Real Virtuality: Power and Simulation in the Age of Neoliberal Crisis

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Abstract

Departing from a discussion of transformations in the premises of managerial rationality and “managementality” as a pacemaker of the (post)modern social order, as it is steeped in economic crisis, the paper critiques and extends Baudrillard’s constructs of “simulation” and “hyperreality” to illuminate significant developments in the global culture complex of neoliberalization. With empirical illustrations of superfinancialization, transparency and surveillance, the paper explores converging patterns of how models of “neo-management” are created by and constructs new post-political and simulated social worlds. The paper concludes that a key feature of the contemporary “managementalities” that orchestrate and give rise to major models of the neoliberal culture complex, is their capacity for constructing new simulated, yet ontologically distinct, spaces that lie beyond the power of representation. We conceptualize this ontological space as “real virtuality”. The templates of neo-management not only constantly “conquer new land” and subsume it under simulated hyperrealities, they actively “create new lands” with differential ontological statuses of varying gravity.

Keywords: Neoliberalism, managerial rationality, neo-management, hyperreality, financialization, economic crisis, simulation, surveillance, transparency.
Introduction

The year 2014 marks the tenth anniversary of the invention of the sociological concept of “the reality-based community”. It was coined by a senior advisor to former president G.W. Bush (it is an open secret that the advisor in question was Karl Rove) and conveyed in 2004 by the investigative journalist Ron Suskind. In an interview with Suskind the advisor commented that Suskind was part of what “we call the reality-based community”. The advisor defined the concept as people who “believe that solutions emerge from your judicious study of discernible reality.” Suskind uttered something about enlightenment principles and empiricism, but was cut off: “That’s not the way the world really works anymore… We’re an empire now, and when we act, we create our own reality. And while you’re studying that reality – judiciously, as you will – we’ll act again, creating other new realities, which you can study too, and that’s how things will sort out. We’re history’s actors .. and you, all of you, will be left to just study what we do” (2004).

At the beginning of the millennium Zhu Rongji, then China’s premier, hosted a secret meeting of top Communist officials. Senior academics and finance officials were invited to teach the top brasses a crash course on complex financial instruments. The best explanation of financial derivatives the experts could summon that day, was to describe it as “like putting a mirror in front of another mirror, allowing a physical object to be reflected into infinity.” Jamil Anderlini, who reported the story for the Financial Times noted that “China’s leaders, most of whom are engineers by training, decided to take a cautious approach towards these exotic products and still have yet to allow most kinds of derivatives” (Anderlini 2008). As the derivatives market indeed had been reflected into something approximating “infinity”, by 2008 ten times the size of global GDP, the Chinese image of mirrors reflecting into infinity was not entirely misplaced.

These two, in more than one respect, intriguing anecdotes concisely illustrates the main focus of this article. While exploring some of the dominant forms of power, in our post-political age of “neo-bureaucratic modes of control” and “polyarchic governance structures” (Clegg et al. 2006) that combines centralized autocracy with “managed democracy”, we interrogate contemporary modes of constructing what Jean Baudrillard has conceptualized as the society of simulation and hyperreality (e.g. 1981, 1976/1993, 1981/1994). We investigate the intersections of contemporary forms of power and simulation. The two anecdotes above illustrate in different yet interrelated ways how these theoretical constructs are realized in practical political economy at the post-millennial moment. Several recent commentators have described the globalized political economy’s present predicament in terms of a “re-enchanted reality” (Comaroff & Comaroff 2001; Røyrvik 2011). For example, David Harvey noted in 1992 that under conditions of postmodernity, capitalism has become dominated by an economy of signs rather than things (1992: 102), and Clegg et al. (2004) characterized this development as
finance capital taking on a hyperreal quality. Not least after the finance crisis unfolded the realization that finance capital has achieved a high degree of autonomy from the “real economy” has gained currency (e.g. Kallis et al. 2009). The highly complex derivatives markets have been described as “illusionary” and an “economic wonderland” of “castles built on sand” which threaten liberal democracy (Cloke 2009).

In the postmodern society of simulation and hyperreality, Baudrillard contends that capitalism is organized around sign-values. The modern logic of production has ended, the referent as well as depth, essence and any “outside” have all disappeared, and societies are organized around the play of images, signs, codes and models. In the current epoch, simulation and hyperreality proliferate and rules, in a “carnival of mirrors reflecting images projected from other mirrors…” (Kellner 1994: 2-10). Baudrillard argues that we see a “conjunction of the system and of its extreme alternative like the two sides of a curved mirror… [it is] the infinity of capital folded back on its own surface: transfinite” (1981/1994: 18). In his writings on the third order simulacra Baudrillard thus anticipated some of the modes of thought and power underlying both the White House concept of the “reality-based community” and the Chinese mirrors metaphor of contemporary superfinancialization. While far from endorsing all possible aspects of Baudrillard’s controversial social theory and speculative philosophy, for example the alleged binarity, formalism, and semiological overdeterminism of his model (Kellner 1994), we critique and expand on his concepts to advance our argument.

The ambition of the article’s argument is to gain deeper insight into some of the more subtle power dynamics constitutive of our current neoliberal epoch, through analyzing transformations in the premises of managerial rationality and “managementality” (Sørhaug 2004) as a pacemaker of transnational corporate worlds and the (post)modern social order. With empirical case material we briefly illustrate and expand on Baudrillard’s notion that our age is inaugurated by the conjunction of simulation and power, and omnipotent “superficial transparency” (Baudrillard 1981/1994). The precession of neo-managerial models can be understood as a fulcrum of global projections of power, in the operation and creation of current socio-political agendas, actors and actions.

