

3. Finance, production and panopticism: inequality, risk and resistance in an era of disciplinary neo-liberalism ¹

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Recent growth in the power of capital, relative to labour and in the way it reconstitutes certain ideas, identities and interests, and forms of state, is the primary political content of the processes of globalisation, but this content is always localised and refracted through various social and cultural forms. The globalisation process is a hierarchical one, and is associated with economic constraints and political pressures - or forms of discipline in society. One way to understand the functioning of aspects of power and discipline in the specific conditions of North American civilisation - and to a degree in other OECD societies - is with reference to the Panopticon: the blueprint for of the perfect prison that Michel Foucault (1979) took from the utilitarian social engineer Jeremy Bentham (1859).

The Panopticon can be taken as both a form of social myth and an exemplar of important practices by some of the forces of large-scale corporate capital and associated elements in the G-7 states to institutionalise pervasive and perhaps all-encompassing forms of social control. It is a myth because it poses the issue of the possibility and desirability of a certain form of order whilst advocating the efficiency and welfare of a commodified economic system that is in principle based upon spontaneous and self-regulating forms of economic activity, co-ordinated through markets. Nevertheless, the practices of what we call here “panopticism” are growing, and largely based upon the gathering of large amounts of personal data on individuals through transactional and other activity. The main purpose of these practices is to categorise, construct and channel the behaviour of individuals and groups so that these people can be monitored, normalised and manipulated for purposes of profit or avoidance of loss.

Nevertheless, in North American civilisation (and in somewhat different ways in the OECD nations more generally), the Panopticon relates principally to those individuals and populations that are integrated into the privileged, corporate circuits of production, consumption and finance. In the context of the wider global political economy - these people represent less than 10 per cent of the world’s population. The rest of the world’s population - that is its vast majority - is in effect excluded from these islands of normalised affluence, since they do not represent opportunities for exploitation and profit. These people, however, may pose a threat to the privileged circuits and as such the systems of policing and military

organisation are in part configured to prevent them from threatening the basis of the social order that underpins the global political economy as it is defined here.

In North America, levels of not only unemployment, but also household indebtedness rose, especially in the 1980s. These developments, along with reforms in social security and tax administration, had the effect of binding workers to the disciplinary structures of not only the workplace, but also the finance and credit structures, and the global political economy, under the general and intensified surveillance of the state, especially as risk was gradually de-socialised for a majority of the population. At the same time, the use of surveillance and sorting techniques for maximising knowledge about, and influence over workers, savers and consumers - for example credit-card holders - appears to be growing in those parts of the private sector which are associated with what has been called the “culture of contentment” (Galbraith, 1992), a phenomenon known in Western Europe as “two-thirds society” (the other third of the population is increasingly marginalised).

Indeed, such techniques are part of a broader process of social transformation involving a widening of inequality and a process of marginalisation. A type of social triage, especially noticeable in the sphere of finance, internally ranks those deemed to be sufficiently profitable consumers or workers, as well as effectively excludes those who have no value in terms of this particular form of Bentham’s felicific calculus. What Bentham called the goal of maximising the “happiness” of the greatest number is therefore achieved at the expense of the immiserisation of a large and growing minority of the population. In this way, the post-war social contract that existed in many OECD nations has begun to disintegrate in the shift towards a more disciplinary form of neo-liberal order, not only in the Anglo-Saxon nations but elsewhere, as the recent case of Mexico illustrates.

However, this situation is unsustainable politically since it intensifies the polarisation of societies, heightens the forces that make for pronounced social conflict, and provokes resistance. Indeed, the indignation of the population is magnified when it becomes clear that as panoptic practices increase at the level of the individual and for the majority of the population, the mechanisms of surveillance and accountability in the world of high finance - for example in the exotic derivatives markets - seem notable by their absence. Indeed the lack of oversight and authoritative regulation of large parts of the global financial markets raises the question whether we will in the not-too-distant future see a major global financial collapse, much greater than the one recently witnessed in Mexico (1994-95).² What is needed is a growing democratic consciousness of the nature of the global financial system and the collective risk

that is posed to world society by the peculiar and Panglossian reliance on self-regulating market mechanisms for the majority of economic agents, whilst allowing for a socialisation of risk of a privileged minority (for example oligopolistic corporate capital and large institutional investors).

The political economy context for contemporary panoptacist practices

The Panopticon is a Greek composite term which means “sees all”. Foucault described the principle of panopticism as “ensuring a surveillance which would be both global and individualising whilst at the same time keeping the individuals under observation” [through the illumination of space] (Foucault, 1980:6). Bentham’s (1859, Vol. IV) blueprint for the Panopticon, or Inspection House, is well-known. It was intended to ensure, through the all-seeing and dominating eye of the warder from a central watch-tower, a transparency which would also cause the inmates of the prison to exercise self-discipline, that is to act, as it were, as surrogate warders. It depended on the actuality, or possibility of constant surveillance, a method which made the technology of surveillance apparently both economical and effective over a large subject population. The Panopticon was never built - it was, like the economics of Adam Smith, more of an “imaginary machine”, designed in the spirit of Newton. As Foucault understood it, the Panopticon made power both visible and unverifiable. However, some Foucauldians have suggested that things have gone further, to the point where increasingly surveillance is being built into the labour process as well as the financial (or actuarial) structures: it has become, in this context, both more visible and more verifiable.

Of course, in no society is there, or can there be, an Orwellian all-seeing eye, although there are some historical precedents for attempts to approximate this capability - for example the Janissaries of the Ottoman Empire or the imperial bureaucracy of ancient China, that used capillary forms of surveillance that pervaded down to the smallest village or hamlet. Nevertheless, there seems to be a growing tendency towards the increasing use of surveillance capabilities by the liberal democratic state to regulate the new market society and to exercise social control in a period of rapid social change. One possible explanation is with reference to the interplay between fiscal crisis and the globalisation of financial markets. The rapid globalisation of finance from the 1970s onwards occurred in the context of the recycling of petrodollars in the Euromarkets following the first oil crisis in 1973, and the onset of “stagflation” and general economic slowdown in the 1970s. In this context, there was a growing tendency world-wide towards fiscal crisis of the state, as tax revenues rose more slowly than the cost of government expenditures (e.g. unemployment and social insurance). This situation was manifest at all levels of government, from municipal to federal (the first major instance of the fiscal crisis of the state in the USA was in New York City in 1975). The

counterpart to this development in the Third World was the so-called debt crisis. Personal indebtedness also rose in the USA during this period for a growing proportion of the population (see below).

