

Socially Responsible Investing and/as Governmentality

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Introduction

In March of 2008, the Social Investment Forum offered its long-awaited statement on the status of socially-responsible investing (SRI) and its prospects for growth over the short and medium term. In an affirming report, the Forum noted that SRI, over the period from 2005-2007, had achieved a growth rate of 18% in assets held in some form of socially-responsible investment. The Forum now estimates that over \$2.7 trillion USD are now held in American SRI investments/assets.

More importantly, there are important signs recently that SRI has become an increasingly financialised practice. [here some evidence from the chapter on making it an investable asset].

SRI is quickly becoming more central to financial markets and to many of the largest firms which populate those markets. Many of the largest firms at the center of global financial markets—the Financial Times Stock Exchange, the Dow Jones Group—have recently launched key SRI or ‘sustainability’ indices as a way to harness and deepen this recent success of SRI.(FTSE International Limited, 2003, Dow Jones and Company, 2002)

Although still a relatively small component of global financial markets, SRI is both one of the most quickly growing dimension of those global markets and one that seems to have achieved a certain form of permanence. So what to make of this kind of ‘coming of age’ of SRI? What is at stake in the financialization of SRI? Perhaps more importantly, how might we place SRI in critical context? What kind of political economy might useful help diagnose SRI and the kinds of political limits and possibilities it represents.

Clearly a critical perspective on SRI would need to place in critical context the claim by SRI firms, those who have profited from SRI and those who have been at the center of reconstituting SRI as an investable (and hence profitable) asset class, that SRI represents a kind of democratization of finance capital and novel mechanism with which financial markets can help regulate and humanize global social relations.

But how might we interpret this sudden turn towards a concern with the ethics of global investment? One response would be to see SRI as a relatively superficial attempt to paper

over the real problems connected with global neoliberalism. At a time when neoliberal politics has unleashed a new form of predatory capitalism that is widening the gap between rich and poor, SRI would appear as a hopelessly limited response to issues that require more thoroughgoing reforms. On this view, SRI is perhaps more about corporations ‘reinventing’ themselves as respectable global citizens, a screen for their real motivations which are, as ever, the accumulation of profit.

Although to be sure this critical image of SRI as accumulation offers some useful and strategically-important insights. But is also is limited in a number of ways:

- 1) Relies, sometimes implicitly, on a narrow states v. markets approach in which SRI is interpreted as yet one more attempt to place the market at the center of economic life.
- 2) This accumulation image would also rely on a notion of capital as a bounded category in which ‘everyday actors’ and ‘capital’ are placed on either side of a divide stitched together by lines of determination and exclusion.

In contrast to these approaches, I want to make the case in this paper for a different critical image of/language for SRI, one oriented around the post-Foucauldian notion of governmentality. The notion of governmentality, rooted in certain notions associated with some of the later work of Foucault, offers, I argue a useful critical space in which SRI could be understood not only as a pernicious mode of capitalist accumulation but also as a diverse and heterogeneous assemblage, one that is contested and which complicates our sometimes overly general notions of ‘capital’ as a singular or homogenous body. It might be useful, I conclude, to lay ‘de-centered’ notions of capital alongside more familiar images of capital as a centered and singular form of accumulation or dispossession. Multiplying our critical images of capital can help, I conclude, can help create critical images of ‘finance’ and ‘financialization’ as demystified, contested and mundane spaces.

The paper will be divided into four main sections:

- 1) Section 1 will outline methodological context for paper as whole by highlighting the concept of governmentality as a certain style of critical analytics.
- 2) Section 2 will highlight SRI as a particular governmentality and assemblage.
- 3) Section 3 will place SRI in the context of the ‘social’ and ‘social governance’ one of the themes that have been central to research pursued under the name of governmentality.
- 4) A fourth section will briefly highlight SRI as a contested governmentality and a field in which the meaning of ‘social’ and ‘investor’ practices are contested in concrete ways. One example of practices organized as SRI—the financialization of microfinance—will be briefly described as a way to underscore SRI as a contested and heterogeneous practice.

A conclusion returns to some of the broad themes of the paper by offering some reflections on the unique critical image offered through a governmentality

perspective; one that foregrounds 'finance' and 'financialization' more broadly not a singular or mystified object but as a mundane, heterogeneous and hence contested and contestable object.