The post-political moment of neoliberal consensus, is to a great extent defined by the rise of experts (Zizek 1999: 171-244), various forms of technocratic modes of control and “governance-beyond-the-state” (Swyngedouw 2005), and systems of “deterrence” (Baudrillard 1981/1994) that enacts a post-democratic tendency variously investigated with concepts such as multiple versions of “governance”, different “control hybrids”, or “devolved democracy” and “managed democracy” (Courpasson 2000; Clegg & Courpasson 2004; Wolin 2008; Clegg et al. 2011). The practical and powerful significance of the new modes of management is illustrated simply by the fact that among the 100 largest economic actors on the global stage in 2004, compared in terms of value of GDP and sales, 28 were countries
and 72 were corporations. The world is home to more than 60,000 transnational companies (TNCs)—most of them, however, with origins in quite few developed countries (Clegg et al. 2004: 457). The changing premises of “managerialism” and “managementality” are therefore crucial to grasping some of the fundamental transformations that have occurred on a large scale in organizational life, and beyond, under the aegis of neoliberalism, or rather, variegated neoliberalization. Although, as several commentators have noted, “neoliberalism” has become something of a “rascal concept – promiscuously pervasive, yet inconsistently defined, empirically imprecise and frequently contested” (Brenner et al. 2009: 184), the emergence of the last decades of a “neoliberal culture complex” (Hannerz 2007) of global reach, is well documented (Harvey 2005).

Some of the recurring buzzwords characterizing the neoliberal culture complex are for example “accountability”, “transparency”, “privatization”, “quality control”, “branding”, “auditing”, “excellence”, and “ranking” (ibid.). One prominent feature of the global neoliberal culture complex has been the restoration of power of a particular form of a capitalist class, often mistakenly euphemized as “market powers”; a class which better can be described as “finance”, and by “finance” it is not only meant the financial sector of the economy, but the complex of upper capitalistic classes, whose property materializes in the holding of securities, like stock shares, bonds, Treasury Bills, rent instruments, derivatives, as well as financial institutions like central banks, banks, and funds (Duménil & Lévy 2004: 16). The political power of finance is demonstrated by the fact that “after” the 2008 finance crisis and the current economic crisis in Europe, core members of the financial elites have through managed democracy, or extra-democratic processes, been directly installed as heads of states, as in Greece and Italy, and in other top political positions throughout Europe (cf. Foley 2011).

Along with other mechanisms of what Harvey has labeled “accumulation by dispossession” (2005), this financialization has resulted in redistributing wealth at an unprecedented scale in recent times upwards in the system. As voiced by the “Occupy Wall Street” movement, a simple explication of this “radical reverse redistribution” (Røyrvik 2011) is the development of the fortunes of the richest 1% in the USA. From 1979 to 2006 the share of national income from this small group increased from 8.9% to 22.8%. As Palma notes, by 2006 the share of the top 1% had returned to pre-1929 levels (2009: 836-837). And the radical increase in the income share of the richest is directly linked to the similar radical increase in the value of financial assets as a percentage of GDP (ibid.). The elephantine expansion of the finance economy in the last decades has been concurrent with a steady decline in the growth rates of world production as measured by GDP (Maddison 2001), not least in the developed economies (Davys 2011). Neoliberal financialization has thus notably failed also on its own terms, because of its incapacity to provide a framework to foster productive investments and increase the generation of real wealth (Hardt & Negri 2009).
The empirical case material used in the article is drawn from a longitudinal ethnographic extended case study spanning more than 10 years of research on globalized managers in the transnational corporation Hydro (Røyrvik 2011). The company is a leading actor in the aluminium industry, and based in Norway Hydro in 2012 employed 23,000 people in more than 40 countries worldwide. In 2010 revenues was $ 13,140 million.

Managementality and the Society of Simulation

Studies of management in the world of transnational corporations are in many respects to aim for the jugular in disclosing key aspects of (post)modern life and forms of rationality. Shenhav exposes the “process by which managerial rationality crystallized to become the unquestioned pacemaker of the modern social order” while playing a critical role in “diffusing repertoires of instrumental rationality worldwide” (1999: 2). The roots of corporate management can be traced to engineering at the turn of the 19th century (Shenhav 1999), “those great despised figures of culture and history,” as Latour writes (1996: 24). Significantly it later differentiated itself from engineering, and merged with constructs from economy, accounting and finance; key managing concepts were translated from the “technical” field to the operations of the whole organization and disseminated throughout society.

The establishment of management as a “discipline” was pivotally enabled by the publication of Peter F. Drucker’s 1954 book *The Practice of Management*. Here the rise of management as a distinct and vital group in industrial society is described. Management was portrayed as a practice, and although containing elements of both, neither seen as a science nor a profession. The tone is set in the first sentence of the book: “The manager is the dynamic, life-giving element in every business. Without his leadership the ‘resources of production’ remain resources and never become production.” Together with arguably the first book talking about a “managerial revolution”, *The Modern Corporation and Private Property* (Berle and Means 1932), other classic monographs from managing in work life relationships during the following years and decades, like *Men who Manage* (Dalton 1959) and *Organization Man* (Whyte 1956) our understanding of managing in the modern organization or corporation, and of “managing man”, was (re)formed.

According to Peter Drucker (1993) “capital” and “labor” was increasingly exchanged with the conceptions of “management” and “labor”. The manager’s three distinctive jobs were to manage a business, manage managers, and to manage workers and work. However, as he stated almost half a century later: “Management is a generic function of all organizations, whatever their specific mission. It is the generic organ of the knowledge society” (Drucker 1993: 43). Drucker defines a manager as one who is “responsible for the application and performance of
It is explicit on linking managing actions and the “performance of knowledge”.

Obviously, knowledge has always been a central feature of most economic activities, the management revolution, however, as explicitly linked to economic modernity, is according to Drucker the third level in a successive movement involving knowledge. The first was the industrial revolution, the mechanization of production by applying knowledge to tools, processes and products; the second was the productivity revolution, associated with the rise of the modern corporation and fundamental infrastructural inventions at the end of the 19th century. This was knowledge applied to human work, as exemplified by Taylorism. The management revolution then, as the third phase, was knowledge applied to knowledge. Zuboff concludes that the manager’s role came to be identified with the “…guardianship of the organization’s explicit knowledge base” (1988: 222). This signifies the rise to dominance of the “expert society” accompanied by hybrid regimes of control and seductive forms of surveillance.

