

Book Review

Portfolio Society: On the Capitalist Mode of Prediction.

By Ivan Ascher. New York: MIT Press, 2016, 192 pp. (hardcover) ISBN 9781935408741. US list: \$25.95

As a college freshman, I recall asking an economics professor how any single equilibrium price for complex assets in financial markets was reached between buyers and sellers—to which I received a generic ‘demand meets supply’ answer and was left to my devices to figure out how this was executed in practice. Although I have since visited a trading desk and saw the closing of such transactions first-hand (and learned about the models underlying them), I now wish Ivan Ascher’s account of the intricacies of contemporary financial markets—and their implications for the common man—had been available to me then. In this short and highly readable publication, the author covers original ground, namely his critique of the rise of financial markets that have largely securitized key relationships between capital holders—a step further from the well-described securitization of assets in the market economy.

Inspired by Marx’s critique of political economy of his time, Ivan Ascher’s narrative opens by recounting the perils caused by an accumulation of subprime loans in the USA before 2007, leading to the largest financial crisis of modern history. The author is blunt in calling out the ‘extraordinary – and terrifying – power of financial institutions’ (p. 20)¹—and makes a case for stating that our society should not simply be thought of as a ‘civil society (...) mediated by monetized exchange, but as a historically unique portfolio society in which capital’s relation to its own future (and hence everyone’s relation to the future) is itself mediated by financial markets’ (p. 24).

He argues that the ‘economic cell form’ of our own portfolio society is no longer the ‘commodity-form of the product of labour, as in Marx’s formulation, but the security form of capital itself’ (p. 15).

The author then proceeds, in Chapter Two, to describe the hedging value of financial securities (‘financial securities seem to be considered less and less for their specific usefulness (...) and more and more for their value in exchange (...) in the construction of a properly diversified

portfolio’ (p. 36)), and then, in Chapter Three, the paradox that allows lenders to ‘borrow more, the more they lend’. In the Chapter Four, Ascher provides his answers to the many questions raised throughout his work, suggesting that the substantive shift in how financial markets operate and the uncertainty this has generated for the broader public have accelerated the need by economic agents to seek protection from volatility—all the while exposing themselves to new forms of risk (paraphrased from p. 29).

The essay successfully addresses the practical implications of this outcome by asking ‘how is it possible for the incessant trade of financial securities to generate increasing economic security for the financier while creating ever greater vulnerability for the rest of us?’ (p. 29). He suggests that the reliance on credit scores—all too often a self-fulfilling prophecy that puts disadvantaged borrowers at greater risk still—is a byproduct of the securitization of relationships between capital holders.

While not the primary objective of his essay, Ascher contributes to the scholarship on economic inequality in the modern society by emphasizing the vulnerability of debtors. He makes his argument especially clear by stating:

Financial markets are clearly structured along a class division, (...) even if the terms of this division may sometimes be unclear: It is not a division that separates “borrowers” from “creditors” (...). It is, rather, a division (...) between those whose lives keep placing them at risk and having thus to seek protection (say in the form of a loan or an insurance policy) and those whose position of relatively security (...) gives them the opportunity to take risks – say – by lending to others or betting on their probability of default. (pp. 123–124)

Ascher’s book grapples with complexities of modern society’s dependence on financial markets in a very approachable way, blending literary and real-world examples (from Marx’s *Moneybags* and Defoe’s *Robinson Crusoe* to Fabrice Tourre, one of the few bankers convicted in the

aftermath of the subprime mortgage crisis), and uses accessible and rich language with occasional humor, making it an enjoyable read. In the style of an essay offering a critique of contemporary financial markets, Ascher's take is a compelling account of the realities faced by communities dependent on the functioning of modern financial markets, while adding to political economy scholarship. In short, Ivan Ascher's essay presents a carefully calibrated account of how financial markets affect modern societies that will please inquisitive college freshmen, political theorists and policy-makers alike.

Among the few weaknesses of the work is an occasional back-and-forth between ideas and stories, as illustrated in the book's last chapter that covers a lawsuit concerning the role of Goldman Sachs in the issuance of a synthetic collateralized debt obligation for John Paulson, a billionaire investor who made a successful bet on a housing market

crash in late 2000s. Given that this elaborate scheme was first described much earlier, this section would have been better positioned closer to the book's opening. And while Ivan Ascher does not make suggestions for optimal policy or societal responses to the securitization of relationships in the economy, one can hope that his future work will address this billion-dollar question.

For a serious and critical thinker, *Portfolio Society* offers delicious food for thought while holding promise for the author's potential to make more contributions to the field in the future.

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