On the Moral Economy of Bulls, Bears and Wolves: A Response to Simon During

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It is not wise to sell the bear's skin before one has caught the bear.
(Seventeenth-century proverb)

ARTURO DI MODICA STARTED TO CREATE HIS ICONIC 3.5-TON BRONZE SCULPTURE OF the Charging Bull in the aftermath of the 1987 stock market crash. On Thursday 15 December 1989 Di Modica and his mates loaded it onto a truck and, under the cover of darkness, set it down on the centre of the road outside the New York Stock Exchange facing Wall Street. He declared it a 'Yuletide symbol of the strength and power of the American people' (McFadden), a celebration of the American way, an antidote to the 1987 crash. The symbolism was lost on the authorities and the police impounded it. The overnight appearance of a massive bronze gift in the heartland of global capitalism, where trade in invisible commodities of an abstract financial kind defines the morality of everyday life, obviously bewildered the officials. For them the subalternate moral economy of gift exchange—which obliges people to receive gifts and judges their refusal as very bad form—is rarely on public display in Wall Street. But the people of New York got the message. Following public outcry, officials installed the Charging Bull two blocks away at Bowling Green Park where it remains today. Martin Scorsese's 2013 film *The Wolf of Wall Street* has given us a new filmic image to accompany the Charging Bull, the Wild Wolf as ferocious predator who thrives on selling the bear's skin before it has caught the bear.

The bull, the bear and the wolf go by the generic name of 'animal spirits' in John Maynard Keynes' classic economic treatise *The General Theory of Employment,*

Gregory, Chris. 'On the Moral Economy of Bulls, Bears and Wolves: A Response to Simon During.' *Australian Humanities Review* 58 (2015): 79-85.

Interest and Money (1936), in which Keynes famously argues that these must be tamed in the interest of the public good, that the state must intervene and regulate prices if economic disasters such as the Great Depression are to be avoided. His theories informed policies in the era Simon During calls 'social capitalism', but these were vigorously opposed by Milton Friedman, America's foremost economist of the post-World War II years. Friedman argues, by contrast, that the virtuous thing to do is to release the animal spirits in the name of individual liberty and market freedom (Friedman). The Bretton Woods system of regulated international exchange rates, which Keynes played a key role in establishing, was an institutional symbol of the dominance of Keynesian ideas. It fixed the US dollar price of gold at $35 per ounce and required nations to cooperate by pegging their exchange rates to the US dollar. The breakdown of this system in 1971 severed the fixed link between gold and US dollars. The animal spirits were now free to enter the markets for gold, US dollars and other foreign currencies. The wolves ran wild and feasted on the bulls and bears. The Friedmanites gained the upper hand; neoliberalism began to replace social capitalism.

This story, During correctly notes, is 'no longer news', but I feel that he concedes too much to the economists when he argues that economic causes are primary and that 'political and cultural accounts of this shift have limited cogency'. His subsequent argument that 'no us/them or friend/enemy paradigm takes us very far in this matter' is also problematic. My counter-claim is that the Friedmanite conquest of Keynesianism was all about politics, not economics. It was not Friedman who opened the gates to release the animal spirits, but Richard Nixon; Friedman merely supplied the new morality, the idea that private self-interest leads to public good.[1] Nixon's decision was the economic consequence of a political cause, the fatal decision of the United States to enter the war in Vietnam. The paradoxical consequence was that US's political defeat in Vietnam led to the global economic victory of Friedmanism. My second, and related, counter-claim is that politics is a power relationship of the most vulgar binary kind: there are no conquerors without the conquered, no killers without the killed; and, I would add, no precariat without a salariat. During's discussion of the precariat is one-sided; he makes no mention of the salariat, the '1%' as the Occupy Movement calls them, the plutonomy as Noam Chomsky calls them (Chomsky). Let me now try to illustrate these claims.

During tells the tale of the 'shift' to neoliberalism in the space of just two thousand words but we cut this story down to half its size, as it were, with the aid of a picture. The chart below, which contrasts the salaries, wages, bonuses

[1] This inverts Mandeville's famous aphorism 'private vice, public benefits'; the neoliberal regards 'self-interest' as a virtue (Mandeville).

and the like paid to employees in the financial and non-financial sectors for the ninety years to 2009, is one of many indices that could be used to capture the key structural changes in the US economy over this period. If we focus on the post-World War II period it is obvious that the 1970s was a turning point. Prior to the 1970s, rewards from working in the financial sector more or less equalled those from working in the non-financial sector; thereafter the financial sector was the place to be. CEO's discovered that they could set their own salaries and began awarding themselves multi-million-dollar annual bonuses. These bonuses were indexed in a novel way: they went up with profits but did not come down with losses. The plutonomy was born: those elite members of the salariat whose 'compensation' gave them salaries of a kind never before seen in the history of capitalism; so too were the precariat, the heavily indebted '99%' on whose interest payments the wolves feasted.

