

OAC PRESS
Working Paper Series #21
SSN 2045-5763 (Print)

Finance, Value, and Inequality:
Towards a comparative anthropology of wealth and poverty¹

Daniel Souleles
Department of Anthropology
Brandeis University

© 2016 Daniel Souleles
Open Anthropology Cooperative Press
www.openanthcoop.net/press

This work is licensed under a Creative Commons Attribution-Noncommercial-No Derivative
Works 3.0 Unported License. To view a copy of this license, visit
<http://creativecommons.org/licenses/by-nc-nd/3.0/>

¹ I've adapted much of this article from parts of my doctoral dissertation (Souleles 2015).

ABSTRACT *This article argues for the inclusion of financialization in comparative studies of inequality in human societies. I suggest that the linchpin of such a comparative study of inequality is close attention to the ways in which people recognize and allocate what is valuable. Moreover this allocation takes on fairly predictable forms of restriction, distribution, and bottlenecking. I will first show commonalities across ethnographic accounts of financiers, suggesting that they can be understood as different variants under the umbrella of financialization. Then I will suggest that financialization itself can be entered into a much lengthier ledger of processes by which value is identified and hoarded in a given society. I will then walk through an account of Inka knot-record accounting, and suggest that my schema for comparing systems of inequality allows us to profitably compare private equity financialization to the way in which the Inka arranged people and goods in their empire enabled by the abstraction of their accounting system. This comparative approach to schemes of inequality both offers a wider vantage point than recent studies that take neoliberalism or capitalism as their starting point for explaining inequality under financialization, and suggests a way that the record of anthropological and archaeological anthropology might add to studies of inequality in human societies.*

In the years since investment-bankers and their ill-conceived financial instruments caused a recession which led to the destruction, according to the stock-valuation of publicly traded companies at least, of \$34.4 trillion of wealth globally (Liu 2010), there has been an efflorescence of writing on issues of class and inequality in the United States. Journalists have continued their long obsession with Wall Street, Financiers, and their perceived depredations (to take just a few: McLean and Nocera 2010, Taibbi 2010, Lewis 2010 and 2011, Roose 2014), giving some credence to Michael Lewis's observation that, "To writers and publishers at least, our financial system has become the gift that keeps on giving, like one of those trick birthday candles that, no matter how hard you blow on it, flickers back to life" (Lewis 2013). Perhaps more surprisingly economists have come around to the idea that inequality and its social consequences, are worth puzzling. Moreover, these economists have found a receptive public. Big, 500-plus page books about the economic structure and political consequences of an unequal society, largely based on historic-statistical nationally-aggregated data sets, by Joseph Stiglitz (2013) and Thomas Piketty (2014) have gone into paper-back editions and have crested the New York Times best-seller lists. Stiglitz in particular (2013:xxxix, 2011) echoes (and perhaps precedes) the language of Occupy Wall Street in gesturing towards a 1% of American wealth holders, who control an undue

proportion of the nation's wealth and act according to, what is beginning to look like, class interest in the Marxist sense of the word. Though, the economists are not quite so forward.

It's not just economists at the peak of their career who feel comfortable writing about wealth and class in the United States. Political scientists are getting in on the action. Some suggest that the policy preferences of the 1% of income earners in the United States are significantly different from the rest of the country, even controlling for political affiliation (Page, Bartels, and Seawright 2013). Others suggest that the United States political system systematically creates unequal wealth (Hacker and Pierson 2011). And others simplify the matter greatly suggesting, republican rhetoric aside, the United States is simply an oligarchy (Winters 2011). Historians have been writing books about the history of risk in American life (Levy 2012) or the origin of financial markets (Ott 2011). Anthropologists, too, picking up on longstanding disciplinary calls to "study up" (Nader 1972, Gusterson 1996, 1997) have accumulated a number of books about financiers and the worlds they create. Zaloom (2006) has written about futures traders. Ho (2009) has written about investment bankers. Riles (2011) has written about financial governance and derivatives. Miyazaki (2013) has written about arbitrage traders. Fisher (2012) has written about gender relations in finance professions. Ourussoff (2010) has written about the disjuncture between financial reporting for markets and the rhythms of corporate production. LiPuma and Lee (2004) have written about the ways that international currency derivatives markets constrain nations' abilities to govern themselves. And Tett (2009) has written a history of the financial innovations that led to the 2007/2008 recession. These accounts show a variety of financial worlds, but, as is often the case in anthropology, make use of different theoretical paradigms and account for often similar financial actors in discordant ways. To take two examples: whereas Ho (2009) suggests a hubristic habitus that accounts for the rapid churn of ill-thought-out investment deals, Miyazaki (2013), by contrast, probes arbitrageurs, expressed contradictory beliefs about the future in order to explain their present. Undoubtedly there is truth in both of these accounts, but reconciling them is difficult and

leaves anthropologists with two plausible explanations, and not much to say about financiers and the structure of inequality more generally.

In what follows I will suggest that the anthropology of finance can be brought comparatively into larger conversations about the nature of inequality in human societies. To do so I will first draw on Krippner (2005, 2011) and suggest that “financialization” has been a coherent domain of human activity, structured by processes of accumulation which are patterned by numerical abstraction, monetary flows and market language. I will then suggest that within the domain of finance, people distinguish themselves over how they understand worth and value (Graeber 2001, 2013) and the time under which worth and value can be realized (cf. Bear 2014, 2014b), and that disagreements over what is valuable structure occupational variety within the domain of finance. I will illustrate this distinction by sketching the difference between how private equity investors and venture capital investors identify value. Within the domain of finance, arguments over value’s recognition and control, pattern the inequality that this mode of accumulation creates. Once I show that the varieties of financial experience can be understood as falling along a continuum of disagreements and conversation about value, I will suggest, drawing on Flannery and Marcus’s (2012) comparative archaeological study of inequality in human societies since the advent of agriculture, that one way to understand the creation of inequality is to focus on the ways in which people, in a given society or domain of human behavior, dominate decisions about what counts for valuable as well as mechanisms for its distribution. Given Flannery and Marcus’s identification and demonstration of control over what is valuable as a mechanism for creating inequality, I will suggest that financialization is simply one smaller instance of this larger human trend. I will then take a particular example, “khipu” knot-record accounting in the Inka empire as a way to conceive and coordinate the distribution of people and things, to illustrate the use of the validity of my bigger comparison. The larger logic of my examples is that of an inverted funnel, starting small and ever widening: modest comparisons lead to larger ones, but the same logic of value identification and control apply. Paying attention to the way in which value is recognized and controlled allows these

comparisons to make sense, across time and space. Ultimately I will argue that the wealth financiers have acquired for themselves fit into longer human habits of creating wealth and poverty.