In the writings of Baudrillard the three orders of simulacra run parallel to the successive phases of the status of knowledge in economic activity and to the dominant forms of value; pre-modern symbolic exchanges, modern production with its related dialectic of market exchange value and use value, and postmodern simulation in which social reproduction (information processing, knowledge industries, communication, images, spectacles, etc.) and sign-values replaces production as society’s key organizing principle and constituent (Kellner 1994: 6-7). More than total replacements, the rhetoric of all kinds of “ends”, and the binary opposition between “the real” and the “hyperreal” in Baudrillard’s speculations, we suggest that the signs of simulation affect all orders as it “infiltrates”, “enhances” and enchants both “production and reality”, as it were. The result, we argue, is more a differentiation of different types of “realities” with varying ontological status, including the continuous emergence of new realities (see figure 1).

In his analysis of post-bureaucratic organization and control, Michael Reed highlights the potential in this managerial mode for subtly “blending” a “complex range of control mechanisms in order to realize a viable synthesis of streamlined and strategic control (required by governing elites) with devolved operational compliance through a much more sophisticated “coalface” surveillance and disciplinary technology, developed by a new cadre of technocratic managers...” (2011: 243). For Baudrillard “the meticulous operation of technology serves as a model for the meticulous operation of the social” (1981/1994: 34). In this respect, one of the more important shifts in managerial rationality was the significant transition from control to self-control underscored in Boltanski and Chiapello’s analysis of the “new spirit of capitalism” (2007). In their view, this “neo-management” ensures that self-control is achieved by subsuming the inner life—the emotions, values, and personal relations of workers—under productivity and profit motives (2007: 78–86). Earlier Baudrillard quoted Verres saying: “Why not consider the
attitudes of the workforce as one of the resources to be managed by the boss?” (1976/1993: 14), and Baudrillard extended this to include: knowledge and the sciences but also sexuality, the body, and even imagination (ibid.).

Neo-management is inherently part of post-bureaucratic organization and the key analytical components of neo-bureaucratic control regimes are identified by Reed (2011). First, *continuous self-surveillance* is enabled through combined practices of “demonstrated participation” and focus on “team performance”. The reduction of social life down to only organization-specific issues and problems are directed through various *knowledge codification systems and techniques*, while stressing “discursive identity” and “committed subjects” is reflected through a range of *peer group regulatory mechanisms and practices* “in order to ensure that appropriate levels of worker commitment are generated and sustained…” (2011: 245). Fourth, the mechanism of *dual labor markets* [knowledge workers vs. routine operatives] is enabled by bringing together “disciplinary incentives” and “market competition”. Finally, *managed democracy* is developed and maintained through “delegated autonomy” and “collective empowerment” (Reed 2011: 243-245).

The psychological embedding of neo-management is captured in the concept of “managementality” (Sørhaug 2004), and highlights that these new forms of control also enables relations based on “mimetic desire” (cf. Girard 1977), the principle of desiring what you think others desire, and “which makes people want to want” (Sørhaug 2004: 104, our trans.). Seduction is the premise for power in mimetic desire, and managementality comprises both the disciplination and self-control of governmentality, and the seduction of mimetic desire. In Baudrillard’s vernacular this could be understood as a collapse and conjunction of desire and value, desire and capital, and desire and power through the same kinds of commodification and consumption identities, demands and spectacles.

As a more general characteristic of the neoliberal post-political condition, Wolin (2008) argues that while representing the antithesis of constitutional power, managed democracy is a system that represents the political coming of age of corporate power over public life and state affairs. It projects power “inward” in society by strategies of cooptation, the appearance of freedom, and political disenagement rather than mass mobilization. Arguably the models of neo-management are both created by and co-construct the contemporary post-political “society of simulation,” and with Baudrillard we might add to these notions of “managed democracy” the hyperreal dimension. Wolin’s emphasis on “the appearance of freedom” can then be seen as a “simulation of freedom,” Reed’s term “demonstrated participation” could reflect the presubscribed “scenario of participation,” and the term “dual labor markets,” distinguishing between knowledge workers and routine operatives, could be understood as a hyperreal distinction in which the routine “operativeness” of knowledge work is secluded by the hyperreal creation of the very configuration of a dual labor market, and thereby also creating
specific hyperreal forms of power and simulation. Some of these forms are explored below in empirical illustrations and discussions.

**Case Illustrations and Discussions**

This section is divided in two main parts, respectively focusing on two key areas of the neoliberal culture-complex’ post-political forms of power and seduction: a) the stress on transparency, accountability, branding and (implicitly) surveillance is discussed through illuminating corporate architecture and office space as material metaphors of neo-management, b) the move to “money management” and financialization as the *modus operandi* of neo-management.

**The Hydro House of Glass: Material Managerial Metaphors of Transparency and Control**

Hydro’s headquarters and corporate top management are located in Oslo, Norway. Although the architecture in all the headquarters buildings in Oslo is characterized by extensive use of glass, it is their newest and core building of their headquarters that really stands out in this respect. The headquarters is surely thought of as a “signal building”. That is, it is intentionally designed to signify. The most obvious experience you notice when working out of the Hydro headquarters is the open space layout. There are mainly glass walls into meeting rooms, making it easy to see in and out. In this large open landscape, there is a “clean desk policy” for many workstations, to enable people on the move to have a work place, while reducing office costs. The top managers have their personal desk, with larger lamps and larger chairs with higher backs.

