THE BIOPOLITICS OF TRANSACTIONAL CAPITALISM

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By the spring of 2010, major newspapers, periodicals, and investment websites in the U.S. were calling the end of the recession. Stock and bond markets “flirted with milestones,” unemployment stabilized, the service sector expanded, and manufacturing increased. “Recovery,” it seemed, was imminent. This essay examines the biopolitics of recovery in the wake of the disaster capitalism of the financial meltdown. The financial disaster, it is argued, enabled the types of structural adjustments previously reserved for developing economies. The implications for western populations have yet to be fully examined; however, it is clear that twentieth century social-welfare biopolitics that derived wealth from laboring populaces have been replaced by new forms of power whose global circulations and convergences in electronic exchanges exploit wealth informatically, through devices such as derivatives and mediated technologies such as high-frequency trading. Labor’s displacement as an important source of capital accumulation within western economies problematizes the telos of twentieth century Keynesian social-welfare biopolitics, which sought to enhance and regulate the biovitalities of national populations.

This essay argues that the convergence of power in financial services and entities, coupled with the informatic codification and circulation of wealth, have ominous implications for western biopolitical relations. Stripped of surplus value within economic calculi, the lives of the populace are transformed into liabilities as their resource consumption and effluents threaten the biosphere. Thus, aggregate consumption is now linked to depleted water tables, dwindling arable lands, and proliferating greenhouse gasses. Yet, efforts were made to transform even these threats into digitalized representations enabling

1 Biopolitics, according to Foucault (1990, 2008) concerns a politics aimed at regulating and governing the life forces of a population. Twentieth century liberal, social-welfare biopolitics aimed to enhance the biovitalities of the populace through the expansion of government sponsored social-welfare programs (such as free lunch programs and Head Start for low-income children) and through a Keynesian economic orientation that linked social welfare with economic stability. Neoliberal biopolitics, in contrast, attempt to de-collectivize risk, thereby shifting responsibilities for health and personal welfare away from collective apparatuses (e.g., public health programs) to responsibilized individuals (see Nadesan, 2008).
wealth accumulation. In concluding, this essay examines how carbon derivatives trading was used to expropriate wealth from a thanatopolitics of destruction.²

This essay develops these arguments by examining first the discourse and counter-discourses of recovery that have circulated in the U.S. news media across the last two years. The article then contextualizes the rationale for the counter-discourse of a non-recovery within the emergence of new forms for the creation, accumulation, and storage of wealth outside the circuits of manufacturing production. The argument will be made that the rise of computer-mediated and circulatory “transactional capitalism” has marginalized the interests and infrastructures of both workers and industrial capitalism in western nations (Keiser, 2010b, 2010c). Transactional, “virtual” capitalism has little need for the labor power of the developed world because wealth is generated from the sales transactions of computer-generated informatic products on global, electronic, financial exchanges, such as the New York Stock Exchange (NYSE).

The risk-seeking opportunism of this type of capitalism produced the financial crisis that rocked the world in 2008. However, this crisis and the subsequent economic recession have not led to the displacement of this accumulation regime; rather, the crisis enabled transactional capitalists to transfer risk and debt from private firms and corporations to governments. Accordingly, Prins and Ugrin (2010) contend that the value of the U.S. bailout to financial firms and government insurers of the financial system (e.g., FDIC) now totals $10.4 trillion. The transfer of private losses to government balance sheets has coincided with public sector structural adjustment and austerity in economically advanced western nations. In effect, advanced western economies are now being subject to the very same type of economic reforms previously mandated for developing nations by the International Monetary Fund and World Banks. The structural adjustment programs required for lending by these entities dictated privatization, liberalization, and dismantling of government

² Derivatives are contracts, such as a futures contract, derived from some underlying security, such as a bond. Forwards and options are derivatives, deriving “their value from the value of another asset that varies in price” (Gelderblom & Jonker, 2005, p. 191). A forward contract might specify future delivery of a fixed quantity of an asset for a fixed price. A futures contract derives from a forward contract when original contractors sell their contract, rendering it a tradable asset (ibid). Options, in contrast, provide a “right” to “buy (call options)” or “sell (put options)” but not an obligation during a set period at pre-specified price (p. 191). The buy/sell price for options is typically a fraction of the asset’s underlying price. Options provide a form of insurance against price changes without forced commitments to buy or sell (Gelderblom & Jonkers, 2005).
spending for public welfare. Now, these same types of reforms are being enacted willingly by developed economies through drastic cuts to their educational and social-welfare apparatuses. Although austerity measures compromise the capacity of western populations to accumulate more debt by shifting risk (and costs) to individuals, transactional capitalism found new terrain to colonize in order to extract and accumulate value. This essay argues that spectacles of climate change wrought disasters presented transactional capitalists new opportunities for accumulating wealth from a future necropolitics of destruction.

Recovery?

On April 19, 2010 Newsweek magazine proclaimed in its cover story that “America is back,” supported by an article titled: “The Comeback Country: How America Pulled Itself Back From the Brink—and Why It’s Destined To Stay On Top” (Gross, 2010). The news media explained economic recovery using terms such as “gaining” and “accelerating” as illustrated here: “The American economy appears to be in a cyclical recovery that is gaining strength. Firms have begun to hire and consumer spending seems to be accelerating” (Norris, 2010). “The recession is over,” wrote Jeffrey Frankel of Harvard University, whose research contributes to the National Bureau of Economic Research. Stock and bond markets “flirted with milestones on Monday, as the outlook for economic growth brightened following a string of reports showing signs of a pickup in the labor market, service sector and housing” (Gongloff, 2010, p. A1). However, a closer look at the recovery data suggests recovery is not widespread across economic sectors, but rather is concentrated in the profits of the financial sector: Stephanie Pomboy of MacroMavens, an investment guidance firm, observed that although 2009 third-quarter U.S. corporate profits were up by $109 billion, 90 percent of that growth came from the financial sector (Wheatcroft, 2009). In the second quarter of 2010, The New York Times reported that cost-cutting—particularly by eliminating labor—alone explained most corporate asset expansion (Schwartz, 2010). More pessimistically, a variety of observers representing the vast continuum of political orientations have concluded that there can be no recovery.

