CANNIBALISTIC CAPITALISM: SECURITIZED PENSION FUNDS AND THE SOCIAL REPRODUCTION OF NEOLIBERALIZATION[1]

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I. INTRODUCTION

The securitization of pension funds – the increasing dependence of workers on the economic performance of corporations – is a defining feature of the new millennium. Since the 1980s, pension funds have moved an enormous amount of assets into equity holdings (stocks or shares) of major corporations, both financial and non-financial. In the United States (US), for instance, pension funds, which as a whole held a staggering $8.6 trillion in assets in 2008, allocated 49.5 percent of their total investment to equities.[2] Since the late 1990s, the securitization of pension savings has exposed workers' savings to, and normalized the reliance of their pensions on, ever-riskier investment strategies, including asset-backed securities (ABS) and related credit derivatives. With the advent of the 2007 sub-prime fiasco, pension funds in the OECD area, especially those with the largest equity holdings (e.g., Ireland, the United States, Australia, and the United Kingdom), lost $5.4 trillion of their total asset value of $27.8 trillion.[3] Given the huge sums of money involved and, more importantly, the interlinks between the credit system, corporations and labour, the securitization of pension savings provides an interesting case through which to consider the consolidation and deepening – or social reproduction – of the neoliberalization of capitalist society, particularly within the United States.

Constructed, naturalized, and socially reproduced via state and class relations, the securitization of pension funds has moved us nearer to the realization of neoliberal utopia, or, put another way, the deepening of neoliberalization.[4] In making this claim, I am suggesting neither that securitization has resolved the internal paradoxes linked to the (il-)logic of capitalism nor that this process has occurred in a smooth and conflict-free environment in which labour has played a passive role. The tensions between the utopia and the reality of securitization have played out over a highly paradoxical and

problematic accumulation strategy, or what I refer to as 'cannibalistic capitalism'. In Section II, I discuss the historical and theoretical moorings of this term more fully. Suffice to say here that cannibalistic capitalism captures the processes by which workers' savings in the form of pension funds *feed off of* the increased indebtedness of workers, a condition driven largely by stagnant real wages and unemployment. Due to the dependence of pension funds on high-risk investments, these same investment strategies *mutilate* the value of pension savings with the advent of more frequent and deeper crises that serve to wipe out gains made during a speculative run. This has had the effect of *producing* fresh flesh on which to prey through higher and/or new levels of consumer indebtedness, as dispossessed workers, in the absence of a safety net, strive to maintain basic living standards through the credit system. Instead of serving to weaken cannibalistic capitalism, financial crises have had the effect of deepening neoliberalization by allowing financial corporations and their shareholders (which include pension funds), to prey on those dispossessed workers.

Cannibalistic capitalism has served the capitalist class in at least three interlocking ways. First, due to their reliance on Wall Street, workers (i.e., 'Main Street') have a strong stake in the preservation of the system that exploits them because the destruction of the capitalist system entails the annihilation of their savings. Second, with each crisis, dispossessed workers become increasingly reliant on the credit system, thus exposing themselves to the disciplinary, demobilizing, and individualizing tendencies of debt (collection agencies, rating agencies, prisons, courts, and so forth). Third, workers have been relegated into the ever-growing reserve army of underemployed and unemployed labour. This, in turn, serves to erode solidarity, weakening collective action against the class-based and capitalist nature of securitization.

In Section III, I turn my attention to a key neoliberal strategy, the corporate governance doctrine,[5] which seeks to reproduce cannibalistic capitalism by depoliticizing and de-classing forms of struggles. I refer to this strategy as the marketization of resistance. Two cases explored in this regard are the so-called 'new activism' of trade unions and the 'equal access proposal', which is aimed at democratizing corporate boards of directors. In both cases, it is assumed that the maximization of shareholder value, which lies at the heart of the corporate governance doctrine, will lead to improved welfare benefits for all, including workers – a view I contest. In conclusion, I highlight some analytical and political implications of the present discussion.

II. CONSTRUCTING NEOLIBERAL UTOPIA

A. The Foundations: The Neoliberal State and 'Illusions' of Securitization

Since securitization is an integral strategy of neoliberalism, it is useful to begin our discussion with the latter's development and capitalist nature. A market-oriented form of political domination, neoliberalism emerged in the early 1980s as a response to the late 1970s crisis of overaccumulation. This crisis, which manifested in stagflation, unemployment, and high levels of social discontent, refers to 'a condition where

surpluses of capital (perhaps accompanied by surpluses of labour) lie idle with no profitable outlets in sight.'[6] In its neoliberal form, the bourgeois state has played an important role in intervening on behalf of capitalist interests to remove barriers to capital valorization, most notably through the liberalization of financial markets and the securitization of pension funds. Following Jamie Peck and Adam Tickell, I consider neoliberalism – and, by extension, securitization – not as an end state but as an ongoing and paradoxical process aimed at deepening and widening the marketization of society. This process demands that the manifestations of crises of capital accumulation, including struggles that threaten to delegitimize neoliberal rule, be absorbed or displaced (spatially and temporally).[7] As David Harvey notes, neoliberal attempts to overcome barriers to capital valorization are marked by two related trends. First, stock values (rather than production) have become the guiding force of economic activity. Second, the gap between money capital earning dividends and interest on the one hand, and production, manufacturing, or merchant capital looking to gain profits on the other has increasingly narrowed.[8] The neoliberal state has facilitated, naturalized and reproduced these trends, fundamentally if not completely, through financial fetishism and the marketization of labour.

