Everyday futures: the foundation of financial market stability in the performative social present

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Abstract
This article argues that financial market stability ultimately rests on the performative realization of specific futures extrapolated and priced in by financial markets. It is a theoretical argument organized in two sections. The first section recounts the conventional explanation of how the prices of stocks, bonds and derivatives move in accordance with forecasts of the future, and how this financial future relates to everyday life. In the second section, Judith Butler's concept of performativity is used to show how these projected futures become norms that regulate and produce everyday agency. The concluding section discusses how everyday life and politics secure financial market stability through disciplined reiteration of the norms and discourses inherent in financial forecasting and pricing. The main theoretical contribution of the article is an explanation of how the financial future influences everyday life and agency in the present, which adds to our understanding of the influence of global financial markets on everyday life.

Keywords financial stability, performativity, everyday life, futurity

1. Introduction

The mundane economic development of everyday life has proven able to make big and credible private financial actors such as Lehman Brothers crash and burn. The esoteric world of finance in 2008 shook in its foundation by the inability of cleaners and cab drivers to service their mortgages, and all instruments secured against the future cash-flow from these subprime borrowers shook as the cash-flows from them proved to be thinner than anticipated and/or gambled for. While there has been much research and debate over exactly how irrational market actors were in doling out and securitizing subprime loans and mortgages, interest is also growing for the essential link between everyday life and financial markets. Seabrooke's 2007 article on how global financial legitimacy is founded in everyday social realms of the US was important here. In 2010 Seabrooke took the analysis further arguing that financial institutional change becomes possible and gets its contingent form largely from the “everyday politics of expectations”. Without popular acceptance for financial reform in everyday life, the politics of everyday life will make financial reform hard or impossible regardless of how rich or strong the reformers (and their lobbyists) are (ibid.). There is also a series of writings dealing with how financial interaction weaves deeper into everyday life in modern society, changing both interaction as such, as well as social discourse and norms (Gill 1997, Langley 2008 and others). Ronen Palan (2014) uses John R. Commons concept “futurity” to elucidate how an increasing orientation of the economy towards the future increases the instability of financial markets, when an increasing amount of financial values rest on intangibles such as “goodwill”, and on “current payments” (of interest, for instance) to sustain the fiction of future earnings (Palan, 2014, p12). Palan’s critical conclusion is that we

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have entered “a world of nominal value” (2014, p16). Correct as this is, the relations between the social present and a financial future is not only a matter of substance on financial markets as such, but also a disciplining and exploitative mechanism which operates on how people live their everyday lives.

In this paper I aim to show that all financial valuation ultimately rests on a foundation of future everyday life, as projected and discursively formed in the interplay between financial market actors and social subjects. It is the continuous affirmation or rejection of these projections, by economic activities in everyday life, that ultimately determines price movements on, and hence the stability of, financial markets. Of vital importance then, becomes the nature, direction, content and form of the everyday activities to which financial instruments relate.

The text is structured in three sections. The first provides an explanation of how the prices of equity, bonds, and derivatives move in accordance with projections of economic everyday life into the future. Second, Judith Butler’s performativity concept is used to show how these projected futures create and uphold norms that regulate and produce everyday agency. The third section explores the social effect of these norms, and how they breed contingent forms of performative materialization in the social present of financial extrapolations, so as to secure and uphold values formed in financial projections of the future.

2. The future and its pricing

It is almost trivial to state that financial values are based on more or less rational speculation about future activities of firms, countries, borrowers and the like. But for the clarity of argument I will start with an account of some of the obvious instances of how the future provides the basis for financial valuation.