In January of 2010 the U.K. Telegraph ran an article by Ambrose Evans-Pritchard, titled, “America Slides Deeper into Depression as Wall Street Revels: December was the Worst Month for U.S. Unemployment since the Great Recession Began.” This headline captures the counter-recovery argument made by a wide variety of academic and financial analysts who contend that the current U.S. economic contraction has amplified and solidified three decades of
job losses stemming from the de-industrialization of the U.S. economy. Former Secretary of the Treasury now-turned civil rights advocate, Paul Craig Roberts, summarizes the idea that there exists little market infrastructure left in the U.S. capable of fostering recovery:

There is no economy left to recover. The U.S. manufacturing economy was lost to offshoring and free-trade ideology. It was replaced by a mythical “New Economy.” The “New Economy” was based on services. Its artificial life was fed by the Federal Reserve’s artificially low interest rates, which produced a real-estate bubble, and by “free market” financial deregulation, which unleashed financial gangsters to new heights of debt leverage and fraudulent financial products. The real economy was traded away for a make-believe economy. When the make-believe economy collapsed, Americans’ wealth in their real estate, pensions and savings collapsed dramatically while their jobs disappeared. (Roberts, 2009)

In essence, Roberts claims that the U.S. economy has essentially been hollowed out of key manufacturing infrastructures, which were replaced by fragile and boom-dependent financial, retail, and service sectors.

As automation and global outsourcing of production grew over the last 30 years, more Americans found work in the service economy described by Roberts, selling retail goods and services, or working in financial and insurance services. In 2009, only 15 percent of the U.S. workforce was directly involved in manufacturing production (Schulman, 2009). Work in the service economy tends to be bifurcated between (a) highly technical and educated service professionals such as computer engineers and health professionals, and (b) low-skilled, low-paid workers, such as retail and call center employees. This latter group of “flexible” employees rarely enjoys full-time work schedules and workers in this category are often replaced by cheaper workers abroad. In order to compensate for declining wages, the growing low-wage populace increased debt levels, drawing upon a credit-saturated market obligingly enabled by the U.S. Federal Reserve’s provision of historically low interest rates.

Citizens were exhorted to participate in conspicuous consumption despite stagnating or falling wage levels over the last 30 years (see Hacker & Pierson, 2010). For instance, consumers were encouraged to view housing as an investment and to extract “wealth” from home equity in the form of credit lines, which were typically rolled over, rather than paid off. The housing bubble derived from speculation and from the public’s unprecedented “trading up” of housing every five or so years. Other forms of debt also grew, including credit
card debt, auto loans, and student loans. By November 2006, U.S. consumers’ spending exceeded their disposable income by 1 percent (Whitehouse, 2007, p. A2). The financial services industry fed on this debt, encouraging its growth, in order that the debt could be packaged and transformed into exotic securities/derivatives, which were sold around the world. In effect, the entire financialized economic and cultural system hinged upon the progressive expansion and securitization of credit/debt that enriched financiers while masking falling real wages for most Americans. The packaging of debt into ever more ephemeral forms produced unprecedented wealth for financial elites who peddled exotic securities abroad while purchasing insurance against the default of the assets behind the underlying bonds (see Pollin, 2007).

Where Wealth Resides:
Virtual Wealth Creation Through Circulation and Transaction

Wealth has assumed many forms across time. In contrast to previous periods, much contemporary wealth is both ephemeral and circulatory. Prior to the industrial revolution, wealth in western nations was represented in relation to vast land holdings. Beginning in the era of state mercantilism, the conditions of wealth production were linked to the productive capacities of a nation. The growth of the “joint-stock” corporation in the nineteenth century occurred in tandem with the growth of forms of wealth tied to stock and bond ownership. However, wealth was still closely tied to the productive capacities of those corporations until the early 1970s, whereupon the “fulcrum of power and profit began to shift from the production of commodities to the circulation of capital” (LiPuma & Lee, 2004, p. 67). Higher energy prices, aging manufacturing infrastructures, and increasing global competitiveness lowered profit margins in the developed countries at the same time that the proliferation of petro-dollars encouraged the creation of new investment devices. The outcome of these shifts is the emergence of a form of capitalism that the financial journalist Max Keiser (2010b, 2010c) has coined “transactional” capitalism. This section chronicles the emergence of ephemeral and circulatory transactional capitalism, beginning with 1970s era neoliberal economic reforms that enabled this form of wealth.

Beginning in the late 1970s, neoliberal policy reforms and enhanced global communications networks enabled greater circulation of capital. Neoliberal de-regulation of finance in the 1980s contributed to the movement of credit into securities markets and financial services (Sassen, 1991). Security firms and financial services firms providing services in “stock broking (investment portfolio management) and investment banking (underwriting, structuring of mergers and acquisitions)” dominated global finance by the
1980s (p. 66). In the 1980s, massive increases in electronic, international securities transactions became the “main mode of cross-border borrowing and lending” and the key institutions were securities firms and investment banks (p. 65). The results of these changes included “growth of cross-border acquisitions of financial firms and sharp increase in the internationalization of mergers, acquisitions, and joint ventures among financial institutions” and the formation of an international equity market (p. 66).

In Financial Derivatives and the Globalization of Risk, LiPuma and Lee (2004) explain that computerization transformed the types of investment strategies pursued in the 1970s and after by enabling complex simulations of risk and profit, thereby promoting modern portfolio management based in the quantification and pricing of risk. Risk itself became reified into “things’ like commodities” (p. 81). Computerization also enabled more precise quantification of risk for more complex financial products such as derivatives. Derivatives, types of securities that derive their value from the “value of another asset that varies in price,” expanded as a result of new technologies for measuring risk (Gelderblom & Jonker, 2005, p. 191). A futures contract that allows the holder to purchase a commodity at a specific point in the future at a specific price illustrates a more basic type of derivative. Futures have been around for centuries but the reification and quantification of risk enabled by computerization expanded global derivatives trading and also enabled creation of more abstract derivatives based in bundled securities such as collateralized debt obligations (CDOs). The financial guru, Warren Buffett, famously described derivatives as “weapons of mass destruction” because of their complexity and lack of regulation (cited in Levisohn, 2008).

Securitized financialization exploded in the U.S. in the 1990s and early twenty-first century as a result of massive banking de-regulation. In the mid-1990s financial authorities such as Federal Reserve Chairman Alan Greenspan pushed for passage of a series of legal acts in the U.S.—including the 1999 Gramm-Leach-Bliley Act (which overturned the Glass-Steagall Act), the 2000

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3 Janet Tavakoli, a recognized expert on CDOs, defines them accordingly:

A Collateralized Debt Obligation (CDO) is backed by portfolios of assets that may include a combination of bonds, loans, securitized receivables, asset-backed securities, tranches of other collateralized debt obligations, or credit derivatives referencing any of the former… Up to the end of the 1990’s, collateralized debt obligations all used Special Purpose Entities (SPEs), also known as Special Purpose Vehicles (SPVs), that purchased the portfolio of assets and issued tranches of debt and equity. The special purpose entity purchased the assets from a bank’s balance sheet and/or trading books. (http://www.tavakoliststructuredfinance.com/cdo.pdf)
Commodity Futures Modernization Act, and the 2004 Voluntary Regulation Act—which operated together to de-regulate commercial banks and securities markets (see Sherman, 2009). New unregulated vehicles for investment outside of banking also grew during this period. For instance, hedge funds that pool the resources of wealthy investors for arbitrage illustrate a new institutional form emphasizing risk in investment strategy (Jia-Ming & Morss, 2005). Hedge funds might, for example, “trade loans as part of arbitrage strategies that let them capture spreads in the credit-derivatives market” (Dale, 2007, p. C2). At the close of 2006, hedge funds controlled an estimated $1.3 trillion in capital (Walker, 2007). By the end of 2007, the commercial banking sector in the U.S. had reached $11.8 trillion in assets, equivalent to 84 percent of U.S. gross domestic product (GDP) and investment banks controlled another $3.1 trillion in assets; altogether, all the debt (or debt-backed securities) held by the financial sector totaled “over $36 trillion, or 259 percent of GDP, in 2007” (Johnson & Kwak, 2010, p. 59).

