

“Financial Entropy: The Struggle Within and Against Empire”¹

Christian Marazzi

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The Context

South Korea G-20 Sets the Context

Christian Marazzi began his presentation by first discussing the context for the talk. For him, the recent G20 meeting in Seoul, South Korea is absolutely essential for understanding the friction between global capitalism’s aspirations and its realization.

As Marazzi said, it was the “most important summit, to the extent that they tried to create an accord/agreement to rebalance the world economy”. The world economy, according to him, is in a critical situation that could spark a trade war over national currencies at any moment. More specifically, the national currencies could be characterized by deep imbalances between deficit and non-deficit countries, the same imbalances that contributed to the financial ‘explosion’ in 2008.

So what was the result of Seoul? Nothing. Failure. As far as the U.S. perspective is concerned, China came out the winners. And as a result, Marazzi argued that the U.S. has therefore lost any chance for an industrial recovery and has no hope getting rid of its dependence on Asian imports. In short, a dynamic of asymmetry that shows that there is no current solution to the world crisis.

Empire is Ungovernable

Marazzi then argued that the difficulty of finding a form of government on the global level is the consequence of the overcoming of a specific international relationship (“let’s call it imperialistic”) with a strong center able to dominate the peripheral countries. Spatially, in the last 10 years, we’ve seen a shift to a number of countries from a global center (U.S.) to other countries, the proliferation of poles of regions, sites of capitalist accumulation that constitute a real problem as a result of government.

The result? A crisis of formal empire and the complete risk of de-globalization.

One example is the consistent pinning of global capital on the IMF/World Bank. Marazzi argued that while they were the two main agencies embedded in the last 40 years, weight started disappearing in 2000. So for him, what we have been seeing in the last 20 years is the weakening of supra-national institutions and the strengthening of the financial markets.

¹ Presented November 18, 2010 at “Empire: A Retrospective”, The University of Pittsburgh. Marazzi did not present the paper he had submitted to the conference. He did not present an alternative title, however.

So there is something missing in empire, which is why they couldn't anticipate the crisis. Therefore, financialization and its failures of realization mark a limit of empire.

A Tension to Empire

Marazzi then suggested that we should understand Empire as a tension between capital's aspirations and what has actually happened. Its aspirations: to have a global market, to act like an empire (without borders, without barriers, without institutional friction). What has actually happened in the last 30 years: the transformation in the 'real economy', the transformation from Fordism to Post-Fordism, and the process of financialization.

The First Point: The Colonization of Spheres of Life

The Intuition of the 70's

The innovations of the 70s that mark key conceptual innovations are crucial for understanding the transition of the 80s. The key is its ability to conceptualize the shift in cycles of struggle from Fordism (the 1930s-mid 70s or so) to Post-Fordism. Marazzi noted that the quote he always uses is from a Financial Time editorial that noted "we have to capitalize on the revolution!" – the revolution it is referring to is the cultural/counter-cultural revolution on the 60s, of course. So what is Post-Fordism? It is a manipulation. It is a process that puts our desires and aspirations to work! (at many levels: the factory and beyond)

Key characteristics of the transition Marazzi noted:

- Beyond Schumacher's "Small Is Beautiful"
- Beyond the wage relationship
 - In fact, from the capitalist point of view, the shift to post-Fordism is an experiment in *breaking* key aspects of the wage relationship:
 - Creating precarious labor
 - Casual/contract labor
 - [AC: If we consider the 'grand compromise' of Fordism whereby labor agrees to be less antagonistic in return for a larger piece of the pie as a sort of 'productivist bargain', then post-Fordism is an attempt to extend the productivism while simultaneously breaking the compromise.]

In more general terms: post-Fordism is everything that is now considered 'flexible'.

'Capital and Language'

The key motor that facilitated the shift away from the Fordist 'grand compromise' was *the internationalization of communication into the production process*.² Echoing Deleuze and

² This follows from a popular conceptualization of contemporary capitalism as 'cognitive capitalism' or 'communicative capitalism' which is a general thesis that runs throughout Marazzi's work, but in his English-translated work is most developed in *Capital and Language*.

Guattari's 'capitalist as capture', Marazzi noted that "in '68 we wanted access to language." But the subsequent capture of language transformed it into a form of capitalism (social capital, neo-liberal human capital, etc.). Marazzi then gestured to the computer on the podium and said, "And is a computer anything but a linguistic machine?" To make a slogan out of it, language today is 'language put to work' and therefore Marazzi's name for the post-Fordist revolution 'the linguistic turn of the economy.'