The building provides a fascinating experience of being able to perceive a lot of the action going on in the offices and in the meeting rooms. The only real demarcations that exist are glass walls and doors. In addition to silvery, slim and sleek aluminium structures. It is obvious to think of the extensive use of glass as an effort to be perceived in idioms expressing ideas like “new”, “fresh”, “modern” and “up to date”, similarly with their open space work landscapes. Contemplating them you also get an overwhelming feeling of openness, you can see far off into the interiors of the building, while simultaneously experiencing the seclusion with which the spaces are regulated. Access cards must be presented at every major door and glass enclosed rooms are sound proof. It is a visual spectacle strongly signifying and branding values of transparency. As noted by Hannerz (2007), transparency is one of the primary buzzwords of the neoliberal culture-complex, and here it is vividly visualized through the architecture and spatial organization.

However, this material metaphor of transparency instantly produces its own signifying negation, and in this production, the glasshouse is an intrinsically paradoxical space. Because of the spectacular visual openness of the space, the closed-off-ness of entering and listening in is brought to the forefront. Likewise, illustrat-
ing surveillance and seduction, once one of the authors visited, the Hydro staff had just moved in, and a female manager accompanied him. Climbing the stairs she exclaimed, somewhat humorously and while nodding upwards towards another woman working on the other side of a glass wall: “The women here have to stop wearing skirts”, she lamented in a half-serious tone. In our direct line of sight the legs of a woman working were neatly on display underneath her work desk, visible through the glass wall “window”.

From the viewer’s perspective, one might imagine that the visual openness could create a double feeling of inclusion and exclusion, desire and seduction, but at the same time, this superficial transparency brings about a loss of appearance. Baudrillard contends that it is “the superficial transparency of everything, of their absolute advertising” (1981/1994: 87, italics in original) that today fascinates us as forms of disappearance (rather than the seduction attached to appearance). This relates to the concept of managementality and mimetic desire. Recalling Freud’s notion that imagination was all that remained bound to the pleasure principle, whereas the physical apparatus was subordinated to the reality principle, Baudrillard ironizes on behalf of the capitalist system: “We must put a stop to this waste. The imagination should be realized as a force of production, it should be invested. The slogan of technocracy is: ‘Power to the Imagination!’” (1976/1993: 14).

From the viewed person’s perspective, the awareness of this spatial see-through-ness might produce certain kinds of behavioral patterns based on precautionary measures and conformity driven self-control mechanisms. While you can observe a host of activities visually, for example observe from quite a distance whom is talking to whom, it is nonetheless strictly regulated in which areas you can freely move, and who you can listen in to. Because of this particular spatial materialization then, the paradoxical effect of signifying both openness and accessibility, but also exclusivity and secretiveness, is revealed. This distinct doubleness is of relevance when considering the non-language idioms of significance in such a corporate working context. It is a metaphor for the specific constellation of power and seduction that Sørhaug (2004) has identified as constituents of “managementality”, and that we could further connect to the structuring of managerial space (place and pace) as a space of “deterrence” and “superficial transparency” (Baudrillard 1981/1994).

The idioms of power expressed by the Hydro headquarter house of glass bears a resemblance to a workplace version of the Goffman’s “total institutions” (1961). These institutions are characterized by the features such as: daily life carried out in the immediate presence of a large number of others; the members are very visible; there is no place to hide from the surveillance of others; members tend to be strictly regimented; life is governed by strict, formal rational planning of time; people are not free to choose how they spend their time, it is prescribed.
for them; and members lose a degree of autonomy because of an all-encompassing demand for conformity to an authoritative interpretation of rules.

Quite obviously not all of these features apply to the “house of glass” headquarters, most importantly that the two examples Goffman mostly refer to, mental hospitals and prisons, feature involuntary membership. In the Hydro case it is the opposite situation, where becoming both a member and a manager is considered attractive by so many people that it by far outnumber the positions available. But in addition to some of the similarities in the characteristics of space, most managers also noted their own strong subservience related to regulations and prescriptions on time. And as noted, the meeting is the corporate managers’ main organizer of time, and many of them said they had no or little control of 70-80 percent of their time. In his early scientific contribution from observing senior managers, Mintzberg (1973) came to the, at least at the time, surprising conclusion that managers control little of what they do. Related to this phenomenon Sørhaug has noted that leaders are infantilized by the fact that others arrange for them a lot of their activities and basically steers much of their lives (Sørhaug 2007). This insight rings furthermore true with what Henrik Ibsen, the renowned Norwegian playwright, in an interesting paradox, mentioned in a letter to a friend; that occupying power is a rather subordinate position (Geelmuyden 2005).

The emergence of the corridor in western housing “design” of the late seventeenth and eighteenth centuries is said to concur with the individualization and “privatization” processes at the core of modernization (cf. Stone 1977: 169). If so, it might be significant to note the “collapse of the corridor” in contemporary open space office design. It is tempting to make it represent one indication of the postmodern condition. With contemporary office building design’s additional emphasis upon “flexibility” (Dufour 2008), transparency and interactive sharing we might, however, at least partly conclude that the house of glass headquarters signify a neoliberal, post-modern and knowledge age version of a workplace “total institution”.

The surveillance aspect in these spaces, are akin to Foucault’s discussion of the “Panopticon” as a metaphor of modern disciplinary “surveillance societies” (1979). The Panopticon is the prison building design of English philosopher Jeremy Bentham, were everybody at all times can be under surveillance from a vantage tower at the center, while the observer cannot be seen from any of the cells. All the inhabitants would be constantly illuminated; creating the effect Bentham called “universal transparency”. The inhabitants can never be sure exactly when they were monitored. The effect is control through self-control. Foucault argued that the new techniques of industrial management, of regulating, directing, constraining, anchoring and the channeling of bodily energies into productive activities, laid the groundwork for a new kind of “disciplinary society” where bodily discipline, regulation and surveillance were taken for granted. This new type of disciplinary power was the antithesis to that which was prescribed by the theory
of sovereignty. The latter was a form of power exercised over the earth and its products, much more than over human bodies and their operations, and it did not allow for continuous and permanent systems of surveillance. In Foucault’s view the Panopticon was both a sign and a metaphor for the disciplinary society. By constant illumination and visibility it provided the possibility of total control, not the least through self-control (cf. Foucault 1980; Zuboff 1988).