2.1. Financial instruments

The instrument that most obviously is priced according to a projected future is shares. My old economics 101 textbook states: “The price of a share is determined by current expectations of the future dividends of the firm” (Parkin and King, 1992 p.414). When calculating if the price of a share is right, the most common measure is the Price-earnings ratio, calculated as the price of the share divided by the expected yearly profits per share of the firm. When market actors agree a firm has a bright future, buyers pay a high share price because they expect profits to rise, and when profits are expected to fall buyers are willing to pay less. Expectations are formed on the basis of recent history of the firm and indications in the fundamentals (such as productivity changes, market share developments, product development, etc.) serve as the basis for forming (more or less rational) expectations of future achievements and profits. Over time then, the activities of the firm – i.e. what workers and management in the firm will be able to achieve – make the price either follow or digress from the expected price curve. Hence, the everyday economic life of the firm is what ultimately determines if the extrapolations of the stock-market were correct or not, and the job of managers is to make the workers make the firm live up to these expectations. On 17 February 2016, in relation to a rebound in stock prices, Bloomberg reported that “…investors are scrutinizing data for signs of any damping in growth. A report today showed new-home construction unexpectedly cooled in January, while a separate gauge showed a surprise increase in wholesale prices last month as higher food costs more than made up for the plunge in energy. Another measure said manufacturing
output rose in January by the most since July 2015, a sign the industry was starting to stabilize at the beginning of the year.” (Bloomberg Business, 17 February 2016) This quote shows that the stability of the new share price level was still to be determined by reference to data indicating the future trajectory of the US real economy, and financial prices move as this information influences the extrapolations. Reporting, hence, never establishes what the correct share price actually is, but what rational expectations the market price might rest on at the moment.2

On the level of individual shares and companies, the efforts among listed companies to be shareholder friendly, produce quarterly reports that affirms that the firm is on track to meet expectations, employing investor relations officers, as well as regular CEO meetings with large owners are activities relaying information about the firm's substantial activities and prospects to the financial market at large, and the stock market especially. Feeding this information to the markets and owners is an instrument by help of which management substantiates stock values, or in other words: by telling the story of everyday life in the firm to owners, traders and rating firms, management makes the future unfold to the market. For prices to rise or stay stable, this unfolding of the future must confirm the expectations on which speculative trades, investments and ratings were made. A high stock value must continuously be substantiated with (stories about) increasing productivity, growing market share, increasing profitability, and similar things indicating a profitable future. Those working in the corporation are the ones whose activities shall make all this come real, which means that stock market speculation, however esoteric and detached from productive reality, puts a pressure on everyone in a corporation to meet expectations.

Investing in debt, such as bonds or mortgages or other securities, is to establish a claim on the future income and resources of the borrower. The borrower can be a corporation, a state or a physical person, and an ordered idea about the future of the borrower must be established, and the borrower must be deemed creditworthy to establish trust for a borrower. The dominating process for this as regards government bonds is rating, under which (for instance) a country gets scrutinized thoroughly and phenomena like inflation, trade, productivity, popular level of education, official budget balance and many more, are evaluated with economistic tools (Sinclair 2008) to determine how these phenomena affect the probability that the borrower will or won’t be able to service his/her liabilities. Based on the assets and previous behavior of the borrower, the risk of the borrower defaulting on the loan in the future is established. This risk, then, is what determines the level of the interest rate. While the existence of interest as such is best understood as compensation for the lender’s opportunity cost, risk is what determines how high the interest rate should be. If the risk is high there is a potentially very high opportunity cost, if the risk is low the potential opportunity

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2 A large part of the trades on the stock-market are made on the basis of technical analysis, by robots or human “chartists” analyzing market actors’ valuations (rather than by “fundamentalists” analyzing fundamentals), which means that expectations of future price movements are formed on the basis of previous price movements. A rule of thumb is that fundamental analysis tells you what to buy, and technical analysis tells you when to buy it. Here it is important to note that technical analysis was developed on the supposition that one chartist is outsmarting a larger number of fundamentalists by interpreting how price curve movements are formed by traders operating with slow analysis of fundamentals. Traders who work the stock-market for quick profits rather than long term investment typically use technical analysis. This has led many writers and researchers to talk about the stock-market as a self-referring system operating detached from reality only on its own discursive theoretical institutional basis (e.g. Esposito 2012, Soros 2014) and if we analyze only speculative trading this might be the case, but we should not forget that this “smart money” is operating as if turnover primarily was driven by “dumb” fundamental analysis and its related trading by portfolio managers and long term investors.
cost is low. Establishing the level of risk is the equivalent of establishing the economic status of the individual or entity being rated, and also charting out the future trajectory of the activities on which the credibility and creditworthiness of the borrower will rest during the life-span of the debt. When a loan has been arranged it becomes an asset for the lender, the value of which is determined by the borrower’s future performance, and the debt relationship charts a future that must be realized if the creditor shall get his/her money back. Even though this future does not necessarily unfold as planned, and a certain proportion of borrowers always default on their debts (Graeber, 2011), those involved must act as if this future will indeed materialize, for the debt/asset to retain its value.