Before I begin, one further note is in order: running against the current scholastic grain, I have neither identified nor used capitalism or neoliberalism in my explanation of inequality. This is not for lack of awareness on my part of agenda setting scholarship on either topic². Part of the logic of this absence is that I feel when one ascribes essential qualities of financialization to either neoliberalism or capitalism, one radically constrains the ability of cross-cultural and archaeological comparison, the ethnographic record that is the special strength of anthropology. It's not that approaches invoking capitalism or neoliberalism don't have things to offer our accounts of financiers and wealth (they do). It's simply that exclusive reliance on historical novelty as a mode of explanation, reinforces both financiers argument for their indispensable and novel contribution to our societies, and the walls that separate a special "western" us from everyone else, disallowing us to consider the vast majority of human history as acceptable comparative material for our scholarship (Graeber 2004:50). Given this perspective and the analysis that follows, I don't feel that there is all that much that is neo- about what financiers do, nor do I think that what is essential to inequality started with industrial capitalism. Further, once we accept a larger comparative range for societal analysis, we can start to think about the ways that many other societies have coped with the nature of inequality.

1. My Research

From June of 2012 to September of 2014 I conducted an ethnographic research project whose aim was to determine why and how private equity investors buy, manage, and sell the companies that

² It would be insane, particularly in this space, to attempt a systematic review of the literature on capitalism or neoliberalism. They are vast. They are legion. However, I can offer a few examples of the habits of analysis I am avoiding. In regards to neoliberalism: Dardot & Laval (2013) argue that there is a new planet-wide shift in economic subjectivity that has resulted in resetting human sentiment and sensibilities to that of a bunch of market-oriented entrepreneurs. David Harvey (2005), perhaps more plausibly, says that there was a bourgeois class project centered on particular world leaders (Reagan, Thatcher, Pinochet, Deng Xiaoping), aided and abetted by scholars and policy makers committed to creating a particular form of free-market economic fundamentalism. In regards to capitalist modes of accumulation: Arrighi (1996) has suggested that abstraction and financialization are regular stages in the rise and fall of world systems and powers, and Harvey (2008) has suggested that the creation of credit and other financial instruments and money is one way of working out the periodic contradictions and snags inherent in capital accumulation.

they do. In the course of this project I conducted life history and ethnographic work interviews with 83 finance people, accumulating 103 interviews, attended 16 industry conferences and events, as well as informally hung out in offices and at business schools as I was welcome. Private equity (PE) firms and their managers run funds of other people's money, using that and even more borrowed money to buy control of whole companies and manage them as investments. After 3-10 years of hiring and firing different managers, implementing reorganization plans, and paying down loans, PE investors seek to sell their investment firms for a profit. Typically, PE investors collect 2% of the total amount of money they manage, and 20% of any profit they generate (often over some "hurdle" or bare-minimum rate of return). As my study came to an end the *2014 Prequin Global Private Equity Report* notes that, as of 2013, the private equity industry managed \$3.5 trillion dollars of mostly other people's money and did 2,836 buyout deals in that year (Fogarty 2014: 4), likely representing about 10% of all company buying globally (Wilmer Hale 2013:2)³. In addition to making up a significant portion of the market for buying and selling companies, private equity investors often start their career in an investment bank, have, particularly at the later stages of their career an MBA, and have readily identify (with important caveats that will follow) with "Wall Street", "Finance", or as "Investers". By just about any definition, they're in the world of finance.

One of my findings was that private equity investors assessment of investment companies turn around particular ideas of value, that get turned into a thesis, a declarative statement about the possibilities of a given investment. So, given an opportune time⁴ and a persuasive investment thesis, arguing for the value of a company, a private equity firm will buy, then manage, then sell a company. This happens along a stereotyped investment process. Once an investment opportunity becomes more than the twinkle in a young analyst's eye, private equity investors embark on the diligence process,

³ The purchase of companies varies year to year. Wilmer Hale report 28,829 companies bought/sold in 2012. Extrapolating forward this is good enough to estimate 2013 company purchases and then private equity's proportion.

⁴ I'm indebted to Bear's work (2014, 2014b) on "Modern Time" and "Timescapes" of labor which suggest that part of the production process is coordinating different temporal rhythms. Private Equity investors do this when they manage their companies, and imagine this when they ponder whether this is an appropriate time to buy a company.

conducting and hiring others to do lots of research for them. Broadly, they are interested in the nuts and bolts of how a business operates, the nature of a given management team, and the larger business climate. Once they have described and analyzed these to their investment committee's satisfaction, a firm will buy a company. Once purchase happens, financiers rearrange a business in such a way so as to maximize cash flow, that is in the accounting sense, the 'free cash' that can be used to pay down the debt they incur in buying a company, and can also be used to pay out dividends and fees to investors. Private equity investors sometimes refer to themselves as "change capital" and take particular pride in completely rearranging a given company in the interest of making it more efficient⁵. Taken together—diligence and management—the private equity deal can be seen as a total social fact, that is, a thing that brings together diffuse parts of social life and rearranges them according to some set of ideas about what is valuable, in this case, according to financial logic. Private equity investors spend money and expertise, according to how they understand time and value, to buy other companies, rearranging people and processes, in order to siphon off wealth for their investors and themselves. Seeing the deal as a total social fact allows us "to perceive what is essential" to it (Mauss 2000[1950]:80).

The point of choreographing the deal process by the lights and contestation of value is to point out that deals do not just happen though they seem natural and normal to investors; specific financiers make them happen in the course of making and remaking their social worlds. These same financiers make deals happen in order to generate wealth for themselves and their investors. The rhetoric of the long run and financial statesmanship aside, private equity investors exist to make money, and it is not unreasonable to see the whole investment process, the total social fact of a deal, as a way to rearrange disparate points of social life in order to generate and extract wealth from the companies in which they have invested.

⁵ Employees of PE acquisitions don't often share this zeal. Burrough and Helyar offer a telling quote from one employee after the private equity led hostile takeover of RJR Nabisco, "I don't feel like I work for a company anymore...I feel like I work for an investment" (1990:513).