Wealth production and accumulation had been largely severed from the circuits of U.S. manufacturing production by 2007. Financialization dominated the U.S. economy and pervaded the culture. Yet, the investment products and processes were largely vacuous and, as it turned out, ephemeral, without the support of sovereign states whose bailouts backstopped securities that had lost value. The financial crisis that began in December of 2007 initially wiped out $4.1 trillion, $2.7 of which originated in the U.S. according to the International Monetary Fund in April of 2009 (Landler, 2009). In August 2010, Dr. William Black said that U.S. losses ranged between $6 and $15 trillion (Black, 2010b). As will be explained presently in more detail, changes in market-to-market accounting rules and U.S. Government bailouts enabled the financial sector to recover handsomely, at least on the formal ledgers, despite these unprecedented losses (see Norris, 2009). Still, many debt-based “assets” held by banks remain questionable in relation to their true market value, particularly as businesses and citizens continue defaulting on debt (e.g., see Black, 2010b; Lohr, 2009; Xie, 2009). Although most of today’s stores of wealth are fundamentally ephemeral, holders exert great power over economies and governments.

Goldman Sach’s Vice-President Fabrice Tourre’s email to his girlfriend illustrates both the arrogance of financial capital and the essential vacuousness of its products. Tourre referred to himself as “fabulous Fab” and described creating “Frankenstein” products that were nothing more than “pure intellectual masturbation” sold to naive widows and orphans (cited in Clark, 2010a). Tourre masterminded Abacus, a synthetic CDO, sold to clients who were not informed that the mortgages making up the CDO were expected to default (Clark, 2010b). The hedge fund Paulson & Co. had helped Goldman assemble the
CDOs and had bet against them by purchasing credit default swaps [a type of insurance] from the Royal Bank of Scotland, which incurred a $840 million liability from backstopping the hedge funds deal (Goldfarb & Tse, 2010, p. A1). The U.K. Government subsequently bailed out the Royal Bank of Scotland, illustrating the suborning of public purpose to private wealth (“U.K. Bank,” 2008).

Yet, financial profits gleaned were not simply dependent upon the creation and creative packaging of more debt. High frequency trading (HFT) technology enables profits to be gleaned from “movement” itself within markets by skimming the purchasing and selling activities of other traders, especially large institutional investors such as pension funds (Brown, 2010). HFT involves powerful computers located immediately next to exchanges that rely on computer code to automatically purchase and sell vast quantities of securities. The speed and proximity advantages of computers used in HFT enable advantageous insight into sellers’ and buyers’ price points. HFT leverages privileged information using flash orders to outmaneuver other investors, by ferreting out price points and by subsequently buying and selling large quantities of orders in micro-seconds: “HFT allows the program trader to peek at major incoming orders and jump in front of them to skim profits off the top” from large institutional orders by pension funds, mutual funds, etc. (Brown, 2010).

Ellen Brown recently observed that HFT has become a major source of stock market trading volume: “High frequency trading firms now account for 73% of all U.S. equity trades, although they represent only 2% of the approximately 20,000 firms in operation.” It does not matter which way the stock market fluctuates: so long as stock markets “move,” high frequency traders make money. The role of HFT is demonstrated by the fact that in 2010 the average time a stock was held was only 22 seconds (Hudson, 2011). HFT illustrates how extreme capital accumulation can occur outside the circuits of production.

Critics of HFT refer to it as a parasitic process that essentially “taxes” slower trading entities (Brown, 2010; Keiser, 2010e). There is little doubt that high frequency trading privileges investors whose speed allows them to buy and sell before other traders. However, critics such as Max Keiser (2010d, 2010e) argue that HFT can manipulate markets by triggering other (slower) traders’ buy and sell protocols. Traders can, for example, precipitate a price decline in a stock by massively shorting it. Traders “short” a stock by borrowing it in order to sell it, because the trader anticipates a price decline that will allow the trader to repurchase the stock later at a lower price. Using HFT, a trader can stuff
enough shorts to impact institutional investors’ automated sell points, precipitating major sell-offs. This process was responsible for the May 7, 2010 “flash crash.” During flash crashes, day traders, pension funds, and investment firms lacking the computerized apparatuses of high-frequency trading run the risk of losing all in seconds, as their unwieldy, stop-loss programs dump securities for the HFT traders to pick up in micro-seconds at bargain prices.

HFT traders can even “short” stocks they do not own or possess. This is called naked short selling and it is a common variety of quote stuffing. “Quote stuffing” entails placing high volume, high frequency trades that are cancelled almost immediately after being placed. This type of activity is not intended to achieve actual transactions, but rather to manipulate slower traders’ market activities by tipping activity toward buying or selling (Keiser, 2010e). When naked short selling and quote stuffing occur together, traders make massive HFT sell-offs of stocks they do not possess and then immediately cancel the orders. By cancelling the orders, the traders avoid having to sell stock they don’t own or possess, but have accomplished their goal of influencing market activity (Lauricella & Strasburg, 2010). Naked short selling in the U.S. cash markets is technically illegal, but is commonly practiced in U.S. and European derivative markets (Denninger, 2010; Keiser, 2010a, 2010c). Naked short selling of derivatives created from stocks or bonds is not technically illegal, since the 2000 Commodity Futures Modernization Act deregulated the derivative market (Johnson & Kwak, 2010). Naked short selling can be used to manipulate markets for political purposes, including for the purpose of financial warfare.

