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ABSTRACT

This paper introduces the idea of the point-value-complex to explain how finance has become both unsafe and an obstacle to production. The position of finance in present day capitalism is underpinned by both sovereign power, as government sponsors and protects finance, and by capillary power as omni-finance pervades much of the rest of the economy, again with the active promotion of government. The apparent success of finance becomes a problem elsewhere in the economy because the measure of success and the basis for financial calculation, including critical decisions about when and how to cash out are structured by consideration of point value. Thus, calculations are less about a stream of value created over time, and more about value realised at a point. This point-value complex is relevant not only to corporate decisions, but also to household behaviour and public decision making. The idea of the point-value-complex is both a product of the current political and economic conjuncture, but also draws on C. Wright Mills' framing of elite power. While our complex is very different from a 1960s military-industrial complex, both share an anti-democratic character where it is hard to challenge the conventions of the thinkable and doable. In this sense, the analysis is immediate relevant to social scientists who struggle to make sense of the financial crisis and lead a critical response.

KEYWORDS: Point-value-complex, Financialization, Omni-finance, Elites, Social Science, Capillary power

[1] A free download of this working paper available from: http://www.cresc.ac.uk/publications/working-papers

The Finance and Point-Value-Complex

Big Questions

In this paper, we ask big questions about the politico-economic impetus and direction of present day capitalism. These questions grow out of CRESC research in which we have explored the political difficulty of reforming finance in high-income countries, and the economic problems of fragmentation and value extraction in the productive parts of the British economy (private and public) outside finance. We argue that finance has become unsafe in itself and an on-going obstacle to production because it rests on what we will call a *point-value-complex*. This works because the sovereign power of government sponsors and protects finance from reform and also because omni finance also pervades the rest of the economy in a process of capillary osmosis. In understanding this latter process, we emphasise the importance of point-value calculations. Such calculations displace alternative notions of *value as stream* and migrate from investment appraisal to become the predominant measure of success and the basis for cashing out; they become significant because point-value becomes the socially acceptable basis for corporate conduct, household behaviour and public decision making.

The point-value-complex argument represents a reconciliatory move in contemporary social sciences which, in our view, need to combine resources so as to diagnose the malfunctioning of present day capitalism. On this basis, the article is an attempt to bring together two concepts of politics and power and to suggest that the intractability of our problems comes from the way sovereign and capillary power are working in tandem. The point-value-complex argument also represents a recovery in relation to the social sciences of the 1960s which, in our view, deserve better than what Edward Thompson in another context called the condescension of posterity. In the case of C Wright Mills, this condescension takes the form of dismissing Mills unread or borrowing Mills' positions on mechanisms of elite power (such as the revolving door) without understanding his problematic about how elite power works politically by framing choice and undermining the 'the genuine and public discussion of alternative decisions'. Here, then, our object is to update the Millsian idea of an anti-democratic complex given that both capitalism and our understanding of capitalism have changed in the fifty plus years since the publication of *The Power Elite*.

We organise the paper in a relatively straightforward way into three major sections. First, we describe the muffled response of a divided and balkanised social science to the financial crisis, and consider some of the questions that have arisen from CRESC's research into financial crisis and economic renewal. Second, we analyse the present day finance and point-value-complex to show how this fuses the sovereign power of government with the capillary power of finance as point-value to standardise decision-making and set limits to the thinkable and doable. Third, and with this as a background, we explore C. Wright Mills' (1956) distinctive analysis of the military industrial complex in *The Power Elite*. We then end by suggesting that the unsolved political problem is whether and how power complexes can be resisted.

1. From social sciences to popular understanding

What's (wrong) with social science?

Some of the dissatisfaction with social scientists (as with journalists) stems from a misunderstanding of their practice. Most trade press journalists are not part of a fourth estate producing independent and investigative journalism because they are employed to edit up press releases into copy that does not upset advertisers. And, in a different way, much the same is true of academics. Their terms of employment and practice ensure that only a small minority of social scientists will produce critically productive studies of financial crisis. To be sure, the number of university academics has hugely increased in the past thirty years. This is because they are now a salaried intelligentsia annexed to mass tertiary education systems which process the around half of the age cohort in most high-income counties. But most of these academics pursue careers within predominantly disciplinary structures of employment which set internally defined agendas and offer narrowly peer conferred rewards. Outside dissatisfaction with this continuing state of discursive capture is signalled by the UK requirement for researchers to show 'impact' and engage with non-academic audiences. Even so, most academic rewards remain discipline-focused. There is of course good work on finance coming from a variety of disciplines and some, such as anthropology have produced more than their share. But the intellectual response to crisis is muffled.

Within the orthodox academic division of labour, finance related capitalist malfunction is claimed as the domain of economics. But mainstream academic finance and the related discipline of economics rests on a narrow orthodoxy which is now being challenged by events and policy interventions which have (to put it kindly) overwhelmed any collective capacity for reflexivity about its concepts and modes of inquiry. These specialisms start with a double disadvantage. First, the relation of finance professors to financial innovations like securitisation after 1980s deregulation and until 2008, was not unlike that of bishops blessing battleships in World War One: they had been captured. This was directly a problem for the mainstream before and after 2008 when the task was to come to terms with their massive misreading of financial innovation; it was also indirectly a post-2008 diversion for heterodox critics who position themselves as prophets without honour and differentiate themselves partly by insisting they saw the crisis coming (Bezemer, 2009). Second, the mainstream constructs the economy in a generic frame and so there is a strong tendency to deny the singularity of post-2008 events and processes by treating them, as Reinhart and Rogoff (2009) do, as the latest manifestation of recurrent capitalist cyclicality which is partly driven by the delusion that 'this time it is different'. Meanwhile, although dissident policy elite figures like Haldane and Turner in the UK sharply questioned received wisdom[2], central bankers in the USA, UK and EU were practically distracted by their radical policy experiment with measures like zero interest rates and quantitative easing which expanded central bank balance sheets to 25% of GDP and opened up a new debate on non-standard policy, which was only an indirect review of fundamentals.

Outside economics, the developments of the past thirty years have produced disciplinary fragmentation as various sub-groups have gone their own way. This is represented in heterodox political economy by the division between one established grouping of unrevised Marxists or institutional political economists and another new grouping around cultural economy visions of how knowledge formats the world via capillary power. In the pre-2008 period, the default choice of the heterodox majority was some kind of institutionalism, like varieties of capitalism represented by Amable and others whose development of bank and market models ignored financial innovation; the innovative work on finance then came from Foucauldian studies by authors like de Goede and Langley and from more science and technology studies (STS) influenced authors like Mackenzie who explored performativity but never problematised the malign instability of finance. The pre-2008 process was a kind of Balkanisation of social science, so that the post-2008 outcome was that each discursive sub group then explained the unanticipated crisis in its own terms using its pre-existing apparatus (Bryan *et al.*, 2012). So it is with 'social studies of finance'. The label suggests a broad church movement like business history, but social studies of finance is effectively a narrowly defined STS-influenced specialism which uses case study methods to explore how (for instance) markets are enacted. The discipline has produced fascinating accounts of the performativity of markets, and can use its valuation concepts to explore some of the technical features of the crisis. Thus far, at least, it has not, however, easily accessed post-2008 public issues such as the character of banking business models and the politics of deregulation or re-regulation.

