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Bring Back *Das Kapital* Punishment! Credit Crunch and the Fall of the 'Knowledge Economy'[1]

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ABSTRACT This article contrasts the collapse of the twin political certainties of the 20th century - 'scientific socialism' (1989) and 'scientific capitalism' (2008). Such a collapse restores Uncertainty to her throne, and brings back the need to radically rethink political possibilities for the future.

> The end had come but it was not yet in sight.
> (Galbraith, *The Great Crash*, 1929)

Forget the Twin Towers. Recall, instead, the collapse of Communism in 1989 – that *was* an historic event, taking down with it the epistemological tower of 'scientific socialism'. 150 years of a certain kind of utopian nightmare came to an end, along with its half-forgotten dreams. Recall, also, the 'Great Recession' of 2008 when down came the even older parallel tower of 'scientific capitalism'. Together these two collapses mark the territory of the 21st century – which is only now beginning. Between them, an old and recurrent certainty also crumbles. The science of the social is once again (but surely not for ever) made implausible by a world that keeps on demonstrating its unpredictability, the failure of its quantitative reduction to the certainties of rules, patterns and paradigms, and the absence of our control of its 'outputs'. When the markets crashed, certain forms of thinking tumbled with them in ways that we need to mark, for it is always true that collective amnesia attends such historic events and their consequences. Indeed, its 'green shoots' are already hard at work.

What was the import of the economic collapse? In 2007 Chancellor Brown had boasted that 'a new world order' had been created, 'a new golden age for the City of London'. No more Boom and Bust. Alongside such certainty was a parallel conviction that quantitative ingenuity had solved the problem of 'risk' in the markets. Innovative statistics from a Lehman group, enabled risks to be sold on, bundled, and traded globally, guaranteed by banks and regulators. That new human species, the 'quant', or 'industrial scientist' (Taleb 2008, p. 19) was now the guarantor of risk-free investment.

Instead, the banks went bang and Brown pursued his tragicomic descent from Old Labour to New Labour to No Labour. George Soros claims nothing less than 'the end of an era', 'a deep and long recession, possibly amounting to a depression..' (Soros, 2008, pp. 83, 163). According to Gamble, we have entered a 'new stage in human history' (2009, p. 166), while FSA Chairman Lord Turner concedes the 'biggest crisis in the history of market capitalism'.

Confidence in the financial-statistical construction of economic knowledge overlapped into other disciplines and discourses. Faith in normative statistical manipulation based on the bell-shaped curve grew in popularity in the 1980s and 1990s. People converted to a 'science' of 'financial engineering' (Taleb, 2007, p. 115). Similarly, discourses such as education and health became infected by all sorts of economistic metaphors, practices and assumptions – league tables, 'added-value', 'delivery', 'output', 'targets','knowledge economy', 'measurement science' and above all, the virtue of 'targets'. The 'social' came to mimic a construct of the 'economic'. As Patton noted, it was a kind of universal 'subordination to the global axiomatic of capital' (Patton, 2008, p. 188). But there was a problem:

> '..elaborate mathematical models […] proved to be false gods'
> (Ferguson 2009, p. 14)

Such a colonisation of the 'social' and the 'educational' by the 'economic' is not just political and moral in nature. It extends to the philosophically important root metaphors through which society tries to understand itself – as in the proliferation of 'cultural capitals' and 'social capitals' in academic discourses over the last few years. Such 'human capital' theory (Becker, 1993) revolutionised ways of thinking about education in terms of 'returns' for investment. Various versions of 'Economic Man' had long been a focus for state education in capitalist economies, but what was new was the intensifying of perceived competition in the global marketplace and the growing emphasis on a 'knowledge economy' somehow divorced from material products. Goods were the old economy; skills, knowledge, the manipulation of symbols, the calculation of risks and returns were a more disembodied capitalism. The financial 'expert' subordinated professional judgement, considerations of trust, knowledge of individual cases. Consequently the educational role in such a financial rather than industrial capitalism tended to construct teachers as operatives of 'scientifically' derived curricula and pedagogies, learners as consumers, and schools, colleges and universities as businesses. The power of criticism passed from those who 'delivered' the service to those who consumed it. In all these ways the market constructed a 'knowledge economy' in its own image, in a kind of commodification of epistemology. Universities were enthusiastically complicit – 'impact' on the economy was paramount. But the market crashed, and with it the warrant for that 'scientific capitalism', but not its many simulacra in the 'managed professions' and the world of audit and accountability. Hence, a cargo cult of economistic nostalgia. Our very own Trobriand Cricket.