1 Governmentality

In contrast to sociologies of the state which depict a central locus of political power and authority, governmentality refers to all of the broadly diffused forms of knowledge and practice which attempt to govern the 'conduct of conduct' or to provoke what Tony Bennett has referred to as 'stabilities of conduct'. To "say that government is heterogeneous and pervasive," argue two commentators, "is to suggest...that it should not be seen as emanating from a single controlling center, such as that of the state...Government is the conduct of conduct...the manner in which individuals, groups and organizations manage their own behaviour."¹

Foucault's studies of 'governmentality' were presented as lectures in the late 1970s. For the most part they were never published during Foucault's lifetime. However, their publication and translation into English over the past decade or so has revealed that Foucault was, at least in his later work, preoccupied with the exercise of power not just over bodies and in spaces of discipline but at the level of populations and states. They have revealed how closely he was interested in questions of political economy. In these lectures on governmentality Foucault offers us a novel interpretation of mercantilism, liberalism, ordoliberalism and neoliberalism - in terms of the different ways that have rationalized the government of the state. Indeed, he identifies the emergence of 'governmentality' as a form of power which in fact has 'as its principal form of knowledge political economy' [Foucault, 1991: 102].

The theme of governmentality has inspired a rich and varied set of engagements with the economic, including studies of the history of economic and political-economic discourse [Tribe, 1995] Meuret, the governmental rationality of globalization [Hindess, 1998], the management of aggregate (Mitchell) and micro-level activities (Miller), the territoriality of the globalization (Dean), and much else besides. But it has also been taken up by scholars more closely associated with critical political economy. Here we might note research that has sought a synthesis between Foucauldian genealogies of power and Fordist and Postfordist theories of regulation (Jessop, Fraser), the exploration of 'global civil society' as a form of liberal governance 'at a distance' (Lipschutz), and Hardt and Negri's widely-read narrative of 'Empire' with its depiction of globalization as worldwide subsumption within networks of biopolitical production. At the same time, as questions of domestic and international security return to the centre of political concerns, research which takes up Foucault's historical investigations of 'police' and 'security' will doubtless prove valuable in any analysis of the emerging homeland-security complex (Bigo, Neocleous, Burke).

At one level, these studies involve a theoretical de-privileging of the state. Whereas the historical and political-economy approaches have typically focused on the growth of the state, and the reasons for its growth, Foucauldian studies have interrogated the political

technologies which have been invented to make the social governable. The example of insurance. The point is not that the state is irrelevant, but to emphasize that welfare states were a particular, far from coherent assemblage of these technologies. This is important for my understanding of SRI. Despite the fact that it operates well beyond the state, occupying a commercial space that is apparently co-extensive with global financial markets, I will argue that it is no less amenable to analysis as a political technology, as a complex of knowledges, inscriptions, and techniques, than was social insurance.

At another level, governmentality entails the making up particular subjects... The invention of 'society' as a locus of explanation and remedy for social ills did not mean that individuals were now unburdened of responsibilities. Instead, it meant these responsibilities were to be governed in a social manner, as social citizens...

Finally, governmentality studies are avowedly historicist and genealogical. They do not seek to formulate a theory of the social, as though one should locate it in terms of causal determinants. Instead, they are attuned to what Foucault called the perspective of 'the event'. This is to insist on the rarity and the singularity of phenomena. It is to suggest that the invention and the transformation of the social is the effect of countless little inventions, the contingent outcome of plays of force. By tracing the specific circumstances in which a particular way of caring, assisting, punishing took shape, how they connected with other techniques, how they sought out or resisted the embrace of the state, these studies have done much to eventalize our understanding of the welfare state.

2 SRI as a Governmentality

As a particular governmentality, SRI is an interesting assemblage, entailing the assemblage of diverse and heterogeneous forms of knowledge and practice, some from outside of the world of mainstream finance and some deeply internal to that world.

Although several, mainly religious organizations attempted to develop investment products based on ethical screens in the 1920s, it was really only in the 1970s and 1980s that SRI products built around the explicit use of ethical screens were developed and marketed more widely. Funds explicitly aimed at peace-centered enterprises in the context of the war in Vietnam or aimed against corporate investment in apartheid-era South Africa provided the basic context in which ethically-screened investment products became more visibly marketed and available. A whole diverse range of SRI guidebooks and tools now provide technical exercises, workbooks and listing devices with which individuals can uncover, list and prioritise the ethical principles that could make up individually-constituted investment screens.