Combinatorial and dialogic social science?

Against this background, CRESC work on finance has pursued combinatorial knowledge through a different and dialogical strategy. We have sought to juxtapose and combine different kinds of academic expertise in order to try to understand the big and urgent problems. Specifically, we have brought specialists from banking and financial markets

[2] See for example: Turner (2009, 2010); Haldane (2009, 2010).

together with forensic accountants and two versions of political analysis, one from political science and the other from STS. The resulting work has been challenging, difficult, and its outputs have no doubt been variably successful. However, we want to argue that, at its best, this is a strategy that has also turned out to be a creative way of tackling the big post-2008 issues. So what are those results? What has been claimed?

In the first phase (in the 2009 *Alternative Banking Report* (CRESC, 2009) and the 2011 book *After the Great Complacence* (Engelen *et al*., 2011)) the team characterised the post-2008 disorder, and offered a two-part diagnosis for why it is difficult to restrain banks and markets in the financial sector. The first argument was that the technical expertise of regulators cannot control market bricolage by investment bankers, fund managers and traders. Regulators and central bankers may hope – and believe – that when they make technical recommendations they are establishing constraints on individual risk taking and irresponsible bank business models. But it does not necessarily work that way because the financial sector simply treats regulation as an *input* for further, elaborate forms of bricolage: for example, the Basel II rules on capital adequacy did not limit imprudent lending but encouraged the use of derivatives to shift mortgage loans off balance sheet. If we now understand this kind of problem, we can see that it is difficult to introduce more peremptory regulation and prohibition to limit market freedoms and restructure major banks.

In a working paper on the Eurozone crisis of financial interconnects (Ertürk *et al*., 2012a), we argued about how fixing finance is much more difficult than re-engineering crashed planes. This is primarily because in banking, there is no community of interest in understanding and avoiding failure as the private interests of banking will resist reform that spoils their money making game. Thus, the second, related CRESC argument was that the formal political process has then failed to restrain finance because governments have instead defended and promoted 'their' banks. The *Alternative Banking Report* (CRESC, 2009) anticipated the failure of banking reform in the UK, which has now come to pass. The main change so far is the partial implementation of John Vickers' reform, where the proposals for ring fencing of investment banking was a compromise acceptable to the banks (Independent Commission on Banking, 2011; HM Treasury, 2012b); British public indignation about Libor rate fixing was subsequently managed by setting up a Parliamentary Commission whose terms of reference were much narrower than radical critics had demanded (Bowman *et al*., 2012b).

The combinatorial approach has also highlighted issues and problems arising from the influence of finance outside the financial sector. In this respect, we break with much existing finance sector centred discussion about reform, which assumes that the main task is to make the finance sector safe in itself (and, as part of that process maybe also make finance better serve the productive economy on the assumption that there is a distinct productive economy in some kind of separate compartment linked to finance). But CRESC takes finance more broadly to include financial calculation, and our research studies highlight problems arising from such calculations right across the productive economy in sectors as diverse as meat supply, consumer electronics and railways. We have always been cautious about proposing any grand concept of financialization. The concept was quite deliberately not formally defined in our 2006 book (Froud *et al.*, 2006) and the definition of financialization is mainly inflected in a conjunctural way in our 2008 book (Ertürk *et al.*, 2008). But, like the other work on financialization by authors such as Martin (2002) or Boyer (2000), these books do serve to highlight the issue of the pervasive influence of finance throughout the economy outside the financial sector, a pervasiveness which we can call, *omni finance*.

The CRESC team's work on omni finance has also highlighted negative social consequences across non-financial sectors, both private and public. A series of recent studies have highlighted how corporate shareholder value and public sector best value encourage value extraction and fragmentation as power relations work through chain connects and disconnects in many different sectors. In glamorous high tech, Apple extracts sales revenue from the US but does little for US employment, output or tax revenues (Froud *et al*., 2012). At the same time, its main Chinese assembler, Foxconn, struggles to turn a profit given its adverse relation with Apple whose main achievement is the accumulation of huge financial reserves. In the mundane economy, we have highlighted how UK supermarkets capture the profit of other supply chain players in food processing and production, within a sector where trader mentalities and dealing are undermining UK employment and production (*Bowman et al*., 2012a). Finally, we have considered how government preoccupation with narrowly defined *value for money* in train procurement has worked to undermine UK train building and its necessary supply chains, most recently by bundling train building with finance and maintenance in one contract where a manufacturer with a good credit rating has a large advantage (Froud *et al*., 2011).

The CRESC argument is that, through financialized calculation, omni finance exerts a transformative power, not only within but also beyond the finance sector itself. It is also true that (except in the bubble years of the 1990s and 2000s) many social scientists have believed that this kind of financialized calculation is not the only way or the one best way. Thus the varieties of capitalism and national business models literatures both point to other (usually non-Anglo Saxon) models for building successful capitalist enterprises, sectors and economies (think of the role of all kinds of mechanical engineering in Germany's export success). At the same time, some social scientists and many politicians believed that national differences were being eroded by processes of globalisation. From this point of view, the structural reforms, described by critics as neoliberalism or the Washington consensus, were a political export product which would erode national specificities and punish countries and regions that did not adapt to survive. The issues here remain unresolved partly because those who talked of national models and business systems typically confused the part with the whole; and because the compromises with neo-liberalism are many and various.

This suggests that it would be interesting to find a new and open way to explore some old questions about the impetus and direction of capitalism in the UK and more broadly in the high-income countries. Why is it that present-day capitalism in the UK has displayed its particular and consistent politico-economic direction? How has its impetus been sustained for 30 years? And how, in particular, has it sustained that impetus in the face of debacles, perverse outcomes and accumulating problems? What are the obstacles to a kinder capitalism? Were *'les trentes glorieuses'* an aberration?

Current social science does not have answers to these questions. Instead, we are stuck with legacy positions and labels. The legacy positions derive primarily from the kind of 'growth regime' institutionalism invented by regulationists, such as Boyer and Aglietta, which connects with subsequent broader theories about varieties of capitalism. Some, such as Crouch (2005)and Hay (2011), assume that the practical problem is to find a new national growth regime that would sustain us for another couple of decades But, others will disagree when this kind of institutionalism was blindsided by a crash which dramatized hitherto undisclosed long international chains. Another legacy intellectual resource is a set of widely used but unhelpfully generic descriptors of the post-1979 world as 'neo liberal', 'globalised' or 'financialized'. While these labels may (as we have argued for financialization) serve to highlight issues and areas, they often confuse design, drivers and outcome while also encouraging epochalism unless a counterweight of conjunctural analysis is added.