Partly because of the growth in the international mobility of capital, governments - of various political complexions - were pressured into providing an investment climate judged attractive by global standards. The 1980s saw a period of competitive tax-cutting initiated by the supply-side policies of the Reagan Administration that forced other states to respond by cutting their taxes or risk losing investment or financial services business to lower tax jurisdictions. In the 1980s this has gone with attempts to raise funds by the state through privatisation and attempts to save money on services by charging user fees (e.g. for medicines) or by instituting competition in the supply of government services (e.g. for cleaning and maintenance of buildings; weapons procurement) as American leaders sought to “reinvent” government (Osborne and Gaebler, 1992). Moreover, as economic stagnation continued, governments have had to pay increased attention to collecting tax revenues (and raising cash through privatisation) in an age where the ideology (but not the reality) of the balanced budget (or of “financial stringency” and “prudence”) has come to prevail in economic discourse. This has, according to Steinmo (1994), created a more “activist tax state”, and traditional forms of state intervention in the economy to promote redistribution have declined in OECD nations. Indeed, much of the work which has gone into the “reform” effort in the former Soviet Union by the international financial institutions and the western governments has been concerned with the construction of more effective databases and population profiles, and methods of tax collection. More generally, the world-wide trend has been to attempt to introduce more “businesslike” approaches in public administration, with the neo-liberal governments of New Zealand in the 1980s and 1990s at the vanguard of the new thinking.

Another antipodean nation, Australia, like New Zealand, is also a typical liberal-democratic society (along with Canada, the UK and the US), and in different ways to its southern neighbour, illustrates aspects of the general trend I have noted. Australia has recently experienced fiscal crisis and the change in the political landscape, especially as political discourse shifted away from social democracy towards conservatism and neo-liberalism. Whilst the economy was liberalised over the last 20 years, the law enforcement, taxation and government benefits agencies gained increased power within the state apparatus (one impetus was the growth in violent crime and crimes against the person, as well as white collar crime). The social security ministry shifted to more rigorous monitoring of its clients, in a return to the type of method akin to the reforms which Bentham and other utilitarian liberals advocated for paupers, that is premised upon “inspectability” of claims and obligations. In other parts of the world it has become part of the normal

discourse of government to speak of “workfare programmes”, in part because of the growing resentment of many taxpayers towards the unemployed and those who are the recipients of welfare payments.

Noteworthy here is that private agencies in various countries also have massive centralised databases, much of which contain public information, and thereby the difficulty of separating public and private aspects of data-gathering, coding and surveillance - a difficulty which has also arisen in the USA as a result of the proliferation of private security agencies and guards, which now significantly outnumber, “public” police (Official law enforcers often rely on their private counter-parts for effective urban policing in the USA).³ A notable example of such private information corporations is TRW, a US-based credit-rating and marketing organisation which claims to have detailed economic and social data on 170 million American citizens (the US population is about 254 million). Another important example which shows that there is, at the same time, a struggle over the proliferation and potential decentralisation of control over data-bases was in 1990 when the Lotus Corporation withdrew its plan to market a product called Marketplace: Households. This product was withdrawn because of 30,000 protests from an angry public concerned that such a decentralised system was a grave threat to personal privacy. The product had detailed information on 80 million US households (120 million people), including name, address, and significant detail on shopping habits and income (phone numbers and credit-ratings were omitted in anticipation of privacy complaints) (Gandy, 1993).

The labour process: technology, power and exploitation

Bentham’s Panopticon, conceived in 1791, was modelled on a factory run by his brother Samuel in Russia, and was based on and sought to rationalise, the practices of asylums, schools, monasteries and hospitals, as well as factories and work-houses for the poor. Later, when we observe the emergence of Taylorism and scientific management, we can note the use of similar systematic technologies of worker control in capitalism, to place not only shop-floor workers, but also supervisors and managers under surveillance and thus to constitute, objectify and exploit labour more systematically. One might argue that the technical capacity to carry out these forms of hierarchical surveillance has increased with the advent of new technologies. Thus surveillance and “disciplinary power” has been built more firmly into the labour process, especially in the computerised “office factory” with its banks of video screens, and in assembly lines where managerially defined work rhythms and tasks are embedded in the machinery.

In other words, a change in technology does not necessarily mean a change in the fundamental social relations of capitalism, for example alienation and exploitation. The key issue is power and the control over the conditions under which the technology is used, and the purposes of its use, since labour-saving technology can be a potential or actual source of emancipation (from the washing machine to the internet). More generally, some surveillance technology may be quite beneficial and is needed to ensure the supply of global public goods - for example in the verification of arms control agreements, in monitoring the ecosphere, depletion of rain forests, climate patterns, etc.