2. Venture Capital and Private Equity

Private Equity Deals

The private equity deal process is the longest, slowest, and by admission of numerous private equity investors, the most boring process I came across in the world of investing. Private equity investors work through hundreds of potential company investments, and invest in no more than a few companies in a given year. Often they will invest in none. Private equity investors frequently make their decisions based on proprietary information which they have reviewed for months at a time. It can take a year to buy a company; and the types of companies that they buy typically have been around for a while. Private equity investors like mature industries and companies with numerous outstanding contracts. When they can know an industry, they can place it in their larger understanding of how the world works and where economies are going. When companies have lots of customers, investors presume they have lots of revenue. Private equity investors would say they liked companies they could understand, in deliberate contrast to venture capital investors who chase the future. Seeking value in established companies that have room to grow, innovate, or transition, summons a deal process that mirrors this investment sensibility. Pitchbooks turn into short memos. Memos turn into longer reports and PowerPoint presentations. These reports and PowerPoint presentations beget all manner of proprietary, secret information: data rooms, consultants, private investigators, and reams of research. The fruit of this research supports a thesis over which a private equity firm will deliberate in committee. Ultimately a decision comes democratically in committee or by the autocratic diktat of a chairperson. Either way, a tremendous amount of carefully and secretly acquired information, gathered over months, bolsters an argument. It often reminded me of a relatively quick, collaborative dissertation project⁶.

The elaborate nature of private equity research is matched by the complexity of their task. Unlike hedge fund investors who often buy non-controlling securities or other people's debt, or venture

⁶ When you have a hammer...

capital investors who purchase a company that has no staff, customers, or money, private equity investors are often buying-to-control large, multi-layered, hierarchical organizations with their own lifespan and history. Private equity investors seek the possibility of realizing value in mature companies. Given this, they are slow, deliberate, and do not like surprises or flash in their businesses. A ratio often cited to me was that four of five or nine of ten private equity investments must succeed. This was in direct contrast to the nine of ten failures that venture capital investors could countenance. More than an occasional failure, especially outside of recession time, would lead to a stern conversation with a private equity manager's investors and perhaps would make raising a new fund difficult. This stability is manifest materially too—private equity investors wear suits and ties. They are business people and want and need to be taken seriously. They blend in with lawyers, bankers, and other members of the power elite. One office I saw was decorated with vintage posters of stately ocean liners and cruises from the 1920s, as well as several, foot-long models of the actual ships. It does not look unusual when private equity investors are in charge. This is all of a piece. Private equity investors seek value in controlling relatively large companies with a history. They take on the responsibility of leading large human organizations. This too is why it is easy for people to criticize them as the face of capitalism, as in Barack Obama's 2012 campaign advertisements criticizing Mitt Romney, a former private equity investor. When an investor seeks value in a company with both a past and a future, with an extant hierarchical social structure, the task of change and realizing profit is complicated. This is why the private equity deal process looks the way it does. They are responsible for their companies; and their companies have lived and will at some point continue to live without them.

Venture Capital Deals

All of the conferences I attended were billed as joint private equity and venture capital investment conferences. This is ironic, as they pursue wildly different ideas of and processes for finding value, despite both being financiers. Whereas private equity investors are deliberately low key and boring in affect, and consequently difficult to access for study, venture capital investors found and

were curious to talk to me. One firm even wanted me to write a book about them, using Randall Stross's (2000) account of the venture capitalists that funded e-bay as a template. This idea withered when we started talking about creative control. Still, unanticipated and unsought, I found a number of venture capital investors willing and in fact excited to talk to me. My understanding is that this has a lot to do with where venture capitalists try to find and then monetize value. Whereas private equity deals are often secret deals done with private companies, venture capital investors seek entrepreneurs with a bright idea that could turn into Facebook, or Google, or perhaps almost as good, be bought by Facebook or Google. As such venture capitalists seek people who have ideas for companies but no company as yet. They seek people who have ideas for products and services, but no customers as yet. They seek people who have plans for organization building but no organization (much less leadership experience) as yet. In short, venture capitalists are seeking a plausible vision of the future, a future they will pay to bring into being with far less data to analyze than private equity investors. The thing about the future is that no one is quite sure where its origins are in the present. This is reflected in the metaphors that investors use for very early stage investments: a small investment of \$25,000, \$50,000, or \$100,000 comes from an 'angel investor'. This is at the 'seed stage' of a business. Nothing has germinated. Things will only grow with celestial help. This is occasionally referred to as the two guys and a garage stage of the business (referencing the garage in which Steve Jobs and Steve Wozniak started Apple, see Eadicicco 2015).

Unlike the relatively closed universe of private equity solicitation and investment banker pitch books, venture capitalists are public about their activities. VC partners frequently have active twitter accounts and blogs, and court publicity. They also seek and hear entrepreneurs' business ideas and pitches in public venues. The Harvard Business School's Alumni Angels Association gathers from time to time to listen to curated start-up pitches. Organizations like Techstars and the Dorm Room Fund seek to publicly identify young, promising entrepreneurs and give them small amounts of capital to start their businesses. At the other end of the venture capital investment spectrum, some firms will seek out

already successful companies and invest at a moderately profitable late stage of fundraising in order to advertise that company's brand in their portfolio. It is good to have twitter's logo in one's portfolio even if one did not find them early. This brings to mind sympathetic magic. Venture capitalists like to be seen with the future and publicly seek it out. Venture capitalists put exercise balls and standing desks in their offices. Venture capitalists do not wear ties, frequently wear jeans, and often have their shirts untucked. They look like more polished version of the entrepreneurs they fund. No one is sure who might be carrying the future—it might even be that anthropologist who keeps sending emails. What is more, with nine out of ten of investments expected to fail, there is an inclination to experiment with just about anything.

The company ideas venture capitalists and entrepreneurs had were often inane (a company to bring one a manicure while one waits at a boarding gate in an airport) and presented with a missionary zeal. Venture capitalists are going to bring me the future and change the world for the better in the process (just think what one can do with all that squandered time one has in an airport after clearing security!). No private equity investors offered me their personal theory of history. Venture capitalists liked to explain where things were going. One explained to me his theory of a second industrial revolution, cited Toynbee, and was energized at the prospect of radically reshuffling the world order. Another VC said he did not understand why PE guys had such a bad rap: after all, we (venture capitalists) destroy way more jobs than they do. But this is OK, because the future will be better than things are now. If I am bringing utopia, then one should be alright with a few bumps in the road en route (cf. Foley 2006).