Naked short selling of bonds and derivatives derived from bonds (e.g., CDOs) is both a lucrative strategy and a powerful tool capable of bringing down companies and countries (Keiser, 2010a, 2010b, 2010d). Traders who hold credit default swaps (i.e., insurance) on bonds (or other securities), profit from the bonds’ default and therefore may actively “short” bonds, even if they do not have those bonds in their possession (in other words, “naked short selling” them). Insurance companies sell credit default swaps (CDS) to investment and commercial banks alike. They “insure” risky investments, often in excess of the value of the underlying insured investment. CDS were not regulated and companies that issued them typically failed to hold adequate reserves against outstanding contracts (see Levisohn, 2008). American Insurance General (AIG) sold credit default swaps to the large investment and commercial banks, among other buyers, on securities (particularly CDOs) derived from mortgages. The collapse of mortgage-backed securities that was precipitated by the subprime meltdown overwhelmed AIG’s capability to pay out on credit default swaps to counterparties until the U.S. Federal Reserve
Bank of New York opened up a credit line to AIG that eventually exceeded $182.3 billion (Teitelbaum & Son, 2009; Walsh, 2009). By virtue of this government lifeline, AIG paid out approximately $13 billion in credit default swaps to Goldman Sachs alone (Dylan Ratigan Show, 2009). AIG’s counterparties were not required by the Federal Reserve Bank to take a “haircut” (Teitelbaum & Son, 2009). Credit default swaps therefore continue to be a lucrative investment strategy for banks and hedge funds because they allow these entities to bet against leveraged companies, public entities, and countries without even owning their bonds (Levisohn, 2008; Rickards, 2010a, 2010b). There is no risk since governments continue to bail out CDS issuers, such as AIG. The capacity to naked short sell credit default swaps using HFT can be used as economic blackmail by economic elites against governments.

Together, naked short selling and credit default swaps allow investors to attack companies, countries, or even municipalities using electronic market exchanges. Naked short selling was implicated in driving down Bear Stearns’ stock value (Taibbi, 2009a) and in the collapse of Greece’s bond market, particularly when participating traders held CDS against the possibility of Greek bond defaults (Lawder & Younla, 2010). Jim Rickards, a financial analyst who consults to the U.S. government on financial security, described the “weaponization” of finance (2010b) as banks and hedge funds in 2010 (naked) shorted sovereign debt (bonds) in Europe in what Rickards termed as “attacks on sovereign credit” (2010a). Rickards (2010a) explained that derivatives trades such as CDS allow speculators to short companies or nations on electronic exchanges with no money down: “You can attack a country with no money, no money down, just create a credit default swap out of thin air.” Rickards observed that the European Union’s $1 trillion rescue package for nations facing exorbitant interest rates for refinancing their debts (due to these types of attacks) would easily be outmaneuvered by the banks and hedge funds, which are capable of naked shorting with essentially no financial backing. The deliberate and punitive (naked and legitimate) short selling of bonds or derivatives by acquisitive capitalists who lack national allegiance has been described by Max Keiser as “financial terrorism” (2010a).

Monitoring HFT is difficult for regulatory agencies such as the Securities and Exchange Commission (SEC) because a considerable portion of securities transactions no longer occurs within the formal exchanges, such as the New York Stock Exchange. Trading has moved from these transparent exchanges into “dark pools,” or private trading platforms used by institutional investors and hedge funds, that are invisible to the public and to regulators. In fact, in 2009 only 36 percent of daily trades in stocks listed on the NYSE occurred on the exchange as the vast majority of transactions were executed in
dark pools or on new electronic exchanges (Bowley, 2009). As explained by Bowley, “These stealth markets enable sophisticated traders to buy and sell large blocks of stock in secrecy at lightning speed, a practice that has drawn scrutiny from the U.S. Securities and Exchange Commission” (p. 17). Dark pools also allow for naked short selling to occur, despite the practice being banned in domestic securities transactions.

One final way discussed in this paper for acquiring wealth through financial transactions, external to any productivity activities, entails carry trades. In 2008 and 2009 a “carry trade” enabled by the Federal Reserve’s low-interest lending within the U.S. also allowed considerable speculation and capital accumulation by investors. U.S. dollars, borrowed at low interest rates, were used abroad to purchase other assets whose values were appreciating. Appreciating assets could then be sold at a profit. Accumulated profits could be used to push up more asset bubbles overseas (Sheehan, 2010). In 2010, the European bank crisis precipitated in part by the naked short selling of Greek bonds produced a carry trade of the Euro (see Shah, 2010). Carry trades have the effect of producing downward pressure on the borrowed currency while inflating the value of the currencies or equities that are purchased (Shah, 2010). Carry trades undermine sovereign entities such as the European Union’s capacities to control currency values, but provide unlimited speculative opportunities for traders.

In sum, although sub-priming mortgages have been identified as the security base responsible for precipitating the financial crisis that began at the end of 2007, these instruments were merely the bottom of a speculative bubble of derivatives contracts and credit default swaps that were created out of, or that insured, debt-backed bonds deriving ultimately from mortgages, consumer loans, municipal bonds, etc. Len Bracken (2009) claims that the U.S. “banking system’s total notional derivative exposure (comprising interest rate, currency, and CDS derivatives) is estimated to be $200 trillion” while the worldwide “notional value of outstanding derivatives is now estimated to be $1.405 quadrillion, up 22 percent [in 2009] from the 2008 level.”

4 I attempted to verify the amount of outstanding derivatives with the Bank of International Settlements’ data for 2009 published in the June 2010 Quarterly Review (pp. 121-126, http://www.bis.org/publ/qtrpdf/r_qa1006.pdf). I totaled the numbers provided in the BIS tables for derivatives to $5626883 in billions. Wayne Madsen uses data from the U.S. Federal Reserve Bank to put the total outstanding derivatives value in the quadrillions (2010, http://onlinejournal.com/artman/publish/article_5586.shtml) and notes that “DK Matai of the Asymmetric Threats Contingency Alliance notes that a conservative 10 percent default or decline could result in $100 trillion of payouts.” Although these numbers are simply
valuation (quadrillion equals $10^{15}$) of outstanding derivatives compares with an estimated world GDP for 2009 of $70.29$ trillion (trillion equals $10^{12}$) (CIA, 2010).

Efforts to investigate the causes for the crisis have discovered that the push for securitization by financial entities actually promoted outright fraud of the underlying assets (e.g., mortgages) that were bundled, spliced, diced, insured, and traded. To reiterate: much of the underlying consumer and corporate debt used as leverage for this mountain of securitization was infused with fraud (see Black, 2010a; Galbraith, 2010). William Black claims that the U.S. Congressional hearings on the crisis conspired to “cover up” the degree of fraud infused throughout the entire system (Black, 2010b). Hence, Max Keiser recently described business in America today as fraud (Max Keiser, 2010a). While Keiser’s quip may be an overstatement, it does capture the strong sense that the financial service sector’s dominance of the U.S. economy using ephemeral and circulating forms of wealth did not produce tangible rewards for the vast majority of the populace and, moreover, contributed to the working class’s impoverishment by facilitating debt-based transactional wealth creation outside of productive activities that employ the populace and by creating incentives for predatory lending and excessive consumption. To put this otherwise, one of the most important implications of the financialization of the U.S. economy is that citizens’ productive contributions to the national GDP waned in significance as more capital was generated from electronic transactional speculations upon ultimately ephemeral, debt-based securities, rather than from the profit margins of manufacturing activities. Although the underlying debt based assets continue to deteriorate as citizens and small businesses default, bank balance sheets appear to remain relatively impervious, due, no doubt, to the change in accounting rules, in addition to government bailouts (see Norris, 2009). Wall Street bonuses soared 17 percent in 2009 while compensation at three leading firms—Goldman Sachs Group, Morgan Stanley, and J.P. Morgan Chase and Co.—rose 31 percent from 2008 (Popper, 2010).

