

MICHEL FOUCAULT AND THE FINANCIAL GOVERNABILITY REFLECTIONS ON THE INTERNATIONAL FINANCIAL CRISIS

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SUMMARY

In this paper I present a governability or power technology form what I call financial governability that differs from the German ordoliberalism and the North American anarco-liberalism, analyzed by Michel Foucault. In which context does this form emerge from financial rationality?, how does it emerge and develop itself?, what meanings has it got for biopolitics and governability? And what implications happen from this transformation process of the human work in financial capital?, these are some of the matters that are discussed in this paper. As from the concepts of biopolitics and governability, I treat the theories of the policy of society and human capital, as foundations of the German ordoliberalism and the North American anarco-liberalism, respectively, later discussing the governability form which I call financial governability, as power technology differentiated from those.

KEY WORDS: Foucault; Financial Governability; International Financial Crisis.

INTRODUCTION

From mid XX century, and with greater intensity as from the 70s, in the so called western countries, the development of a form of governability or, as Foucault calls it (2006), of the technology power, that we could denominate financial governability and that differs from of the forms analyzed by this author with the names of German ordoliberalism and North American anarco-liberalism. The differences are several: the new power technologies, the financial form of the relations established the subjects that take part, the institutional framework and the location of the exchanges, among others.

However, in what context does this new form emerge from financial rationality?, how does it emerge and is developed?, what meaning has it for the biopolitics and governability? and what implications become from this process of transformation of the human work into financial capital? These are some of the questions that orient this paper and to which I refer, by all means not to try to respond to them and much less solve them, but to raise them as an essay and a discussion of a research project that has as objective these matters and whose intention is to research on the genealogy and the way of production of these historical processes.

DEVELOPMENT

1. Biopower and Governability

In order to begin this paper, I believe it is advisable to start off from the concepts of biopower and governability that Michel Foucault uses in the courses of 1978 and 1979 in the Collège de France, to explain the emergence of liberalism towards the end of the of the XVIII century and the later transit of neo-liberalism in the XX century. They are two key concepts that allow the author to analyze the process of emergence and development of the modern States and that he calls liberal art to govern. These courses just were published in 2004 in French and then, two and three years later, in Spanish.

Foucault introduces for the first time, in his class of 17th March 1976, the problematic of

biopower or biopolitics. This power on life arises, for this philosopher, towards the end of the XVIII Century, when the human species enters into a general power of strategy that he presents as the outline of a history of the security technologies. After a year of recess, Foucault retakes the subject in 1978, but shifts the axis of discussion of the question of biopower to the question of government, and then, to the question of governability, modifying his vision in relation to the very concept of power, since it puts to one side his idea of a war society, that one which he expressed in his class of 28th March 1973 with the phrase “power is won like a battle and is lost in the same way” [Foucault, M., 2006, p.418] ⁽¹⁾. His new vision of power changes the axis and it concentrates in the relations between subjects. This turn is fundamental in Foucault and it extends until his death in 1984.

Another fundamental notion, that was also introduced by Foucault, in his class of 17th March 1976, is the one of population, that he defines as “global mass, affected by joint processes that belong to life, birth, death, (re) production, disease”. [Foucault, M., 2006, p.433]⁽²⁾. With this notion of population, there is produced another fundamental turn of the author, since he puts to one side the idea of a disciplinary or normalizing society of the bodies, which he maintained since 1970, replacing it by the population regulating society. As he himself clarifies it, it has to do with a step that he denominates as anatomy-politics of the human body, introduced during the XVIII century, which he calls biopolitics of the human species, incorporated towards the end of the same century. In fact, it is two basic power forms on life that developed from XVII century; one centered on the bodies and the other centered on the population.

Thus, we observed two fundamental turns in Foucault's thought, at the ends of the 70s. On the one hand, his conception of power, one of the central subjects of all his research work and mobilized him throughout his life, the other is knowledge. Doubtlessly, at present, it is very difficult to approach these subjects, without making reference to Foucault's thought. Of his idea of power as a thing, it changes abruptly of direction towards the idea of power as a relation between social subjects. This change is radical, because it locates power in the center of the social relations, like a constituent dimension of the social interaction, invalidating the hypothesis

of the solitude of power or the general in his labyrinth like the wonderful story by Gabriel Garcia Marquez.