Thus the introduction of these new techniques is often banal and some studies have suggested that these technologies in the workplace are not really any more intrusive or degrading than face-to-face surveillance, although computers do create new occasions for monitoring by generating more information which is of use to managers. On the other hand, there is clearly a great deal of resentment at, and anxiety in the ranks of middle management, as the new technologies are introduced in ways which make their own positions much more insecure. Not all of the new technological developments are as “carceral” as the panoptical metaphor implies - some are liberating, but ambiguities abound. A recent example of industrial restructuring using advanced technologies in ways which are premised on mutual, and relatively non-hierarchical forms of organisation is Asea Brown Boveri (ABB), the Swiss-Swedish engineering giant. In the early 1990s ABB sought to transform its production organisation in what it calls “a new industrial revolution”. The strategy was inspired by a text written by the Boston Consulting Group, Competing Against Time (1990). Restructuring along these principles is advanced in Sweden, where work responsibilities have been decentralised into work teams at the same time as worker skills have been enhanced in order to cut production cycles from 86 to 35 days. This strategy to boost productivity is based on blending so-called “lean production” methods pioneered in Japan, with “Swedish work culture”, premised on a coalition between management and unions. This has allowed the distinction between administration and production to be largely abolished. However, the plan means that 25 per cent of the labour force will be made redundant.⁴

On the other extreme, however, the new technologies can be, and are being used in an ultra-exploitative and coercive manner to not only increase the intensity of work but also to control the actions and rhythms of workers and to keep them monitored genetically and biologically. Gramsci (1971: 279-318) noted the seeds of this development in his analysis of “Americanism and Fordism”, where the innovation of new means of accumulation required the creation of a new type of worker. A contemporary example of this is the way production tasks are redesigned so that they can be performed by robots, so that the role of

humans in the factory is reduced to filling in for the robots when the robot malfunctions - a development akin to the nightmare of Fritz Lang's Metropolis. New auto assembly lines run by General Motors embody this idea, and they are accompanied by mandatory drug testing and urine analysis which in effect, are designed to mandate the elimination of workers who, it is claimed, are unfit to work to the technologically and managerially defined rhythms (Sakolsky, 1992: 115-26). Indeed, it can be argued that for the vast majority of workers in the OECD since the mid-1970s there has been an intensification of work, and new managerial strategies have been combined with new technologies to increase the direct and indirect forms of surveillance and control. Stress and anxiety levels have increased. As the power of capital has grown, relative to labour, workers have found that their real incomes have stagnated, and for many during the 1980s, have fallen and continued to fall.

This is part of the broader climate within which to consider new forms of workplace surveillance. According to the US Office of Technology Assessment, such technologies are intended not only to improve the performance of workers (through monitoring output, use of resources and communication), but also to monitor their behaviour, location, concentration levels, and predisposition to error (e.g. drug testing). Moreover, their personal characteristics, including not only their "truthfulness" but also their predisposition to health risk are tested in many US firms. Other examples of the coercive and carceral use of what are called "dual use" technologies - those which can be both socially useful but also potentially, socially repressive, are the use of electronic tags to monitor the location of workers (and which are also used to monitor prisoners either within the penitentiaries or when they are on parole). Genetic screening techniques plus lie-detector and other tests are coupled to credit-ratings and criminal checks made on individuals as part of the hiring process in a growing proportion of big US corporations, as well as in various (not just sensitive) areas of the state bureaucracy. In the case of US corporations, efforts are made to sort out potentially "risky" workers in the hiring process - that is to avoid hiring those who may become "sickly" workers and thus place a financial burden on the corporate health care plan (Draper, 1991).

The trend in North America is towards a surveillance process which increasingly focuses on the worker (e.g. the worker is viewed as a risk, as well as a tool of production). Occupational risk is equated with the susceptibility of the worker rather than (hazardous) workplace conditions, especially in North America (Draper, 1991). This explains why there is such an increased interest in, and use of genetic testing, health, insurance, credit-worthiness and criminal history checks. For example, the numbers of Fortune 500 companies which use genetic screening for hiring decisions has doubled over the last decade, with now

over 15 per cent using such techniques.⁵ The key economic force driving this process in the USA is the combination of increasing health insurance costs and the lower costs of the genetic technologies. Elaine Draper (1991) argues that this form of the social construction of risk is linked to a broader tendency in the OECD countries - the rising use of genetic explanations for social phenomena.

All of these measures have prompted different forms of resistance, either passive or active, including strikes, work stoppages and go-slows, and even collusion between workers and line managers to escape surveillance from above. Other techniques include “anticipatory conformity” and “appearance management” (Sakolsky, 1993: 117-18). These forms of resistance had their precursors prior to the onset of industrial capitalism, for example weavers’ riots in London, and peasant revolts and poaching in Britain, after the enclosure of agricultural lands and the appropriation of the traditional commons in Britain in order to capitalise agriculture, in the seventeenth century, struggles that continued in the eighteenth century (Hill, 1961).

“Triage” and the reconfiguration of social and financial risk

Oscar Gandy (1993) traces the origins of panoptic surveillance and normalising techniques back to pre-industrial times, and to the notion of triage, a French expression which means to pick or to cull: to sort out the good apples from the bad. In English it means “the grading of marketable produce”. The term triage has more frequently been associated with medical decision-making, for example, in a situation of mass battlefield casualties, where only those most likely to survive and fight are given treatment.

The bulk of the informational bases for modern panopticism, are everyday transactional activities that leave traces which can be (electronically) recorded, stored, sorted and evaluated, in part according to the application of statistical and other evaluation principles.⁶ Much of this is premised on techniques associated with insurance: the avoidance of risk. Examples of this are numerous, but they include credit and financial companies, insurance and health firms and marketing corporations. This kind of information gathering, and its sorting into categories is now so routinised that it is built into the process of everyday life - this is elaborated below.

Modern triage techniques - in the context of market forces - are used to marginalise or eliminate “unproductive” and high risk individuals, and to identify those who can be “constructed”, normalised or captured as workers and consumers. In the USA, this type of direct and indirect sorting process is applied

across a range of activities by bureaucracies of government and large corporations. This has meant that, e.g. in the medical field, perhaps 30 per cent of the total population has no effective health care insurance, because state provision is inadequate and in the private sector they are considered too “risky” to cover or to treat.