Austerity, Structural Adjustment, and Disaster Capitalism

In a certain sense, the circulation of vacuous capital seems appropriate in a time of dwindling resources and environmental peril. Profiting from virtual products is the pinnacle of the capitalist fantasy. However, while wealthy capitalists and unintelligible, it is clear that the notional value of derivatives outstanding exceeds the world’s GDP exponentially.
their investment bank and hedge fund proxies continue to accumulate wealth through financial transactions, the vast majority of the world’s populace suffers from its complete absence, mired in the materiality of scarcity and environmental limits and degradation, caused partly by the conspicuous consumption of the “developed” world. The previously privileged denizens of the colonial “developed” world long benefited from a global economic system that protected their labor (through tariffs and subsidies) while providing them cheap resources (oil) and manufactured products derived from the unprotected labor and/or environs of the developing world. Now, however, the previously privileged, western middle-class is experiencing a collapse of living standards ultimately resulting from neoliberal policy reforms that lifted Keynesian protections and “freed” capital from constraints. That collapse in living standards is going to be exacerbated by the resource scarcities (e.g., oil, fresh water, and rare earths) that were amplified and exacerbated by the neoliberal frenzy of extraction and accumulation.

The American and European middle-classes are going to be subject to the same types of neoliberal structural adjustment programs (SAP) aimed at social spending “austerity” that were previously imposed upon the developing world. Beginning in the 1970s, the International Monetary Fund (IMF) and World Bank began to make lending to developing nations conditional upon social austerity, privatization of public infrastructures and resources, “liberalization” of capital controls, and elimination of domestic subsidies and foreign tariffs. Developing nations had become vulnerable to the demands of international lenders by rising oil prices that were denominated in dollars. Higher interest rates set by the U.S. Federal Reserve under Volcker in the late 1970s and early 1980s made it more expensive for developing nations to purchase dollars for buying oil and other imported commodities, producing a financial disaster for developing nations. Drought and subsequent crop failures exacerbated a human-engineered disaster for the developing world. These “disasters” coupled with the financial stress of U.S. currency appreciation ensured that developing nations succumbed to IMF austerity programs in the early 1980s.

Naomi Klein (2007) argues in Shock Doctrine: The Rise of Disaster Capitalism for an integral connection between disasters—both human-created and natural catastrophes—and the extension of neoliberal principles and practices of government. “Disaster capitalists” contracted to rebuild areas devastated by natural or human-caused disasters hope to implement neoliberal market practices in the process of their reconstruction (p. 9). It must be stressed

5 OPEC demands that oil be paid for in U.S. dollars.
that disasters need not be “natural” in origin. Indeed, globalization of the financial crisis that originated in U.S. securities is providing precisely the type of disaster amendable to enforced implementation of neoliberal reforms. For instance, the financial crisis has opened the door for disaster capitalism in Eastern and Baltic European nations, including Hungary, Estonia and Latvia (Hudson, 2010a, 2010b). In the wake of the financial crisis, these nations experienced capital flight and currency depreciations that undermined the ability of their populaces to repay foreign denominated debt. IMF loans made to these countries were made conditional on neoliberal reforms, or SAPs, which dictated austerity through cuts in public spending on social welfare and wages. Eastern European nations were also denied the ability to engage in counter-cycle stimulus spending by creditors and lenders to combat recessionary deflation.

The recent financial crisis in Greece illustrates how circulating transactional capitalism can produce disasters that open the door for enforced austerity. In the early part of 2010, the country of Greece was subject to assault by investment banks and hedge funds that (naked) shorted Greek bonds, causing credit default swaps on Greek debt to skyrocket. Skyrocketing credit default swaps caused Greek interest rates to rise, which compromised the nation’s ability to roll over its bonds (Schwartz & Dash, 2010). A Euro-zone bailout was proposed conditional upon severe Greek austerity, an economic program that will only exacerbate economic contraction (Besancenot & Grond, 2010).

The crisis in Greece that provided the opportunity for imposing austerity was manufactured by the very same financial entities whose losses were socialized by governments in the U.S. and Europe. The first disaster—the financial crisis—was manufactured by the banks while the second crisis—the risk of sovereign default—was also manufactured by the banks as their losses were shifted to governments and by the financial entities’ attacks against Greek sovereign bonds (through naked shorting, for example). Greece was essentially

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6 Likewise, U.S. banks are currently being investigated by the SEC for deliberately short-selling and/or purchasing credit default swaps on municipal bonds sold to those banks’ investors (Dugan, 2010).

7 At a more general level, the decision of national governments to assume the debt and risks of private banks based in their nations has produced risks for sovereign defaults by nations not at liberty to simply print money (a.k.a., quantitative easing). Member states of the European Union Monetary Zone, for example, may not print money to meet debts, even when those debts have been incurred by the sovereign (i.e., the nation’s) assumption of private debt. Rising rates for insuring sovereign default through credit default swaps have forced sovereign states to pay higher interest rates on the government bonds they issue.
subjected to “financial terrorism” (Keiser, 2010a). On May 17, 2010 Germany banned naked-short selling in order to ward off feared attacks against its bonds.

The U.S. has also been subject to disaster capitalism and it has not been spared from austerity measures (see Nadesan, 2010, in press). U.S. states, counties, and cities experienced significant declines in sales, corporate, and income tax revenues across 2009 and in the first half of 2010. These shortfalls exceeded expectations and are reaching crisis levels (Miller & Feld, 2010). Although federal stimulus helped states plug education and health care spending in 2009 and 2010, these funds are dwindling fast. Consequently, states are now engaged in massive public sector cuts to education, social-welfare and health spending, and infrastructural maintenance (Krugman, 2010; Miller & Feld, 2010). Additionally, it appears that states’ vulnerability has set them up for the same types of attacks launched against Greece. U.S. banks are currently being investigated by the SEC for deliberately short-selling and/or purchasing credit default swaps on municipal bonds sold to those banks’ investors (Dugan, 2010; Taibbi, 2009b).