A matter of balance

How to break out of these arguments – arguments that are academic in two senses because they are not only between academics, but are of relatively little relevance to the crisis and how we might best understand it? How to find a different starting point? We address these questions by turning from academic rigour to popular disquiet in Britain and elsewhere about the *unbalanced character* of present day capitalism. The financialized economy which we have described in the previous section is, in popular terms, criticised as an unbalanced economy.

It is quite striking that both before and after 2008 there has been a proliferation of centrist academic and political projects seeking to restore 'balance' to the economy. These include everything from Michael Porter's (2011) ideas about 'shared value', which aim to 'reconnect company success with social progress', to David Cameron's 'Big Society' plans for rebalancing government and civil society, central and local initiative (BBC, 2009). Though such ideas are generally more about rhetoric than operable programmes, they are nevertheless indicators of public disquiet which has been fed in the UK by a political discourse in which rebalancing has become a standard economic and political trope. So, for instance, after the May 2010 general election, the economics editor of *The Independent* newspaper argued that the political classes all agreed on how the economy was unbalanced and with parts too large and other parts too small:

> ‘From the refusenik right-wing of the Conservative party to the Greens to Mervyn King to the International Monetary Fund, there is a broad consensus about "what went wrong" with the British economy. We become too reliant on financial services; we got into too much debt, both personally and as a nation; we consumed too much; we invested too little; we became mesmerised by house prices. Industry has shrunk to less than a fifth of the economy; the growth in bank lending has been dominated by real estate (largely "socially useless", as some might say); investment and savings have collapsed. The agreement on the need to "rebalance" the economy was one of the outstanding features of the recent election campaign’ (O’Grady, 2010).

This argument was recycled by incoming coalition ministers who insisted that the aim of UK government policy was to redress the imbalance of the parts. Here, for instance, is Chancellor George Osborne in a 2011 speech at the Davos World Economic Forum:

> ‘Over the last decade our economy became perhaps the most extreme example of any major economy of the dangerous imbalances that now need to be unwound….That is why we need to build nothing less than a new model of economic growth, built not on unsustainable debt in the public and private sectors, but on the entrepreneurial dynamism that creates lasting prosperity. Not overly concentrated in one region of the country or one sector of the economy, but more balanced both geographically and economically. A model in which investment and exports replace debt-fuelled consumption in the public and private sectors as the drivers of growth’ (Osborne, 2011).

At one level (as we have argued elsewhere) the rebalancing discourse has become so general that it has become more or less evacuated of specific meaning and rendered into a general and uncontroversial marker for the economic good. Like motherhood and apple pie, no one from the political mainstream can possibly resist the need for ‘rebalancing’. As a part of this, the term has also become polysemic. This much is visible in *The Independent* piece on the UK cited above (O’Grady, 2010), and it is possible to discern at least five threads in the weave (Shanmugalingam *et al*., 2010).

- Older arguments about *balanced trade* are still there in talk of the need for balance between imports and exports.
- But now, post-2008, balance has also become a *fiscal issue* because government income and expenditure need to be balanced so that public sector spend is in balance.

- Apart from the immediate problem of deficits, there is larger issue about the balance between *public and private sectors*, and over-reliance on public-sector job creation.
- This connects with an older discourse about the *regional disparities* between the South East and outer regions, which is now recast as a matter of balance.
- Finally, *sectoral issues* within the private sector, and especially the relative importance of finance and (knowledge-based) manufacturing, are also being treated as matters of balance.

The result is a kind of economic symptomatology which has a broad currency in the media and amongst the political classes. It is not social science because what we have is a mish-mash of everything that ails us in the UK, together with a list of everything that we would like to be different. But even so, we suggest that it is a good starting point for social science because, in simple terms, our big question about the impetus and direction of present day capitalism can be reformulated in intelligible general terms as a question about *what drives the imbalances* that our political classes all now lament?

It is also worth noting that criticism of imbalance is not new because current British preoccupations about an unbalanced economy are echoed 50 years previously in American criticism of an unbalanced polity: most notably, when President Eisenhower explicitly warned against the 'military industrial complex' in his January 1961 farewell Presidential address (Eisenhower, 1961). Pluralism was the dominant, or at least the upcoming, political theory in 1950s America (Dahl's famous, defining, study of Newhaven would appear in 1961- Dahl, 1961). Against this background, Eisenhower presented a *balanced critique of imbalance*. He did not question the evil of communism as a 'hostile ideology' or the need for a 'military establishment', but he did recognise the novelty of 'the conjunction of an immense military establishment and a large arms industry' and then warned:

> 'In the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. The potential for the disastrous rise of misplaced power exists and will persist. We must never let the weight of this combination endanger our liberties or democratic processes. We should take nothing for granted. Only an alert and knowledgeable citizenry can compel the proper meshing of the huge industrial and military machinery of defense with our peaceful methods and goals, so that security and liberty may prosper together' (Eisenhower, Farewell Address, 17 January 1961).

With the question of balance in mind, we turn now to the omni present character of finance, the relations between finance and government and the role of techniques for value extraction.

2. Finance: sovereign power and point techniques

Omni finance

In 1979, omni finance was a distant prospect in the UK and the public sector had a distinct physical and organisational character. Much local service delivery in education, welfare and housing was directly provided or supervised by local councils working to physical standards. This was epitomised by the 1961 Parker Morris Committee which laid down the space standards for all housing constructed by councils or new town corporations. After the nationalisation of the hospitals in 1948, there was regional and local control of a behemoth health service organisation which finally came to employ nearly one and a half million people; it was the biggest public sector employer in Europe bar the Red Army. But that was then, for now this public sector is being fundamentally re-engineered. It is being turned into a network of contracts and transactions which integrate the private sector into public sector capital expenditure, operations, organisational forms, and necessary skills and subjectivities.

Thus, in investment decisions or day to day operations, the public sector's internal currency and mode of adjustment is becoming predominantly financial, and the small print provisions generally include a clip for the finance sector (even though downside risk usually stays with the state). When school and hospital building resumed in the UK after the hiatus under Thatcher, the capital came from PFI and other public-private partnership initiatives, which rose from around £1.5 bn of new projects signed in 1997 to almost £8 bn at the peak in 2008 (HM Treasury, 2012a). These PFI contracts typically bundle construction and operation, and give finance a long-term lien on taxpayer funded revenues, as well as contractual rights to refinance and sell on which went well beyond those rights arising from a standard mortgage type contract between lender and borrower. Furthermore, if we consider operations, Thatcherite outsourcing of local government services was followed by the indiscriminate recruitment of private providers for everything from welfare to work services to nursery education. The result has been the creation of a para-state of mainly private, profit-seeking firms, from G4S to family owned local nursery chains, and a huge expansion of publicly funded, private employment which, according to CRESC research accounted for around 1.7 million of the total 26.6 million employed in Britain in 2007 (Buchanan *et al.,* 2009). In the absence of private contractors across much of education and health, the recipe here has been less government control and more competition (as with the Academy schools policy in the England and Wales) which turns what remains of the state sector into an archipelago of financialized operating units.