A *New Yorker* profile of Marc Andreessen, of the venture firm Andreessen Horowitz, summed up the venture capitalist's ethos and dilemma nicely. The author, Friend, quotes Andreessen himself in 2007 before he became a VC investor: "Odds are, nothing your V.C. does, no matter how helpful, or well-intentioned, is going to tip the balance between success and failure" (Friend: 2015:73). Friend goes on to report on Andreessen after starting his own venture fund:

Naturally, Andreesen had to weigh the counterargument and consider whether he added any value at all. One Sunday afternoon, as he sat alone at the head of [Andreesen Horowitz's] conference table, he said, "Chris Dion argues that we're in the magical-products business—that we fool ourselves into thinking we're building companies, but it doesn't matter if we don't have the magical products." And magic could not be summoned, only prepared for. "Over twenty years," he continued, "our returns are going to come down to two or three or four investments, and the rest of this"—his gestures took in the building full of art, the devotions of more than a hundred eager souls, even the faux-Moorish rooftops of his competitors down the road—"is the cost of getting the chance at those investments. There's a sense in which all this is math—you just don't know which Tuesday Mark Zuckerberg is going to walk in." [2015:17]

The merits or worth of venture capital aside, what should fascinate us is the way that PE and VC differ, despite being both financiers, according to where they seek and how they understand value. VC investors seek value by investing in the unpredictable and volatile early stages of companies. There is no track record or business history to laboriously assess. Moreover, VCs are resigned to the fact that most of what they do will fail. As such they seek to cultivate a public image and persona that negates these obvious limitations to investing. To this point, the pitch and investing process goes public. Cast as wide a net as possible. Give a few thousand dollars to some UPenn/Wharton undergrads. The odds are long, but 1) one has to convince people that one is taking this future talent identification task seriously, and 2) one never does know when Zuckerberg will walk through the door.

Private equity investors seek hidden value that exists in the here and now. As such they seek exclusivity and secrecy in their methodical, drawn-out deliberations. Private equity investors also make money more often than not, though, not always in the straightforward "we made the business better" way in which they advertise (leverage, timing, and manipulating capital structure are also strategies). Venture capital investors by contrast seek raw potential and a magical future. There is nothing to analyze, and their investing acumen is based on their knack for predicting (or convincing others they can predict) a still inscrutable future. People invest with them because they trust their ability to predict the future, predict future value, and nurture talent. Because so much of their success is based on reputation and assessing where the economy or the zeitgeist is going, venture capitalists cultivate a public image. They often seek the loudest microphone and the highest platform they could find. By

contrast, one Public Relations specialist I spoke with who did lots of private equity work noted that he often fights a losing battle to persuade private equity people to simply use a microphone when addressing their investors at annual investor meetings. For private equity investors, just amplifying one's voice is appearing too polished or too showy. By contrast, venture capital investors want to tweet for the whole world to hear.

3. Into the wide world of financialization

In seeking to broaden our comparative analytic lens to other people on Wall Street and in finance, it is good to explain “financialization”, use it as an organizing concept, and explore a bit more of the anthropology of finance. Let us start with the anthropology of finance. Kimberly Chong in her 2012 dissertation, *The Work of Financialisation: An Ethnography of a Global Management Consultancy in post-Mao China*, suggests that “the anthropology of finance, be primarily concerned with how the world we live in is becoming increasingly structured by the imperatives of finance capital to produce effects which are commonly invoked as deriving from, or evidence of, neoliberalism” (2012:203). In Chong's case, her management consultants are aiding and abetting the work of outsourcing by installing Enterprise Resource Planning (ERP) systems to companies seeking an entry or a boost to global stock markets. The idea is that ERP systems become a sign in the world of stock analysts and investors signaling that a company is managing its operations appropriately, and in a way consonant with the values of management consulting. In this case, the financialization comes by changing a company's operations to appeal to the kind of value judgments that happens in stock markets, and via various quarterly reports.

These processes of financialization, the abstraction of productive enterprises into the register and language of finance, is what the anthropology of finance is describing. I follow Krippner in ultimately seeing financialization “as a pattern of accumulation in which profits accrue primarily through financial channels [that is via flows of money and market based abstractions] rather than through trade and commodity production” (2005:174-175, 2011). Financialization does its work by offering a variety of

ways in which other businesses can be imagined as and then turned into investments (cf. Carrier and Miller 1998 on virtualism). In turn, once one accepts that financialization is a good domain under which money management and investing, Wall Street and finance, and wealth and poverty creation all exist, then a division of the spectrum of time value orientations helps categorize the anthropology of finance⁷.

At one end of the time-value continuum, we have Zaloom's (2006) futures traders in her book *Out of the Pits*, trading commodity futures contracts openly, on public markets (see also Abbolafia 1996 for other types of traders). They are under no obligation to hold their positions, and react and feel the market in real time. The price of grain is assessed; grain is given a value in the hyperkinetic setting of commodities markets. Here is a financial activity in which liquidity—the ability get in and out of a trade quickly—is prized (2006: 52; see Lewis 2014 for an account of even quicker high frequency trading). Zaloom says “[t]raders joke about the attenuated connection between speculators and the underlying commodities they trade ... [they] kid each other about forgetting to sell all the contracts they own. A truck, they declare, will show up at the trader's home and dump a container-load of corn on his front step” (2006:97). Getting in and out quickly is key.

By contrast Miyazaki's Arbitrageurs, described in *Arbitraging Japan: Dreams of Capitalism at the End of Finance*, seek to fix markets and find fair true prices, embracing a millenarian ideal of capitalism and perfectly efficient markets (this ideal, of course, was severely undermined in 2007-08). Arbitrageurs seek price discrepancies across markets. To take a hypothetical example: let us say that £1 is equal to \$1.50. Let us say that gold is trading at \$100 an ounce in New York City, and £100 an ounce in London. An arbitrageur would buy as much American gold as he or she could and then sell it in London, making a profit off the discrepancy in price. Arbitrageurs are opportunists. Miyazaki's arbitrageurs see themselves as making judgments about the value of financial instruments across

⁷ While I did talk to many people in many parts of finance (see my list of informants in the appendices), I only collected systematic information on private equity investors. As such, what follows is largely based on others' ethnographic reporting, and is an effort to offer a hypothetical schema by which we might organize the phenomenon of financialization and the people who bring it into being in their professional lives.

different markets, with the utopian, long-term goal of making capitalism and its markets perfectly efficient. “To the extent that arbitrageurs sought to eliminate...market anomalies, they believed that their own arbitrage work would eventually rid the market of arbitrage opportunities...” (2013:56). They are the municipal utilities workers in the world of finance. To them, value comes in perfecting markets, and their deals weed out and profit from inefficiencies.

