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Fiscal Policy in Crisis

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It is September 18, 2008, at the start of the UC Irvine conference "Everyday Digital Money: Innovation in Money Cultures and Technologies." Keith Hart is about to deliver his keynote speech. The massive financial crisis predicted by Nouriel Roubini in 2006 has come. As the conference opens, central banks have announced that they will pump an additional \$180 billion into the financial system—a step that seems extreme at the moment, but fades to the background as the crisis unfolds. Now, a month after that morning, Keith Hart's moving insistence on throwing aside his prepared remarks, to address the historical nature of the moment, sits in our memories. It is indeed one of those moments when everything changes all at once. The seemingly untouchable era of the "free market" that some of us have spent so much time critiquing has ended right before our eyes. Events have moved so fast that all attempts to summarize them seem pointless. At such a time, it behooves us to focus on what we, as anthropologists who work on money and finance, might say that differs from the headlines.

The financial crisis is often framed as an outcome of "deregulation." The cure is then often posited as a return to "regulation." This framing of the issue is problematic. First, the "free market" was never a natural animal whose workings were shackled by regulation. The repeal of Glass-Steagall in 1999 was not an isolated event. It was an outcome of a broad set of monetary, institutional and intellectual investments, and part of a larger process of unraveling state institutions, dealing with the environment and public health, that were being absorbed into this notion of free market. The institutions emerging out of the current wave of regulatory oversight of the financial system may well turn out to be of a quite different, and more international, scope than anything established during the New Deal. Rather than thinking about regulation versus deregulation, it would help to think more

clearly about what kinds of institutional power are involved in various (de)regulatory policies and processes.

De- and re-regulation are not mutually exclusive policy options. They are not always clear-cut, nor do they always realize their intended effects. More than the current mess emerged out of the waves of financial deregulation in the 1990s. "Islamic banking" was one positive indirect outcome that would have been impossible before 1999. In 2001, Fannie Mae and Freddie Mac helped legitimate Muslim American citizenship at a decisive moment of attacks on Muslim Americans by backing their mortgages. Subprime mortgages among low income families fueled a community renaissance in many neighborhoods, before the crash of the subprime market. In many cases after the crash, extended immigrant families are holding onto their homes while white nuclear families are defaulting, even in regions characterized by anti-immigrant politics.

Regulation also has unintended effects. How, we might ask, will the current rush to regulate affect the poorest people of the planet who live on less than \$1 a day? The emergence of cross-border mobile payments from phone to phone without bank mediation has allowed immigrants and citizens of countries with no functioning national economy to improve their lives. Clamping down on such "m-payments" would derail this experimentation and growth. Regulatory regimes put in place

to prevent the wealthy from evading taxes now hinder the development of m-payment systems for people without identity documents. Extolling the virtues of no-regulation in this area is also dangerous, as m-payments have the potential to destroy national banking systems by facilitating capital flight in times of turmoil. Nor can we accept that a corporate "person" that lobbies and floats between Wall Street and K Street is the same entity as the proverbial poor person in rural Africa transferring \$1 on a mobile phone to his mother across a border. We already have a dual regulatory system: look who is getting bailed out and who is paying for it, and look very soon for the effects of failing hedge funds on peasants and poor people around the world.

There is no master plan in fiscal policy—no dialectic even—but rather a continually unfolding making-do. Perhaps looking into the abyss of financial meltdown did have some real policy outcomes, or perhaps not. It seems clear at least that the era of US economic leadership is over. The crisis can be seen as another zone of getting by, where forms of daily life in the "third world" become more applicable to life in the US. The interface between the formal and the informal has always been a zone of innovation and creativity in finance: the space from which multiple and not-always-commensurate calculi of value, money, finance, law and norm emerge and start moving in the world. Those innovations can be turned to different effects, as a new source of profits for corporations or as a source of new community value and alternative visions. History is long and full of intended, unintended and intended but unrealized effects (to borrow AO Hirschman's phrase). There is nothing wrong with provisional and irreconcilable policy positions, but we must engage actively in imagining the future today, even knowing we might not end up where we intend.

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