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# Mediants and the Making of Narrative Assemblages

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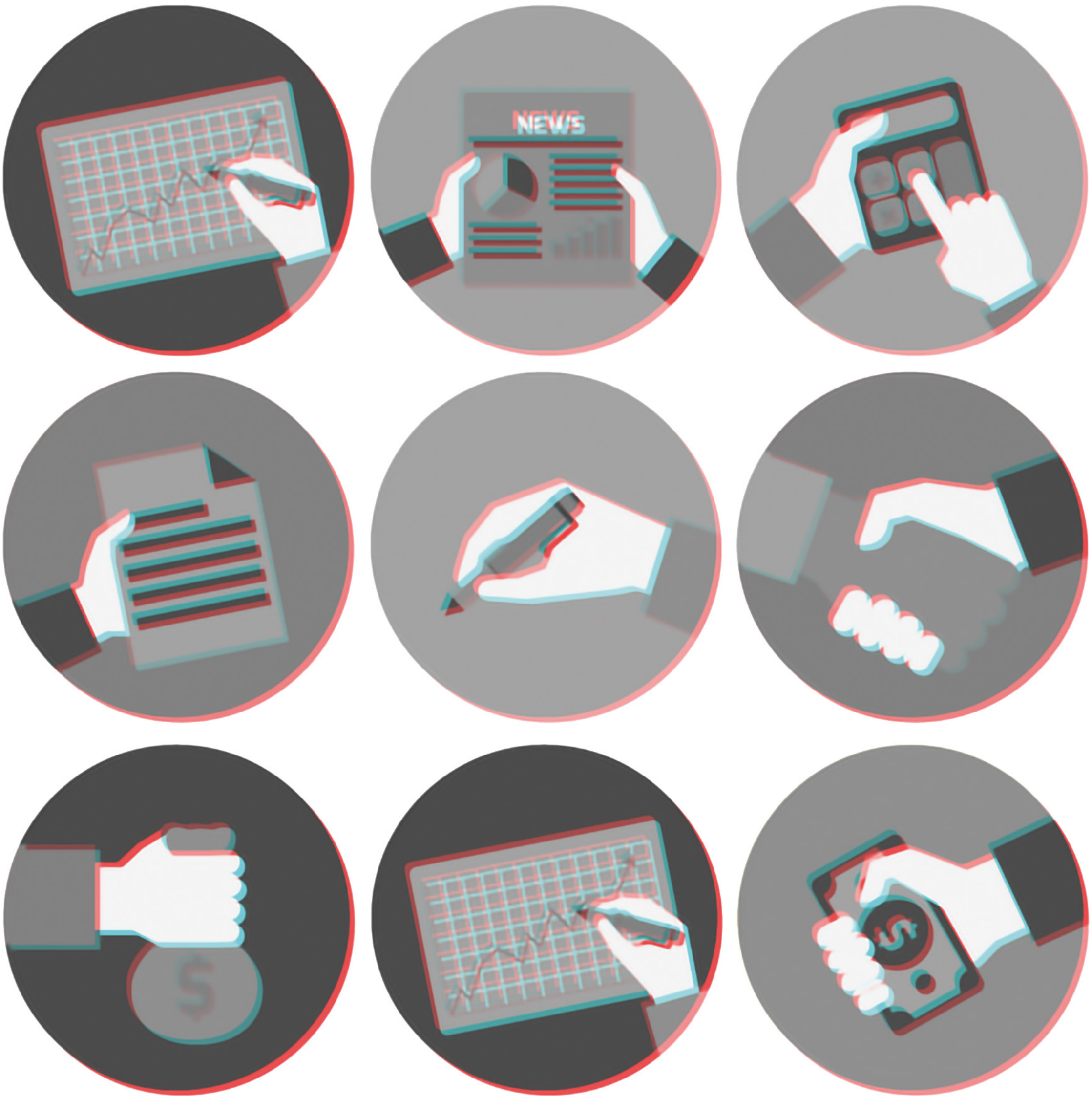