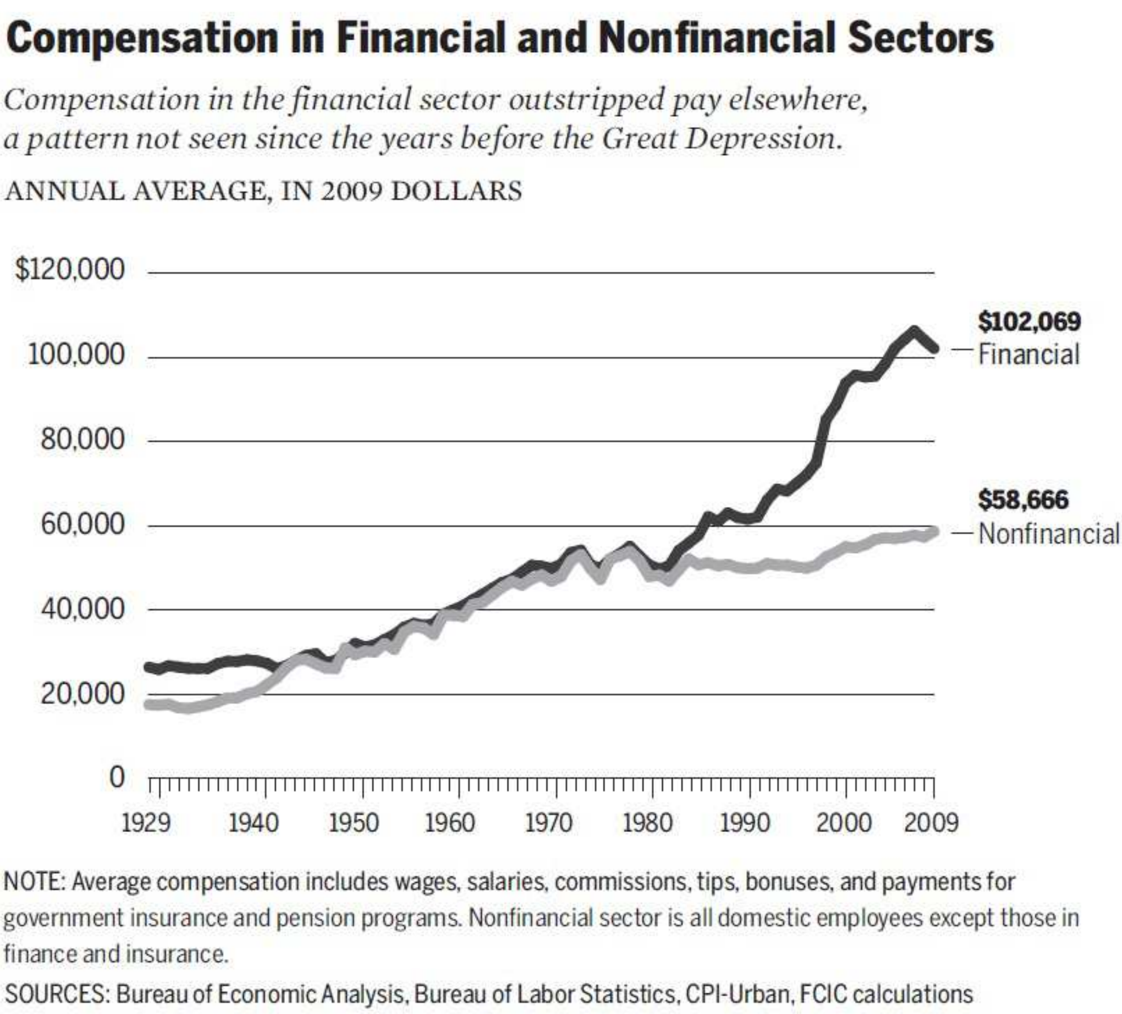

Figure 1: Financial Crisis Inquiry Commission Report, 64.

During asks, 'Why is social capitalism being replaced by neo-liberalism?' This chart enables us to get a different angle on this question and to critique his answers. Why were the rewards from working in the financial and nonfinancial sectors similar from the 1940s to the 1980s? Why did they diverge so sharply after that? What was the cause of this? What have been the consequences?

During's answer to the causal question gives primacy to economic factors. Falling US rates of profit, he argues, 'led to the abandonment of the Bretton Woods system'; profit rates were further undermined by the inflationary pressures caused by the Vietnam War. No evidence is given for this assertion and the chart above suggests the contrary. Profit rates boomed in the financial sector, which is why the wolves rushed in and made their millions. True, profit rates in the industrial sector were not as good in relative terms, but this is why the rich countries deindustrialised and handed that sector over to China and other Asian countries.