The reduction in government spending in the U.S. on health care, education, and social services will traumatize a populace that has reportedly lost, on average, 20 percent of its household wealth from 2007 to 2009 (Pew Research Center, 2010). Additionally, over one half (55 percent) of Americans’ wages were affected in the forms of job layoffs, wage and hour cut backs, and unpaid furloughs. Thirty-two percent of Americans reported unemployment during the recession. The loss of household wealth, wages, and benefits is ongoing and points to the growing impoverishment of the nation at the same time that the federal government is proposing widespread cuts in social spending, particularly in the area of health (but not military spending or financial bailouts) (McKinnon, 2010).

In sum, the fiscal status of nations and other public entities has been complicated by financial “terrorism” of transactional capitalism exercised by hedge funds and investment banks, through the circulating financial products and technologies and through the specific strategies of high frequency trading, naked short selling, and credit default swaps. Structural adjustment programs imposed on crisis-stricken nations essentially force populations to accept lowered living standards so that financial creditors will be paid in full. These financial creditors can produce wealth outside of the traditional circuits of capital production and are capable of bringing down nations by manipulating equity markets through shorting, naked short selling, and high frequency trading. The circulation of ephemeral wealth forged outside of the circuits of
manufacturing or even the consumer services economy has continued after the onset of the U.S. financial crisis.

**Carbon Trading Circulation of Ephemeral Wealth**

Global wealth has moved centripetally toward elite centers within and across nations as a result of de-regulation, corporate and government predation, and securitization (Vrabel, 2010). The potential for wealth to be digitalized and to circulate instantaneously has facilitated this centripetal action. The evolving computer-communication networks that enable this unprecedented accumulation of intangible wealth operate at unimaginable speeds. Wealth accumulation strategies that exploit virtual markets have a tendency to colonize all forms of sociality by attaching quantitative values to social phenomena, thereby enabling them to be traded in market transactions. So pervasive is this type of commoditization that it has captured public policy efforts to forestall climate change.

Climate change threatens many areas of the world. On May 19, 2010 the U.S. National Academy of Sciences (which advises the U.S. government) released an 869-page report asserting people’s role in producing climate change and calling upon public policy to ameliorate its effects, including rising sea levels that could threaten coastlines globally (Naik, 2010). Concerns about climate change have been voiced in many discursive registers, but neoliberal problem-solution frames have dictated public policy toward climate change in western nations. As explained by Szerszynski and Urry:

> Indeed, because “economics” got in first, it has largely monopolized the way that the social is conceived in the discourses of climate change. It has led to a focus on human practices as individualistic, market-based, and calculative, and has thus helped to strengthen a tendency towards a certain set of responses to climate change, ones based on individual calculation, technology and the development of new markets. (2010, p. 3)

The development of new markets, in particular, has relevance for this analysis.

The National Academy of Sciences report calls for a carbon tax or a cap-and-trade system employing financial incentives to cut emissions. The former, cap-and-trade, are preferred by industry. This type of system essentially commodifies pollution and encourages its trading in market exchanges. Carbon markets produce another context for accumulating wealth using many of the
same technologies and strategies already employed in the world’s equity markets, especially derivatives speculation and high frequency trading: “Wall Street sees carbon trading and related derivative products as the next big thing in financial innovation. Critics say it’s the next big financial mess” (Yakabuski, 2009, p. B3).

Carbon trading is already the fastest growing commodities market on the planet (Schapiro, 2010). Countries that signed the 1997 Kyoto Protocol implemented in 2005 adopted a cap-and-trade system that has already produced over $300 billion in carbon transactions (Schapiro, 2010). Kyoto signatories agreed that their industries would reduce emissions approximately 5.2 percent below 1990 levels, or pay for the right to pollute by purchasing carbon offsets from energy-saving companies and/or nations that accumulate carbon credits (Weeks, 2010). Carbon offsets are financial instruments that commodify six primary categories of greenhouse gases measured in metric tons of carbon-dioxide-equivalent (CO 2e) (“Carbon Offset,” n.d.). Wikipedia explains that one carbon offset “represents the reduction of one metric ton of carbon dioxide or its equivalent in other greenhouse gases” (“Carbon Offset”). The Kyoto Protocol allows Clean Development Mechanism (CDM) projects in developing countries to generate offsets that can be sold abroad by reducing their own emissions (Weeks, 2010). Companies or countries not capable of reducing their emissions can purchase these offsets or can invest in CDM projects in developing nations. U.N officials are supposed to certify that energy-savers do indeed reduce emissions, thereby allowing them to sell “certified emission reductions,” a.k.a., carbon credits or offsets (Weeks, 2010, p. 174).

Cap-and-trade represents a market-based environmental policy that is typically preferred by industry and financial speculators over a more direct penalty or tax for polluters (Weeks, 2010). European Union (E.U.) officials created the E.U. Emissions Trading Scheme (ETS), which covers six sectors including energy, iron and steel, cement, glass, ceramics, and pulp and paper. ETS currently account for 70 percent of carbon trades. The Clean Development Mechanism (CDM) accounted for 29 percent of trades (Weeks, 2010). Australia, Canada, and Japan are expected to produce their own emission reduction systems, which are likely to increase carbon trading. By 2007, the carbon trading market was valued at $25 billion. In 2008, Commissioner Bart Chilton from the U.S. Commodities Future Trading Commission reported in The Financial Times that carbon might emerge as the world’s biggest derivatives market by 2013 (Gettler, 2009). In 2009, estimates for the carbon market valued it between $2 trillion and $3.5 trillion (Gettler, 2009).

It is worth noting that carbon derivatives were invented in part by the same woman who helped invent credit default swaps, Blythe Masters.
Gillian Tett (2009) explains in *Fool’s Gold* that Masters, when employed by J.P. Morgan, arranged the first credit default swap in 1994 with the European Bank of Reconstruction and Development (EBRD) in order to insure a line of credit J.P. Morgan was opening to Exxon in 1993, after Exxon was threatened with a $5 billion fine for the oil spill. J.P. Morgan offered to pay a yearly fee to the EBRD if it assumed the risk of an Exxon default on the credit line, even while J.P. Morgan kept the loan on its books, thereby creating the first credit default swap. Masters went on to oversee J.P. Morgan Chase and Co.’s environmental businesses as the company’s head of commodities (Kassenaar, 2009). Under her leadership, J.P. Morgan engineered carbon trading deals, as described here:

J.P. Morgan brokered a deal in 2007 for Land Rover to buy carbon credits from ClimateCare, an Oxford, England-based group that develops energy-efficiency projects around the world. Land Rover, now owned by Mumbai-based Tata Motors Ltd., is using the credits to offset some of the CO2 emissions produced by its vehicles. (Kassenaar, 2009)

Banks such as J.P. Morgan plan on serving as intermediaries in the growing carbon trading market. A *Bloomberg* article published in December 2009 illustrates how it will work:

The banks are preparing to do with carbon what they’ve done before: design and market derivatives contracts that will help client companies hedge their price risk over the long term. They’re also ready to sell carbon-related financial products to outside investors. Masters says banks must be allowed to lead the way if a mandatory carbon-trading system is going to help save the planet at the lowest possible cost. And derivatives related to carbon must be part of the mix, she says. Derivatives are securities whose value is derived from the value of an underlying commodity—in this case, CO2 and other greenhouse gases. (Kassenaar, 2009)

Banks see carbon markets as a lucrative terrain and eagerly plan on creating the synthetic entities that encapsulate its biovitalities.