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# Mediants and the Making of Narrative Assemblages

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In this lecture, I will highlight the ways in which the current world of financial markets, mechanisms, and risk-taking is saturated with linguistic and literary forms. These include the promissory language of derivatives, the public pronouncements of central bankers, and the internal narratives of financial analysts. Finance today has a deep literary infrastructure that needs to be recognized and demystified. When we think about finance, our main association is with an ocean of numbers: stock prices, interest rates, currency exchange values, profit-earnings ratios, mortgage costs, credit ratings, and many other elements in the financial world are numerically expressed. We are also led to believe that financial managers and entrepreneurs are mathematics whizzes and that their work is inscrutable to the rest of us because it is too numerically complex for us. Yet, finance itself is deeply saturated with narrative and linguistic forms to which numbers are entirely subordinate or marginal. What are the forms and functions of the literature of global finance? I will use this question to combine my interest in derivative finance with my interest in mediants and mediation, on both of which I have published some work.

I need initially to indicate some distinctions. I am concerned here with the most distinctive feature of the contemporary world economy, namely the central role of instruments for profitable financial risk-taking (i.e., risks involving money, not simply risks involved in production or enterprise in general). Of these, the most important is the instrument known as the derivative. Thus, though I am aware of the importance of quasi-linguistic features in previous analyses of finance (Goux 2013; Holmes 2013), of value (Derrida 1974), of usury (Szendy 2012), and even of exchange at large (Mauss 1925), my focus on the derivative form is narrower, and thus more specific.

Before going on to my main example, let me offer a few general comments on the ethos of global finance. United States-based banks, hedge funds, and private investors, along with a handful of players from Britain, Germany, and Switzerland, are the main drivers of global financial markets. The effort to regulate them comes from central banks throughout the world (including India’s Reserve Bank). Both sides produce a significant contribution to the literature of finance. The third great force is the media, whose coverage of finance is a big part of their intensive 24/7 cover of business. In India, this media interest in business is reflected in TV channels devoted to business (such as CNBC), newspaper sections, and magazines, as well as blogs, tweets, and other social media platforms that also follow the doings of corporate financiers and leaders as if they were film stars. Indian newspapers that cover finance regularly now include the Financial Express, Mint, The Economic Times, and Business Standard, along with sections, columns, etc. in many other dailies. On television, we have CNBC, Business India TV, NDTV Profit, and ET Now covering business and finance on an hourly and daily basis. In the space of magazines devoted to finance in India, we have *Outlook Money, Money Today, Money Life, Forbes India,* and *Business Today,* to name the biggest ones. All of this media attention to global finance is not more than a few decades old. The models for all this media coverage are doubtlessly American, but the topics and headlines are geared to Indian decision-makers, businessmen, and aspiring members of India’s upper middle classes who want to manage or multiply their wealth. Nor is this media coverage confined to English-speakers and -readers. The arrival of magazines like *Dhanam* (in Malayalam), *Money Mantra* (in Hindi), *Smart Investment* (in Gujarati), and *Good Returns* (in Tamil) shows that non-English-speakers in India are also being schooled in how to become modern financial subjects at a rapid pace. This Indian picture can also be seen to varying degrees in other post-colonial countries, especially those that are closely tied to global financial markets.

The main point is that this explosion of media interest in finance is not primarily about news or information. It is about pedagogy, about producing new financial subjects on a mass basis by inducting them into the language of investment and risk, wealth and profit, options and futures, interest rates and stock prices, mortgages and consumer debt. The financial media are a vast educational machine that functions to produce the financial citizen who is open to borrowing, savings, investment, insurance, and more. In this essay, partly because I am in the early stages of research on this topic, I will not focus on the literature and language of the financial media in India. But financial media do shape the ecology in which banks, financial experts, and traders live and breathe and where their world meets a bigger public audience. I now turn to discuss the financial tool called the derivative.