SRI also assembles a range of other techniques and practices. One of the fastest growing areas in the SRI field, for example, is the development of index and benchmark products and technologies designed to provide a graphical representation or visualization of the field and its status in a particular way. Long a key component of financial and portfolio management, index technologies are benchmarks of key groupings of financial products (usually stock prices) measured against some established base. Now a major

preoccupation within the SRI field, index techniques and services are often seen as a key mechanism with which SRI can be incorporated into the mainstream financial world, and through which it can be constituted as a field legible in conventional languages of personal finance.ⁱⁱ As a major German study has concluded, index products are the most visible and effective manner to convince investors of the status of SRI as a domain easily understood in conventional personal financial terms and as a field of investment which can be easily incorporated within conventional personal financial practices and approaches. “The availability of index products,” the study concludes, “makes it increasingly viable...to transition to a portfolio based on a SRI benchmark at relatively low cost.”(Hamid and Sandford, 2002: 1)

In addition, SRI is not simply a financial product or even just a social movement. It needs to be seen as a mode of subjectification. One of its most distinctive features is its attempt to rework a particular notion of citizenship and ‘ownership’ as a way of provoking an active form of individual engagement and responsibility. In particular SRI seeks a form of subjectification in which individuals are asked to recover a form of citizenship grounded in and unleashed by an active mode of ownership.

At one level, this pursuit is premised on the basic recognition that share-holding is in fact an act of ownership which entails complex rights and responsibilities. SRI firms and activists are keen to remind investors that personal investment is an act of ownership and is connected to formal mechanisms of shareholder control including annual shareholder meetings and resolutions. This is emblematic in recent calls for shareholder action to form the core of SRI. Any ‘socially responsible’ form of investing, according to this view, requires an active re-engagement with the mechanism of ownership and with a kind of citizenship premised on the responsibilities of ‘owners’. As one SRI guidebook puts it, when “you purchase stock in a corporation you become an owner of the corporation. Ownership conveys certain rights. One of the most important of these rights is the right to vote...on a variety of matters, ranging from the approval of the Board of Directors, to executive compensation.”(Domini Social Investments, 2003)

The field of SRI reformulates the question of capital as a politics based around a very particular notion of individual relationality. In this formulation, SRI provides a mechanism with which individuals can constitute a kind of cosmopolitan engagement with ‘others’. It explicitly frames itself as a practice with which individuals, by developing their own ‘ethical’ form of capital, can insert themselves into ‘globalization’ in a particular kind of way. This signifies a kind of ‘being’ in/of the world and an active way to instrumentalize an obligation to participate in the world and to establish a cosmopolitan connection with all individuals as members of a shared planetary humanity. This cosmopolitan connection entails both an ethical relation to the self in terms of governing personal financial and ethical life in a direct manner as well as to the ‘other’ of world politics.

SRI inserts itself not only as an ethics of social calculation, but also simultaneously as an expression of solidarity with and membership in a universal and ‘mutually interdependent’ body. “We’ve endeavoured,” one guidebook puts it , “to give you the

tools you need to make fresh financial choices that are good your soul and for the world...as people see their predicament clearly-that our fates are inextricably tied together, that life is a mutually interdependent web of relations-then universal responsibility becomes the only sane choice for thinking people.’”(Brill, Brill and Feigenbaum, 2000, xxii)

SRI asserts itself, in this context, as not only a program of economic conduct, but as a particular assemblage of political practice and action. This politics of being-in-the-world rests on an assumption about the political capacities of individual responsibility in a common and shared global space; a sense of a deeply ethical relation to the self, the world and the ‘others’. This is a politics and citizenship which is based not on the space of the national body and social citizenship, but which orbits around a global space of cosmopolitan obligation and participation.

This also operates as kind of critique of corporate capitalism. In the same manner that neo-liberalism often mustered a critique of the welfare state as a mode of subjectification which created passive forms of citizenship and self, so too does SRI pivot upon a critique of corporate capitalism that offers only a passive form of economic citizenship. SRI is often enmeshed within self images as a recovery of an active form of economic ownership and citizenship.