The Bretton Woods system of fixed exchange rates was abandoned for political reasons that had nothing to do with falling rates of profit. As I have written at length on the political origins of our neoliberal times ('How the USA Made the Third World Pay for the Vietnam War'; *Savage Money*) a brief summary of my argument suffices. During the period 1934-to-1971 the US price of gold was fixed at US$35 per ounce. It was illegal for US citizens to hold gold but foreign countries could hold their reserves in gold or US dollars. The large holdings of gold in Fort Knox ensured the convertibility of dollars into gold. This enabled the US dollar to become a global currency, because the US could truthfully say that 'the dollar is as good as gold'. It made commercial sense for foreigners to store wealth in dollars rather than gold because dollar deposits earn interest while gold deposits do not. The dollar-gold standard was the basis of the Bretton Woods system of fixed exchange rates. The dollar-gold standard meant that the US dollar was the supreme form of international money and that its price was fixed. Merchants could buy commodities cheap here today and sell them dear there tomorrow and be assured that the profit made was due to their skill as merchants rather than to changes in the value of money. The Vietnam War, the most expensive war in human history up to the 1980s, was the beginning of the end of this arrangement. The US paid for the war by printing money. By the late 1960s the value of dollars circulating around the globe was greater than the value of gold in Fort Knox. Rich countries like France began to get worried, and started converting their dollar holdings into gold. When others followed, Nixon was forced to end the convertibility of dollars into gold at the fixed rate of US$35 per ounce. The gold market was deregulated. Gold prices soared and the gold price of dollars plummeted in proportion. This brought about one of the greatest redistributions of wealth in human history, as holders of gold reaped the reward and holders of US dollars paid it. The main gainers were the US and the wealthy European countries whose central banks held large reserves of gold (and still do); the main losers were the poor countries whose central banks held their foreign reserves in the form of US dollars. It was a debasement of the currency of the kind kings have used to pay for their wars since the beginning of political time.

The economic consequence was to turn foreign currencies into commodities that could be bought and sold. The change from fixed to variable exchange rates created the conditions for speculators to make profits by the time-honoured method of buying cheap and selling dear. This was the beginning of the era of the dominance of financial capitalism, a truly fantastic global market where imagined differences in the future prices of abstract financial products have very real consequences for us all. The relative certainty of future prices in the Bretton Woods era gave way to radical uncertainty and the passions of the animal spirits were given free rein. The wolves flourished in a way never heretofore possible in their deadly battle with the bulls and bears. A global economic superstructure of a financial kind arose, one whose industrial base moved to China and other Asia countries.

The political basis of this new global financial superstructure is inter-imperialist rivalry between a declining American empire and an emerging Chinese one. During mentions sovereign debt but not sovereign wealth. China, along with the oil rich states, has vast amounts of this, which they are using to buy up urban and rural land around the globe. Imperialism has long been about the conquest of land, but the use of sovereign wealth funds, rather than soldiers, as an instrument of this conquest gives twenty-first-century Chinese imperialism its historically specific form. Scholars in the humanities at Chicago and elsewhere have identified Confucius Institutes as instruments of Chinese cultural imperialism and have successfully lobbied their Vice Chancellors to banish them from their campuses;[2] but the role of Chinese sovereign wealth funds, whose operations have been as secretive and silent as those of the Confucius Institutes have been showy and loud, have passed by unnoticed.

Another consequence of Nixon's decision is the ever-widening income differential between the precariat and the plutonomy. It is interesting to note that Thomas Piketty, in his best-selling book on inequality, goes back to the novels of Austen and Balzac to gain insights into the distribution of inherited wealth in Britain and France between 1790 and 1830 (411-6). The postmodern era of the plutocrats, based as it is on the importance of inherited wealth, harks back to this pre-modern era.

The present conjuncture is 'simply complex', and During does us a service by drawing our attention to the fundamental simplicity of the complex big picture

[2] See <http://en.wikipedia.org/wiki/Confucius_Institute>.

that has emerged since the 1970s. Neoliberalism and precarity are key terms in a new debate, but we make a mistake if we ignore the primacy of the political and the role of the salariat in the creation of the twenty-first-century precariat as agent, patient and victim. During rightly notes that we have much to learn about literature's cultural power from Defoe, Kafka, Wordsworth, Bishop and the like. I would add Charles Johnson's 1721 *The Country Lasses*. This was adapted for the theatre in 1791, whence the following:

> I hear what your modern London is; we were lewd, indeed, in our days, but then, even lewdness had propriety; but of late they say your fools set up for rakes, and rakes for politicians; nay, even now you may see there sharpers in brushed beavers and bobs, and cullies in long wigs and swords; and instead of changing honest staple for gold and silver, you deal in bears and bulls only; you have women who are chaste, and would yet appear lewd; and you have saints that are sinners; in short, 'tis a very wicked town, your parsons stock-job, and your wenches pray. (29)

Johnson is credited with being the source of the bull and bear imagery that informs stock market talk today but, as I read Johnson, I see images of the Wolf whose double standard Scorsese depicts so vividly in his film.

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Brown bears are one of the biggest animals not only in Russia but also in the world. They are very strong. Bears can run, climb trees and swim. They eat meat and fish and they also like sweets like honey, berries, and fruit. Their fur is brown and thick. It helps them to sleep during the winter and not to feel cold. Wolves look like dogs but they are bigger. Unlike dogs, wolves can't bark, they howl. They usually have grey fur which is warm and thick. Wolves eat meat and hunt smaller animals to get food. They can run very fast. Foxes are really beautiful animals. They have red fur and a l