In the “house of glass” it is not so much that everybody may be monitored from a “Big brother” type of centralized command. It is more that everybody can be watched more or less all of the time by one person or a few others. It is thus more a surveillance of a “little brother” or “many brothers” type. According to Baudrillard, the contemporary omnipresent gaze plays “on the opposition of seeing and being seen” (1981/1994: 29). In this space of deterrence of superficial transparency, you are already on the other side. There is “no more subject, no more focal point, no more center or periphery: pure flexion or circular inflexion” (ibid.), and presumably, there is no more violence or surveillance in this order, only “information”. Moreover, this new order is distinctly different from the panopticon in its capacity to enable, to some extent at least, a monitoring “upwards” in the hierarchy. It makes possible a certain degree of supervising the “bosses”. This type of decentralized, relational networks type of reciprocal surveillance might be labeled a “polyopticon”, in complementary analogy to the Panopticon. As such it might also be perceived, in addition to the control and surveillance aspects, as a materialization of the moral vocabulary of Hydro values such as democracy and participation.

The construction of this type of neo-managerial space means taking the panoptic self-control one step further, creating not only a conformity driven self-management as the former, but also a tensional space of part-taking, the feeling of involvement and importance, teamwork and team performance, demonstrated participation, the craving for greater positions and desire for full access to the bigger chairs and the exclusivity of the other side of the glass walls. The effect, nevertheless, would be expected to resemble the panopticon in terms of self-monitoring and self-discipline. The example of women, although jokingly at least contemplating having to stop wearing skirts illustrates the point. If our discussion of managementality, as comprising both discipline and seduction, has merit however, we would also argue that the “polyopticon” design in the house of glass, in contrast to the Panopticon, in addition signify and enables processes of “mimetic desire” and seduction. For those passing by, and being interested, the visible legs behind the window beneath the table, the private conversations of top managers behind closed glass doors or the larger, calmer and more exclusive offices of the top guys again being illustrative. In sum the “polyopticon” headquarters, the glasshouse simulacra of the power and seduction of managementality, is thus a material metaphorical expression of complex and to some extent heterogeneous cultural val-
ues, yet illustrating quite succinctly the characteristic of “superficial transparency” in the era of simulation.

The Move to “Money-managentality” and Financialization

In Hydro the shift to finance did not take full effect until 1999, with their broad turn to shareholder value and finance (Lie 2005). The severe constraints finance capital imbued on Hydro investment projects and the industrial corporation’s activities and culture more generally did not, however, stop them from being fantastically successful in surfing the global wave of financialization (Røyrvik 2008, 2011). From 1999 to 2007, in eight years, the market value and stock price of Hydro, a robustly solid 100 year old industrial company, increased by 638 percent, a figure highly in need of an explanation. Hydro as an industrial corporation was increasingly in an ambivalent position, both resisting the financialization of the economy (by routinely reinvesting profits in new production and not turning towards pure financial business and/or speculation), yet adapting imaginatively to the overall global economic context in which they operate, a context that might be described as the financial allure and captivation of capitalism (ibid.). Two quotes from international managers, engineers by training, in Hydro illustrate the turn to finance:

The path we are now taking is the economist’s death march towards becoming a trading company. As Jonas said, they don’t know value creation, views technology as something you are burdened with, they think that everything can be bought, that a factory can be set up in a day. These guys don’t build anything. Right? You can buy a factory at the grocery store. Yes?

They [economists, top management, finance people] live with the belief that you get the same societal value from power when used for your bathroom heating cables as when used in aluminium production! Reiten [CEO] I am sure, he wants to create something, but there is no will to create value in Norway – only distribution. There is no political will.

The engineering managers are worried that Hydro will turn into “a trading company”, into a financial corporation. The engineers are alluding, wittingly or not, to the perennially significant relationship, sometimes symbiotic, sometimes parasitic, between production and financial capital (Perez 2002: Reinert 2007). As noted by economist Michael Hudson (2000), the industrial worldview, in contrast to the financial, emphasizes economic potential and how to best finance a higher economic horizon. This has been exemplified by 19th century German, French, Japanese, Scottish and Russian industrial banking as it evolved along a different line than Anglo-Dutch mercantile banking, producing very different financial philosophies. Hydro itself was in its inception and development phases financed by Swedish, French and German industrial banking. It was very much born out of that particular “production capitalist” financial tradition (Andersen 2005).

As Hudson remarks, the classical way of extending the economic horizon was by providing returns to entrepreneurs for investing savings in building new facto-
ries, hiring more labor and undertaking more research and development. Hydro’s history could not be a more fitting example for all of the three elements. However, the issues of a “turn to finance” is part of a larger reorientation within Hydro since 1999, in the name of “value based management”, or “shareholder value”, and it was in several ways a turn away from their own financial tradition, largely because of the global rise to domination of the Anglo-Saxon “mercantile” finance tradition. In Hydro it transformed the HR-function, performance measurements, compensation schemes, introduced new finance control mechanisms, placed stronger financial priority constraints on decisions about investing in new production projects, and brought about an ideological conflict about the proper role and mandate of the corporation in society (a broad societal mandate or just a shareholder value vehicle) (Røyrvik 2011).

Hyman Minsky describes the rise of this new stage of financial capitalism in the US as “money manager capitalism,” in which

the proximate owners of a vast proportion of financial instruments are mutual and pension funds. The total return on the portfolio is the only criteria used for judging the performance of the managers of these funds, which translates into an emphasis upon the bottom line in the management of business organizations (1996).4

The creation of “money manager capitalism” was initiated because of the development in the 1960s and 1970s of a diverse set of financial mechanisms and institutions, accompanied successively by deregulation, that circumvented New Deal constraints on finance, including such issues as securitization of mortgages, derivatives to hedge interest rate (and exchange rate) risk, and many types of “off balance sheet” operations (helping to evade reserve and capital restraints) (Wray 2009: 814). The monetary sign, that is, the flotation of both money and sign, should we follow Baudrillard’s diagnosis, has escaped into “infinite speculation, beyond all reference to a real of production…” (1976/1993: 7).