On the other hand, his conception of power on life, that moves away from the monitoring and discipline of the bodies to the regulation of the populations. Here it treats also as an abrupt change of direction that implies the beginning of a new cycle in Foucault, which extends until his death. In the class of the 25th of January 1978, the same author explains what this change means, when maintaining that “man’s thematic,..., must be understood from the appearance of the population as a correlate of power and object of knowledge. After all (...) man is not, really, anything else than a figure of the population” [Foucault, M., 2006, p.108]⁽³⁾. It is an epistemological turn, that wants to base on the population notion the construction of knowledge about man, but one is also an ontological turn, in the sense to consider the population as a constituent foundation of man.

During 1977-1978, denominated Security, Territory, Population, Foucault proposes to approach the problem of society security, analyzing the transit of security of the territory to the security of the population and considering as antithetic the territory and the population. Nevertheless, after the analysis of the safety devises, he formulates the government concept, in the Physiocratic sense of economy government, as specific techniques of handling of the populations. In the class of 1st February 1978 he denominates government as the art of exerting power in the economy form and this allows him to define economy liberalism as an art to govern.

Thus, Foucault replaces the problematic triangle Security, Territory, Population, by Security, Population, Government and this implies a new turn of the course that becomes clearer when he introduces the governability concept. With this concept, he opens up, a new research field; he puts aside the history of security technologies and centers his interest in a history of the governability. This implies a new look at society, since there is a turn of subjects from rights to social subjects, those connected to political sovereignty, security and territory, and these last ones to governability, population and security.

As a concept, governability refers to the power regime, introduced in the XVIII century that

has as its main target the population, in greater form to know the political economy and by essential technical instrument the safety devises. It also refers to the process that took to the pre-eminence the kind of power which we can call government above all others: sovereignty, discipline, etc. In the class of 8th February 1978, Foucault explains that it is about a genealogy of the modern State, where governability would be for the State what is segregation for psychiatry, the discipline for the penal system and biopolitics for the medical institutions, i.e. it is about how Foucault (2006), maintains a general technology of power.

In the later courses, Foucault continues developing the governability concept. During 1978-1979, he extends its meaning not only to the constituent governmental practices of a special power regime like liberalism or neo-liberalism, but to the way in which man's behavior is carried out. Thus, as indicated by Foucault (2007), governability generally serves as a grid for the analysis of the power relations, be they micro powers or micro relations of power, concerned at a level of governmental policies.

During 1981-1982, Foucault clarifies that the concept defines the strategic field of power relations, which they have mobile, transformable, reversible. In this last sense, although governability and the government are two concepts that seem to mix into each other, because they imply themselves mutually, nevertheless, Foucault makes it clear that governability is the one that defines the form, the conditions and the type of government at a certain time. Therefore, governability is not a rigid or invariant structure of relations, but a singular majority, that only exists as an event and must be understood as strategic logic, like a strategic field of power relations.

Thus, the governability concept allows Foucault to introduce to the State in the microphysical analysis of power. It is not done by chance, but by necessity, because to study populations is not just the same as to study schools, hospitals, jails or other institutions, and implies, as he himself indicates, complex organisms of coordination and centralization which are found concerning State, this understood as a complex reality, like the movable effect of a regime of multiple governabilites.

2. Economic Governability

During 1978-1979, known as the Birth of Biopolitics, Foucault shows how liberalism constitutes the condition of intelligibility of the biopolitics. The political economy arises as a principle of voluntary internal self limitation of the reason of State, whereas the principle of external voluntary self limitation is the law. The political economy has the pretension to constitute itself into knowledge of the natural course of the things and bursts in like a new rationality into the art of governing, which is summarized in the formula to govern less, but with more effectiveness.

In this new rationality, the subjects of rights on whom the State exerts the political sovereignty, are replaced by the population. Thus, liberalism is constituted within the general framework of biopolitics, in a governmental reason that moves the State reason. It is a governmental reason limited and controlled by the market, an environment where Foucault locates the question of the truth or, as he prefers, that of veridiction.