In the private sector, the changes have also been dramatic. Here profit-seeking calculations have been recast as a result of financialization; this has brought an aversion to low return, fixed investment which in the new stock market jargon 'destroys value'. Instead, there have been inducements to leverage which have worked, above all inside the finance sector, to secure equity returns at the expense of other capital providers. This has been associated with the near-universalization of trader mentalities applied to calculations of cash flow and asset prices. The result has been shorter holding periods, endless churning of ownership and opportunist refinancing. It was ironic that the UK private sector of the 1980s and 1990s was augmented by privatized utilities where solid infrastructure was, of course, the legacy of very different national and civic calculations of the social good. In the imaginary of financialization, the private sector has represented allocative and operating efficiency in the sphere of production, and democratised savings and credit in the sphere of consumption which has brought pension funds and home ownership to the mass of the population. In an undisclosed parallel reality, financialization for two decades from the early 1980s was about feel-good and cashing out from rising asset prices that the 2000s finally exposed as completely unsustainable. While these claims may seem exaggerated, they are justified when we review the evidence.

Production was increasingly understood through the financial prism of returns to funds investing in giant company shares. Here it was not distributed operating profits that counted, but rather rising share prices. The latter generated 63.4% of the total shareholder return (TSR) in the FTSE 100 from 1983 to 2002 and 74.6% of the TSR in the S&P 500 over the same period (Froud *et al.*, 2006, p.78). In this same period many firms were taken over, with an increasing emphasis on the price at which the board of the target company is willing to recommend the sale; as illustrated in the case of the takeover of Pilkington (Froud *et al.*, 2008), the amount of value extracted at the point of sale takes precedence over other (wider) criteria. Takeover raiders who offered a premium on stock exchange closing prices thus worked to impose financialized calculations on corporate managements who wanted to survive. The logical outcome of all this was the invention and rapid growth of private equity – that is the intermediary activity of buying companies to sell on (with or without refinancing). The value of UK private equity purchase transactions increased from almost nothing to a peak of £70 billion or more than 5% of GDP (Ertürk *et al.*, 2011, p.33).

In the world of consumption the position was disturbingly similar. Long before sub-prime mortgages extended home ownership in the US to marginal groups, the home ownership system in the UK was built on rising asset prices – a process which started in the early 1980s. It was not necessary to sell the house and churn ownership in order to realise the gain on rising asset prices because (just as in private equity in the mid-2000s) it was always possible to refinance your debt and take something out from your equity, as if a house were an ATM. In the UK under both Thatcher and Blair, housing equity withdrawal was the main support of domestic consumption because in both premierships the value of housing equity withdrawal was larger than nominal GDP growth (Ertürk *et al*., 2012b).

Finance and sovereign power

So that, very briefly, is a revisionist account of the economic trajectory of the UK since 1979: a tale of the growth of finance and financial forms, and their spread into productive industry, consumption, state and para-state locations to achieve a kind of omni presence which has strong parallels in other high income countries. But why has this happened? A part of the answer is that governments sponsor and safeguard finance. This has gone on throughout the period since financial deregulation which began in the mid-1980s and continued through the 1990s.

Before this process of deregulation, the financial sectors of all high-income countries were compartmentalised and subdivided by function under government control. Large complex financial conglomerates spanning investment and commercial banking were discouraged because their activity could lead to conflicts of interest. And trading was restrained by onerous transaction margin and firm capital reserve requirements as regulators were apprehensive about the consequences of speculative trading. The changes of the 1980s in the UK were symbolised by Big Bang in October 1986 which deregulated the stock market and inaugurated screen based trading. In a parallel process in the USA, the Glass Steagall Act of 1933 (which separated commercial and investment banking) was increasingly circumvented before its key provisions were finally repealed by the 1999 Gramm-Leach-Billy Act. These measures encouraged the development of new kinds of giant financial conglomerates (like Citigroup and Barclays) and safeguarded the positions of London and New York as international financial centres which were reinvented around large scale own account prop trading by investment banks and investment bank divisions. They also set a pattern because government was no longer the suspicious or adversarial regulator of a dangerous financial sector but the sponsor of an apparently successful finance sector.

The relation of sponsorship has survived the crisis since 2008. When the re-regulation of finance was mooted after 2008, governments at every stage defended the interests of their national banks and funds (as these were being articulated defensively by the relevant trade associations). Thus, when Basel III was being negotiated, the German and French governments protected their undercapitalized banks by insisting on modest capital reserve requirements and a long eight year lead-in to full implementation (Engelen *et al.*, 2011, pp.231-2). Or again, the British government has supported London finance’s demands for light touch regulation of hedge funds and private equity, as it did over the watering down of the EU’s Alternative Investment Fund Management Directive which will finally come into force in 2013; meanwhile, the British government continues to support practices such as flash trading, even though the research which one of its own ministries has commissioned identifies the practice as economically worthless and probably destabilising (Sornette and von der Becke, 2011).

On the question of structural reform, it is striking that national governments in the financial centres of London or New York will not even consider the possibility of radical reform that would break up the giant financial conglomerates. This inhibition is quite remarkable because there have been repeated failures of internal control, most recently at JP Morgan; while, in 2012 the British Parliamentary inquiry into Barclays and the US Congressional investigation of HSBC exposed the giant banks as loose federations of money-making franchises (Manchester Capitalism, 2012). In this context, the Dodd Frank ban on proprietary trading in the USA, or the Vickers proposals for ring fencing retail and investment banking in the UK, are half-hearted substitutes for breaking up over-complex and uncontrolled big banks whose divisions still retain all their prerogatives. Investment banks (and investment banking divisions) have retained the right to undertake long chain, levered international trading operations even though, as we have argued, the Eurozone crisis is potentially catastrophic because the interconnections between the balance sheets of the banks in different countries threaten to produce domino failure (Ertürk *et al.,* 2012a). Retail banks everywhere have retained the right to a mass marketing relation with customers although, the result in the UK has been repeated incidents of mis-selling involving endowment mortgages, personal pensions and now PPI. In July 2012, *Which?* reported that the five largest UK retail banks had set aside £8.8 billion to compensate those who had been mis-sold PPI on the business as usual understanding that the banks would pay out and move on to more mis-selling as they have done before (Which, 2012).

Techniques and the unthinkable

The story of finance is that it has spread, incorporated, and reformatted activities that were previously organised in quite different ways. And, despite the 2008 debacle, and attempts at regulatory changes since the crisis, the level of reform inside the finance sector has been small, and we are still watching the extension of financial logics outside the finance sector.