Hydro is immersed in various types of financial markets in numerous ways, mainly to handle financial risks. Risk management related to investment projects and daily operations is conducted in a variety of practices and at various levels. These financial markets trade in various “paper assets” (better described as “digital” or “sign” assets), like stocks, derivatives like futures, swaps, options, foreign exchange, notes, mortgages, treasuries, bonds, and other paper property titles. As disclosed in their annual reports Hydro is engaged in the majority of the financial instruments listed above.

The innovation speed in financial instruments, it seems, has not only taken the general public aback, but also leaders and control systems in major industrial corporations and governance institutions. Drawing upon studies from the inside of the economic establishment of Wall Street banks, IMF and the WTO itself (e.g. Alexander, Dhumale & Eatwell 2005; Schinasi 2005), this argument is eloquently outlined by historian Gabriel Kolko in his essay “Weapons of mass financial destruction” (2006a). The title alludes to a description made by the Forbes-listed
second richest person in the world, Warren Buffet, concerning credit derivatives, one of the relatively new financial instruments of great significance today. Warren Buffet, wrote in 2002 that derivatives are financial weapons of mass destruction”, and described them as a “megacatastrophe risk” and as “time bombs, both for the parties that deal in them and the economic system”. The Norwegian translation of Kolko’s essay, as it appeared in Le Monde Diplomatique, was telling: “Finansielle trolldomskunster” [“The wizardry of finance”] (Kolko 2006b). About the “magic turn” of capital, commenting on this already in 1976, Baudrillard writes that capital has “freed signs from its ‘naïvety’ in order to deliver them into pure circulation” (1976/1993: 7).

While generally acknowledged as being complex and virtual, and as circulating primarily in the closed circuits of investment banks, hedge funds, financial trading firms and transnational corporations, and their imperative role in global speculation, the understanding of the functions and impacts of derivatives is still largely lacking. As LiPuma and Lee reports (2004), derivatives seem at the surface level to be extensions of historically well-known financial vehicles, but they turn out on a deeper level to be considerably more complex than generally perceived in conventional economic accounts, also because the innovations in these instruments have been considerable.

The derivatives “market”, barely known in 1980, is illustrative of the economic wizardry. The total value of financial derivatives globally was probably only a few million dollars in 1970 (LiPuma & Lee 2004: 74). It had grown to about $100 million in 1980, and to $100 billion by 1990, and to $100 trillion by 2000 (ibid.). To grasp the gargantuan size of this number it is worth mentioning that $100 trillion is “approximately the same as total global manufacturing product for the last millennium” (ibid.). It did not end there, far from it. In 2007 the Bank for International Settlements (BIS) estimated that derivatives outstanding amounted to more than $600 trillion, and by 2011 it was more than $700 trillion. The gross domestic product of all the countries in the world combined is only about 60 trillion dollars (BIS 2008/2007). Although not engaging in pure financial business and speculation, Hydro’s “financial risk management” practices contributed to fuelling the expansion of the derivatives and others financial markets (Røyrvik 2011).

As LiPuma and Lee notes, the economistic view not only hides the creative effects of speculative derivatives, but possibly more significant is that it also substitutes surface appearance with underlying reality: “Derivatives create their surface appearance by creatively presupposing social contexts of use, which economic analysis then (mis)takes as an objective, external, and imposed reality. This move guarantees that the field of financial practice will never include the principles of its own genesis, construction, or encompassment of other peoples and places” (2004: 64-65). This cultural space of derivative relations, argue LiPuma and Lee, “posits itself as a space lying beyond the power of representation” (ibid.). As the derivatives market by 2008 indeed had been reflected into something approximat-
“infinity”, the Chinese metaphor of mirrors reflecting into infinity proved to quite apt.

According to Baudrillard (1981/1994), what is distinctive and innovative about the “hyperreal nebula” (as we might term these financial innovations), is that there is not only an implosion of the message in the medium (McLuhan), but also the implosion of economics, politics, culture, sexuality, and the social into each other, so that “economics is fundamentally constituted by culture, politics, and other spheres…” (Kellner 1994: 8). In such an analysis we see a reabsorption of everything into the surface of the sign, it is the apparent destruction of the symbolic by the semiotic and the subsequent ironic evolution of the semiotic order, the loss of referentials as Baudrillard terms it, the victory of the structural law of value.

**Beyond the Power of Representation**

One of the main ambitions of this article is to grasp the raison d’être and “hyperreal” quality of finance capital and managementality understood as underlying cultural logics of the neoliberal post-political epoch. Using Baudrillard’s language, in the simulacra of postmodern consumer society people are lost in self-referential images and signs that have less and less relationship to an external reality “outside” the play of signs. Using the “You have 2 cows” story formula, a version of the story that humorously illustrates contemporary financial capitalism has been circulating on the web. It takes Icelandic venture capitalism as an example and it runs like this:

You have two cows. You sell three of them to your publicly listed company, using letters of credit opened by your brother-in-law at the bank, then execute a debt/equity swap with an associated general offer so that you get all four cows back, with a tax exemption for five cows. The milk rights of the six cows are transferred via an intermediary to a Cayman Island Company secretly owned by the majority shareholder who sells the rights to all seven cows back to your listed company. The annual report says the company owns eight cows, with an option on one more. You sell one cow to buy a new president of the United States, leaving you with nine cows. No balance sheet provided with the release. The public then buys your bull.