When risk-avoidance rules are applied (some by computer programme) to credit and insurance/health applications, high-risk individuals may be automatically eliminated from authorisation of credit, from private health insurance, or, as an implicit condition for future insurance cover, women may be coerced into pre-natal screening. The process of credit-rating affects the conditions under which loans are extended, and the rate of interest which is paid. To obtain credit means giving access to a great deal of personal information and this is in turn manipulated into sorting categories, as well as sold on the marketplace. The credit-rating process is intimately bound up with the production process, not only in terms of the rating of corporate bonds which price the interest rate for loaned funds for investment in plant and machinery or for research and development, but also, as noted, in terms of the recruitment of labour. Companies increasingly refer to credit information agencies when considering new employees: those who have demonstrated their ability to service debts are more likely to be hired, *ceteris paribus*, than those who have faulty records. Moreover, many poorer people cannot gain proper access to credit, and when they do, they pay much higher real rates of interest. This category means those who are poorest and most vulnerable: e.g. new immigrants, the poor, single-parents, the unemployed.

These changes are also bound up with the reconfiguration of civil society, in so far as certain aspects of risk (both market risk and credit risk) have, at least since the second world war, been largely socialised in the OECD countries. What is emerging is contradictory. On the one hand, risk is shifted increasingly down to the personal level and hedging of risks takes a predominantly market form (e.g. the provision of private health care arrangements, private security guards, etc.). On the other hand risk is increasingly generalised (e.g. the environmental risks or market risks, such as a fall in the stock market undermining the life-savings of people, that is their pension fund investments). A key aspect of social life in the late twentieth century is the growth in the prominence of “manufactured risk” (as opposed to natural risks and disasters, such as earthquakes), and this provokes attempts by individuals to provide for such risks (Giddens, 1990: 112-150). I would add to this that all of this is occurring in an era of state budget cut backs and the reduction of the socialisation of risk provision for the majority of the population - and thus a greater privatisation of the risk calculus at the level of the individual. Many people enter into information grids (e.g. in the case of credit provision) to facilitate their lives and obtain access to a

valuable resources (credit and insurance). Indeed, some use cards to offset certain risks that they encounter in their everyday (financial) lives. Credit card use means that transactions are recorded; credit cards often provide insurance against counter-party risks, e.g. flight cancellations, faulty products, car accidents, etc.

Moreover, in the USA - despite the apparent hegemony of market forces - there is some form of socialisation of risk - but it seems to benefit an affluent minority of the population. Coincidentally those who benefit are the most politically active members of a society characterised by extreme political alienation and electoral absenteeism. Approximately half of eligible voters do not participate in Presidential elections, and thus a President can be elected with less than 30 per cent of the potential vote; when the Republican Party led by Newt Gingrich gained control of the House of Representatives and the Senate with the intention of pushing through their “Contract with America” in 100 days (designed to decentralise government and to radically redistribute income from the poor to the rich) was built on a narrow electoral majority that consisted of a little over 20 per cent of the potential vote. By contrast the electoral turnout in the October 1995 referendum on the sovereignty of Québec in neighbouring Canada was 94 per cent of the eligible vote. This peculiarity of American politics may help explain why, for example, and as J.K. Galbraith (1992) notes, the US Federal government insures depositors for up to \$100,000 per bank account: by definition, the poor (few of whom ever vote) will not have such large savings in a bank. When the Savings and Loans collapse occurred, it cost the US taxpayers over \$250 billion to pay compensation to those with S & L accounts, that is mainly to the members of the “culture of contentment”. Another phrase which reflects this state of affairs is the idea of “corporate welfare” payments, at a time when social entitlements for the poor and needy are being reduced world-wide.

Finance, credit-worthiness and credit-cards

The 1980s was a period of tremendous change in the sphere of finance. One dimension of this change was a huge growth in indebtedness and credit expansion, at all levels: from corporate to individual, from federal to local government. In the 1980s, access to credit became a key determinant of the reproduction of not only economic, but also governmental activity. This process has been commonly understood to be an indirect one, conducted within the context of the forces of supply and demand in the marketplace. However, especially from the early 1980s, the poor credit conditions and heightened competitiveness of in the global political economy began to give more prominence to the role of credit-rating agencies, concerned with the monitoring and surveillance of firms and individuals, as well as municipal and

national governments. Credit-rating agencies such as Moody's and Standard and Poor's became more influential. A good credit-rating became the sine qua non of economic status in United States society. In what former Librarian of Congress Daniel Boorstin once called "the great democracy of cash", access to credit on reasonable terms means access to economic resources and indirectly to political power.

In North America, and in the US in particular, the materialism of liberal democracy means that the substantive conception of citizenship involves not only a political-legal conception, but also an economic idea. Full citizenship requires not only a claim of political rights and obligations, but access to and participation in a system of production and consumption. Central to the contemporary definition of participation in this system is access to the financial system, and, in particular, to the credit allocation process. Those who gain access to credit are ranked hierarchically (e.g. holders of American Express Cards, which are either Green, Gold or Platinum). Moreover, each "cardholder's" behaviour profile is scrutinised on a daily basis, according to over 450 separate categories. Companies rank people according to financial and social status, employment record, criminal and health records, etc., etc. Not all of these records are integrated: but some are, apparently for private insurance, credit and health.

Today about 70 per cent of US families have at least one card, up from 50 per cent in 1970. Holdings of bank cards (e.g. VISA, MasterCard, Optima) has also risen quickly, and 54 per cent of all US families held these in 1989, up from 16 per cent in 1970. Bank card holding has increased further since 1989. In 1990 credit cards were used to purchase some \$455 billion of goods and services, and credit card charges accounted for 13 per cent of all consumer expenditures, up from 10.8 per cent in 1980 (Canner and Luckett, 1992: 655). Credit growth dropped dramatically in 1991 as the so-called "credit crunch" hit the USA after the excesses of the 1980s came home to roost.

Credit cards are used for two reasons: as a means of payment and as a source of credit. Interest rates are more critical for those who use the card for credit: as a debt instrument. Dependence on the use of cards for these purposes is increasing. Revolving credit (which is mainly unpaid balances) rose from \$60 billion at the end of 1980, 19 per cent of all consumer instalment debt, to more than \$240 billion at the end of 1991, which represented well over one-third of all consumer instalment debt which was outstanding (Canner and Luckett, 1992, table 2: 656). Most credit of this type is unsecured, but increasing numbers of borrowers have to turn to a recent innovation, secured accounts: those with low incomes or poor credit histories (as with the case of Byron, discussed below). These accounts require

borrowers to deposit a sum (\$500-\$1000) in a savings account, at low interest to gain a card and thus perhaps to rebuild a credit rating.