So what does the linguistic turn mean? Marazzi first described the origin of this turn in historical terms. It started in the 80s with restructuring, where the basis of capital accumulation is displaced from the factory to its outside. Capital's object becomes the colonization of spaces of life. "What else is outsourcing, etc etc?" he noted. The general process is an externalization of segments of production. This is more than just de-localization, at the same time it is putting life to work. Language then becomes an instrument of production. And the separation between production and re-production withers away. [AC: I found this to be a provocative idea but underdeveloped. Was it simply that public/private are being blurred, or was the colonization of everyday life de-potentiating the virtual potential of other ways of life?] Marazzi then used the example of working at home, in bed, in the private sphere.

In Summary, and Extension

Marazzi then characterized this whole part of the talk: "The first point: the revolution by capital that started with Thatcher/Reaganism was: i) a political economic framework for real transformation through ii) the colonization of the spheres of life." The follow-up was connecting this thesis to the general theme of the conference, Empire.

What is Empire? Peace. Or at least on the micro-level. It's a projection of the colonization/valorization process of the spheres of life. It is here that Marazzi described what those spheres of life and what capital captured from them: all of the processes that connect us. For example: language, interaction, subjectivity. "Those things that characterize us as human." Just making quick mention of the common, the "virgin land" as Rosa Luxemburg called it in *The Accumulation of Capital*, is what capitalism tries to interiorize. Something that pre-existed Empire but is now the target of its new mode of accumulation.

The Second Point: Finance

"Financialization is the monetary process accompanying the restructuring/transformation in terms of post-Fordist modes of production." noted Marazzi. "I say this with emphasis."

[He then began a quick review of the economic situation. He went quick enough through the field-contextual terminology I missed some of it. Hopefully I'm able to reconstruct the whole picture.]

Rate of Profit

The total rate of profit has stagnated, but we've seen a critical divergence (or bifurcation) in the rate of profit since the 80s. There are two key divergences (on average, controlling for oscillations because capital routinely fluctuates): first, the rate of accumulation in Western countries has declined while in Asian countries (China in particular) it has gone up; second, the rate of profit from constant capital has gone down but variable capital has gone up. [For those of you less familiar with the Marxist terms: constant capital – machines, tools; variable capital – labor, productivity/wages.]

'The Transformation Problem' → "The Becoming-Rent of Capitalism"

"We know that one of the key questions for Marxists is: how do you convert surplus value into profits?" This is 'the transformation problem' that challenged Marxists for the 20th Century. According to Marazzi, it has been an especially prominent problem for the last 30 years. Surplus value couldn't be converted to profit simply through wages. Why? Because real wages have fallen since the 70s. So what has displaced it? The financialization process, in particular, financial rents – the transformation of profits into rent. So one might call this process the "becoming-rent of capitalism." More precisely: the stagnation of wages is compensated by private indebtedness.

There Is Not Fake Economy

Marazzi wanted to emphasize that he *strongly disagrees with the dichotomy between a real/fictitious economy*. His disagreement is over a lot of Orthodox Marxist interpretations, especially after the recent financial crisis. The Orthodox account is that there is a 'real' economy (industrial production?) and that finance is a distraction (a 'fictitious' machine that makes money out of money).

He editorially noted that, "it's not that I'm a fan of finance, but we need to understand it in order to speak about struggle!" For instance, some of his Orthodox Marxist friends take an approach that mirrors Keynes. "We need to reinvest money in the real economy" they say. But for Marazzi, the way to get out of the crisis is not to redirect it. It is not possible to reform capitalism (and get it back on track toward a 'real economy').

Rather, we need to understand financialization as the "colonization of the commons." It is an appropriation of a value freely produced in the sphere of reproduction/circulation. This implies that the organic composition of capital [AC: more specifically, the variable capital side of the organic composition, also called "living labor"] is different and specialized. This is where the workerist conception of the 'social factory' can then be applied to the urban space ("urban space functions like a diffuse factory") and consumerism (as a new form of capitalist accumulation).

So in summary to rebut his Orthodox 'productivist' Marxist friends, Marazzi noted: The crisis is not because there has been no accumulation of capital but that there has been a growth with capital accumulation. The problem is that there has been no recognition of new forms of valorization, which happen in the sphere of circulation and reproduction.

All Crises Are Overproduction Crises (and, The Overproduction of The Common)

Marazzi emphasized the critical aspects of Marx's critique of political economy as still relative today. In particular, the fact that *all crises are overproduction crises*. The challenge is: how do we define what has been overproduced today?

What has been overproduced is the common. The common, to the extent that the common encapsulates 'common rights' (American Dream of homeownership, etc), has been overproduced. This is what started the debt economy (he makes a quick swipe at Neo-Keynesian darling Hyman Minsky). So his interpretation of the recent crisis: it's not an overproduction of wealth but the common. And this crisis will deepen to the extent to which the common is monetized, cut, and privatized.