Recently, calls have been made to regulate the market because of the proliferation of carbon derivatives: “Carbon derivatives should be regulated to

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8 I was alerted to Blythe Masters’ role by an online post at *Zero Hedge* by Washington’s Blog. I subsequently researched the relationship, finding the articles cited. However, I want to afford Washington’s Blog credit for this analysis ([http://georgewashington2.blogspot.com/](http://georgewashington2.blogspot.com/)).
stop the proliferation of instruments with the potential to wreak a subprime-
style crisis, the head of chemicals group DSM said on Wednesday” (Hirschler,
2010). The Chief Executive of DSM was quoted as stating:

“There are now already in development derivatives of CO2
prices that are so complicated that I do not understand it any
more,” he said. “If you get a reservoir of derivatives which
becomes so big that it becomes an industry in itself that is very
dangerous because you can get the tail wagging the dog.” (cited
in Hirschler, 2010)

This concern that trading in carbon derivatives might drive the carbon market
and eclipse the stated goal of reducing carbon emissions is widespread. In 2009
the U.S.-based environmental group, Friends of the Earth released a report,
Subprime Carbon, emphasizing the dangers of the market-based cap-and-trade
system.

Friends of the Earth condemned the proposed cap-and-trade system by
publishing a report detailing the types of fraud and corruption already pervasive
within carbon trading. Michelle Chan and Nick Berning, senior policy analysts,
explained:

Carbon offsets are especially prone to corruption and fraud.
Every offset deal requires a story indicating that the emissions
reduction would not have been possible without offset revenues,
or that emissions would have been higher without the project.
Because of this, the offsets market is inherently rife with
opportunities for truth stretching—and outright lies.

Also, much of the corruption that we have seen in the carbon
markets involves bribes of consultants who are responsible for
verifying emissions reductions from offset projects. Corruption
risks are also high for the entities that grant carbon credits for
offsets. (Chan & Berning, 2009)

Chan and Berning argue that the act will enable build-up of subprime carbon,
which is “composed of carbon offset futures [derivatives] that, compared with
regular emissions allowances, are at relatively high risk of collapsing in
financial value because of failed promises to reduce emissions” (see also Chan,
2010).

Matt Taibbi wrote in his essay, “The Great American Bubble Machine,”
that carbon derivatives are “the new game in town, the next bubble … disguised
as an ‘environmental plan,’ called cap-and-trade.” Taibbi anticipates this market will eventually balloon to a trillion dollars:

If cap-and-trade succeeds, won’t we all be saved from the catastrophe of global warming? Maybe—but capandtrade [sic], as envisioned by Goldman, is really just a carbon tax structured so that private interests collect the revenues. Instead of simply imposing a fixed government levy on carbon pollution and forcing unclean energy producers to pay for the mess they make, cap-and-trade will allow a small tribe of greedy-as-hell Wall Street swine to turn yet another commodities market into a private tax collection scheme. This is worse than the bailout: It allows the bank to seize taxpayer money before it’s even collected. (Taibbi, 2009a)

Moreover, cap-and-trade is unlikely to deliver significant reductions in emissions. For these reasons, the New York University economist, Nouriel Roubini (2010), expressed his preference for a carbon-tax and his concern that cap-and-trade produced too much “rent seeking” activity.

Emission reduction schemes that rely on cap-and-trade also fuel “land grabs” (e.g., see Avril, 2010). Most cap-and-trade programs offer credits for Reduced Emissions from Deforestation and Forest Degradation (REDD). REDD has the potential to increase exponentially the value of undeveloped land. As reported by Chan in the 2010 Friends of the Earth report, Ten Ways to Game the Carbon Market:

Indigenous people have repeatedly voiced concerns about REDD because it could place enormous monetary value on their forests and spark a land grab. A large portion of the world’s forests, liable for inclusion in REDD schemes, are traditional indigenous territories. (p. 8)

Indigenous people often do not hold property titles to the land upon which they live. The International Monetary Fund, the World Bank, and “free trade” agreements such as NAFTA have operated in countries such as Mexico to erode indigenous people’s control over formerly collectivized land ownership (see Lewis, 2002; McMichael, 2008). The role of international governmental and

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9 A precondition of Mexico’s membership in NAFTA in 1992 was “reform” of Article 27 of Mexico’s 1917 Constitution, which guaranteed land reparations to indigenous people. In the wake of this “reform,” Mexico’s government sold off indigenous people’s land to Mexican and foreign agribusiness (McMichael, 2008).
trade organizations in privatizing land will no doubt be stepped up by the expansion of REDD protocols.

The value of land in REDD protocols is derived primarily from their capacity to provide carbon offsets. More recently, these protocols have enabled financial consultants to exact “exorbitant” consultancy fees from developing nations seeking to provide carbon offsets (Erlich, 2010). The productive capacity of land matters not within REDD protocols as wealth is digitalized as offsets. Carbon offsets can be securitized and transformed into complex derivatives, just as mortgages were before the crash of 2008-2009. In effect, carbon-based finance and consultancy illustrate new avenues for capital accumulation in an era expected to be dominated by slowed economic growth in developed economies and resource shortages globally. Speculation is already rampant within the European carbon market (“Carbon Trading,” 2009). The creation of a cap-and-trade system in the U.S. would enhance opportunities for transactional capitalism to colonize efforts to contain the looming challenges of climate change. Thus, many observers were relieved by the failure of the proposed American Power Act of 2010.

The failure of this act coupled with the proliferation of offset credits that collapsed the Chicago Climate Exchange’s Cap-and-Trade system market have temporarily destroyed cap-and-trade trading based in the U.S. The Chicago Climate Exchange’s Cap-and-Trade System was closed as of December 31, 2010, although the European Climate exchange and the Chicago Climate Futures Exchange remain in operation (Gronewold, 2011). Proponents of cap-and-trade within the U.S. are optimistic that U.S. state-based emissions legislation may re-ignite the U.S. market.