Liberalism not only guarantees freedom as the central component of the liberal art to govern, but it produces it, to promote and to reach its own aims. Thus, liberalism implies a risk, to live dangerously, by the necessity to make compatible the free game of the individual interests with the interest of all. However, the existence of this risk implies as well the necessity of multiple safety mechanisms and, therefore, freedom and security constitute two opposed poles of intervention of the State. This opposition between society and State, for Foucault is a paradoxical relationship, as society constitutes a principle in whose name the liberal government tends to self limit itself, but at the same time is the target of governmental intervention to promote and to reach the individual liberties that the liberal art requires to govern. This paradox of liberalism is the origin of what Foucault denominates governability crisis.

When referring to this question, Foucault intervenes the only time, on a contemporary subject and he wonders which governability crisis characterizes the world towards the end of the 1970s and what modifications did it produce in the liberal art to govern. In order to respond to this question, he analyzes the two more important neoliberal experiences of the XX century, the

German ordoliberalism and the North American anarcho liberalism. We agree that he analyzes two basic forms of economy governability or governmental reason based on the political economy. These forms of neo-liberalism are developed as critic to the Keynesian economy policies, to State interventionism and the social programs that imply increase of the fiscal cost.

For Foucault, North American liberalism does not arise as a moderating principle of the State reason, but like a basic demand of independence and economy vindication. In addition, it was always in center of the debate of the North American society and as much the right as the left has defended it as part of the North American tradition and the daily fight against an imperialistic and military State. I. e, in the United States liberalism is a way of thinking and a way of life, whereas in Europe it is only a government technology.

The German neo-liberalism is based on the theory of the society policy, gives merit to the logic of pure competition in the economy area, but with markets fitted into a set of state interventions. The market is the regulating principle of the economy process and the formation of prices and the task of the government is to guarantee competition, avoid centralization, to favor the medium sized enterprises, maintain the non-proletarian enterprises, to multiply the access to property and to protect the environment, I.e., to generalize the form of the enterprise within the social network, multiplying the supply model, demands, investment, cost and benefit in the social relations, the groups, the families. In this society of enterprise, so that the competition can act in the market, it is necessary to establish a political and moral framework, where the State remains above the rivalry and competition and guarantees social integration and the cooperation among men.

On the other hand, the North American neo-liberalism is based on the theory of the human capital. It is more radical than the German neo-liberalism and tries to generalize the relations from market to the totality of the social framework. The economy analysis, the model of market, supply and demand, extends to social behaviors or social processes traditionally considered noneconomic. Thus, for example, in the relationship mother-son they constitute investment in human capital the time that the mother spends with her son, the care she gives him, the affection

that she lavishes on him, the monitoring of his growth, the education she provides and the quality of food fed to her son, among others.

Another example is the number of children which the rich families have, who try to concentrate in few children a high investment in human capital. As these families have a high human capital and the transmission of this capital to its children implies time, education attention and financial investments, this would not be possible if the families were numerous. Another example is the couple and their relationship. As they are production units, they hold long term contracts looking for an economy in the level of transaction costs, since otherwise, as maintained by Migué (1978), they would have to celebrate innumerable daily contracts or renegotiate them continuously.

In the North American neo-liberalism, also the public policies and the governmental action are evaluated economically according to the market model and enterprise, of offer and demand, economy costs and benefits. Thus there is a critic of the governmental reason, which is neither political nor legal, but economic. With this extension, Foucault shows, when criticized, for example, the programs of health, education and social segregation of the 60s and 70s and the action of the federal agencies created at the time of the New Deal.

For Foucault, the governmental action is evaluated with the logic of economy positivism. In classical liberalism, the State should intervene as little as possible in the market, it had to let do, let pass; however, in the North American neo-liberalism, this is reversed and the economy analysis does not let do, nor lets it pass on to the State, in the name of the natural laws of the market. I.e. the public policies are judged by the market court.