Then there are hedge funds. The idea of a hedge is to preserve wealth and reduce risk. Again, to take a simple example: let us say I own a lot of gold. Gold prices tend to go up when stock prices go down. That is, when there is uncertainty in equities markets for whatever reason, some people shift money into gold as a haven, driving up its price. As someone who owns a lot of gold, I might sell some and buy a portfolio of stocks as a hedge against my gold losing value. Hedge funds invest other people’s money a variety of ways—whereas some specialize in bonds, and debt, others specialize in reacting to news events. Most show their success in comparison to the performance of some other index that they try to beat (stock prices, bond prices, an aggregate of a particular industry’s performance, some commodity’s price, etc.). Hedge funds often also invest a significant amount in companies and try to change them via ‘activist’ investing, that is, bullying a company and its board into changing its operations in a way that they see as advantageous to shareholders (for a prominent example of this type of activism see the letters Dan Loeb of Third Point Capital has written to the Boards and CEOs of companies his hedge fund invests in <http://danloebletters.blogspot.com/>).

The limited partners who invest in private equity often lump private equity and hedge funds together as alternative⁸ investment strategies (alternatives to stocks or bonds, equities or debts). While

8 Upon review of a draft of this dissertation, an informant and PE placement agent, or middleman between investors and PE managers, Loki offered a concise sequence of the evolution of investment strategies. He said that prior to the 1950s the original alternative investment for railroad pensions were bonds. Then in the 50s and 60s, people got into equities. He suggested that the first true alternative to stocks and bonds were real estate funds in the 1970s. Around this time venture capital emerged and offered another alternative. This leads us into the late 1970s at which point, as noted in the introduction, LBOs (subsequently private equity) emerged. He said too, that as private equity emerged they grabbed onto more familiar forms of investing, claiming to be like venture capital as well as allowing terminological slippage between LBO (leveraged buyouts) and MBOs (management buyouts). Eventually this leads to private equity. Finally, Loki suggested that the real alternatives were hedge funds. He suggested that they emerged in the early 2000s to help investors deal with increasing equity market volatility. He noted that the hedge fund guys are seen as “just traders” and “rapscallions” and their emergence and claims of also being an alternative investment strategy got the PE guys’ shirts “in a twist.”

hedge funds and private equity investors invest significant amounts of money in mature companies, there is a difference in how they reckon value, and the timescale on which they are operating. One of my informants, Cat, who had worked in private equity, was in business school when I met him, and eventually moved into a hedge fund noted that in private equity things take much longer—diligence could take six months, and one would have more information. He said in the hedge fund world one focuses much more on the environment of the companies that one is investing in, and sometimes “you feel like you’re getting distracted by ‘the day to day noise’”. Unlike in PE, one pays much more attention to “stocks up, stocks down; bonds up, bonds down.” He has also had “to get comfortable having an opinion...with limited information.” He said that “you get spoiled in PE because you’re able to get all this info on private companies.” And the biggest difference between private equity and hedge fund investing is the liquidity. Hedge funds can get out and sell their investments immediately if they go bad. Private equity investors are locked into how long it takes to sell a company—the diligence process happens every time. Cat pointed out that in hedge fund land, “because you’re able to sell, you’re wasting your time...knowing [a company] to the 17th degree ... [you just] don’t need to know.”

And in contrast to the arbitrageurs and futures traders and hedge funds managers who are able to duck in and out of their positions, based on the short term nature of the trading that they do, are private equity and venture capital investors, already considerably elaborated above. Recall that private equity and venture capital investors think of themselves as long term investors, and in contrast to a hedge fund which can abandon its position at a moment’s notice, selling a company can take months or years, and if they think it is a bad time it can be impossible to sell a company altogether. What is more, they typically enter into limited partner agreements with their investors for ten years at a time, meaning their investors cannot remove their money as in a hedge fund or mutual fund. They need to wait for a PE or VC firm to wind down its fund—that is, sell companies. Despite this similarity, there are differences between the ways in which private equity and venture capital investors invest. PE and VC investors often seemed to define themselves as in opposition and sometimes in competition with each other over

limited partner money, as in a case of complementary schismogenesis (Again, when two groups start as similar and gradually define themselves by competitively doing the opposite of each other as in Athens and Sparta, see Bateson 1935 and Sahlins 2004).

And finally, taking this idea of time and value to its extreme, we have family offices. These are enterprises committed to the intergenerational growth and transfer of wealth. There is no time horizon. They invest that private equity dream, a pool of evergreen capital, a pile of money they never have to return. It is infinite. Because of this, the type of value propositions that family offices can make are different even from long term private equity investors who someday have to sell their companies to realize the value they have created. I talked to one manager of a family office about how they measure success, asking specifically about IRRs or internal rates of return (a formula that takes into account the time value of money to give some sense of what you might have made had you invested your money elsewhere). The IRR is one common way that private equity investors say they have made a good investment given the time value of money, or that money is worth more now than in the future. The manager, Ahab, stopped me short. He said that “family offices have different perspectives”. They have money already, so “the money rate of return does not apply to us with the same discipline as to an operating entity.” He went on to say that they “don’t teach in business school that the utility value of money is reduced once you have a lot.” And he pointed out that, “once you pay off expenses and have more than you started with, you’re doing fine.”