This reflects the higher losses associated with poorer people generally, with recessionary conditions and the search for greater profits in an increasingly competitive credit card industry. A study of the effects of deregulation in US banking for the American Management Association found parallel trends - indeed compelling evidence of a trend towards the segregation of banking services to create a three-tiered, hierarchical structure with the poor effectively marginalised out of mainstream banking facilities. The poor paid higher fees and received lower rates of interest on their deposits. The author found that these trends exacerbated their poverty (Jorgeson, 1986). Since that study the same trends have accelerated.

Despite relatively low profits (e.g. when compared with mortgages and other types of lending) as the credit card industry was becoming established on a mass basis in the 1960s and 1970s, by 1984 the profitability of credit cards had risen above that for most other forms of lending, as personal indebtedness levels rose. Nevertheless, surveys indicate that in 1989 32 per cent of cardholders owed less than \$500, and an additional 18 per cent owed between \$500 and \$1000, and most cardholders are relatively insensitive to interest rate levels (which in real terms have been very high for much of the last decade). Spreads between credit card rates of interest and those paid on deposit or other interest-bearing accounts are now wider than they have been for 20 years. At the same time delinquency rates did not rise any faster than in previous recessions. This allowed the companies to increasingly nuance their operations:

For the most part, card issuers have lowered rates selectively. In some cases, they have targeted their solicitations to individuals deemed to have certain desirable characteristics, an approach made more feasible by the development of extensive data bases and improved techniques for screening potential cardholders. Some of the largest national issuers have segmented their cardholder bases according to risk characteristics, offering reduced rates to a select group of existing customers who have good payment records; higher-risk late-paying customers are charged still higher rates.

The hierarchical sorting of credit card holders seems set to continue:

In the future, segmented rate structures will probably become more widespread as lenders continue to try to categorize accounts by their profitability and price them accordingly (Canner and Lueckert, 1992: 666).

Economic citizenship and the debt trap

Let us now try to describe how this process originates, in an existential and historical sense, for the typical North American, and then look at specific case: that of Byron.

In North America, civil society prepares its future citizens for the moment when they attain the age of economic citizenship, in so far as this is reflected in the possession of credit cards. For example, a recent TV series, produced by the public service broadcasting network, TV Ontario (TVO), and shown in 1992, was an educational course in creating the conditions for obtaining a credit rating. To obtain a credit rating, as illustrated in the first programme, teenagers needed to realise that this is only possible through incurring debt (alone) and by carefully and consistently servicing the debt. Over time, this would establish a clear and documented record of financial rectitude. However, the first problem was access to the initial loan, since this would require a guarantor, who, almost inevitably, would be a parent.

Nevertheless, upon successful servicing a relatively small, initial loan, this particular shackle of parenthood could be sundered, in anticipation of a larger loan, for example, to buy an automobile. The question is, how does a young person service such a loan? The TVO programme emphasised that teenagers should take full responsibility for servicing the loan, for example, by obtaining weekend or evening employment in a grocery store. This would have the combined effect of showing their ability to be good employees as well as maturing, responsible adults.

In this way, young adolescents are groomed for entry into not only the consumer-credit economy, but also, the production structure. Thus, the ability to gain access to the credit system in some ways anticipates the realisation of their economic citizenship. In other words, the acquisition of relatively independent access to financial resources means that North American adolescents begin to develop a capacity to transcend the more traditional forms of discipline associated with the family and the school. In so doing however, one form of discipline is penetrated and transformed by another: market discipline. In a sense, generational conflict belonging to the sphere of the family is transcended by a common subordination to the laws of the market.

Of course, the capacity to enter the credit system in this way is not equal for all, since the initial point of entry the credit system rests upon the credit-worthiness of the initial guarantor of the first loan.

A recent article in the New York Times examined the case of “Byron”, a forty-year old hospital administrator who was striving ‘to restore a tarnished credit-rating’. Byron had accumulated more than \$30,000 in debts, mainly through use of credit cards for tuition bills, furniture loans, and other household expenditures. Hounded by creditors, Byron sought help from “a local consumer credit counselling service. The service interceded with the creditors and now Byron is paying \$649 a month to satisfy the last of his debts.” Byron kept to the schedule of repayments and is now repairing his credit-rating. The article pointed out the costs of doing nothing to deal with the credit problem. The article quoted Jewell L. Bailey, vice president for education with the Consumer Credit Counselling Service of Oregon, which handled Byron’s case:

Without a good credit rating, you may not be able to find an apartment or even get a job... Many more employers are ordering credit reports, and a good report is often the deciding factor when a company must choose between one candidate and another.⁷

Information is routinely gathered and stored by credit bureaux on major credit card expenditures, or for loans to finance purchases such as automobiles or houses. Credit bureaux gather information on credit users and sell it to banks, private companies and retailers. The information includes what each account holder owes, or has paid, and whether the payments are up to date. It also includes whether debt collection agencies, or other methods, have been needed to secure payment for bills. Other information, which is within the public domain, such as bankruptcies, or failure to meet taxation payments, are also routinely included. Negative information is usually kept on these records for up to seven years and bankruptcies for ten. Moreover:

And, in three special instances, negative information may be reported indefinitely: if you apply for \$50,000 or more in credit, if you apply for a life insurance policy with a face amount of \$50,000 or more, or if you apply for a job paying \$20,000 or more (and the employer requests a credit report).⁸

In the case which has just been outlined, the repair of Byron's credit rating was a painful but necessary process, for he and his family. The burden of servicing is one thing, the black mark against his ability to be part of the productive economy is another. His future access to credit and employment may have been permanently jeopardised even after he has fully repaid his debts. To repair Byron's credit required not only harder work and longer hours on his part, but also on his wife's, since she was forced to take up part-time employment. In this way, the debt burden mandated an additional labour supply, in much more coercive conditions than might have otherwise been the case. It is common in North America for blue-collar and white-collar employees to have more than one job and it is increasingly rare that such second jobs are regulated by unions.

