

Book Reviews/Comptes rendus

EDWARD LIPUMA and BENJAMIN LEE, *Financial Derivatives and the Globalization of Risk*. Durham: Duke University Press, 2004, vi + 199 p., index.

In *Financial Derivatives and the Globalization of Risk*, anthropologists Edward LiPuma and Benjamin Lee set out to familiarize us with the global culture of financial circulation and to enlighten us about the social grounding and political implications of the transnational flow of capital. The authors' motivation for this book stems from their discontent with existing globalization theories and methods which, they argue, do not adequately address the social issues surrounding the emergence of a global financial structure.

The central focus of the work is financial derivatives, which are the main financial instruments that speculative capital uses in the global marketplace. Simply defined, "derivatives are essentially wagers on changes in the cost of money (that is, interest rates) or the relationship among national currencies" (23). However, as LiPuma and Lee convincingly argue, financial derivatives are not just abstract monetary instruments, but more importantly are powerful economic, social and political tools that affect the relationship between the state and civil society and the international relationship among nation-states.

By way of a social and critical analysis the authors offer a comprehensive account of the role of financial derivatives in contemporary global financial systems. They argue that the cultural and economic dimensions of contemporary financial globalization cannot be separated from one another and that any account of how derivatives work in society must locate them in the social and historical contexts from which they have risen. As such, one of the major strengths of this work is the detailed historical and socio-political account of the rise of Euroamerican speculative capitalism and the global culture of financial circulation that the authors effectively discuss. For example, the authors trace the economic, political, cultural and social implications of such transformative events as the 1970s OPEC oil embargo and the collapse of the Bretton Woods system and link them to the transitioning of the world economy from the primacy of a production-centered form of capitalism to contemporary speculative capitalism.

The authors' contention that globalization increases the disparity between the "developed" and the "developing world," or what they refer to as the

metropole and the periphery, is not a new argument. However, what LiPuma and Lee add to this argument is an account of how the growing disparity between these regions is connected to the rise of speculative capital and the global culture of financial circulation. Notably, they go to great lengths to explore in detail how the role of capital flows, currency devaluations, liberalization, and the “deregulation of foreign exchange controls” contribute to the “escalation of global impoverishment.”

LiPuma and Lee pay particular attention to extricating the discourse of the global culture of financial circulation from the technical, analytical, economic and computer- mathematical models in which they are embedded. They then locate this discourse within a wider socio-historical context which helps to shed light on cultural, political and social implications of global financial circulations. For example, a large part of this book is devoted to a critical analysis of the concept of “risk,” the cornerstone of financial derivatives. The authors reveal how through the use of these computer-generated mathematical models the notion of “risk” is detached from its socio-historical context which enables it to be abstracted, objectified, quantified and used for the pricing of financial derivatives.

A major shortcoming of this work is the authors’ use of language that obfuscates their analysis and arguments. Given that the authors place great importance on demystifying the relationship between the global culture of financial circulation and its social and political implications, it is disappointing that their use of at times inaccessible language adds to the already existing confusion and ambiguity regarding this relationship.

LiPuma and Lee’s book suffers from an economically deterministic and fatalistic vision. Essentially, the authors contend that the scope, power and influence of circulatory capitalism are such that there can be no viable force of resistance and hence no hope for social transformation. However, their conclusion is premised on a traditional metropole and periphery framework, which serves as the basis for much of their arguments throughout the book. This dichotomous paradigm ignores the existence of difference and diversity within various spaces; just as it ignores the commonalities between and among these diverse spaces where capital and its culture circulate, thus dismissing the potential for resistance within and between them. For example, LiPuma and Lee focus on the widening economic, social and political disparities between the metropole and the periphery but fail to address the disparities within these regions, particularly within the metropole. Subsequently, there is no mention of the power and agency of various indigenous, working-class, environmentalist, academic and other socially conscious groups at the grass-roots level. Nor is there any evidence of this in growing social resistance movements such as the current anti-globalization movements.

LiPuma and Lee touch on classical economic theories (e.g., Marxism, Neo-Keynesianism) throughout the text. However, they fail to effectively draw on such critical theoretical frameworks as anti-racism, anti-colonialism and

post-colonialism which would be more appropriate to explain contemporary situations.

Given the depth and complexity of the arguments in this book, it is hard to do justice to it in this limited space. Needless to say, the above mentioned minor shortcomings should not in any way diminish the significance of this work, which I believe should be read by all those who are seriously interested in understanding the social, political, economic and cultural implications of contemporary globalization. I am certain that *Financial Derivatives and the Globalization of Risk* will appeal to all those in fields such as political economy, globalization, cultural studies, social and political studies, as well as financial and business communities.

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