The theory of the human capital is based on the analysis of the human work as a production factor. This analysis was put aside by the political economy, like a blank page, but the North American neoliberals retake it in the second half of the XX century. For the theory of human capital, people work for a wage, understood as an income and this can be defined as the product or performance. Therefore, if it is an income, the wage is the rent of a capital and this capital is constituted by the workers themselves and is conformed, as described by Michel Foucault, by

the set of physical, psychological factors, that grant somebody the capacity to earn such a salary, so that, as seen from the side of the worker, work is not merchandized reduced by abstraction to the work force and time (during) which it is used. Decomposed from the point of view of the worker in economy terms, work behaves as a capital, that is to say, an aptitude, suitability; as generally said, it is a machine. And on the other hand it is an income, i.e., a salary or, better, a set of salaries; as they are used to saying, a flow of salaries [Foucault, M., 2007, p.263] (4).

The theory of the human capital raises a Copernican change in the conception of human work, that totally moves away from the classic and neoclassic conception of the political economy and, obviously, of the Marxist critic. It is no longer the use of a certain amount of work force, during a determined period of time, in a given production process, organized and conducted by an entrepreneur, with the aim of maximizing the benefit and capitalizing the economy surplus. Neither is it already a problem of efficient combination of work, nature and capital as production factors a unit either of determined production. Neither is it work transformed into merchandise to which Foucault alludes to in the text above and less even, obviously, of subordination and exploitation of the proletariat by the propriety bourgeoisie of production means.

It is a new conception of human work that transforms the workers, as maintained by Pierbattisti in (2008), into entrepreneurs themselves. No longer exploited nor exploiters, because they are no longer workers but entrepreneurs. The problem of the social classes, the historical fights of the workers, the conflict and the social matter, the social movements, the Marxist theory, the experience of the Welfare State, in short, everything seems to be diluted suddenly with this fiction of entrepreneurs themselves, created scientifically by the neoliberal North Americans.

Using a historical expression of Marx and Engel's (1975), which here is very eloquent, it seemed that all the solid vanishes into thin air and the social inequalities are diluted and they become liquid, as maintained by Bauman (2000), by the action of this entrepreneur fiction. In this new conception, human work is made up of capital and rent. The entrepreneur himself has a capital, his own identity and aptitude, which transforms into an economy investment able to generate future income. In this way, he Foucault (2007) maintains, there is no longer the figure of the work force that is sold in the market by a price or salary, but the idea of capital-suitability that

receives rent-salary.

The economy thus transforms into enterprise-units and also the society. Everything is transformed into enterprise, as a basic form of rationalization or as logic of the North American neo-liberalism. There is a return to the homo Economicus that maximizes the benefit for the entrepreneur of himself. For Gary Becker (1983), consumption is not an interchange process, because the man who consumes is a producer, produces his own satisfaction. Consumption is an enterprise activity, because the individual, on the basis of a capital that he has, produces his own satisfaction.

For the human capital theory, this is made up of innate and acquired elements. The innate ones can be hereditary or simply congenital. The productivity of an individual and also his salary level depends, at a certain time of their life, the combination of these innate and acquired elements. As well, the acquired elements depend on the level of investment in health, education, etc., whereas the innate ones depend on genetic conditions. Theodore William Schultz (1971) maintains that, the composition of the human capital only results in interest for the economy analysis, insofar as it comes from limited resources of alternative use, i.e., genetic conditions with low risk levels by disease and that it can be used in diverse ways. This introduces in the economy analysis the reproduction problematic of the human species, the possibility of problematic genetic manipulation and the racial problematic one.

The human capital theory gains space in the western countries, particularly as from the 1970s, with the deregulation and opening of the national economies impelled by the United States and England, countries where in the 80s neoliberal governments settle who accelerate and deepen the changes. In the Consensus of Washington, subscribed towards the end of the 1980s, settles down the program of neoliberal reforms that, from the International Monetary Fund and the World Bank, is dominated the Member States. It includes policies of privatization of public companies, reduction of the State, transference of the services of health and education to the provinces and municipalities, diminution and search of economic efficiency of the public cost, labor relaxation, opening and economic deregulation, free circulation and guarantees for the

external capitals, among others. The fall of the wall of Berlin on 9th November 1989 and the disintegration of the block of socialist countries, favor in the decade of 90s the expansion of the North American neo-liberalism and the model of entrepreneur himself.