3 SRI and a Genealogy of the ‘Social’

The ‘social’ opened up a territory between the individual and the state, and a way of governing which could navigate between a liberalism which insisted upon the sanctity of private property, and radical demands from the left for the collectivization of property under the state. As Donzelot explains, governing from a social point of view entails a collectivization of risk. Nothing illustrates this better than the technique of insurance. This meant that accidents at work, loss of work, sickness and many issues now cast as ‘social’ questions could be governed not as questions of personal fault, or individual culpability – whether on the side of the worker or the boss – but as normal, statistical occurrences. In social insurance we see a method which ‘counters the division between workers and capitalists with a mechanism of common compensation, with collective amends for injuries suffered from within the framework of the collectivity they form’

the social is a particular *governmentality*. This is to say that it exists as an imaginary embodying a particular way of representing and acting on reality. Poverty, industrial unrest, or the truancy of the schoolchild are not intrinsically *social* problems. But this is how they become formulated for much of the twentieth century

The invention of ‘society’ as a locus of explanation and remedy for social ills did not mean that individuals were now unburdened of responsibilities. Instead, it meant these responsibilities were to be governed in a social manner, as social citizens...

But the social also sought to de-dramatize governance by eliding questions of responsibility. In place of juridical modes of governing it implemented systems of compensation, redistribution, and universalist management.

The social emerges in the second half of the nineteenth and into the twentieth century as forms of knowledge and practice which govern the population of a national territory in terms of a social body with its own internal logic. By the twentieth century the social, in different ways, becomes connected to notions of social right, social solidarity and social citizenship. Most centrally inscribed in techniques of social insurance, 'risk' was managed and borne not in individual terms but in terms of a social whole. As Nikolas Rose suggests, the 'state' became implicated in promoting this social form of government and managing the economy in a way consistent with 'social' objectives. "Through mechanisms of social insurance—unemployment benefit, accident insurance, health and safety legislation, and so forth—and through an array of forms of economic government—tax regimes, interest rates and other techniques of 'demand management'—the state assumed responsibility for the management of a whole variety of risks—to individuals, to employers, to the state itself—in the name of society."ⁱⁱⁱ

This promotion of social citizenship and solidarity results in a unique stance regarding the broad requirements of property. Emerging in the late nineteenth century in the context of a deep confrontation between those with property and those without, the social served to improve the terms and conditions with which those without property were integrated into political and economic life, without fundamentally altering the basic rights and requirements of those with property. Social right, in Donzelot's terms, attempts to resolve this dispute by both entrenching the rights to property and extending broader rights to those without property. Social right, Donzelot argues, "can claim to substitute the mechanism of a *promotion of the social*... for the original opposition between the right to work and the rights of property... in this way a justification is found at once for property and for imposing a levy on it insofar as this is for the purpose of improving the chances for everyone to acquire it."^{iv}

In the past decades, however, in the context of neo-liberalism or 'advanced' liberalism, the centrality of the social to forms of government has been in decline.^v Attacked on a number of fronts including the ways in which it is said to insulate individuals from the pressures and risks of markets, create deeply irrational forms of economic life, and rely upon overly rigid conceptions of self and citizenship, the social has been confronted by political parties from various positions across the spectrum. "The hold of 'the social'," argues Rose, "over our political imagination is weakening."^{vi} The 'hold' of the social, however, is also in some ways, somewhat persistent. Although it has been displaced in some of ways, the social is a persistent kind of category. "The social," reminds Mitchell Dean, "will be reframed... The social is undergoing a 'metamorphosis' rather than a death... It will emphasize the self-management and the self-expressed needs of the consumers of expertise and services."^{vii} Although weakened in terms of its connection to welfare, social insurance and social rights, the social continues its strange persistence in a variety of new and even innovative fields of economic and political life. To conclude this chapter, and open up some ground for a broader discussion of the 'social' territory as it appears in another contemporary program of everyday capital reviewed in the next chapter (asset-based social policy), I want to suggest that SRI is

precisely one location where the ‘metamorphosis’ of the social is made real in a particular set of ways.

Although it has experienced growth in a moment of neo-liberalism, SRI seeks to recover and retain something of the language and practice of the ‘social’. SRI is not bound up with a form of regulation in which risk is borne collectively or resolved in techniques of social insurance or social security. Neither is SRI situated within a functionally integrated national economy which is separate from, but managed by, the state and state-centered programs of macroeconomic planning. Rather, SRI is placed directly within a global economic and political space and seeks intervention into economic space through the use of ownership claims and the active form of citizenship those claims could generate. Unlike social citizenship, SRI programs sculpt a more deeply individualistic form of self governed in the name of highly individualized forms of agency and ethical life.