### The Derivative Promise[1]

The first case is from my own book titled *Banking on Words: The Failure of Language in the Age of Derivative Finance* (Appadurai 2016). The speed and scope of the innovations that characterize our current era of financialization are without precedent. Financialization may be broadly defined as the process that permits money to be used to make more money using instruments that exploit the role of money in credit, speculation, and investment.

What the derivative *is* and what it *does* are closely tied. The derivative is an asset whose value is based on that of another asset, which could itself be a derivative. In a chain of links that contemporary finance has made indefinitely long, the derivative is above all a linguistic phenomenon, since it is primarily a referent to something more tangible than itself: it is a proposition or a belief about another object that might itself be similarly derived from yet another similar object. Since the references and associations that compose a derivative chain have no status other than the credibility of their reference to something more tangible than themselves, the derivative's claim to value is essentially linguistic. Furthermore, its force is primarily performative, and is primarily tied up with context, convention, and felicity. More specifically still, while the derivative is thus a linguistic artifact, it is an invitation to a performative insofar as a derivative takes full force when it is *traded,* that is, when two traders arrive at a written contract to exchange (buy and sell) a specific bundle of derivatives. The *promise* is for one of them to pay money to the other, depending on who proves to be right about the future price (after a particular and specified temporal term) of that specific derivative. In this sense, of course, all contracts have a promissory element. But the derivative form is the *sole* contractual form that is based on the unknown future value of an asset traded between two persons. Other contracts have known future values, known terms, and known current values (as with loans, rents, and other pecuniary contracts). Thus, when an entire market driven by derivatives comes to the edge of collapse, there must be a deep underlying flaw in the linguistic world that derivatives presuppose.

Though today's derivative contracts, like all modern contracts, are ideally in written form, their underlying force comes from the fact that they are composed of a mutual pair of promises, a promise to pay in one direction or another, at the expiry of a fixed period of time and depending on the price of the derivative at that future time. This mutually binding promise is initially oral, and only incidentally committed to writing as confirmation and for the purposes of tracking and record keeping. A derivative trade is complete when the two traders, often on the phone, say, "It's done" (Wosnitzer 2014). This is a classic Austinian performative moment.

In Austinian terms, the conditions of felicity for this pair of promises to take its force include the mutual knowledge of the traders, the capacity of their larger institutions to fulfill the downside risk of large payments, and the general social network of managers, regulators, small shareholders, and large investors that lends an appropriate audience (even if virtual) for the transaction.

The systemic weakness of the larger financial system within which derivatives circulate is that it allows for the repeated commoditization of prior promises by new promises, thus diluting and disseminating the force of the promise across many players (traders) who bear only tiny portions of the burden of the larger interlinked system of promises that comprises the overall value of any particular derivatives market. This opens the systemic possibility of failure, breakdown, and collapse, even when the bulk of individual trades meet their local conditions of felicity. This systemic dissemination of promises is connected to the idea of a performative chain, also discussed later in this chapter. Put another way, when the contractual nature of the promise is subject to infinite further monetization, risks can be taken on prior risks and money can be made on speculative instruments that involve growing distances between derivatives and their underlying assets, which are frequently themselves derivative. This recursive chain of derivatives is the essence of the world of the subprime housing mortgage.

It is through the lens of housing mortgages that we can examine most closely the sense in which the failure of the housing market that led to the collapse of 2007-08 can be seen, at its heart, as a linguistic failure. This argument interprets the indefinite dispersal and dissemination of promises, as well as the monetization of the entire series of promises, as opening the door to a massive disconnect between the ideal and the reality of the system of derivative trading.

Put simply, every derivative trade involves a winner and a loser, the one who pays at the end of the stipulated term, at the new price, and the one who receives a payment. In principle, this should create a perfect balance between winners and losers with no

**1** This section draws heavily on my 2016 book.

gains at the end of any given period, across the entire system. Why does it not end up this way?