3. Financial Governability

Nevertheless, raised as a hypothesis, the expansion of the North American neo-liberalism and the theory of human capital takes place because, at the same time and like a sine qua non condition, it is developed in the world, As from mid XX century, and with greater intensity from the 70s, a kind of governability or power technology that we could denominate financial governability and that is different from the forms of economic governability that Foucault denominates German ordoliberalism and North American anarcho-liberalism.

The differences are several: the new technologies of power, the financial form of the relations that are established, and the kind of subjects that take part, the institutional framework and the location of the interchanges, among others. In what context does this new form emerge from financial rationality?, how does it emerge and is it developed?, what meaning has it got for bio-politics and governability? And what implications happen to this process of transformation of the human work in financial capital? In the following paragraphs I refer to these matters.

Before the end of World War II, when already the winning countries of the fight were outlined, in the United States the Bretton Wood agreement is signed, by which is created the International Monetary Fund and the Bank for International Reconstruction and Promotion, better known as the World Bank, where the United States makes sure of the necessary votes for the financial governability the world through these organisms. At that time, as indicated by Agüero in (2008), the United States controlled more than 52% of the world gold and not by chance does it remember that this metal is the new international monetary standard.

When the war ends, the United States executes a plan for the European reconstruction known as the Marshall Plan, which allows the banks and North American enterprises to expand in Europe and other continents. In addition, the war had developed mathematics, physics and chemistry, consequently an accelerated process of technological development in the field of

computer science and the telecommunications begins. Also, a period of world continued economy growth begins of three decades, better known as glorious thirty that, together with the cold war and the fear of a new East-West conflict, favors expansion and the North American influence in the world.

Thus, the formation of a world-wide bank, the world-wide expansion of the great transnational corporations and the development of computer science and telecommunications, create the necessary conditions for the emergence, in the 70s, of a phenomenon that in the 80s begins to be called globalization, due to its simultaneous and expansive impact in many countries. The detonating of the phenomenon are the oil crises of 1973 and 1979 and the financial policies impelled by the United States from the beginnings of the 70s, that imply the revision of the Bretton Wood agreement which has to do with the gold standard and its replacement by the dollar standard, the free floatation of interest rates and the kinds of exchange, the free circulation of capitals and the separation between the financial flows and the commercial flows between countries.

As I exposed in Aguero (2008), the enormous mass of dollars received by the oil exporting countries, originating from the raise of prices of the inputs, the deposits, to a large extent in North American and English banks, and these as well give loans to governments and underwriters in international financial markets, that grow quickly and are diversified in the 70s and 80s.

With the fall of the Berlin wall, the financial capitals no longer find obstacles for their expansion in the world and, in the 90s, they reproduce in the former communist countries such as China, Russia and Eastern Europe, to extraordinary rates of gain, favored as well by the neoliberal policies impelled by the G-7, the group of countries with greater economy and political power. This group, led by the United States and integrated by Germany, France, Italy, England, Japan and Canada, to which soon Russia Integrates, transforming itself into G-8, governs the rest of countries of the world through financial policies that clearly orient towards the international financial markets and to the flow of capital, establish the levels of interest rates and kind of exchange and supervise public policies applied by the governments through international

organisms like the United Nations, the International Monetary Fund and the World Bank.

Thus, in the financial governability, the financial markets replace Foucault's populations and the new technology of power is no longer bio-political but it is the computers and the electronic data bases programmed to administer flows of electronic funds, from some place of the great globalized cybernetic space. These flows of funds are the new merchandize that are negotiated in the financial markets as rights and not as things. These rights are identified by electronic registries that express the new form of predominant money: electronic money.

In this sense, the factories, the machinery, the physical and chemical production processes, the services, the inputs and the human work itself, become electronic money, flows of electronic funds, at the same moment or before the material obtaining of the of the products, by the action of the financial markets, that transform these products into rights that can be negotiated speculatively in a limitless way.

An example of what has been affirmed previously constitutes commodities such as oil or soybean, whose value do not depend on the material conditions of production, but of international financial markets where they are negotiated as rights. While these products are produced and they are sold as merchandize in the grain and oil markets, in the financial markets they are speculatively negotiated several times as rights, generating flows of electronic money in the financial markets that can surpass several times their real economy value.