A derivative (such as stock options) is an instrument which gives the owner the right to do some trade in specified financial resources during a specified time in the future at a price agreed on today. They are used to handle risk in, or to bet on, referent financial instruments. Once a certain level of future risk or profitability has been determined for an investment, market actors use derivatives to handle digressions from or changes in this projected future, either to insure against losses from digressions and changes, or to profit from those, or both. Hence, derivatives are instruments construed to mitigate, or speculate on, uncertainty and risk in the unknown but extrapolated future on which financial values are formed.

Looking at the textbook explanations of ordinary financial instruments, it is clear that their construction and valuation stand on the basis of an extrapolated future. The institutional order around financial markets reflects this, and integrates credit ratings and market projections (e.g. Libor) as ordering mechanisms so as to establish a common system of coordinates for market actors to work within. This is by no means a socially or politically neutral ordering; Seabrook (2010) points at multiple everyday resistances to these ordering mechanisms and the interaction between markets, regulators and ordinary people and terms this dynamic a ‘politics of expectations’. While the latest crisis of 2008-10 has indeed evoked and spurred the articulation of many issues and conflicts within this political realm, I will ignore these for now to the benefit of an ontological argument about how the prerequisites for this political dynamic is continuously (re-)established and reiterated.

3. Performative realization of the financial future

I take Judith Butler's performativity conceptualization as the starting point for my argument. In her famous introduction to *Bodies that Matter* (1993) she sketches a constructivist ontology on gender, sex, power and subjectivity, which is fruitful not only for analysis of gender, discourse and hegemonic heterosexuality, but is also an ontological theory of how society works. In the following I apply this theory to an analysis of how financial discourse materializes socially. For the sake of theoretical clarity I follow the same five epistemological steps as Butler does, when she writes:

“At stake in such a reformulation of the materiality of bodies will be the following: (1) the recasting of the matter of bodies as the effect of a dynamic of power, such that the matter of bodies will be indissociable from the regulatory norms that govern their materialization and the signification of those material effects; (2) the understanding of performativity not as the act by which a subject brings into being what she/he names, but rather, as that reiterative power of discourse to produce the phenomena that it regulates
and constrains; (3) the construal of ‘sex’ no longer as a bodily given on which the construct of gender is artificially imposed, but as a cultural norm which governs the materialization of bodies; (4) a rethinking of the process by which a bodily norm is assumed, appropriated, taken on as not, strictly speaking, undergone by a subject, but rather that the subject, the speaking ‘I’, is formed by virtue of this process of assuming a sex; and (5) a linking of this process of ‘assuming’ a sex with the question of identification, and with the discursive means by which the heterosexual imperative enables certain sexed identifications and forecloses and/or disavows other identifications” (ibid, p. 2f, emphasis in original).

I use this as framework to clarify how financial extrapolations shape the material social present. Although this present is strongly influenced by gender dynamics, I cast the framework wider, when going through the different stages of analysis. It is not my intention or purpose to de-gender Butler’s framework, nor to neutralize its political consequences. But in order to make it fruitful for the specific purposes of this text, I go through each step rephrasing Butler to make the framework fit an analysis of how financial market values rest on performative dynamics of everyday life.

Concerning the first step, my rephrasing of Butler is “the recasting of the material present as the effect of power, such that the material present will be indissociable from the financial projections that govern its materialization and the signification of its material effects.” Langley (2008) has shown how everyday life is increasingly tied to financial markets, so that consumption and economic agency today becomes intertwined with financial actors. In everyday life credit cards and consumer credit has become a prevalent means of payment. This means that for ordinary life to function people have to link up to the technological grid of the financial market. At the center of this technological grid operates the behemoths of Wall Street and City of London, and in its capillaries everyday life is functioning by using its facilities. In order to be allowed onto the grid, get a credit card or negotiate a consumer credit, people have to conform to the statistical features signifying creditworthiness (Morran, 2006). This old regulatory norm is prevalent all over the globe (Gill, 1997), what has happened with digitalization is that it has become more formative for who is allowed onto the grid and who is not. The signification of certain economic acts and features as more appropriate than others, and other acts and features as more indicative of risk, reaches deeper into everyday life. Today we see unwillingness among many actors to accept cash as everyday payment. Apart from cost-effectiveness, this unwillingness invokes statistical risk calculation that hides structural social mechanisms producing certain features (Morran, ibid). Booking a hotel room becomes almost impossible without a credit card number to state in the booking. Depositing cash in a bank account becomes harder. Economic interaction in the social material present in this way becomes indissociable from the financial extrapolations, partly because of the technological interdependence of financial market and ordinary economic interaction, and partly because everyday extrapolations are influenced by, and formed in accordance with, financial market projections.