There are several reasons for this failure on a systemic level, in spite of a largely legal and rigorous system of reciprocal promises on the level of the individual contract. The housing market offers a clear example of the problem. As long as housing values continued to rise (and seemed likely to rise indefinitely), the growth of the market in housing derivatives, composed of a huge chain of derivative trades and based on bundling individual mortgages, seemed to be built on a reasonably positive relationship between the value of homes and the value of housing derivatives, which could sustain an exponentially growing derivative market. In other words, the ratio of housing values to the value of derivatives based on mortgages could be seen as systemic protection against collective risk. But the housing market did collapse, as it had to someday, and the abilities of various sellers of housing derivatives to find buyers disappeared, creating a freezing of liquidity and a grinding halt to the promise machine.

Each promise made in the great chain of promises represented by the trade in housing derivatives was reasonably valid. But the capacity of the overall system to bear the load of the chain of promises was stressed beyond easy retrieval. This disjuncture has partly to do with the volume of promises creating immense crosscutting promissory chains that were bound to weaken as they became more extended. Worse, every link in the promissory chain was built on greater risk, as distance from the underlying asset was increased. The greater the distance between the two, the larger the gap between the real value of the underlying stock of homes and the overall derivative system based on housing.

The conventional wisdom usually lays the blame for the collapse on irresponsible lenders, greedy traders, co-opted rating agencies and weak regulations. Each of these has some relevance. But at the heart of the collapse of the housing derivatives market, and thus of the financial markets as a whole, was the form of the derivative, which involves piling risk on risk, thus making risk an independent source of profit, with little basis in the realities of production, price, and commodity flows. In a world of derivative assets, money breeds more money, if risks can be bought and sold through securitization and debts can also be bundled, re-packaged, and sold, time and again. This dynamic liberates money almost entirely from Marx's famous formula—M-C-M—and allows money to grow, as if magically, on its own, through risk-based credit trading.

## Conclusion

My initial aim was to show not only that finance produces its own language and literature, but also that this literature is a vital part of finance, both for insiders and for the public. In this sense, the perception of finance as largely numerical is wrong. This misperception is itself an ideological product of the literature of finance and is part of the way in which compliant financial subjects are being produced worldwide, also in postcolonial spaces. We need a critique of this literature as a first step toward demystifying finance and resisting its colonization of everyday life.

To develop such a critique, second, we will need to deepen our sense of the literary infrastructure that allows derivatives to generate a pyramid of promises, a chain of performatives, in which sheer rhetoricity is supplemented by a new sort of supplementarity, and through which the economy of words acquires its own principles of growth and acceleration. It is also worth noticing that this emergent derivative logic also produces derivative and fragmented "dividuals", which also contain the potential for progressive political associations and assemblages, now free of the empire of the individual.

Third, this analysis of the derivative as mediating practice allows us to further illuminate the idea of the mediant, as a more politically potent way to look at transhuman assemblages of vital materiality. In the context of the derivative, the relevant mediants, which belong to a larger world of actants, are, at first glance, traders, their managers, investors or funders, and their customers, contacts, and regulators, as well as the wider median world of analysts, ratings agencies, and journalists who process opinions and analysis about derivatives. Of course, these para-human mediants are always in critical interaction with machinic mediants such as their "screens", the back-office equipment and databases of their companies, the fiber-optic wiring that underpins all financial trading, and more. And the universe of relevant actants, both human and otherwise, is even larger. In the world of sub-prime mortgages and trade in derivatives, the mediants we can identify are not "whole" human subjects, but aggregations of the dividual elements of humans who are mediants only insofar as elements of their "dividual" beings are periodically in contact with other mediants and actants, beyond the human sphere, which permit the larger world of derivative trading to emerge and thrive.

This view of mediants, as humans in connection with a specific sphere of material assemblages and energies, is not a mere version of what we used to call "roles" in traditional sociology. That is, traders are not just men (or women) in their roles as "traders", rather than their "roles" as fathers, friends, taxpayers, churchgoers, etc. Rather, the mediant is that dynamic assemblage of the human dividual that is available to blend with and catalyze other non-human mediants (and actants) to produce effective and durable patters of assemblage, which we subsequently label financial systems or other quasi-institutionalized fields of action.