What can we learn from all this? The 'real' world is predictably unpredictable. The parallels with the 1929 Crash were clear, and indeed its spectre had already been raised by the dot.com bubble crash. There had been the same debt-fuelled speculation, the same gamble that the markets could only go on rising, the same faith in the 'science' of the trusts, and the 'magic of leverage', as Galbraith noted (1992, pp. 81, 83). Indeed, there was in the 1920s a similarly powerful opposition to regulation from the 'liquidationists' who opposed it as 'unscientific' intervention in the natural workings of the market (Parker, 2008, pp. 271, 281). Like Brown, Coolidge stood on the cliff-edge of a Crash and foresaw nothing but growing prosperity: 'the highest record of years of prosperity'. The aftermath of 1928 had parallels with 2008-9. Galbraith noted wryly of that former period:

> Such was the fate of the bankers. For the next decade they were fair game for Congressional committees, courts, the press, and the comedians. (1992, p. 136)

Sir Fred Goodwin even had his equivalent in Chase Bank CEO Wiggins who was sacked and rewarded in 1929 with a lifelong $100,000pa. Wiggins, however, was persuaded to give it back. Galbraith (1992, pp. 89, 29) noted that at least the 'gargantuan insanity' of the 1920s boom had led to an 'immunizing memory', although of course that immunity did not last through to the 21st century, when the same 'irrational exuberance' re-surfaced (Ferguson, 2009, p. 122), this time often ludicrously attributed to some hard-wired neurological inevitability in Man's make-up. 'Greed' became 'Nature' in the cult of the hippocampus. Overall, as Ferguson and others noted – '..plenty mathematics, but not enough history', and as a result, 'markets have short memories' (2009, p. 333). As to how short these memories are, it is instructive that the *Financial Times,* commenting on the stockmarket 'recovery' in September 2009 should begin an article on the City with the words: 'It was almost as if the past year had never happened.'

But it was not just the rich and the powerful who had sought the certainties of a Science for their cause. A recursive scientism certainly invested socialism, especially 'scientific socialism' from the 1830s onwards. Ironically, of course, just as 'scientific capitalism' went out with a bang, leaving its simulacra behind, so too did socialism come back with an equal and opposite force, in the nationalisation of banks and insurance companies. This was not 'scientific socialism' so much as socialism as emergency medicine. Hospital or hearse? We will have to wait and see. Suddenly, Marx – that 19th century Frankinstein – had been resurrected by the very market fundamentalism that had claimed to make him obsolete, and his ghost, in *Capital*, berates 'talk of eliminating present burdens by means of government debts which put them on the shoulders of future generations [...]. Every age must pay its way.' (Marx 1990, p. 1084). Sounds familiar.

So what went so wrong that made a 19th century Marx right? Thus far, contemporary critique of 'scientific capitalism' has centred on the statistical manipulation of risk. The best-known of these arguments address the problem of the 'outlier' or the 'black swan', pointing out that Crashes (like other cataclysmic historical events) may be statistically discountable, but they nevertheless happen regularly, as Marx pointed out in relation to the 19th century's global economy. So it was not that the 'unthinkable' hadn't been thought before. Soros rightly concluded that the problem of certainty rests on the recurring fantasy of a science of the social:

> Anthropologists and most sociologists do not even try to imitate the natural sciences. But they are less influential than those who try. (2008, p. 9)

In a similar vein Taleb attacks 'scientism', particularly as it is applied within Economics: 'The world is far too complicated for their discipline'. Part of the problem of uncertainty lies in the nature of historical events. What happens ignores everything that failed to happen. Thus events readily become the 'effects' of the things that occur before them, whose correlation is evidence of cause. Taleb calls this 'survivorship bias' (2007, pp. 149, 105). He offers a remedy – 'take a look at the cemetery'. The need to include 'chance' and 'event' in accounts of the social is not new – Hayek and Nancy have written about it from Right and Left, but it is important to note that it is subject to a recurrent and insistent amnesia.

We did our sums wrong. We did the wrong sums. But it goes further than that. As Keynes pointed out, the problem with history is that 'the sample size is effectively one'(Ferguson, 2009, p. 344). In addition, true social experiments are seldom possible, but the problem is not that the history of the world is the wrong shape and course for statistical measurement and prediction, so much as historical events, like 'May 1968' – to give Deleuze's example – always *break* with a certain causality.

> Yet the event is itself a splitting off from, or a breaking with causality. (Deleuze, 2007, p. 233)

What now? We are left with educational and social practices and discourses that hark back to assumptions of economic reality which proved illusory. Our 'knowledge economy' is largely founded on a cargo cult. Yet the twin towers of 'scientific socialism' and 'scientific capitalism' are always interested in resurrecting forms of positivism with which to bolster fantasies of order, progress and predictability. So we can probably assume that the 'great recession' will reproduce itself after a period of functional amnesia. As Festinger et al (1964) long ago pointed out in relation to prophecy and prediction, evidence of refutation can strengthen belief. Or is it just possible that the cult of 'economy' worship that has been hegemonic for so long, has lost its powers of persuasion?

Note

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