The Politics of Death

Foucault (2003) claimed that sovereignty in the modern period retains the power of death but has been subject to reformulation so that “the ancient right to take life or let live was replaced by a power to foster life or disallow it to the point of death” (p. 80). For Achille Mbembe (2003), necropolitics concerns a form of sovereignty involved in the “instrumentalization of human existence and the material destruction of human bodies and populations” (p. 14). Necropolitics subjugates life to the power of death, often producing death-worlds wherein vast populations are regarded with the status of “living dead” (p. 40). Murray (2006, 2008) explains that this “thanatopolitics” involving the letting die of dispossessed populations of others is the antithesis of the modernist impulse to cultivate life.
At first glance, the relationships among and across derivative-based, transactional capitalism, climate speculation, and necropolitics appear unclear. However, a homologous logic structures these diverse terrains that is predicated upon the dispossession of population. Today a globalized and circulating financial system composed of powerful, financially networked actors, such as banks and hedge funds, creates wealth from complex financial instruments. Complex securities such as derivatives are derived ultimately from debt. Circulating and virtual debts converge in electronic exchanges. In these electronic sites dispersed across the globe, vampire capitalists trade debt in transactions aimed at extracting value from the global population’s biovitalities. Debt, rather than production, is the most effective mechanism for extracting value from populations in the twenty-first century (see Nadesan, 2008, in press). The financial crisis that began in the winter of 2007 did not destroy the debt-based derivative machine, or the agents that control them. Rather, sovereign states assumed private losses, transferring liabilities to the balance sheets of public entities. Populations in western nations that are unable to pay back their personal and government debts will be subject to ruthless “austerity” regimes that will drain resources from Keynesian, social-welfare biopolitics such as Social Security and Medicare. Formerly middle-class western populations will claw for survival while (formerly) “working” class populations will come to resemble the “living dead” whose rage will be controlled primarily by repressive, authoritarian sovereignty (see Nadesan, 2008).

The global circuits of debt-based transactional capitalism have found a new terrain to colonize in the wake of western deflationary depression. That terrain is climate. The financialization of climate has nothing to do with sustainability and everything to do with the extraction and accumulation of value. Extension of the cap-and-trade transactional model for “regulating” climate change in the U.S. would serve financial capitalists’ interests because climate legislation would require U.S.-based transnational corporations to enter this market, exponentially amplifying demand for climate-based derivatives trading.

Carbon trading is not, however, restricted to cap-and-trade schemes. Melinda Cooper (2010) demonstrates how climate-based derivative swaps have grown exponentially in a context of future environmental uncertainty. Therefore, carbon trading is not necessarily constrained by lack of U.S. national legislation on cap-and-trade. Indeed, The Wall Street Journal observed the carbon market is expected to exceed more than $1 trillion in value by 2020 (Bunge, 2010).
Transactional, financial capitalism has swallowed climate. Climate is commodified into calculable virtual entities that can be exchanged for profit. As with all other financial markets, climate trading is fraught with fraud, as illustrated by a recent “rogue-trading scandal centered on trading already-used carbon credits” (Bunge, 2010, p. B1). Fraud and corruption, endemic to current transactional capitalism, will continue unabated as climate change threatens human life by exacerbating desertification and, thereby, adversely impacting food production. The majority of the world’s population will be imperiled as the yields of crops wane and prices rise. The transactional capitalists who trade in climate derivatives across and within global exchanges will barricade themselves in plush enclaves. Their transactions will generate the capital necessary to maintain lavish lifestyles while the greater global populace languishes.

Efforts to reign in and regulate the excesses of transactional capitalism will fail in the absence of widespread popular resistance. Established governance institutions reflect the interests of elites who profit from speculative capitalism. For instance, in June 2010 the United Nations (U.N.) cautioned “against onerous restrictions on speculative investors in commodities markets” (Hotter & Raff, 2010, p. C2) despite conclusive evidence that speculation in food commodities in 2007 and 2008 massively increased global hunger (Kaufman, 2010). Thus, the U.N. followed the rhetorical lead of the “chorus of authorities challenging the popular belief that financial investors were the primary culprits in the run-up in commodities prices that culminated in the middle of 2008” (Hotter & Raff, 2010, p. C2; my italics). Those that benefit

Speculation on increments of climate changing, hunger inducing gasses is tied in neatly with speculation on the most basic of foodstocks. In April of 2008, the World Bank estimated that global food prices rose 83 percent from 2005, while estimating increased pricing across 2008 of 7.4 percent (Batson, 2008). The price of rice, a food staple for much of the world’s poorest populations, rose 150 percent in 2008 alone (Hookway & Lane, 2008). Food riots erupted in Thailand, Egypt, and Haiti in April of 2008 in response to concerns about a 48 percent increase in food prices from 2006. Speculation on commodity index funds was widely attributed as causing the spike in prices. One analyst attributed up to 30 percent of the rising prices of food commodities, including rice and wheat, in the spring of 2008 to speculation (Epstein, 2008). In April of 2008, several large U.S. grain exchanges invited grain-market participants to express concerns about the destabilizing effect of grain speculation in response to grain buyers’ claims that speculation was causing extreme volatility in pricing and that futures trading was causing market distortions (Davis, 2008). However, by rejecting this explanation, the U.N. has lent credence to efforts to resist regulation of commodities essential to life itself. Most recently, financial speculators such as hedge funds have been involved in huge “land grabs” in Africa and South America (Avril, 2010). Hedge funds and other investors reason that future global food shortages will make the land appreciate significantly in value (e.g., see Avril, 2010). However, this type of land-grabbing is simply another form of neo-colonial pillaging.
from speculative capitalism will use political appointments and pressure to bend policy and popular rhetoric to justify the decisions of agencies enthralled by regulatory capture, or “control fraud” (Black, 2010).

Speculative, transactional capitalism has set the rules and decisional criteria adopted by international and national governance institutions. The politics of transactional capitalism is a circulating and computer-mediated politics of virtual wealth creation disengaged from the biovitalities of the majority of the world’s populace. Biopolitics, born in the eighteenth century, grew in tandem with the establishment and circulation of liberal capitalism. Biopolitics was a politics of life that fed upon and fostered economic productivity. Biopolitical regimes are always historically and political situated, but they are fundamentally implicated with enhancing the biovitalities that fuel and consume capitalist circuits of production and consumption. The growth and circulation of transactional capitalism dispenses with many of the material infrastructures of production located in “developed” western economies and therefore has little incentive for promoting “productive” biovitalities. The loss of purchasing power of western working and middle-class populations and their loss of access to credit have resulted in a demand fragility, which promises no simple resolution (see Rasmus, 2010, p. 2). These classes are thus becoming irrelevant to the interests of speculative capital, beyond any threats they might pose to stability.

Karl Marx’s dictum that the economic conditions of the laboring classes would deteriorate cataclysmically with the advance of capitalism looms as transactional capitalism discards the trappings of Keynesian social-welfare biopolitics in the de-industrializing western world. The “planet of slums” articulated by Mike Davis (2006) when describing the deleterious effects of neoliberalism in the developing world encroaches upon the now impoverished prolet. The circulation of transactional capitalism erases and de-legitimizes the biovitalities of populations.
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