The risky business of global finance

Global finance is part of the transnational historical structures which intensify the pressures and constraints felt by Byron and the children of North America (and elsewhere) in their everyday lives. Yet it is a system which lies in part outside of national structures of governance and systems of accountability. It operates in a situation of absence of, or under-regulation, partly caused by the competition between financial centres, with the leaders being New York, London, Singapore, Tokyo, Paris and Frankfurt, with Chicago the leader in financial and commodity futures. For example, by 1994 the *daily* flow of foreign exchange transactions world-wide may have exceeded \$1 trillion or about the total foreign exchange holdings of all the central banks of the major industrialised nations" (Miller, 1995), and London is the leader in this sector. This is despite the fact that perhaps no more than 10 per cent of all financial transactions are ultimately related to real economic activity (that is to finance trade flows or capital movements). Much of the rest is related to speculative activity, money laundering and tax evasion, as well as the offsetting of risk, for example in the derivatives markets. This does not mean, however, that somehow we are seeing the emergence of a "casino capitalism" (Strange, 1986) where finance has become detached from production. Rather the situation is a more complex and changing one.

Part of the context for the globalisation of financial markets was the explosive growth in the so-called Euromarkets and offshore centres, plus the intensification of financial innovation in the 1970s. Moreover, since the early 1970s, rentier interests in the USA and in other OECD nations (for example the UK) have been at the vanguard of efforts to liberalise global finance, efforts which accelerated in the 1980s (and included ongoing pressure on Japan, for example in the Yen-Dollar negotiations). The USA has also used its influence within the G-7 and the multilateral financial agencies such as the IMF and the World Bank,

to press for financial and wider economic liberalisation in the Third World and in the former communist countries. US-based financial power, then, is at the centre of the transnational structures associated with the “G-7 nexus”, but in the sphere of finance other financial centres and sets of interests are important.

Much of contemporary finance (including the financing of manufacturing or agriculture) has taken a quasi-prudential form, given the propensity to speculation which the system offers and because of the financial risks associated with unstable swings in prices, currencies and interest rates. Nevertheless, the global financial system now seems to be under-regulated and may be vulnerable to collapse. For example, a review of the recent annual reports of the international association of securities regulators (IOSCO) reveals the rapid strides being made in the integration and automation of stock markets world wide, and a growing concern - especially since the 1987 world stock market crash - over the adequacy of surveillance mechanisms and the monitoring of traders by supervisors. Impetus for the introduction of ever-higher levels of technology in finance has come from the USA and Canada, with the US NASDAQ market a leader in “automated market surveillance facilities” (Bröker, 1988). Linked to this was growing competition in financial services which was a major trend of the 1980s. Because of the fungibility and mobility of financial forms of capital, holders of such capital respond to changes in information very rapidly indeed (in many cases this response is automated through computerisation).

Increasingly, global finance is characterised by the explosive growth of exotic financial instruments (such as derivatives) which, it is argued, are designed to offset or hedge various risks in a market-based system. These risks include vulnerability to market risk (involving price fluctuations); counter-party credit risk (threat of default by the other party to a contract); liquidity risk (when one financial instrument is difficult to replace quickly at something approximating its ‘fundamental’ value); operational risk (e.g. failures of internal control, perhaps involving fraud, human error or computer malfunctions). There are, in consequences derivatives for equities, for hedging credit risk and for foreign exchange options, as well as for agricultural commodities, retailing, and the so-called “emerging markets”. Very few people, however, know exactly what derivatives are, other than that they are financial products that are derived from other products and flows - apart from the few individuals that actually create them.⁹ More to the point, however, is that these instruments were initially introduced to maximise financial profits in an era of stagnation in the OECD. Moreover, much of their explosive growth in the early 1990s, as in the 1980s, was driven by greed. As a result, many of the new financial products were very highly leveraged - in ways that have parallels with the junk bonds of the 1980s.

In the early and mid-1990s there was growing international concern at the degree to which such derivatives might be, as the noted financial journalist, John Plender put it, “a multi-billion dollar accident waiting to happen”, caused by overconfidence in market growth, loose regulatory or internal controls over dealers, and of course, ignorance about the products. Some companies lost huge amounts in derivatives trading, for example Metallgesellschaft of Germany lost at least \$1.4 billion in oil derivatives (futures and over-the-counter swaps) in 1993, and was bailed out by Deutsche and Dresdner Banks at a cost of \$2.43 billion. Kashima Oil of Japan some \$1.5 billion in foreign exchange derivative trading in early 1994. The same fate has befallen local governments, for example in the UK, Hammersmith and Fulham, which had entered the sterling interest rate swap market as early as December 1983, on the advice of City of London brokers. Orange County, California, declared bankruptcy at the end of 1994 in the mother of all municipal defaults, caused by speculative losses in derivatives (in plain English, gambling with taxpayer’s money). Since off-balance sheet derivatives trading is not only a kind of modern-day equivalent to alchemist’s gold, but also, assumed to be a largely zero-sum game, these losses were, it is suggested, offset by the gains of others. Nevertheless, a 1993 Bank of England study, quoted by Plender, had concluded that the trading by largely unsupervised hedge funds was a “a supervisory hole at the very heart of the derivatives markets”, partly reflecting the absence of a panoptic or surveillance capability in the derivatives industry:

In this twilight world everyone depends heavily on the rating agencies. Yet Moody’s, for one, admits that a large proportion of outstanding contracts are too new for it to feel sure that the risks are low... [moreover] risk-shifting instruments also have a way of pushing risks on to those least able to absorb them... The real problems, both for individual banks and for the system, are about opacity, leverage and lack of managerial competence. Central bankers will have to be on their mettle if that potentially lethal combination is not to lead to trouble.¹⁰