We have just sketched part of the story: finance and nationally based financial institutions have been sponsored and protected systematically by the state. In the period before 2008 when unsustainability presented as 'the great moderation', the political sponsorship of finance was absolutely crucial. Initially, as we have argued, the advance of finance depended on deregulation and the dismantling of restrictions like Glass Steagall. Subsequently, finance depended on a permissive regulatory regime ('light touch' in British parlance) which encouraged financial innovations such as derivatives and avoided asking questions about dodgy business models and the web of interconnection between banks and markets. But this points us to a second part of the story that needs to be told; a parallel story about the conditions that have *limited what is thinkable and doable* in the context of finance and economic thinking over the last thirty years. So here the questions are: why did the elites and masses come to believe that deregulation, marketizing, and financialization were delivering what they claimed to be delivering? Or (to put it in academic language), how did finance and its bundle of logics achieve performative plausibility?

One answer is that *hard-core economics expertise had social credence and claimed to understand what was going on*. Why did the central bankers, senior regulators and staff economists in international agencies endorse what was going on? A large part of the answer is that they had received mainstream economic training and believed that financial innovation was delivering a world more like the economics textbook. As Ben Bernanke argued in 2007:

> 'the increasing sophistication and depth of financial markets promotes economic growth by allocating capital to where it is most productive. And the dispersion of risk more broadly across the financial system has, thus far, increased the resilience of the system' (Bernanke, 2007).

This, or so it turned out, was a technocratic fantasy, but the endorsement mattered because of what Marcusen (2006, 2009) has called the *scientization* of central banking, which turned financial regulation into an arcane matter understood only by a small number of elite figures in the financial markets or in central banks and regulators.

At the same time, outside the narrow circle of policy making on banks and markets, the masses were interpellated in a variety of ways that created novel forms of subjectivity and new identities. The more cultural aspects of this process in 1990s USA are well described in Frank's (2001) account of how the old Wall Street/ Main Street opposition was transcended by tropes about democratised finance for all. But the process was doubly material, for not only were cultural practices significant, but so too were the rises in asset prices: 1990s day trading and 2000s house flipping validated the promise of a society where all could hope to boost their standard of living with unearned income. If this was not enough to convince the political classes in the USA and the UK, it was reinforced by a PR narrative about the many social benefits of being an internationally competitive financial centre. In the case of London, a series of half-truths about jobs created and taxes paid by the finance sector were repeated by lobbyists and in government documents up to and beyond the crisis of 2008, even though there was no net job creation and the Cinderella manufacturing sector in the UK paid more taxes (CRESC, 2009).

Discounted cash flow and investment

So state power was reinforced by mainstream expertise and financialized mass culture, which together worked to support finance and extend its modes of decision making, even after the 2008 debacle. Alternative notions or forms of organising became increasingly difficult to think, let alone to practice. But, through the 1990s and 2000s, these two factors were reinforced by a third. This was the rise of the *point concept of value* which came to displace *stream concepts of value,* initially in the private sector as a basis for investor calculation. This became more important after 2008 as a generic social narrative for justifying the status quo after self-evident financial and fiscal debacle, as point-value prevents alternatives from becoming thinkable and doable. But where has it come from? There is an important story here to be told about the history of investment calculation and practice – and more generally about the performativity of the practices for framing knowledge.

If we look back at the conceptualisation of investment in the 1920s and 1930s, it is clear that in the orthodox view there was a physical world of productive investment. So that, when factories or railways were built, financial motives drove the action but financial calculations were subsidiary in investment decisions. Recall JM Keynes in the *General Theory* (1936) on 'the marginal efficiency of capital' which switches investment on and off according to the bi polar fluctuation of 'animal spirits' and expectations above and below a moderate rate of interest. The underlying assumption is that the cash flows that will determine profit and pay back are fundamentally incalculable. Specifically, (to use the terminology of Frank Knight (1921)), the assumption is that they are uncertain, in that they are not amenable to probabilistic risk calculation or any other form of metric. Keynes recognised that the separation of ownership and control had created a distinct sphere of stock market investment in coupons. But Keynes described this as a 'casino' in which stock market investor return depends on outguessing market sentiment; such sentiment is determined by the ignorant, average investor and he then believed famously that the casino should not determine economic development.

But from the late 1930s, this established conceptualisation was being challenged by a new set of calculative practices: *discounted cash flow*. These are calculations that start from the premise that one pound in the future is worth less than one pound now. They then bring the stream of income from an investment to a point in the present as a net value after future flows have been discounted using a specific rate of interest. As originally advocated by figures such as Burr Williams (1938), discounted cash flow (DCF) was proposed as a tool for selecting financial portfolios and valuing stocks. It was immediately attractive because, in this paper world, most bond coupons have a fixed entitlement to interest income. But the (discounted) time value of money turned out to be a powerful tool, because it was relatively easy to extend it from fixed income bonds to ordinary shares with variable dividends; and then from coupon investment to physical investment in machines and factories.

This did not happen immediately. Indeed, the revolution is still incomplete. Thus, though discounting and internal rate of return calculations were widely taught by business schools after the 1940s, successive surveys in the UK and USA show that older payback calculations were still widely used in investment appraisal (Lefley, 1996). It is also clear that bipolar 'animal spirits' of a Keynesian kind continue to be crucial in actual decisions and investment practice. This is the reason why, in 2012, UK and US companies are sitting on top of huge reserves of uninvested cash because they are unsure about what happens next. But while the revolution remains incomplete, the practices of DCF have been and are extremely important, both intellectually and politically. This is because they offer a way of *rendering any financial stream to a point*. To put it differently, *the future is being converted into the present in a very particular way*. This is because discounting systematically devalues the future when (at ordinary discount rates) returns more than seven or eight years away are worth almost nothing.

DCF acquired a new strategic significance in the late 1980s and early 1990s with the growth of the notion of shareholder value. It is fairly easy to turn a DCF calculation of present value into a decision principle for individual investment projects within the firm by specifying a hurdle rate of return which is used as a cut off. Shareholder value transformed the *internal* hurdle rate for management accountants concerned with the firm's cost of capital into an *external* principle of judgement for the stock market concerned with return on capital employed (and also more opportunistically with some combination of earnings and share price as financial criteria of success). The change was symbolically inaugurated in the early 1990s by McKinsey's presentation to the main board of ICI which argued that the company was a value destroyer. Even before Hanson Group started to build its 2.8% stake in ICI in 1991, possibly with a view to a hostile bid, the company was moving towards a narrower range of products and a clearer focus on managing for financial results. In effect, ICI called time on productionism and rendered obsolete the company's 1980s mission statement about balancing stakeholder interests through 'the innovative and responsible application of chemistry and related science'; this was realised in 1993 through a demerger (Kennedy, 1993; Kay, 2003). Displacement into shareholder value led to new questions about financial returns to shareholders which were much shorter-term and, in the extreme were about the most recent quarterly results. The preoccupation with shareholder value and financial results, through Rosenzweig's (2007) halo effect, started to condition views of management competence and what should count as legitimate strategic moves; managements that destroyed value were ipso facto incompetent and the only legitimate business moves were those which would create value.