(Clemons 2009)

This Enron-style version of financial capitalism illustrates the disconnection between signs and underlying “realities” and how layers of simulation increasingly engulfs and constitutes economic relations. Significant for financialization, the definition of hyperreal, according to Baudrillard, is an absolute correspondence with itself (1981/1994: 47). Concurring with the main argument of this article that a key feature of the contemporary “managementalities” is their capacity for virtualization through constructing new simulated, yet ontologically distinct, spaces that LiPuma and Lie identified as lying beyond the power of representation (2004). The simulacra of simulation is founded on information, on operational “entities” and on cybernetic games; it is characterized by total operationality,
transparency and hyperreality, and it aims on total (automatic) control of the real, says Baudrillard (1981/1994: 21). We can imagine hyperreal finance capital as “modeled from the inside” (ibid.: 101), “no longer passing through the perspectival space of representation, of the mirror, and of discourse” (ibid.).

Following Baudrillard, the distance and sovereign difference between the map and the territory is gone in the era of simulation. Simulation is “opposed to representation”, and as such it is opposed to the “principle of the equivalence of the sign and the real”, and rather stems from “the radical negation of the sign as value, from the sign as the reversion and death sentence of every reference” (1981/1994: 6). Baudrillard outlines four phases or stages of sign-orders (ibid.). The first is the image or sign as a faithful copy, “a good appearance”, “a reflection of a profound reality”. In the second phase the sign is an unfaithful copy, “an evil appearance” that “masks and denatures a profound reality”. This second phase marks the birth of the era of simulation and simulacra. Thus, the third phase “masks the absence of a profound reality”. The sign as simulacrum pretends to be a faithful copy, but there is no original, and it masks this absence. The fourth stage is then full simulation, where the sign has “no relation to any reality whatsoever: it is its own pure simulacrum”. In this final stage cultural products need no longer even pretend to be real, because reality is already conceptualized in hyperreal terms, and any notions of representation is considered naïve, oversentimental and lacking critical self-awareness.

According to Baudrillard simulation engulfs the whole “edifice of representation itself as a simulacra” (ibid.). But the simulacra is not unreal, neither exchanged for the real, it is “rather exchanged for itself, in an uninterrupted circuit without reference or circumference” (1981/1994: 6). Simulation in our period is a strategy of the real, of the “neo-real” and the hyperreal, and this strategy, this molding and management of the real, is a strategy of deterrence (1981/1994: 7). The closer one gets to the perfection of simulacra, “the more evident it becomes… how everything escapes representation, escapes its own double and its resemblance” (Baudrillard 1981/1994: 107). This relates intimately to financial capital and its increasing degree of autonomy from the “real economy”, as well as to the concept of “real virtuality” that will be elaborated on below.

Another central feature of Baudrillard’s description of various hyperreal phenomena revolves around his concept of hyperreality as an “operational simulation of social life” (1981/1994: 76). We are fascinated, says Baudrillard, “with the perfection of the programming and the technical manipulation, by the immanent wonder of the programmed unfolding of events” (1981/1994: 34). The operational simulation involves specific forms of objectification, namely the fragmentation and miniaturization of the world, the cutting up, regrouping and unconditional aestheticization of the real, into manageable, accountable and controllable units in a well-oiled machinery, originally constituting the factory, now also constituting the sociality of perfection and flux. Circulating in the space of transparency, this flux
of the masses, says Baudrillard, is characterized by a “programmatic discipline” “whose taboos are effaced beneath a veneer of tolerance, facility and hyperreality” (1981/1994: 76). These are the control mechanisms of the sociality of hyperreality, he says, coinciding with the concept of “managed democracy” discussed above.

As mentioned earlier in the text, when discussing the empirical case of the “house of glass” – Hydro’s signal building – and the omnipresent (simulated) transparency of such a “polyoptic” space, Baudrillard calls the present era the “end of the Panopticon system” (1981/1994: 27), referring to Foucault’s discussion of the “Panopticon” as a metaphor of modern disciplinary surveillance societies (1979). Something has changed, “the eye… is no longer the source of absolute gaze, and the ideal of control is no longer that of transparency” (1981/1994: 29). Panopticon and “the gaze” still rests upon an objective space, that of the Renaissance and the omnipresent of a despotic gaze, it is still a system of mapping. The present era, for Baudrillard, is beyond this stage, the opposition between seeing and being seen, has in many ways dissolved. In the end, as in the case illustrated by the Hydro “house of glass” and within the realms of “managed democracy” (Wolin 2008), “it is the same model of programmatic infallibility of maximum security and deterrence that today controls the spread of the social… nothing will be left to chance…, doomed to the descriptive transparency of mechanisms of information…” (Baudrillard 1981/1994: 34).

Finally, hyperreality is intrinsically “amoral”, according to Baudrillard (1981/1994), a notion paving the way for understanding also financial capital and late capitalism as such. We could read him as if: Capital doesn’t care! (Baudrillard 1976/1993) Hyperreality abolishes both fiction and reality, accordingly, and it abolishes all critical regression (by containing its own negation), it is just fascination, and within this fascination lies no implicit value judgment, nowhere in hyperreality does the moral gaze surface. Today, says Baudrillard, it is the “precension of the neutral”, of forms of the neutral and of indifference” (1981/1994: 160) that is characteristic for what he calls the “superficial transparency of everything” (1981/1994: 87, italics in original). And all that remains “is the fascination for desert-like and indifferent forms, for the very operation of the system that annihilates us” (1981/1994: 160). According to Baudrillard all forms of disappearance fascinates us, including our own disappearance, and this type of melancholy and fascination is characteristic of the involuntary transparency of our general situation.

By emphasizing the “enchanted reality” of the globalized political economy (Comaroff & Comaroff 2001; Røyrvik 2011) and by supporting Clegg et al.’s (2004) description of finance capital as hyperreal, and by further illuminating this “hyperrealness” with Baudrillard’s insights, we can describe finance capital as intrinsically self-referential, as lying “beyond the power of representation”, as operational (vaguely seductive, vaguely consensual) and governed by fragment-
tized and miniaturized economic “entities” suitable for the well-functioning and perfect flux of the system. It is further ahistorical, amoral, and its criticism is hypercriticism. Finally, finance capital has been enabled and facilitated by what Baudrillard calls the “structural revolution of value” (1976/1993: 6). This revolution has put an end to the “classical” economics of value” (ibid.) by dislocating the two aspects of value (the functional and the structural).