All the above people are Wall Street people, or finance people. Beyond them, there are many more people who work in finance (in everything from debt traders, to municipal bond originators). Yet, I suggest that they all work with abstractions of real world entities, processes, and social organizations in such a way that they are legible to financial markets and are open to a financial reading and management. They all do different kinds of deals on different time scales and with different ideas of what is valuable. Yet these financiers vary in the way they make mutually intelligible value arguments, and consequentially do different deals. This observation applies all the way from futures traders who

get in and out of so many transactions that they joke about the absurdity of their holding onto their investments, to family offices who invest indefinitely. Different financiers invest on different time scales. These time scales inform the types of value arguments they can make. Cat, at his hedge, fund had more liquidity, more temporal flexibility, than a private equity fund manager would have, and consequently he acted on different, to his mind shallower, arguments about value. For everyone in finance, it is a productive question and a potent line of comparison to wonder about what times are good for their particular type of investing, how much time they have to invest, and what they argue is valuable in the stuff they buy and sell. Not only do these ethnographically answerable questions render financiers comparable while preserving the differences that make a difference (cf. Gell 1992:54), they also point to the common conversation that they all share: when can one realize value in an investment and thereby profit.

4. Finance and Wealth

I have pointed out that, running through the universe of finance, all the arguments about and varieties of value creation, all the different times that investments can happen, are processes of financialization—abstracting companies to numbers and financial models, and then intervening in companies in ways that let people change not the company itself but its representation in a financial model. This is similar to the *US News and World Report's* effect on American universities, which end up marketing wildly to promote hopeless admissions cases, thereby driving down their acceptance rate and driving up their rankings (Chang and Osborn 2005). It is working on a concrete real institution with the idea of changing that institution's numerical abstraction. This is the work of finance (cf. Carrier and Miller 1998 on Virtualism). When financiers argue about value and the time in which to produce it, they are arguing about how to change the representation of the entities they invest in and buy, and in turn how to take that previously unrecognized value and profit over a given timeframe.

And here is where the anthropology of finance can become truly comparative. Flannery and Marcus (2012), in their book *The Creation of Inequality*, make the point that across human societies inequality

is aided and abetted by a monopoly on or restricted access to the ways in which a society determines value and worth. That is, the accumulation of wealth and the creation of poverty is concomitant with control over bottlenecks in the circulation of wealth (Earle, Gamble and Poinar 2011:212). This control over the distribution and bottlenecking of resources is what I am attempting to render comparative by labeling the deal-making process a total social fact and likening it to other societies' marshalling and re-allocation of resources and people (cf. Adams 1973 on the way in which people are moved via the Gitksan potlatch). To show the power of this type of thinking, I will take one example from the Inka Empire, on how the control of value ascription enables the accumulation of wealth. D'Altroy observes that, "as their domain expanded, the Incas were faced with the challenge of governing societies that ranged from villages to states and a population that ultimately outnumbered them by about a hundred to one" (2003:231)—a ratio not too far off from that of people working in a private equity firm against its portfolio investments. Given the enormity of their domain in people and resources, the Inka created a series of ever smaller hierarchical relations in which "people of each sex were assigned to one of ten categories that corresponded to their life stage or ability to do useful work" (2003:234) for "labor taxation and military recruitment" (2003:231). What is more "the Incas kept separate *kipu* [rope knot records] for each province, on which a pendant string recorded the number of people belonging to each category" (2003:235). This tabulation and tracking was all the more important as the Inka, "moved entire communities hundreds or even thousands of kilometers to create enclaves of settlers called *mitmaqkuna*...[in order to] disperse societies that posed threats to Inca security...[and] to congregate economic specialists whose products were destined for state use" (2003:248). So once the Inka took control of a portion of their empire, despite their relatively small numbers, they had a system of rationalization and tracking, that is assessing who is valuable for production and protection and why, that allowed them to mobilize the resources of those they conquered.

In the cases of the private equity buy out and the Inka conquest, both rely on systems of accounting which allow for new arguments of what is valuable in a particular place, and consequently for the

extraction of wealth. Take one particular example from the Inka empire: Gary Urton has written about the khipus found at Laguna de los Cóndores, noting that it is interesting the khipus were found in this region since it came under Inka hegemony only 50 years prior to Spanish conquest; and it is all the more interesting that these khipu were interred with mummy bundles (2007: 64). Urton echoes D'Altroy noting that "*Khipus* allowed local, Inka-appointed officials to oversee the newly acquired territory for the benefit of the Inka" (2007:64-65). Urton suggests that one khipu contains some sort of a two-year calendar (2007:66), and others may have spoken to tribute obligations. Among the mummies it seems clear that there were Inka officials such as the master of the khipu, the *khipukamayuy* (2007:65). So we have a *khipukamayuy* buried with calendrical, census, and possibly tribute related record keeping devices—devices that allowed the articulation of Inka domination. A few more notes about mummies are necessary to complete the scene. "In the high Andes, a common person's status changed when he died...the thirsty spirit of an ancestor still inhabited the land, requiring libations of chicha and other attentions (Gose 1993)" (D'Altroy 2003:193). The dead were very much still with the living, and "Royal mummies [even] ate, drank, urinated, visited one another, sat at councils, and judged weighty questions" (2003:141). So one has a cosmology in which the dead are still animate and can consult with the living, and one has a burial in which state officials are buried with their record keeping devices, the same accounting devices that allow the Inka empire to provision itself and extract wealth. D'Altroy has suggested that the official, the *khipukamayuy*, was buried this way in case the Inka came back and wanted an account of their domain (lecture 25 February 2014). It certainly does put quarterly reporting and financial audits in perspective.

In different times and with different techniques, the Inka and private equity investors have taken control of other societies—a neighboring polity via military conquest in one case, and, say, a grocery store chain via a leveraged buyout and under the aegis of property rights in another (Faludi 1990). Yet both have ways of accounting for what is valuable and when it can be realistically extracted in their respective locations of control. Both control techniques of accounting for value and generate wealth in

the context of those value schema. It is an empirical fact that the use and manipulation of systems of value lead to surplus for some and not for others in these two social contexts. However, whether either one of these systems of accumulation is good or bad has more to do with one's political persuasion, or maybe one's epistemic assumptions, than anything that can be empirically demonstrated. If one thinks that the hegemony of the Inka needs to be maintained in the interest of drawing and keeping the four parts of their empire together (*Tawantinsuyu* literally the four parts together, D'Altroy 2003:xiii) and in the interest of the ongoing propitiation of a sun deity who was often instantiated as a gold statue of a pot-bellied boy (D'Altroy 2003:146), then the Inka hegemony, *kipu* accounting system, and labor and military taxation schemes all make perfect sense. Similarly if one feels that private equity investors and their financial acumen are the ones that should arrange productive activity, decide what jobs should exist and why, and deserve to reap wealth in the interest of the long term economic growth and efficiency that they promise, then nothing should be wrong with private equity's control over \$3.5 trillion in assets, and the class of wealthy financiers that generates. If, on the other hand, one thinks like Keynes in the here and now and agrees that in the long run, we are all dead, one might have something to say about the division of wealth and worry, pain and profit, in the context of financialization (see also Foley 2006). Poon and Wosnitzer argue that the last generation of financial innovation, that which has seen the rise of private equity and debt abetted finance has brought with it, "a form of value production that is remaking the character of wealth and human suffering" (2012:253).