A widely-publicised example of the lax forms of supervision practised by the authorities and by the headquarters of the parent bank was the collapse of Barings Bank in 1994, with losses in the region of £860 million in early 1995. These losses were linked to the gambling exploits of Baring’s star trader, 28-year old Nick Leeson. Based in Singapore, Leeson made bets on the Singapore and Osaka derivatives exchanges on expected upward movements on Tokyo Nikkei 225 Index, with futures and options contracts, but failed to sufficiently hedge his positions since he was after a huge profit. His strategy came unstuck because investor sentiment began to turn against Japan because fears of a potential banking collapse; the Nikkei fell further because of the Kobe earthquake. Barings - once the subject of a bail out 100 years earlier in the era of *haute finance* - was then bought by Nederlanden Group for £1.¹¹

Nevertheless, the story is not just one that involves so-called “rogue” traders like Leeson or lax internal controls as manifested by Barings (and poor supervision by the Bank of England). Many of the world’s biggest players (and speculators) in the global financial markets are pension funds and insurers, as well as the large hedge funds who compete to increase their post-tax rate of return, to assure fund growth and attract more customers/savers. There are some signs that these institutional investors, as well as “small” investors are becoming more cautious in light of these huge losses, pressing for more conservative, risk-averse financial products. However, what is still needed are attempts to raise the awareness of *all* pension contributors/holders as to what is, or might be, really happening to their life savings, and to alert them to the potential dangers of their savings being linked to many of the exotic financial instruments.

Despite the surveillance capacities of the regulators and the private credit-rating agencies, for example much of US investment banks’ derivative dealings are carried out through unsupervised special-purpose subsidiary firms, who, paradoxically, are often given higher credit-ratings than their parent bank. Moreover, little information is disclosed about the counter-parties to the contracts issued, so that the creditors of Kashima Oil might have thought they had holdings in an oil company, when in fact its business was really foreign exchange dealing. The global financial system is only as strong as its weakest link. Is this in Japan or is it in New York or Singapore? In the summer of 1995, regulators from the world’s 10 major financial centres agreed to increase mutual information flows and pressed banks and institutional investors to develop better “in-house” risk assessment systems. It remains to be seen whether these will be sufficient.

Indeed, one possible danger in a systemic sense is that, derivatives *are* ultimately based on the provision of real goods, services, resources and commodities, although often at many times removed from the point of production. Moreover, there are signs that the futures exchanges that sell the bulk of derivatives are linking up, electronically to facilitate mutual trading and create new products, thus making regulation more difficult and maximising the possibility of what bankers call “contagion effects”.¹² It is also worth noting that derivatives operate not just at the level of world capitalism in a Braudellian sense - amongst the large transnational corporations, institutional investors and hedge funds that operate within and raise funds in the wholesale financial markets - they also have begun to pervade the economics of everyday life, although most people are totally unaware of this:

The fixed-rate mortgage would not be possible without the use of derivatives, for example. Offers by shops of interest-free finance to buy goods such as cars or washing machines also rely on derivatives. Small businesses, too, use derivatives, chiefly to protect themselves against adverse movements in interest rates and exchange rates ... such as an interest rate cap, which puts an upper limit on the rate of interest a borrower has to pay, an interest rate swap which allows the client to swap his floating interest rate payment for those tied to a fixed interest rate. Small investors also benefit from the increased use of derivatives by pension funds and other institutional investors in which they have a stake. Potentially, derivatives can enhance the performance of the fund, hence providing a higher return for each individual investor.¹³

What is important then is both the way in which financial innovation increasingly permeates every day life and the processes of consumption and production (few people are able to buy a car or a house by paying for it with cash) and how expectations concerning the future are shaped in part by the new financial structures (e.g. the likelihood of an adequate pension on retirement). Whilst much of this situation rests upon the self-regulatory capacity of market agents and market forces, many liberal economists point out that derivatives traders may be taking imprudent risks in anticipation of a government bail out, for example where the central bank acts as a lender-of-last-resort: the type of socialisation of risk that a market-based financial order is meant to self-regulate and offset. However, structures of production (and the savings for pensions) involve longer-time horizons than those promoted in a climate of opinion which validates the get-rich-quick mentality of the 1980s and 1990s. Senior central bankers and regulators (many of whom move to the private sector they are regulating on retirement) seem to validate the present situation where there is an imprudent and myopic lack of oversight. Thus the longer time horizons of the archetypal small saver, Marx's famous "English shop-keeper" (Marx, 1967: 609, and p. 609 fn 1) can be contrasted with the short-sightedness at the highest levels of corporate capitalism and government. Increasingly, corporate finance officers (and the treasurers of public funds) seek to hedge risk with products they do not understand, and G-7 leaders do little about this.

Conclusion

This essay has sketched some of the normalising and disciplinary trends principally within North American society, and showed how these serve, in a contradictory way, to systematically include and exclude individuals and groups from its peculiar forms and symbols of economic and social citizenship. The United States case, in some senses, reflects the global situation with regard to the nature of financial

power at the micro-level of the individual, and how this relates to macro-financial structures, national and global. It also illustrates the complex links between finance, production and consumption in the processes of capital accumulation. It is not simply the case that finance hangs above the rest of the political economy, as it were, as a dominating and abstract force, since the interrelations are more complex whilst forming part of an order that I have called one of “disciplinary neo-liberalism” (see also the chapter by Fantu Cheru and Stephen Gill for a more global application of the concept). Indeed, partly because of the centrality of the USA in the global political economy, especially in matters of finance, the United States case in some senses interrelates with those of other nations, as well as being one that can be used to indicate the logic of some of the more ominous of current trends as well as to highlight the need for democratic and comprehensive re-regulation of money and finance and an attempt to socialise risks on a more democratic basis. However, it may take much bigger and more significant financial collapse than the Mexican peso crisis to trigger global action on this front.