Point-value before 2008

The spread of the suite of techniques around point-value remade forms of decision-making, modes of data-collection, and organisational structures in a particular, present-oriented, relatively short-term, manner. They also structured and simplified the character of *comparison in the case of giant companies* because what looked good was good. Thus the opaque conglomerate GE under Jack Welch's leadership was self-evidently a well-managed company because of sustained earnings increases and adequate return on equity; while elsewhere (possibly short term) falls in profits were reliable indicators of poor management and confused strategy, as most recently in the case of the UK retailer Tesco which has seen a decline in profits and market share (Felsted and Oakley, 2012). If shareholder value made the world legible for fund investors in equity, that was only one aspect of a 'financialization revolution'. In the 1990s, point-value became a key principle of decision making in many spheres, not only in the PLC boardroom but also in the private equity partnership or at the middle class kitchen table.

Consider the world of 'alternative investments' i.e. funds that do not simply buy and hold equity like a 1980s pension fund. Hedge funds trade in a variety of ways so as to realise point gains on tradeables such as options; private equity trades second hand companies over several years and levers the equity gains by increasingly relying on cheap debt. By the mid-2000s, both of these alternatives were marketing their success at realising point-value and pushing into the mainstream as investments for ordinary pension funds as well as wealthy individuals. Nor was point-value confined to intermediaries in the financial markets. In the New Labour Government period between 1997 and 2007, housing equity withdrawal was equal to 102% of GDP (Buchanan *et al.*, 2009, p.33); British householders realised (just like private equity in the same period) that it was possible to turn capital gains into income at a point. Thus, point-value by the mid-2000s had ceased to have any privileged connection with portfolio management of coupons or physical investment projects after calculations about a stream of projected future returns; point-value had become a practice of value extraction through cashing out now which depended on past rises in asset market prices and current tradeability.

Point-value after 2008

The collapse of liquidity and prices in many financial markets after 2008 inaugurated a period of confusion. One of the *de facto* objectives of management policy in many countries after 2008 was to stop falling asset prices in equity and housing markets. This policy could be construed as a project of recovering the world we had lost and it may have postponed the reckoning on UK housing or US shares but it has had no clear success as deleveraging continues to threaten asset values in all the high-income countries. But the conjunctural shift against rising asset prices did not marginalise point-value. Because point-value remained rhetorically important after 2008 as a kind of generic narrative justification of the status quo which the political classes could use (more or less, but very often less) cynically. It now serves to limit the thinkable, suppress alternatives and depoliticise complex social choices as the political classes recite a mantra about the importance of least cost provision in the corporate sector, best value contracts for the tax payer, and the need to end operating losses which in this narrative always indicate inefficiency and misallocation of resources (except in nationalised banks where the line is that turnaround will in due course deliver shareholder value).

The importance of point-value as an almost infinitely reusable generic narrative emerges very clearly if we consider some of mundane problem sectors from train building to pig farming where CRESC has produced public interest reports (Bowman *et al*., 2012a; Froud *et al*., 2011). In these sectors, we have argued the case against the prevailing point value basis for calculation and decision. CRESC reports have counterposed the decisions and consequences of point calculations with evidence which shows that complex choices need to be considered by looking at *chains* rather than points; and CRESC reports have argued that alternative *chain understandings of value* lead to quite different decisions and policies which would have positive implications for added value, employment and the future of productive industry.

For instance, best value and least cost was the point justification for not giving Bombardier, Derby the contract to build Thameslink trains. The decision was defended by the Department for Transport, even though Derby's unsuccessful higher bid was the arbitrary result of a contract system which bundled build costs, maintenance and deal funding over thirty years in a way which disadvantaged Derby (Froud *et al*., 2011), even though it is clear that government train contracts awarded to foreign suppliers such as Siemens, Krefeld will hasten the closure of what remains of train building in the UK. Similar chain issues arise in meat processing and production. Here, from a chain point of view, buyer-driven supermarkets are using their power to capture processor profits and put British meat producers out of business in ways that have driven up imports and threatens food security (Bowman *et al*., 2012a). And, yet again and in essentially the same way, British dairy farmers are being put out of business by price reductions and the milk processing industry is unstable because the British Retail Consortium can publicly defend supermarkets with the point justification that everything is alright because supermarkets are producing value for consumers and shareholders (BRC, 2012).

So it is (point-value) business as usual after 2008. For in this Alice in Wonderland world, policy makers always know what to do and lobbyists always know how to persuade. And the point-value narrative becomes ever more valuable with the accumulating evidence which shows the perverse consequences of earlier decisions because this point-value narrative works partly through mechanisms of discursive denial. Evidence of dysfunctional outcomes is devalued by two framing mechanisms.

- First, point-value itself frames the field so that anomalies and adverse consequences do not exist because they are not in the field of the visible. Thus, the vertical disintegration and trader mentality of the three biggest supermarket chains imposes huge transactional costs and inefficiencies on processors down the chain who cannot load their factories. But these costs are not directly visible in any one firm's accounts. They only become visible if we examine the relative profitability of the fully loaded processing subsidiaries of Morrisons, the fourth chain which operates a different, vertically integrated model.

- Second, the categories of economics can be invoked so that anomalies and adverse consequences can be explained away as market failure or as political interference into what would otherwise be rational processes. This was almost comically evident in the government's response to the debacle related to the miscalculations about First Group's winning bid for the West Coast Rail franchise in October 2012. It was important not to waste a crisis which could now be used to force civil servants to do outside procurement properly (Milmo and Topham, 2012). At the same time, there was little discussion about the absurdity of bids based on revenue projections for up to 15 years, or about the awkward activity characteristics of utilities which make it difficult to recover costs from users.

The general result of point-value as narrative justification is a kind of Maoist logic of action: the revolution fails because it is incomplete and thus more finance is always the solution to the failure of finance. In the UK, everybody, including the Treasury and various Parliamentary Select Committees, agrees that PFI or private involvement in public infrastructure provision has failed to produce value for money but the replacement is going to be – a modified form of PFI.

One size fits all: making specificity unthinkable

From a broader perspective, it is the generic nature of the calculation and the justificatory narrative which establishes insidious limits on the thinkable either before or after 2008. The generic frame encourages the supposition that process and outcome are – or should be – much the same regardless of activity specifics, sectoral differences, conjuncture and geographic scale from regional to supra national.. The corollary assumption of point-value is that one size fits all. The idea that it might be important to understand and respond variably to the specificities of particular sectors and their persistent differences is not available. Thus, the general frame of point-value is important in setting the impetus and direction of present day capitalism, which is peculiarly unable to recognise specificities and respond with differentiated policies.