The example I have discussed pertains to one form of materiality—finance—but it could be extended to other forms, both elementary and more complex, involved in material life. They allow me to return to the co-dependency of mediation and materiality in social life. I initially proposed that we have come a greater distance in our current understandings of materiality than in our understandings of mediation. A part of the reason for this lag is our strong tendency to view materiality as something that pre-exists mediation and is fully formed before any practice of mediation acts upon it. This bias, in turn, might be the result of a built-in Protestant methodological bias against mediation as such, which has produced a secondary bias against materiality. Together, these linked methodological errors have prevented us from fully pursuing the possibility that mediation and materiality are co-produced effects that never exist apart from one another.

If we take Gilles Deleuze seriously, and along with him his roots in Bergson and Spinoza, we have the beginnings of a view of mediation that is in fact neither more nor less than a dynamic theory of dividuated, vibrant, or vital materiality. Mediation, in my view, is more than just translation, communication, or association in any of their conventional meanings. As I suggested at the beginning of this paper, materiality and mediation are best treated as mutual conditions of possibility and as effects of one another. Seen this way, mediation is more than simple association, relation, or juxtaposition. It becomes something more like a "mode of materialization", the definition I would propose for *mediation* as a practice, assemblage, or site, which is clearly distinguished from *media,* which is the specific historical technology of this mediation, such as print, telegraph, cinema etc. This definition has the virtue of tying mediation and materialization to one another, while also recognizing that not all aspects of infrastructure are technological.

Viewed as a mode of materialization, it also becomes clearer why there is so much anxiety in many cultures about mediation, because it is through mediation, whether in the mode of seeing, touching, feeling, hearing, or tasting (or through more complex infrastructures) that matter becomes active, vital, energetic, agentive, and effective in the world around us. Whatever the ideology of matter and mediation that defines a particular cosmology, it is in and through some such ideology that matter comes to matter. Without mediation, itself always a culturally defined set of techniques, matter does not exist, in the sense that it does not mediate anything that counts. This is one reason why the Protestant suspicion about all forms of mediation, except the few that it authorizes in its own cosmology, is in fact a suspicion about those ideologies of mediation that it does not authorize. It is a fear of unregulated semeiosis, rather than of unregulated matter.

Fourth and finally, I offer one further conceptual move that allows me to put mediants, materiality, finance, and language in a common framework, and that is to reconsider the idea of the assemblage. In most uses of the term "assemblage" (notably in Deleuze, Foucault, and, recently, Paul Rabinow, and Saskia Sassen), the assemblage is an ensemble, a structure, and an arrangement, though it is not necessarily durable or fixed. It changes, but the change is from one form of assemblage to another. The assemblage itself appears to have no dynamic quality.

To correct this impression, I propose here that we treat the mediant as a vehicle for the *narrative assemblage* of diverse material elements. The median is indeed a kind Latourian actant, but it has the capacity to generate narratives, by assembling different linguistic and literary and linguistic elements, such as promises, stories, myths, and plots. Thus, if we return to my example of the derivative, it serves to assemble narratives about risk, about profit, about wealth, and about market rationality. It does not stand alone, but relies on a network of elements, including the news reports of financial journalists, the scenarios of central bankers, the internal narratives about the economy generated by financial analysts within banks, and media narratives produced by financial pundits on TV and radio and in newsprint. This narrative assemblage puts the static forms and tools of the financial world into a dynamic narrative that locates the economy as a narrative form. In this work, mediants of many types play a crucial role, one example of which is provided by the derivative. Other examples in finance would be risk models, charts and scenarios, high-frequency trading algorithms, daily numbers about the economy such as the Dow Jones Index, etc. Going beyond finance, we can identify the importance of mediants in producing and anchoring narrative assemblages in other spheres, such as health, education, housing, and politics. These other domains and the critical roles of mediants in them, as sources of narrative assemblages that shape cosmologies and practices, constitute an interesting area for future collaborative research, perhaps here in Siegen and elsewhere.

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