“Real Virtuality”: Differential Orders of Reality

In concluding terms we can conceptualize finance capital as the simulacrum of both a materialist and idealist realization of the world in hyperreality, a realization that is brought on and facilitated, within the global neoliberal culture complex, through neo-managerial templates and “acts of entification” (Larsen 2010) creating the very “models” and “miniatures” of both economic, political and social hyperrealities. Because, and so our argument goes, it is not only finance capital that has taken on a hyperreal quality; such is also “the watershed of a hyperreal sociality, in which the real is confused with the model, as in the statistical operation” (Baudrillard 1981/1994: 29). To preempt some of the critiques leveled against Baudrillard’s concepts of simulation and hyperreality, we prefer to label this distinct self-referential ontological space that lies beyond the power of representation as real virtuality.

In complementarity to the well-established notion of “virtual reality”, in online games and elsewhere, where “reality-like” environments are created and simulated in virtual sign-worlds, the concept of “real virtuality” highlights both the inherent and self-sufficient self-referentiality, the “beyond representation”, and at the same time the very real nature of the phenomena we are investigating. Consider in this respect the title of Martha Poon’s (2012) short piece on the anthropology of finance: “Why does finance need an anthropology? …Because financial value is a reality”. Expanding upon the notion of economic virtualism (Carrier & Miller 1998) – describing the way our lives are made to conform to the virtual reality of economic thought, and where increasingly the world is measured against economic models (rather than economic models being measured against the world) – our thesis is that in the political and cultural economy of the contemporary we see a move to a political and cultural economy of “real virtuality”. Exploring the reification processes and the “product-making” practices and regulatory regimes of financialization, for example through transforming human sociality into credits and debts (Graeber 2011), the concept of real virtuality suggests that the current mode has mobilized and materialized economic relations and spaces with differential ontological (reality) statuses.

More generally to move beyond the critique of Baudrillard’s somewhat binary model (sic!), we suggest tentatively an alternative model (sic! again) which seeks to counter some of the critiques of determinism, dualism and logical fallacy argu-
ably inherent in the strong version of Baudrillard’s digital distinction between “real” and “hyperreal” (Kellner 1994). In the model of simulacra Baudrillard claims a correspondence between the order of sign; the time-specific mode of production; and the successive alterations of the law of value. The period from Renaissance to the Industrial era could be characterized by a position of the sign as “counterfeit”, the mode of production as “extraction from nature” and the law of value as a “natural law of value” (1976/1993: 2). “The reality principle corresponded to a certain stage of the law of value,” proclaims Baudrillard, referring to the Industrial era, with its “production” (maybe the only time there really is production?), “representation” and a “market law of value” (ibid.). Finally, the current era, what Baudrillard terms “the code-governed phase,” is characterized by “simulation” rather than representation; “reproduction” rather than production; “structural law of value” rather than market law of value; and lastly, “hyperreality” rather than reality (ibid.).

Although Baudrillard sees interdependence between various modes of production, the order of the sign, the law of value, and the reality principle – and thus making an historical contextualisation and relativization of the reality principle – and even more so in Symbolic Exchange and Death (1976/1993) than in the later Simulacra and Simulation (1981/1994) (where the reality/sign dualism is more pronounced), he nevertheless keeps Reality as a fulcrum, a point of reference, in his conceptualization of Hyperreality in his distinction between ‘a profound reality’ and either the representations that “mask” this reality, or the simulations that escape and go beyond it.

Hyperreality, in contrast to reality, no longer needs to be rational, says Baudrillard, because it no longer refers to other than itself, no more does it “measures itself against either an ideal or negative instance” (1981/1994: 2). Hyperreality thus, is not rational, but operational. Within the theoretical framework of differentiated ontologies, suggested in this article, we argue that the hyperreal is still real, and that its irrationality (as Baudrillard terms it) is still rational; that our contemporary fascination for perfection and operationality is exactly a certain kind of rationality, not only an instrumental rationality but what we can call an “operational rationality” characteristic of the era of “managementality”.

By illustrating what we identify as an extensive concurrence and entanglement of and between the signifier and the signified within a framework of ontologically stratified realities, our model grasps the simultaneousness in the genesis and existence of signs and “images” on the one hand and “realities” on the other. With such a perspective there is also a significant change from a profound reality to several profound realities. This differential model can thus be seen as a critique of Baudrillard’s more digital or dualistically embossed model but it must also be seen as a continuation of the former.
In line with the main argument of the article we see the “hyperrealness” of corporate worlds and finance as examples of broader tendencies in the contemporary era of neoliberal crisis in capitalism. Reality’s ontological spaces, or differential realities, are rearranged and recreated in certain patterns, instantiated and facilitated by templates of neo-management, and enacted and emerging not least on the vast and powerful canvas that comprises the world of the large globalized corporations and the generic move from industrial to financial capitalism. The argument has suggested that neo-management signifies the coming of age of “real virtuality” that constitutes the cultural logics of deep crises (in implicitly potential for transformation) in the contemporary. It instantiates the dovetailing of “money manager capitalism” and “managed democracy” into the subtle forms of post-political power and simulation embedded in the new managementalities, that are likely to define globalized corporate and cultural life under neoliberal auspices still for some time to come.

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Notes

1. See the journal Social Anthropology, Volume 20, numbers 1-3, 2012, for a stimulating scholarly debate on neoliberalism.

2. For an analysis of firms as total institutions, see Shenkar (1996).

3. The figure compares the market value of Hydro as a conglomerate comprising three main divisions (Oil and Energy, Aluminium and Agri) in 1999, with the combined market value of these three divisions as divested into three separate companies in 2007.


5. In a letter to the shareholders of Berkshire Hathaway Inc. Available online.

References