Andrew Carnegie argued that the "talent for organization and management is rare among men ... [and that it] invariably secures for its possessor enormous rewards, no matter where or under what laws or conditions" (Carnegie 1889). Perhaps more to the point, John D. Rockefeller felt that "God gave me my money" (Flynn 2007:395). Lloyd Blankfein, CEO of Investment Bank, Goldman Sachs⁹ feels that his bank is "doing God's work" still and that banking creates a "virtuous cycle of wealth creation"

(DealBook 2009). Again, if one accepts the innate, singular talent of the manager, or that wealth is

⁹ It is worth noting that Goldman Sachs Bankers are now receiving some of their compensation from a proprietary, no-fee private equity fund (Moore 2014).

bestowed by God, or even the more pedestrian, unalloyed good of Goldman Sachs' endeavors, then that wealth and power which private equity currently holds is no worry. If, however, one does not find these explanations persuasive, then the historic circumstances that give rise to a particular way of getting rich, and the specific mechanics of societal reorganization that come with it must be the empirical starting point for any manner of political critique. Anthropology's cross-culture perspective and long archaeological memory offer the tools to enter this conversation about the nature, history, and future of inequality (cf. Graeber 2004:96).

References

Abolafia, Mitchel Y.

1996. *Making Markets: Opportunism and Restraint on Wall Street*. Cambridge: Harvard.

Adams, John W.

1973. *The Gitksan Potlatch: Population Flux, Resource Ownership and Reciprocity*. Toronto: Holt, Rinehart and Winston of Canada, Limited.

Arrighi, Giovanni

1996. *The Long Twentieth Century: Money, Power, and the Origins of Our Times*. London: Verso.

Bateson, Gregory

1935. Culture Contact and Schismogenesis. *Man* 35:178-183.

Bear, Laura

2014. Doubt, conflict, mediation: the anthropology of modern time. Theme Issue, "Doubt, Conflict, Mediation: The Anthropology of Modern Time," *Journal of the Royal Anthropological Institute* (N.S.) 20(S1):3-30.

2014b. For labour: Ajeet's accident and the ethics of technological fixes in time. Theme Issue, "Doubt, Conflict, Mediation: The Anthropology of Modern Time" *Journal of the Royal Anthropological Institute* (N.S.) 20(S1):71-88.

Burrough, Bryan and John Helyar

1990. *Barbarians at the Gate: The Fall of RJR Nabisco*. New York: Harper and Row.

Carnegie, Andrew

1889. Wealth. *North American Review* No. CCCXCI.

<http://www.swarthmore.edu/SocSci/rbannis1/AIH19th/Carnegie.html> .

Carrier, James G. and Daniel Miller

1998. *Virtualism: A New Political Economy*. James G. Carrier and Daniel Miller Eds. Oxford:

Berg.

Chang, Gordon C. and J.R. Osborn

2005. Spectacular Colleges and Spectacular Rankings. *Journal of Consumer Culture* (5)3:338-364.

Chong, Kimberly

2012. The Work of Financialisation: An Ethnography of a Global Management Consultancy in post-Mao China. PhD dissertation, Department of Anthropology at the London School of Economics.

Dardot, Pierre and Christian Laval

2013. *The New Way of the World: On Neoliberal Society*. Gregory Elliott trans. London: Verso

D'Altroy, Terence

2003. *The Incas*. Malden: Blackwell Publishing.

DealBook

2009. Blankfein Says He's Just Doing 'God's Work' DealBook A Financial News Service of *The New York Times*, November 9, 2009.
<http://dealbook.nytimes.com/2009/11/09/goldman-chief-says-he-is-just-doing-gods-work/>.

Eadicicco, Lisa

2015. What Steve Jobs' Famous Garage Where He started Apple Looks Like Today. *Business Insider* January 17, 2015. <http://www.businessinsider.com/steve-jobs-garage-photos-apple-2015-1>.

Earle, Timothy, Clive Gamble with Hendrik Poinar

2011. Chapter 8 Migration. In *Deep History: The Architecture of Past and Present*. Andrew Shyrock and Daniel Lord Smail. Berkeley: University of California Press.

Faludi, Susan

1990. The Reckoning, The Reckoning: Safeway LBO Yields Vast Profits but Exacts A Heavy Human Toll—The 80's-Style Buy-Out Left Some Employees Jobless, Stress-Ridden, Distraught—Owner KKR Hails Efficiency. *The Wall Street Journal* May 16, A1.

Fisher, Melissa

2012. *Wall Street Women*. Durham: Duke University Press.

Flannery, Kent and Joyce Marcus

2012. *The Creation of Inequality: How Our Prehistoric Ancestors Set the Stage for Monarchy, Slavery, and Empire*. Cambridge: Harvard University Press.

Flynn, John Thomas

1932. *Gold: The Story of Rockefeller and His Times*. Hathaway, N.J.: Quinn & Boden Company, Inc.

Fogarty, Ignatius ed.

2014. *2014 Preqin Global Private Equity Report*. New York: Preqin Ltd.

Foley, Duncan K.

2006. *Adam's Fallacy: A Guide to Economic Theology*. Cambridge: Belknap Press of Harvard University.

Friend, Tad

2015. Tomorrow's Advance Man. *The New Yorker*, May 18:58-73.

Gell, Alfred

1992. *The Anthropology of Time: Cultural Constructions of Temporal Maps and Images*. Oxford: Berg.

Graeber, David

2001. *Toward an Anthropological Theory of Value: The False Coin of Our Own Dreams*. New York: Palgrave.

2004. *Fragments of an Anarchist Anthropology*. Chicago: Prickly Paradigm.

2013. It's value that brings universes into being. *HAU: Journal of Ethnographic Theory* 3(2):219-243.

Gusterson, Hugh

1996. *Nuclear Rites: A Weapons Laboratory at the End of the Cold War*. Berkeley: University of California Press.