This is especially the case in the UK before 2008 where Thatcher and Blair pioneered a kind of programmatic, exportable financialization. From the 1950s onwards, the country was in relative decline due to management-led failure in the tradeable goods sector, which could not stand up to German competition. The first Wilson and Heath experiment in modernisation had ended in an apparent failure of (indicative) planning and (primitive) corporatism. From the mid-1970s, there was a growing demand for a new economic modernisation project and a political vacuum because decline was undermining opposing forces and ideas. The result from 1979-2008 was a kind of herbivore neo liberalism with ostentatious flexibilisation of labour markets and deregulation of much else subject to regulators, competition policy and all the rest. This opened up the public sector as a huge new sheltered, money making opportunity for private capita via privatization, outsourcing, PFI and deregulation of finance.

Meanwhile, for thirty years inside the UK such policies also met with little political or intellectual resistance. Politically, deindustrialisation meant the collapse of GEC, ICI and other giant tradeable goods corporate, along with the decapitation of provincial elites that had provided the senior management cadre in companies like Coates or Pilkington. Intellectually, Labour revisionism from Crosland onwards had abandoned the classical critique of private sector waste and inefficiencies, while Blair and Brown added an idealisation of the success of London finance. Like their civil servants who had made careers out of 'reform', they were completely out of ideas after the 2008 crisis. Institutionally the period saw the wasting away of mass parties and the transformation of the party elites into a 'professionalised', metropolitan based stratum that was close to the City.

If we look more broadly and internationally at finance and point-value in the conjuncture after 2008, we see the persistence of thirty year old generic ideas about structural reform which is to be imposed on Southern Europe. But this is now combined with a new political vulnerability because national economies are beyond economic management within the current frame and conditions. The economic policy impasse is that national economies cannot secure acceptable mass welfare outcomes with orthodox tools as long as finance is dominant and pervasive; the outcome is the prospect of unending austerity via fiscal cuts for the masses while central banks support a regime of bank welfare under pinned by loose monetary policy. This is politically vulnerable because the centre left and right before 2008 developed a practice of politics as marketing for swing voters which is ill suited to managing hard choices in prolonged austerity; the burden of northern responsibility and southern tutelage is already too much for the electorates on both sides of EU bailouts. Without the necessary political and intellectual interventions, the benefit will be reaped by the far left and right.

3. The thinkable and doable: then and now

The Millsian problematic

Our new argument is that finance finds its way through a hard-to-resist combination of sovereign and capillary power which defines the finance and point-value-complex. And, in choosing that name for our condition of early 21st century economic imbalance in the UK, we are of course deliberately echoing the earlier usage of the term military industrial complex for understanding mid twentieth century political imbalance in the USA. Indeed, we would argue that we are resuming work in the problematic of C Wright Mills. But, as we will explain, our aim is not mechanical imitation of Mills but imaginative renewal when capitalism and our understanding of it has changed. This requires us to understand the distinctiveness of the Millsian problematic and the limits of mechanical imitation. The distinctiveness of Mills is best established by contrasting his concept of military industrial complex with that originally proposed by Daniel Guerin. Mills is concerned with conditions of decision-making and the abolition of alternatives in his analysis of Eisenhower's America in the 1950s whereas Guerin presupposes political autonomy in his analysis of Fascism in the 1930s.

The term military industrial complex first attracted attention when it was used by Guerin in his book *Fascism and Big Business* (1936) and later summarised in a 1938 article in *The New Internationalist*. Guerin tried to avoid vulgar Marxist determinism by taking a classic position on the military industrial complex in Fascist Germany and Italy. He treated the economy as the sphere of necessity, but allowed that politics has relative autonomy. Thus, 'fascism is essentially the instrument of heavy industry' because armaments resolve capitalism's generic problems of profitability:

> 'Stripped of all appearances, all the contradictions which dim its real face, all the secondary aspects which hide from so many its essential character, and all the circumstances peculiar to any one country, fascism is reduced to this: a strong state intended to prolong artificially an economic system based on profit and the private ownership of the means of production' (Guerin, 1938).

This account of necessity is qualified by an insistence that various factions of the bourgeoisie disagree about tactics, so that in Italy or Germany the industrialists prefer rearmament to war:

> 'Again, while big business approves of an aggressive policy that brings it new armament orders, it is afraid lest the fascist leaders, in seeking a diversion from the wretchedness of the people, provoke a premature war which will result in the isolation of the country and its defeat. ….(In) Germany, when Hitler decided in March, 1936, to remilitarize the Rhineland, it was the Nazi top bureaucracy – Goering, Goebbels, and others – who urged him on to the adventure, while the big capitalists and their representative, Dr. Schacht, as well as the Reichswehr Generals, were wary, not as to the act itself but as to the rash form it took' (Guerin, 1938).

Twenty years later, C. Wright Mills presented a much more nuanced and credible account of the military industrial complex. *The Power Elite* (1956) was part of a political sociology which explored 'the major issues for publics and the key troubles of private individuals in our time' (Mills, 1956, p.11), and offered an alternative to pluralist political theory. The major issue was how the USA in the late 1940s and 1950s committed to the Cold War project against communism and adopted 'military definitions of reality' (Mills, 1956, p.275) in defence and international affairs. The background was 'the decline of politics as genuine and public debate of alternative decisions'.

There was a structural disconnect because the political party no longer served as intermediary between lower levels and 'top levels of decision' (Mills, 1956, p.274). He resisted any form of pluralist framing of politics because (he argued) that pluralists such as Dahl were drawing on a model of politics appropriate to the Jacksonian period, ignored the structural disconnects between top, middle and bottom of the 1950s, and focused exclusively on the middle levels:

> 'Above this plurality of interests, the units of power – economic, political and military – that count in any balance are few in number and weighty beyond comparison with the dispersed groups in the middle and lower levels of the power structure. Those who still hold that the power system reflects the balancing society often confuse the present era with earlier times of American history, and confuse the top and bottom levels of the present system with its middle levels' p.266).

All this is well known (at least in political science) because Mills is recognised as an adversary of pluralism, though his difference from Guerin has not been recognised. Where Guerin had represented politics as the secondary sphere of discretion and negotiation between sectional, bourgeois economic interests, Mills took a completely different line. For him, in the contemporary post World War Two and Cold War period, politics was primary because *it kept things going at the top level by abolishing political differences.*

In thinking about the conditions of decision-making, Mills defaulted into Weber and placed much emphasis on the types of individual recruited into different bureaucracies. He argued that the conditions of decision-making were two fold and concern *presence* and *absence*. First, there was the *presence* of major hierarchies in giant business corporations, in the political executive and in a hugely larger military. In all three cases, the 'command posts' were occupied by an affinity group whose values and backgrounds were increasingly standardised so that *deformation professionelle* could rule a world where (as Mills had originally argued in 1940) motivation was a social category:

> 'As the requirements of the top places in each of the major hierarchies become similar, the types of men occupying these roles at the top by selection and training in the jobs – become similar…. Between these higher circles, there is an interchangeability of position, based formally upon the supposed transferability of "executive ability", based in substance upon the co-optation by cliques of insiders' (p.287).