On the other hand, however, and despite these differences, SRI programs maintain something of the social. An explicit appeal to ‘social responsibility’ is built upon a claim to a much broader form of citizenship than conventionally delineated in neo-liberal rationalities. By foregrounding a deeply ethical practice to *both* the self and the others, and in its appeals to a kind of cosmopolitan being in the world, SRI deploys a version of social solidarity and encourages a set of calculations that are broader than neo-liberal conceptions. Although SRI practices organize political life through private forms of capital and remain wedded to highly individualized, even ‘privatized’ notions of self, they also ask those who own capital to exercise that capital in terms of membership in a shared humanity to locate themselves within a kind of sociality. The economic is not conceived only as a space of individual affiliation, but also a composite territory marked by forms of irreducible ethical commitment. SRI programs encode a certain commitment to a social whole and to a particular form of social responsibility. It is in this form, that SRI advocates hint at a reconfigured confrontation between the economic and the social. The social and the economic are not stitched together as two separate, yet deeply reliant spaces (as is figured in Keynesian notions of economic planning and regulation), but are penetrated by each other—in terms of a form of capital governed by notions of ‘social’ responsibility. The social is not a bounded space separate from the economic, but exists as the basis of economic conduct and practice itself.

4 A Contested Field

Is there an interesting parallel between the middle-class reformers and respectable unions who invented the social (mutualism, philanthropy) and the location of SRI within a social movement. It is interesting how social technologies become the objects of struggles – for example the state sees social insurance as a way to lessen the power of unions over their members since unions had previously monopolized the means of social support for workers. Can we see a parallel struggle wherein mainstream financial interests seek to co-opt SRI, and similarly, how SRI seeks to make itself look like regular investment?

As the field of SRI becomes increasingly more central to the personal financial world, the struggles among the diverse networks which are connected to SRI have intensified. The attempts, over the past five years, for example, to make SRI legible in terms of financial index products have, precisely, been subject to moments of struggle and contest by both the social movements (the church groups, environmental organizations and political action groups) central to the early moments of SRI as well as the mainstream financial institutions and personal financial services firms which have become increasingly interested in SRI as a profitable and 'investable' field. By reducing a complex set of practices to a single graphical representation (usually a line showing/uncovering a fairly even and imminently comparable narrative of growth), the index technology is able to codify in two-dimensions, a complex ethical field of 'sustainability'. On one hand, many of the movements and organizations which have been central to the early development of SRI have themselves sought to develop index instruments as a way of 'mainstreaming' SRI and making it legible to and comparable with other mainstream financial products and approaches. Two of the oldest SRI or 'ethical' index products—the Domini Social Index and the Jantzi Social Index—are themselves developed by organizations with a longstanding status within SRI social movements.

On the other hand, however, the codification of SRI in index techniques (especially those projects developed by large financial services firms) have been the subject of much contest and debate within the SRI community. SRI indices work, for example, to overcome much controversy in a field often overwrought (at least in social movement circles) with moral-ethical, political or normative controversies. Most SRI indices (and the Dow Jones and FTSE techniques in particular), for example, are over-weighted in financial sector equities. This over-weighting is often the source of some controversy in the sense that ethical screens (mechanisms that often screen-in financial sectors as sustainable firms in their own right) fail to assess or screen the investments which financial firms themselves make in the wider world; investments which often form the basis of global financial networks including those networks and firms often excluded from SRI as 'unethical'.

In addition, the recent launch of the FTSE4Good initiative, perhaps because of the significant media attention it attempted to cultivate, also attracted much debate within and outside of the SRI community. Some environmentalists and SRI activists argued that the FTSE initiative presented an overly narrow and modest measure of sustainability or ethical practice. For critics the index is built not around precise or stringent standards but on the implementation of 'softer' management and reporting systems which may or may not have any direct impact on actual outcomes. "The criteria," argues one critic, "are indeed very broad. Only "high impact" human rights and environmental criteria are assessed. To qualify on human rights, a company simply has to have a policy."(Sills, 2001)

These discussions highlight a mundane set of concerns and anxieties of activists about the ways in which SRI is incorporated within some of the largest financial firms at the center global financial markets. These discussions also foreground a broader set of debates around what constitutes 'social responsibility', how it should be defined and the degree

with which it can be reconciled with the logics at play in mainstream financial services firms and institutions. This is a tension and set of contests—between social movements and mainstream financial institutions and within social movements themselves—which put into focus complex trade-offs between the gains of ‘mainstreaming’ SRI and losses associated with its appropriation by those firms it most desperately seeks to change.