Further, this chapter introduced certain Foucauldian ideas but repositioned them within an historical materialist framework so as to better account for those who are included and those who are excluded or marginalised in the political economy. The concept of panopticism, understood in terms of both surveillance and the normalisation of the individual through disciplinary practices, may apply most intensely to those who are integrated into the production, finance and consumption structures of the corporate sector, for example to members of the “culture of contentment” and to those who are attuned to and in harmony with the norms of the mass consumption culture.

Yet not everyone is willingly incorporated, and resistance to such normalising practices is also occurring. Indeed, the intensification of surveillance in the work place and in the streets may be taken as signs of a crisis of motivation, social order and government legitimacy - signs that all are not equally contented in the democracy of contentment. Indeed the marginalised may have forms of knowledge that are not amenable to rationalisation and discipline in the sense of Foucault’s bureaucratic and corporate “regimes of truth”. Some of these forces may be aligned to progressive movements, whereas others may be more reactionary and violent.

However, a strategy of incarceration and surveillance - linked to market discipline - may not be enough to sustain the prevailing forms of dominance and domination. Marginalised groups may actively seek to develop counter-hegemonic forms of power/knowledge, for example in that archetypal “panoptic” society, apartheid South Africa, a society that incarcerated Nelson Mandela and other ANC leaders for decades.

Here, state violence and surveillance could not prevent change, or indeed the possibility of communication between Nelson Mandela and his comrades even when they were kept in solitary confinement on Robben Island. Thus where Foucault represents a cry of outrage at the taming of the individual and a purely defensive strategy of localised resistance, historical materialism goes much further in an attempt to theorise and to promote collective action to create an alternative form of society - even from within a prison (where Gramsci sketched his famous notebooks on fragments of paper that were smuggled from the jail).

Notes

¹ This chapter is a substantially adapts and draws upon an essay originally published as, ‘The Global Panopticon?: The neo-liberal state, economic life and democratic surveillance’, Alternatives, Vol. 20, No. 1, (1995) pp. 1-49, to whom acknowledgement is made. I would, like to thank participants in the Vikersund symposium for comments, especially Robert Cox for his criticisms of the first draft, and Randy Persaud for useful comments.

² Here a failure of IMF and World Bank surveillance of Mexico’s domestic economic developments in 1994 was part of the bungled devaluation that led to a plunge in the value of the peso in December of that year. The ensuing “shock therapy” programme to stabilise the economy shaped by the IMF has to a massive plunge in output, a huge growth in unemployment and widespread social misery and chaos. Here the bail-out led by the IMF and the United States government effectively socialised the losses of the large banks and wealthy individuals both in Mexico, the USA, and elsewhere, that is losses associated with the assets held mainly in short-term Mexican public securities. At the same time, the costs of the bail out have been shifted onto the backs of the bulk of the Mexican population.

³ Ralph Blumenthal, “As the Number of Private Guards Grows, Police Learn to Enlist Their Help”, New York Times July 13, 1993; Clare Collins, “Hiring Private Security Guards to Cut Neighborhood Crime”, New York Times, August 18, 1994.

⁴ Robert Taylor, “Resetting the clock” Financial Times. February 10, 1993.

⁵ Priscilla Regan, “Surveillance and New Technologies: Changing Nature of Workplace Surveillance”, paper to workshop, “New Technology, Surveillance and Social Control”, Queen's University, Kingston, Ontario Canada, May 14-16, 1993, pp. 8-9. There is a difference between genetic monitoring (e.g. to ascertain if workers are exposed to damaging health risks at work and which may therefore be of benefit

to workers and to employers) and genetic screening, which smacks of the survival of the fittest. Moreover, genetic changes may occur as a result of processes unconnected to the workplace.

⁶ According to Gandy, in the USA, people who are less well educated and who watch a lot of TV are more likely to assume that the unrestricted provision of personal data, especially to private firms is a good thing, leading to better products and services. These people tend to have the jobs that are most routinised, predictable, calculable and controlled - they do not quite approximate the typical members of Galbraith's culture of contentment who on the whole are somewhat better educated and affluent, with more control over their time at work. The Canadian Federal Privacy Commissioner's report for 1993 stated that Canadians were in a "technological trance" and they were, on the whole, very complacent about the implications of the new information and other technologies (e.g. genetic screening). Geoffrey York, "Privacy report warns of 'Big Brother' computer" The Globe and Mail. July 14, 1993.

⁷ Deborah M. Rankin "Rehabilitating a shattered credit rating" The New York Times. January 16, 1993.

⁸ Rankin, "Rehabilitating a shattered credit rating".

⁹ For example, a Financial Times Survey, "Derivatives: evolution in the shadow of disaster" November 16, 1995, defined derivatives as "a contract the value of which changes with the price movements in a related or underlying commodity or financial instrument. The term covers standardised, exchange-traded futures and options, as well as over-the-counter swaps, options and other customised instruments" The survey, contained a glossary of terms for the uninitiated, these included "barrier options", "contangos", "hybrid securities", "quanto options" and "swaptions".

¹⁰ John Plender, "Through a Market, Darkly", Financial Times, May 27, 1994.

¹¹ It is said that futures and options contracts require a reasonable degree of mathematical sophistication and computer programmes. Their value changes on an hourly basis according to shifts in market indices, exchange rates etc., and many options can be traded at very short notice. Leeson, who was authorised by the parent bank to make trades of up to £50 million without prior central authorisation, had left his high school in the UK at the age of 18 having failed his "A level" examination in maths.

¹² The top 10 futures exchanges in terms of millions of contracts in 1994-95 were 1. Chicago Board of Trade 109.7; 2. Chicago Mercantile Exchange, 103.9; 3. BM&F, Brazil 71.7; 4. Liffe, London 68.9; 5. New York Mercantile 39.2; 6. Matif, Paris 36.6; 7. London Metals 24.3; 8. DTB, Germany 23.6; 9. Tiffe, Tokyo, 23.0; 10. Meffe, Renta, Spain 19.3. Source: Financial Times Survey, "Derivatives: evolution in the shadow of disaster" November 16, 1995.

¹³ Financial Times Survey, “Derivatives: evolution in the shadow of disaster” November 16, 1995, p. VI.