Equally important (and more or less now forgotten) was a second condition of decision making: *the absence of a civil service bureaucracy* to sustain the independent expertise necessary to balance in a democracy:

> 'The United States has never and does not now have a genuine civil service, in the fundamental sense of a reliable civil service career, or of an independent bureaucracy effectively above political party pressure.....The historical check upon the development of an administrative bureaucracy in the United States has been the patronage system of the parties, which as machines use jobs for pay offs, thus making impossible office discipline and recruitment on the basis of expert qualification' (pp.239-40).

There is much here that we can take (and have indeed taken in the earlier sections of this article) from Mills. First, Mills believed it is crucial to engage *specifics*. Here our claim is that a generic analysis of (financialized) capitalism is not enough because financialization is neither an immanent tendency nor an epochal project. Rather it is the product of specific forms of balance – or better imbalance – between different powers and forms of capillary ordering. Second, Mills' object is political because the aim is to understand how elites are empowered and what elites are empowered to do in the gap between the pretensions and practice of mass democracy. Here we have done no more than update Mills' account of the heterogeneous conditions of decision-making.

The followers of Mills

Mills work is more cited than read and recent US attempts by radical economists, such as Bhagwati (1998, 2008) and Johnson (2009) update the idea of the military industrial complex by borrowing mechanisms from Mills (rather than restating the conditions which make alternatives unthinkable). Radical economists now talk of the 'Wall Street-Treasury' complex to explain what a mainstream economist would call regulatory capture of the political classes by the finance sector and they do this by invoking two factors: *ideology* on the one hand, and *circulation of personnel* on the other.

The template here was provided by Bhagwati (1998), since borrowed by others such as Wade and Veneroso (1998) in their discussion of the 1990s Asian crisis.

> 'The answer, as always, reflects ideology and interests, that is, lobbies. The ideology is clearly that of markets. The steady move away from central planning, overregulation, and general overreach in state intervention toward letting markets function has now reached across many sectors and countries… Then again, Wall Street has exceptional clout with Washington for the simple reason that there is, in the sense of a power elite a la C. Wright Mills, a definite networking of like-minded luminaries among the powerful institutions, Wall Street, the Treasury Department, the State Department, the IMF and the World Bank' (Bhagwati, 1998, p.9).

Bhagwati then goes on to list the personnel who had crossed over between institutions, starting with Secretary Rubin who came from and went back to Wall Street. When Simon Johnson wanted to explain the US domestic crisis after 2008, he explicitly borrowed the term Wall Street-Treasury complex and the framework about exchange of personnel and ideology.

> 'By the time of Bhagwati's article, the power of Wall Street reached deep into Washington. The major banks…. had funnelled millions of dollars… to key congressmen who could make or break legislation affecting the financial sector. The treasury secretary was a former chairman of Goldman Sachs, the assistant secretary for financial markets was a former Goldman partner, and the Federal Reserve chairman was an ardent fan of Wall Street…. The dogma of financial innovation had few doubters in Washington. Vibrant, profitable banks were assuming the status of national champions' (Johnson and Kwak, 2010, pp.118-9).

Such discussions of the 'Wall Street-Treasury complex' illustrate the difficulties that radical economists encounter when they attempt social analysis. They add their own notion of ideology, which is problematic because it presupposes that our own knowledge is different, better and more 'scientific'. And they take one element from Mills in a very mechanical way by emphasising the rotation of elite personnel through revolving doors in different hierarchies. This misses the point in the most straightforward empirical way. Because the finance sector now includes large hierarchical banks plus small, agile, private equity and hedge funds, and the key personnel include both top executives and an assortment of traders and fund managing intermediaries (Engelen *et al.*, 2011). And, there are also limits on movement as in the UK where, for example, the senior echelons of the Bank of England are staffed by career central bankers and ex academics such as Andy Haldane, Paul Tucker and Mervyn King.

Borrowing bits and pieces from Mills does not work to explain the direction and impetus of present day capitalism. Instead, we believe that it is more fruitful to do as we have done in this article which is to take up the Millsian problem about the abolition of alternative decisions and restate the conditions of decision-making. We should seek to describe multiple conditions of decision-making or imbalance remembering Mills' important insight that absences are just as important as presences in giving capitalism impetus and direction. And, as Mills would surely have recognised, we need to do things differently because capitalism *itself*, our *understandings* of how it works, and the *tools* that we have for thinking about it have all changed. We could understand those changes from a critical point of view by listing Millsian positions and assumptions, like his arguments about media and mass society which we cannot accept. But it is more constructive to epitomise the changes in capitalism and our intellectual resources for explaining how the finance sector looks after itself, pervades and colonises many other sectors and structures the politically thinkable.

Capitalism has altered because finance is not simply organised into Millsian hierarchies but is a kind of 'distributional coalition' (Engelen*, et al*., 2011) where, as we have argued in the case of private equity, many of the key players are senior intermediaries rather than top executives or company directors sitting on each others' interlocked boards, as was the case in earlier forms of financialized capitalism (Folkman *et al*., 2007). Equally, our understanding of capitalism has changed, because it no longer makes sense to explain impetus and direction, as did Mills, by defaulting to Weber and the (executive) type. In particular, we can now think about the impetus and direction of capitalism in quite different terms because we have alternative resources in the form of the Foucauldian concept of capillary power and where it is the *practices* that do the work (including the formation of subjectivities). Finally, we can borrow from actor network theory (and its Deleuzian correlates) in the form of concepts such as 'assemblage' or *agencement*, which point to the relative non-coherence of much association. They also yoke together the human and the non-human in ways that have encouraged authors such as Latour (2005) to treat the social as a matter of heterogeneous association rather than a domain that can be distinguished from the natural or the technical.

4. Unfinished political business

At the same time, our position is that our resumption of Mills leaves much unfinished business, particularly about politics which is greatly complicated by the rise of point-value. The universalising of point-value calculations in a multiplicity of different social relations complicates and undermines the politics of group identity characteristic of an earlier period of capitalism. This is manifest in many different ways. On the one hand, there is the decline in participation in the institutions of representative democracy, like the mass party. On the other hand, and more subtly, it becomes increasingly difficult to develop political programmes on issues like debt forgiveness because of multiple and conflicting identities. So that forgiving the debts of mortgage holders, as recently argued by Enda Kenny, the Irish Taioseach (Sheahan and Hand 2012), raise issues about whether forgiveness should be extended to investor house capitalists as well as single home purchasers; as well as whether this binary distinction is sustainable and what should be done about different vintages of mortgages. These issues are, from our point of view not only a problem for politics but also a research opportunity for social sciences.

We have argued that the power of finance is now strongly dependent on the limits on what is thinkable and doable. This suggests that alternative narratives are crucial if we are to lever ourselves out of the point-value-complex and its disastrous consequences. But where will these narratives come from? Earlier we noted that social science has become professionalised, disciplinary and inward looking. Academics have predominantly either ignored the crisis or interpreted it with pre-existing frameworks for small groups of peers. The more critical have, in various ways, celebrated the capacity of knowledges to frame the world. The question now is whether they – or we – can build on such positions with interventions that reframe the world.

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