There is no need to rephrase Butler’s second step, which is “the understanding of performativity not as the act by which a subject brings into being what she/he names, but, rather, as the reiterative power of discourse to produce the phenomena that it regulates and constrains.” Within International Political Economy this is an ongoing discussion. Callon (1998) has shown how economic theory is productive in creating new economic markets, and
changing existing ones. Not least within the financial sector, new theory, and new ways to interpret risk for example, produce new instruments and new forms of interaction, such as when Black and Scholes provided the maths and models for options (MacKenzie, 2006). For ordinary everyday markets, Karl Polanyi and his followers holds a similar view on markets as always politically constructed in accordance with formal and informal institutions, and the resulting market construction brings about its own discursively specific form of economic interaction. Butler herself (2010) refers to Polanyi when discussing economic performativity. Lucarelli (2010) observes how this structure orders interaction bio-politically. In this framework it means that disciplined behavior brings about a market in concord with the imperative of the institutional framework resulting from successful political decision making and power struggles. A well-known example of this dynamic is how subsidized home ownership was constructed around Freddie Mac and Fannie Mae in the US, which fomented the housing bubble in the early 2000s. Along Seabrooke's (2010) line of reasoning, legitimacy for this political move was based in American everyday life and culture, where owning your own house and property is a vital component of the American dream. Buying a house under these auspices was not just a reiteration of the American dream, but simultaneously a reiteration of a discursive move in the financial market regulation towards a more supportive view of private, everyday debt. With the scrapping of the Glass-Steagal act in 1999, this debt was made a business banking asset, and securitization transformed these future money streams into cash in the financial present. Large portions of his cash were then siphoned back into mortgages, furthering a debt financed everyday reiteration of (the discourse of) the American dream together with a projection of increased mortgage incomes to the financial industry, in Europe as well as in the Americas.

Butler's third step reads, “the construal of ‘sex’ no longer as a bodily given on which the construct of gender is artificially imposed, but as a cultural norm which governs the materialization of bodies” (Butler 1993 p2f), and calls for more thorough rephrasing. If we replace ‘sex’ with “market value”, bodily with “materially”, gender with “financial projections”, and bodies with “the material present”, we get: “The construal of ‘market value’ no longer as a material given on which the construc of financial projections is artificially imposed, but as a cultural norm which governs the materialization of the social present”. The most obvious cultural normative force influencing financial projections is again the rating process. While the rating firms like to present themselves as selling objective and scientific evaluations of economic actors such as banks or nation-states, Sinclair (2008) has shown that in the analytical rating process lies embedded the neoliberal discourse and its norms as an ontological foundation. The effect of this tacit norm guiding the rating process is that the credit score becomes a signal of discursive compliance and discipline of the one being rated. An AAA rating not only means that you are a risk free borrower, it also means that you have become risk free by adhering to and heeding the norms of dominant economic theory and financial discourse. When potential creditors consider where to invest their money they look at credit ratings to determine the risk of the debtor defaulting in the future. Borrowers that want cheap money have to comply to the normative content of economic theory and financial discourse in order to attract this money. This becomes a strong normative force, regulating how a state or a firm behaves. As regards shares, complying with the norm of (potential) owners is a similar disciplining force, and here too rating agencies supply signal scores to the market. Tett (2009), Lewis (2011), Hasselström (2003) and others have shown that in the social environment on financial markets reigns a culture where these norms are treated as facts of life not to be questioned. Especially the disciplinary buy/sell mechanism operates along these normative lines. Financial extrapolations, hence, become governing cultural
norms regulating and materializing the social present in its contingent form, by making actors subjected to (and in) these extrapolations behave in accordance with them.

