that one associates with a profound pun or a surprising etymological connection.

Chapter Two, 'A Monstrous Collection of Securities,' interweaves a history of financial securities and modern financial theory with an analysis borrowed from Chapter One of *Capital*. Ascher argues that financial securities serve two very different purposes. First, they are 'use values' insofar as they allow the issuing company or municipality to engage in a particular project, while allowing the holder – the investor – to enjoy a given share of the returns (p. 36). However, increasingly, they also serve as 'hedges.' A hedge allows an investor to manage the risk of a primary investment by making an offsetting investment in an inversely correlated security. Hedging investments is a very old practice, but Ascher contends that this practice was put on a new footing by Fischer Black and Myron Scholes, who showed in 1973 that options could be priced scientifically. The Black–Scholes pricing formula made it possible for financial derivatives – options on other financial securities, rather than on commodities – to become a 'universal financial device' for hedging investments (p. 50).

On Ascher's telling, this involution of the securities market has given rise to a new form of fetishism, in which portfolios of investments have risk profiles – exposures to volatility – that seem autonomous and disconnected from the concrete projects, and the social relations, underlying those investments (pp. 50–62). Nonetheless, this 'computerized, high-frequency trading' does not hang in mid-air (p. 62). It depends, in the final analysis, on the fact that, in the nether regions of the portfolio society, countless corporations and consumers, homeowners and other borrowers, have mixed 'something of themselves in these paper bonds and credit card receipts' (p. 80). Hence, in Chapter Three, Ascher takes us 'Inside the Hidden Abode of Prediction,' where the history of the credit score is shown to be 'the key' that unlocks the workings of modern finance (p. 73). The credit score advertises the probability that any particular borrower will default, but, more importantly, it makes it possible to assess a lender's overall exposure to default risk. This, in turn, allows lenders to securitize their own risk, and, 'by virtue of holding a portfolio of securities, to borrow money on the financial markets more cheaply than [they] lent it' (p. 73). Given 'sufficient computer and database resources,' large investors can use modern portfolio theory to get rich virtually *ad infinitum*. Wealth accrues to those who possess a monopoly on 'the means of *prediction*' (p. 81).

But how did we arrive here, in a world where a few are able to exploit the credit extended to the many, and to turn the debts of these many into a new form of collateral for their own immense borrowings? Chapter Four, 'From Vagabond to Subprime,' answers this question by analogy to Marx's analysis of the 'primitive accumulation' of capital. Just as 'the sudden enclosure of the commons' created a population of vagabonds, who were then legally terrorized into undertaking factory labor, 'the end of Keynesianism and the demise of the welfare state' have amounted to 'an enclosure of the market itself,' in which new forms of insecurity forced people to rely upon new financial intermediaries, which recast people as loci of financial risk and investment opportunity (pp. 87–88). These are the developments that have delivered us into the world described in the concluding Chapter Five, the world of racetrack capitalism, in which most of us must race for our lives, while a few lend to us, while betting among themselves on our probability of default (p. 124).

The vivacity of its prose and the quickness of its wit cast *Portfolio Society* among the racers. Certainly that is where its author's sympathies lie, with the ordinary consumers and workers 'who are to varying degrees compelled to make promises' to banks and credit card companies, promises which are then 'made available to others for gambling purposes' (p. 78). Despite these sympathies, however, *Portfolio Society* is in one respect like the investors it dissects: Ascher hedges his investments. The ambition of his thesis, and of his call for 'a proper critique' (p. 10) of financial capitalism, is hedged by his profession that his is 'a modest contribution,' 'something of a thought experiment' (p. 24). He avers that 'our analysis must begin from a different starting point' (p. 26) than Marx's, but deflates this with the acknowledgment that 'it is probably best to recognize Wall Street's monstrosity … very much in keeping with the horrors that Marx himself described' (p. 23). Crucial passages throughout the book are suspended, mid-claim, by 'perhaps,' 'almost,' 'as if,' 'may,' 'might,' 'suggests,' 'appears,' and the like.

This hedging is less a strategy than an ambivalence. For instance, discussing the downfall of the welfare state, Ascher acknowledges that his 'idyllic portrait' of 'decommodified' life is accurate only 'perhaps for a privileged minority of white men with "traditional" families' (p. 91). Hence, insofar as there was a 'system of mutualizing of risks,' it did not make 'the system of exchange' 'available to all' (p. 92), but preserved the cash economy of low debt for a very few. Ascher is torn here between criticizing the new credit economy and acknowledging its egalitarian *bona fides*.

This ambivalence about the mid-century regime of mutualizing risk resonates with the odd suggestion, midway through the book, that the medieval priest's blessing 'represent[ed] a very real form of protection' for the serf, protection for which 'a proper contribution' was a fair expectation (p. 57). Ascher hedges again: he's just wondering, and relying on what 'historians tell us' about how medieval society 'imagined itself' (p. 57). But then he voices the same thought in relation to our racetrack society: if the racers need the bettors as much as the bettors need the racers, then aren't we all, 'from individuals and corporations to (ostensibly) sovereign countries,' also 'speculators or gamblers of a sort,' or 'investors in their own right' (p. 122)? Maybe it's mutuality all the way down and always.

These hedges betray the book's over-reliance on ideology – self-imaginings and self-justifications – in its portrayal of how portfolio society works. Even slaveholders imagined – or told themselves – that their peculiar institution benefitted owner and chattel alike, and that mutuality was the rule. Despite its lucid descriptions of finance theory and investment practice, *Portfolio society* never really cuts through the fog of self-promotion and self-aggrandizement to locate the power dynamics at work here. It remains at the level of *Ideologiekritik* uncertain about the social theoretical – and political – commitments that would give its contribution to the critique of finance their proper standing and force.

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