Miller and Rose on contest and government:

“Programmes of government are idealized scheme for the ordering of social and economic life. As such they are not simply ‘applied’...Programmes constitute a space within which the objectives of government are elaborated, and where plans to implement them are dreamed up. But the technologies which seek to operate on activities and processes produce their own difficulties, fail to function as intended, and sometimes intersect poorly with the rationalities in terms of which their role is conceived...governing is not the realization of a programmer’s dream. ‘The real’ always insists in the form of resistance to programming, and the programmer’s world is one of constant experiment, invention, failure, critique and adjustment.” (Miller and Rose 1990)

Neither, I would add, are government and resistance external to each other. One example might indicate the diversity and contestation with which SRI has been taken up and financialized.

An example: Financialisation, Microfinance and the Compartamos IPO

In the spring of 2007, in a move that triggered anxious debate not only in the relatively confined world of microfinance, but also in broader political and business circles, a Mexican MFI—Financiera Compartamos—completed an Initial Public Offering (IPO) in which it listed a 30% stake of its operations on the Mexican Stock Exchange. A secondary offering, the IPO allowed the owners of Compartamos—a small group of private Mexican investors, the International Finance Corporation (a public finance institution associated with the World Bank), and Accion, a large American Microfinance NGO—to sell parts of their ownership to private Mexican and international investors through mainstream capital markets. On one level, the IPO charts the narrative of a relatively successful microfinance operation. Founded initially as an NGO, Compartamos began to expand its microfinance operations in the 1990s. By 2000 the NGO which founded Compartamos transferred its microfinance operations to a fully commercialized financial institution—Financiera Compartamos S.A. de C.V.—which emerged as the result of an initial investment pool of \$6 million generated from IFC, Accion, Gateway fund, Profund, the Compartamos NGO itself and other private Mexican investments. (Rhyne and Guimon 2007: 3) Among the most successful MFIs in Latin America, Compartamos now boasts a portfolio of \$316 million USD lent in microfinance loans to 765 000 clients, the vast majority of whom are poor women. (Epstein and Smith 2007) Compartamos has been experiencing very rapid growth in all facets of its operations and it seems certain to achieve its very ambitious goals of reaching 1 000 000 microfinance clients by the end of 2008.

At another level, however, the Compartamos story is striking in terms of the IPO itself and the process of financialization it consummated. Although there was much anticipation in advance of the IPO because of Compartamos' financial performance and because of the profile of financial firms associated with the IPO (Credit Suisse), the actual results far exceeded all expectations. The IPO actually was 13 times over-subscribed and garnered \$468 million, resulting in an immediate increase in Compartamos' valuation to \$1.6 billion. (see Cull, Demigruc-Kunt and Morduch 2007a: 2) The shares were widely dispersed among just over 5000 investors, including over 150 institutional investors many of which were attracted to the IPO not for 'social' but for 'financial' reasons. Just over 80% of the offering went to international investors. (Rhyne and Guimon 2007: 4)

All of the initial owners of Compartamos, including several NGOs with longstanding commitments to microfinance realized enormous, perhaps even unimagined, profits from the IPO. Accion, for example, an American network of microfinance NGOs netted gross proceeds of USD \$140 million (net proceeds of \$135 million) from the sale of a 9% stake in the firm, and continues to retain over 9% equity in the company. These proceeds were generated from an initial investment of approximately \$2 million which itself was financed by contributions from USAID. (see Rhyne and Guimon 2007) Put a bit differently the proceeds from the IPO "an internal rate of return on the selling shareholders' original investment...of roughly 100 percent a year compounded over eight years." (Rosenberg 2007: 3)

High interest rates:

By 2006, for example, Compartamos charged rates of interest that were well over 85% APR and which resulted in real costs of interests of over 100% including an additional value-added tax. (see Rosenberg 2007: 5 and Rhyne and Guimon 2007) Not only is this rate of interest exceptionally high when compared to similar consumer of microfinance lenders, it is also stands in stark relation to the high levels of profitability Compartamos achieved throughout the past 8 years. By all measures Comparatamos has become and exceptionally profitable financial firm; a status that has been validated by the success of the IPO. By 2006, for example, Compartamos achieved a 23% Return on Assets, 57% Return on Equity and a Profit Margin of 44%; figures which all dwarfed sector averages. (Lieberman *et al* 2007) The Return of Average Equity of 57% indicates a very high level of profitability when compared to the national Mexican average of 15%. (Rosenberg 2007)

On one hand those who benefited from the Compartamos IPO, and those who see the IPO as an emblem of the financialization of microfinance, defend the rates of interest (and profitability) as a strategy key to the expansion of microfinance credit in Mexico. High rates of interest both allowed Compartamos to finance expansion through retained earnings (and meet ambitious expansion goals) and attracted the attention of international investors drawn to the high rates of return on assets and equity. Financializaiton, and its associated requirements for profitability and asset growth, was an explicit strategy

designed to expand microfinance credit more widely and to unleash a self-perpetuating process of financial growth and development.