This speculative negotiation of rights or flows of electronic money, allow the financial markets to increase artificially the rate of gain of the capital, by means of the creation of what Marx (1999) denominates fictitious capital, talking about to the capital-money in Volume III of The Capital. If Marx had continued living, surely he would have written Volume IV of The Capital called The Financial Gains or Creation Process Electronic Capital.

Doubtlessly, Capitalism has entered the phase of financialization and it has been transformed into a financial Capitalism, much more sophisticated and powerful than the phases of commercial and industrial Capitalism analyzed by Marx. A Brazilian author, Reinaldo Carcanholo, in an article published in 2008, speaks of speculative Capitalism and maintain the

thesis of which, Capitalism is in a structural economic crisis that it has as background the tendency to the lowering of gain rate and this speculative phase would be an attempt of capital to give an answer.

Carcanholo's thesis is not acceptable due to two arguments: the nature of the crises in Capitalism and its nature of financialization. In relation to the first argument, it is not that Capitalism suddenly entered into crisis. It is not in crisis, neither structural nor conjunctural, but the crises are ontological in Capitalism, i.e. they are constituent of the same one. In one of its so many meanings, crises can be defined as changes or transformations indeed and that is to say, the constituent of Capitalism, its continuous capacity of transformation from one thing to another. In fact, it has taken diverse forms and historical contents; it has adapted itself to diverse contexts, constant changes of speech and it produces continuous novel forms of exploitation, appropriation, accumulation and reproduction of the capital. The electronic financial form is not more than one of the so many forms of historical unfolding of Capitalism.

In relation to the second argument and I very briefly summarized it in previous individual paragraphs, the financial phase of Capitalism does not emerge as a decay situation of economy declination nor does it emerge from, a tendency to the loss of the rate gain. On the contrary, it emerges from the continued economic growth of three decades, from the technological development; the expansion of the banks and the transnational corporations and of the formation of phenomenal masses of financial capitals deposited in the banks and relocated in international financial markets.

That is to say, it is a superior and more complex final stage of Capitalism, more sophisticated and by far more potential than the previous ones. And, by all means, by far more capacity of destruction and depredation of the environment, the material conditions of life and the social relations. If Marx destined so many pages of Volume III of *The Capital* to the reproduction of the capital-money and capital-cash, produced by the banks and the business, how much more would he have destined to the production and reproduction of electronic financial capital!

The financial processes, as in the case of oil and the soybean, move away and they become

independent of the productive processes, but not from the political processes in which they are generated. I.e., the financial markets create their own conditions of existence and their own rules of operation, but they do not do it outside of which I denominate financial governability here, that constitutes the power technology that Foucault would call neoliberal art to govern.

Nevertheless, this financial distance of the productive processes is only apparent, since the financial capital has increased considerably its power on human life, transforming itself into what Osorio (2008) denominates bio-capital. Indeed, the changes in the work world, caused by the financial governability and the neoliberal model of the entrepreneur himself, have increased enormously the uncertainty, the defenselessness and the fragility of those that-live-from-their-work, as denominated by Antunes (2003) to the present day working-class.

For Osorio, the present day worker is a modern slave because, theoretically, he is a free man but he lives under the despotic control of the capital, that daily takes control of his life, through long and tiring days of work. In addition, with the present levels of productivity generated by the technological advances and the additional possibilities of gain provided by the financial markets, the workers contribute hundreds of times more than what they receive as a salary.

In this sense, for Antunes, there is a process of structural uncertainty of the work, that is expressed in figures as collaborator, entrepreneur, flexible work, cooperative, voluntary, immaterial, outsourcing, sub-contracting, among others. This process of labor uncertainty leaves deep marks in the workers and is constituent of new identities, as demonstrated by Pierbattisti in (2008), analyzing the case of the privatization of the former National Telecommunications Enterprise, in Argentina.

CONCLUSION

I have discussed in this paper the fundamentals of a research project whose object is to research the process of formation and development of financial governability, as a technology of power of the neoliberal art to govern. The formulated hypothesis is that this governability is the

condition sine qua non, for the expansion in the world, as from the 70s, of the theory of the human capital and the model of the entrepreneur himself. I have briefly analyzed the emergence of the globalization phenomenon, the formation of the financial markets and the conditions of transformation of the economy processes into financial processes, with its implications in the work world.

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