1997. Studying Up Revisited. *PoLAR: Political and Legal Anthropology Review* 20(1):114-119.

Hacker, Jacob S. and Paul Pierson

2011. *Winner-Take-All Politics: How Washington Made the Rich Richer—and Turned its Back on the Middle Class*. New York: Simon and Schuster.

Harvey, David

2005. *A Brief History of Neoliberalism*. Oxford: Oxford University Press.

2010. *The Enigma of Capital*. Oxford: Oxford University Press.

Ho, Karen

2009. *Liquidated: An Ethnography of Wall Street*. Durham: Duke University Press.

Krippner, Greta

2005. The Financialization of the American economy. *Socio-Economic Review* 3:173-208.

2011. *Capitalizing on Crisis: The Political Origins of the Rise of Finance*. Cambridge: Harvard.

Levy, Jonathan

2012. *Freaks of Fortune: The Emerging World of Capitalism and Risk in America*. Cambridge: Harvard University Press.

Lewis, Michael

2010. *The Big Short: Inside the Doomsday Machine*. New York: Norton.

2011. *Boomerang: Travels in the New Third World*. New York: Norton.

2013. The Trouble with Wall Street: The shocking news that Goldman Sachs is greedy. *The New Republic*. February 4.
<https://newrepublic.com/article/112209/michael-lewis-goldman-sachs>. Accessed December 2, 2015.
2014. The World Hunters of Wall Street: An Adaptation From 'Flash Boys: A Wall Street Revolt', by Michael Lewis. *The New York Times Magazine* March 3, in print April 6, 2014:MM26. Accessed December 14, 2014
<http://www.nytimes.com/2014/04/06/magazine/flash-boys-michael-lewis.html?hp&r=1>.
- LiPuma, Edward and Benjamin Lee
 2004. *Financial Derivatives and the Globalization of Risk*. Durham: Duke.
- Liu, Henry C.K.
 2010. The Crisis of Wealth Destruction. *Next New Deal: The Blog of the Roosevelt Institute* April 7. <http://rooseveltinstitute.org/crisis-wealth-destruction/>. Accessed December 2, 2015.
- McLean, Bethany and Joe Nocera
 2010. *All the Devils are Here: The Hidden History of the Financial Crisis*. New York: Peguin.
- Miyazaki, Hirokazu
 2013. *Arbitraging Japan: Dreams of Capitalism at the End of Finance*. Berkeley: University of California Press.
- Mauss, Marcel
 2000[1950]. *The Gift: The Form and Reason for Exchange in Archaic Societies*. W.D. Halls, trans. New York: Norton.
- Moore, Michael J.
 2014. Goldman Partners Profit From No-Fee Private-Equity Funds. *Bloomberg Business*. November 11, 2014. <http://www.bloomberg.com/news/articles/2014-11-11/goldman-partners-profit-from-no-fee-private-equity-funds>.
- Nader, Laura
 1972. *Up the Anthropologist: Perspectives Gained From Studying Up*. U.S. Department of Health, Education and Welfare, Office of Education.
- Ourussoff, Alexandra
 2010. *Wall Street at War: The Secret Struggle for the Global Economy*. Cambridge: Polity.
- Ott, Julia
 2011. *When Wall Street Met Main Street*. Cambridge: Harvard University Press.
- Page, Benjamin, Larry M. Bartels and Jason Seawright
 2013. Democracy and the Policy Preferences of Wealthy Americans. *Perspectives in Politics* 11(1):51-73.
- Piketty, Thomas
 2014. *Capital in the Twenty-First Century*. Arthur Goldhammer trans. Cambridge: Harvard

University Press.

Poon, Martha and Robert Wosnitzer

2012. Review Essay: Liquidating corporate America: how financial leverage has changed the fundamental nature of what is valuable. *Journal of Cultural Economy*. 5(2):247-255.

Riles, Annelise

2011. *Collateral Knowledge: Legal Reasoning in the Global Financial Markets*. Chicago: University of Chicago Press.

Roose, Kevin

2014. *Young Money: Inside the Hidden World of Wall Street's Post-Crash Recruits*. New York: Grand Central Publishing.

Sahlins, Marshall

2004. *Apologies to Thucydides: Understanding History as Culture and Vice Versa*. Chicago: University of Chicago Press.

Souleles, Daniel

2015. *Songs of Profit, Songs of Loss: Private Equity Investing in New York City*. Dissertation submitted in partial fulfillment of the Doctor of Philosophy at Columbia University. New York: Columbia University Academic Commons <http://dx.doi.org/10.7916/D89K49M0>.

“Steel.” *YouTube* video, 2:02. Posted by “BarackObama.com,”

May 14, 2012. <http://www.youtube.com/watch?v=sWiSFwZJXwE>.

Stiglitz, Joseph

2011. Of the 1%, by the 1%, for the 1%. *Vanity Fair* May 2011.

<http://www.vanityfair.com/news/2011/05/top-one-percent-201105>. Accessed August 19, 2015

2013. *The Price of Inequality: How Today's Divided Society Endangers Our Future*. New York: Norton.

Stross, Randal E.

2000. *eBoys: The First Inside Account of Venture Capitalists at Work*. Crown Business.

Taibbi, Matt

2010. *Grifftopia: Bubble Machines, Vampire Squids, and the Long Con That Is Breaking America*. New York: Spiegel & Grau.

Tett, Gillian

2009. *Fool's Gold: How the Bold Dream of Small Tribe of J.P. Morgan Was Corrupted by Wall Street Greed and Unleashed a Catastrophe*. New York: Free Press.

Urton, Gary

2007. The Khipus from Laguna de los Cóndores. In *Chachapoya Textiles: The Laguna de los Cóndores Textiles in the Museo Leymebamba, Chachapoyas, Peru*. Lena Bjerregaard, ed. Pp. 63-68. Museum Tusculanum Press: Copenhagen.

Wilmer Hale

2013. *M & A Report*.

http://www.wilmerhale.com/uploadedFiles/WilmerHale_Shared_Content/Files/Editorial/Publication/2013-wilmerhale-ma-report.pdf.

Winters, Jeffrey A.

2011. *Oligarchy*. Cambridge: Cambridge University Press.

Zaloom, Caitlin

2006. *Out of the Pits: Traders and Technology From Chicago to London*. Chicago: University of Chicago Press.