By 2006 Compartamos was adding 100 000 new clients each year and had achieved a \$270 million loan portfolio. (Rhyne and Guimon 2007: 4) Almost all of this ambitious growth was financed by retained earnings generated most primarily through the imposition of high interest rates.

Critics of the IPO, however, argue that the high rates of interest paid by microfinance clients directly enable the extraordinary rates of return earned by initial investors through IPO proceeds. For these critics the high rates of retained earnings, built through high rates of interest, were not primarily related to the expansion of Compartamos' loan portfolio, but were key to the processes by which mainstream financial investors were attracted to the firm. Financialization becomes, in this perspective, an end in and of itself as an instrument related to the security of profits and return on equity.

'Finance' comes, in this logic, to represent something of a 'solution' to the fragility of microfinance and, by extension, to the questions of exclusion and poverty with which it is associated; a variation on a long-held formulation that represents finance as a kind of rational and 'necessary' domain. Put directly by Lewis in a recent intervention:

...the interest rate charged on microloans to poor borrowers must do more than merely alleviate poverty, create sustainable small businesses, empower women and finance microfinance...It must now also generate profit for investors (mostly foreigners). Thus, to help desperately poor people help themselves, they are charged extraordinarily high interest rates which, in part, are needed to enrich well-intentioned domestic and foreign investors who require financial returns to justify their doing social good. (Lewis 2007: 6)

This kind of assessment foregrounds financialization as a contested project and the Compartamos IPO as the center of a deeply contested debate regarding the future of microfinance and the openings and limitations associated with a process through which microfinance becomes more fully integrated within mainstream financial spaces and practices.

Conclusion: Governmentality and Critical Images of Finance/Financialisation

The story of SRI reviewed in this paper complicates critical narratives of capital, finance and financialisation in a number of ways. First, SRI complicates the image of capital as a singular entity centered around one set of social forces ('the financial interests', Wall Street). As this paper has narrated, SRI is neither fully 'inside' nor categorically 'outside' of the mainstream realm of personal finance. Although SRI is not separate from the mainstreams of personal finance, neither does it occupy what could easily be thought as a position unambiguously within those mainstream spaces. Rather, SRI is assembled by a range of social forces much wider than any narrow conception of 'financial interests' including those who, at one level in any case, seem opposed to the mainstream world of Wall Street: non-governmental organizations, environmental activists, church

organizations and a loose global network of activists forged in earlier campaigns for social justice and solidarity

This complex conception of SRI as a multiple and diverse object contrasts with more ‘centered’ views of finance and capital in International Political Economy.

In Gill’s language, this process is a constitutional project in which ‘large holders of capital’ seek to impose their ‘universal’ discipline and subordinate public policy to the ‘effective’ sovereign of large capital:

Neo-liberal notions...are connected to the ideas, institutions and material potential of the dominant elements in civil society (large holders of property).....its political economy corresponds to the effort to construct politically...a market society on a world scale, a universal system under the discipline of capital... ..In this project... the dominant political subject—or the effective sovereign—of the new constitutionalism is the investor, or the holder of large private property rights (capital).^{viii}

As a strategic device, this kind of critical political economy is a useful gesture against some of the most disturbing imbalances and inequalities that have been central to neo-liberal forms of political-economic restructuring.^{ix} At another level, however, this kind of map of globalization offers an overly narrow conception of capital. It sketches capital as a special and overly-coherent category with its own identifiable reach. In addition, this kind of analysis conceives of capital as an unambiguous expression of a small and codified social force (financial capital or sometimes, more broadly, the trans-national managerial elite) which is essentially separate from popular social forces over which it exercises power and from which it is external.

More speculatively, we might say that this kind of critical political economy:

- 1) Paints capital as a generalizable relation.
- 2) Locates capital in relation to everyday relations in singular ways—in terms of one way lines of determination.
- 3) A limited notion of ‘agency’ as ideological fictions.