The subjects performing this materialization do not accept the norms primarily through willful, intentional (speech) acts. In the fourth step Butler writes: “a rethinking of the process by which a bodily norm is assumed, appropriated, taken on as not, strictly speaking, undergone by a subject, but rather that the subject, the speaking ‘I’, is formed by virtue of this process of assuming a sex” (Butler, 1993 p.2f). A recasting of this ontological statement into economic terms will read approximately: “a rethinking of the process by which a financial norm is assumed, appropriated, taken on as not, strictly speaking, undergone by a subject, but rather that the subject, the speaking ‘I’ is formed by virtue of this process of assuming economic agency.” Applying this ontology to the relation between everyday life and financial markets, we see that everyday life is populated by actors whose agency and subjectivity is built to fit, or at least be compatible with, the normative structure of financial extrapolations. The access to, and use of, credit cards, mortgages, consumer credit, etc. depend on the individuals’ credit reports (Morran, 2006), which means that being a good and trustworthy economic agent depends on how (the rating in) this report expresses your compliance to the norm. Of importance here is that this compliance forms the economic subject, both in the eye of prospective creditors and the perception of self (Langley, 2008). When this subject acts s/he materializes both the self and the discourse as a corollary to his/her economic engagement with and within the social material present. You get economic power and agency from access to assets, the values of which are based in the financial future. When you exercise this economic agency in the social present, your subjectivity come to depend on what relation you have been able and allowed to develop with this future, and with actors controlling the values therein.

In Butler’s fifth step, we return to discipline and biopower. My rewriting of Butler reads: “a linking of this process of ‘assuming’ (not a ‘a sex’ but) economic agency with the question of identification, and with the discursive means by which (not the heterosexual but) the (neo-) liberal imperative enables certain (not sexed but) economic identifications and forecloses and/or disavows other identifications”. What becomes important here is not just the Foucaultian definition of the subject as disciplined by norms, but more the continuous process of identification as a necessary condition for the existence of the economic subject. The (neo-) liberal imperative is productive for this process since it “forecloses and/or disavows” identifications that are not in concord with its norms and discourse. Being a normal economic subject means then to reproduce oneself through actions which reiterates the discourse, and the disciplinary power of discourse is not (only) something which one is subjected to as an ulterior force, but also something that one engages in as a continuous self-constructing identificatory process. The collective effect of individual economic agency within this power circuit produces a contingent social material present, which in its turn becomes the place in which subjects shall exist and interact. In the Psychic Life of Power, Butler (1997) writes that “subjection exploits the desire for existence” referring back to Freud to make clear that the need for one another makes us adjust to the norms and discourse of the other, on whom we depend for exercising our subjectivity even if this means that we become subaltern to others. In the economic terms of this text, we need to interact with banks and other financial actors in order to find a life and a place to live, and therefore must accept the power that these actors get over our habitation and habituation; we need to connect to the financial grid in order to be able to transfer funds from one cellphone to the other; we need to have bank accounts and credit cards to be able to make these person-to-person or person-to-business transfers; we
need to accept undergoing continuous normative evaluation when exercising our economic agency.

These five steps of performativity operates as processes along a timeline from the financial future to the social present: the process of discourse materializing in the social present, the process of discourse producing what it regulates, the process of norms governing economic agency, the process of conditioned subjectivation, and the process of identification under a certain imperative. The political and institutional control of the social and material present, is control over the direction of these processes, and their flowing between the present and the future in concord with economic discourse and norms. To achieve financial stability then, is to exercise political control over the social present in order to secure the reiteration of a disciplined economic agency that keeps on materializing the future extrapolated and priced in by the financial markets. As Butler (2011) writes, performativity is never completely determined by discourse, and just as her production of “sex” and the specific materialization of sexual identity in sexed bodies might produce something different from the heterosexual imperative, economic interaction might materialize something different than the discursive and normative (neo-)liberal imperative.

4. Conclusion

The normative discipline demanded of everyday economic agency is not new, all financial relations to everyday life has always been informed by norms exerted from the creditor onto the borrower. The form that this discipline takes changes with institutional changes, but to make this future happen economic agency in everyday life must materialize it, regardless of the institutional form of the disciplinary power. If we accept the above rewriting of Butler’s performativity, then this is achieved through social performative processes, in which financial values and norm-abidance are governed by contingent disciplinary mechanisms, within historically specific normative coordinates. The social present get coordinates for interaction demanding of a normal subject that s/he not only understands and conforms to these coordinates, but that s/he also reproduces his/her economic agency and identification so that s/he can convincingly reiterate the financial discourse in the social present. Institutional adjustment for increased financial stability might appear to affect primarily big private financial actors, but it translates into new normative demands on actors in everyday life. Seabrooke (2010) shows how this provokes a “politics of expectations”, and based on the above I argue that it also translates into changes in the social present. The “financialization of everyday life” (Langley, 2008), and “disciplinary neoliberalism” (Gill, 1997) are not only political processes socially deepening and extending the market imperative, they are also – perhaps even more – producers of the norm complying economic agency that create financial stability through a continuous performative reiteration of the discursive imperative in financial interaction and institutionalization.

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