As Mitchell argues, developing analyses that reify capital as a kind of singular site, attribute to that category a coherence and power it could not possess. This can contribute to lines of analysis in which the economic (and financial) worlds are mystified and in which the economy is charted as an immovable kind of space. “By homogenizing contemporary politics into ineluctable and universal logics of capitalist globalization,” argues Mitchell, “we attribute to...the market, to capital, or to globalization a coherence, energy and rationality that they could never otherwise claim.”

It is through more situated critiques that we can perhaps begin to conceive of the economy as a site constructed (and re-workable) not in terms of a ‘singular anchorage’ or single social force, but in terms of a diverse and heterogeneous set of spaces, sites and

projects organized in the name of often complex and even contradictory objectives, goals and practices.

Governmentality can help us help diversity our critical images of capital and offer opposition to the materialist approach. Critical-materialist approach:

To summarize a governmentality approach:

- 1) Capital is not a singular object linked to a single set of political and economic objectives, often contested. This in turn highlights both the ways in which political space is opened and foreclosed in SRI.
- 2) Emphasizes a more complicated relation between capital and the popular sectors than is often sketched. Popular sectors are often as much 'inside' of, internal to capital as they are outside of (in say a Gramscian image of counter-hegemony)

Therefore the making of economic space and categories is not a 'centered' or homogenous practice. Capital, for example, has only been made or 'performed' when we have embodied it in terms of our own everyday practices and performances.

In addition, this approach also puts forward a more concrete notion of agency.

And, by extension, a more complicated notion of resistance. Resistance is not external to power and 'we' are neither fully inside nor outside of capital. This makes us internal to the life of capital. [Amoore, Butler] and a certain ambiguity about our own position, both inside and outside of capital and inside and outside of those who suffer in global financial markets.

To develop analyses that acknowledge the complexities and ambiguities of our political and economic present.

Michel Callon: "The market is no longer that cold, implacable and impersonal monster which imposes its laws and procedures while extending them even further. It is a many-sided, diversified, evolving device which the social sciences as well as the actors themselves contribute to reconfigure." (Callon 1998, 51)

Help create analyses of finance and financialization more broader that are demystified that make the financial world a mundane and hence undable form of practice, a 'making strange' of a category so urgently a part of 'our' neoliberal and globalized present.

ⁱ Mitchell Dean and Barry Hindess, "Introduction: Government, Liberalism, Society", in *Governing Australia: Studies in Contemporary Rationalities of Government* (eds). Mitchell Dean and Barry Hindess (Cambridge: Cambridge University Press, 1998): 2-3. See also Mitchell Dean, *Governmentality: Power and Rule in Modern Society* (London: Sage Publications, 1999): 18, and Nikolas Rose, "Government, Authority and Expertise in Advanced Liberalism," *Economy and Society* 22:3 (August 1993): 288.

ⁱⁱ Perhaps the best, most recent analysis of index products in the context of SRI is Peter Camejo, *The SRI Advantage: Why Socially Responsible Investing Has Outperformed Financially* (Gabriola Island: New Society Publishers, 2002): especially chapters 2, 4 and 5.

ⁱⁱⁱ Nikolas Rose, *Powers of Freedom: Reframing Political Thought* (Cambridge: Cambridge University Press, 1999): 127-128.

^{iv} Jacques Donzelot, "The Promotion of the Social," *Economy and Society* 17:3 (August 1988): 405.

^v See also Nikolas Rose, "Government, Authority and Expertise in Advanced Liberalism," *Economy and Society* 22:3 (August 1993); Nikolas Rose, "The Death of the Social? Re-Figuring the Territory of Government," *Economy and Society* 25:3 (August 1996): 327-356; Andrew Barry, Thomas Osborne, and Nikolas Rose, "Introduction" in *Foucault and Political Reason: Liberalism, Neo-Liberalism and Rationalities of Government* (eds) Andrew Barry, Thomas Osborne and Nikolas Rose (Chicago: University of Chicago Press, 1996).

^{vi} Rose, *Powers of Freedom*, 136.

^{vii} Mitchell Dean, *Governmentality: Power and Rule in Modern Society* (London: Sage Publications, 1999): 207.

^{viii} Gill, "Constitutionalizing Inequality," 60.

^{ix} William I. Robinson has perhaps provided the most useful defence of this type of analysis. See William I. Robinson, "Capitalist Globalization and the Transnationalization of the State," in *Historical Materialism and Globalization* (eds). Mark Rupert and Hazel Smith (London: Routledge, 2002): 210-229.