Drawing on Pierre Bourdieu, I refer to financial fetishism as the '*illusion of securitization*,' or the attempt to construct and propagate (among social actors, including pension fund beneficiaries) a fundamental belief in the value of the stakes and of the game itself.[9] Put differently, *illusions* of securitization capture the machinations involved in creating a belief that individuals will gain not only more economic freedom but also greater economic rewards by relying on the market as opposed to the government.

Financial fetishism arises from the representation of the financial market (indeed of all markets) by bourgeois economics in reified terms in which social relationships appear as (equal and free) relations between 'things', i.e., workers voluntarily sell their labour power (object) in exchange for money (entity). On this view, financial markets are represented as separate from the so-called 'real economy' (production), and are thereby rendered as relatively 'unreal' or highly abstract. Key features of financial fetishism aid the implementation and reproduction of securitization. First, financial fetishism creates a cult of professional (read: scientific) expertise, wherein formal tools (e.g., mathematical-based modelling) and technical knowledge are deemed valid, objective, infallible and true – unquestionably worthy of both our trust and our money.

Second, and related, this technical and exclusionary knowledge facilitates two important illusions necessary for the success of securitization. On the one hand, workers (skilled and unskilled) are intentionally kept in the dark as to how their investments increase in value. That is, financial fetishism obfuscates the linkages between workers' exploitation (and that of the natural environment) and interest income. In the financial system, money is largely represented as growing on trees. In addition, by presenting risk as a purely economic phenomenon, financial fetishism voids social content (class power) from the dominant discourse. On the other hand, the depoliticized representation of financial markets as driven by rational actors guided by formal tools of knowledge facilitates market populism, or, what I have elsewhere referred to as the 'marketization of resistance', which is used to legitimate securitization in the corporate governance

doctrine.[10] According to this perspective, the market is more democratic than the state largely due to the stimulus of competition, in which consumers and shareholders can exercise 'real' power. In the 1980s, the neoliberal state drew on market populism to argue that stock markets should be deregulated to serve people more effectively and efficiently, primarily through the mechanism of shareholder activism, which I discuss more fully in Section III.

It is critical to understand the securitization of pension savings and the increased reliance of workers on financial markets, particularly in the heightened expression of cannibalistic capitalism, as a result of complex forms of struggles between workers and capitalists, mediated by the state.[11] Generally speaking, the dependence of labour on the market has been accomplished through ongoing and intensifying attempts to discipline workers – both inside and outside the reserve army. This occurs in two ways. First, through structural violence taking the form of physical coercion (e.g., prisons), or what Loïc Wacquant refers to as the 'criminalization of poverty'; second, through economic coercion (e.g., the dereliction of labour law, deregulation of employment, retraction of collective protections, and so forth).[12] In contrast to the call for 'less government' inherent to financial fetishism, wherein the role of the state is partly concealed through the construction of finance as an abstract and 'unreal' sphere of economic activity, the need for 'big government' in the marketization of labour is justified by the latter's place in the 'real' economy.

> The same parties, politicians, pundits, and professors who yesterday mobilized, with readily observable success, in support of "less government" as concerns the prerogatives of capital and the utilization of labour [and their old age savings], are now demanding, with every bit as much fervour, "more government" to mask and contain the deleterious social consequences, in the lower regions of social space, of the deregulation of wage labour and the deterioration of social protection.[13]

As forms of state intervention, financial fetishism and the marketization of labour reveal that securitization, and its intensification in the form of cannibalistic capitalism, is neither a natural nor neutral phenomenon.

B. The First Wave of Securitization of Pension Savings

Since the early 1980s, the US has sought to deepen neoliberalization by shifting labour's demand for social security from the state to the market. On the one hand, the state and corporations have aggressively encouraged private retirement savings through more market-linked, defined-contribution plans, such as Individual Retirement Accounts[14] and 401(k) plans, thereby attempting to remove or decrease the more secure defined-benefit schemes.[15] At the same time, pension funds have sought to deal with the limits of overaccumulation by investing in riskier instruments, most notably corporate equities, which yield higher returns than fixed-income securities (e.g., fixed-rate government bonds). In 1980, for instance, 35.1 percent of the total assets of pension funds ($871 billion) gravitated to corporate stocks. In 1993, 41.3 percent of total pension assets of almost $4 trillion were held in corporate equities, and by 1997, 47.3 percent of total pension assets ($6.7 trillion) fell into that category.[16]

The first wave of securitization is marked by two overlapping characteristics. First, securitization constructs a social reality in which workers, through their pension savings, have a strong stake in the preservation of securitization, including the corporations in which they hold assets. That is, labour becomes dependent on new forms of capital accumulation based on higher levels of risk. More fundamentally, they become dependent on a system that exploits them because the destruction of the capitalist system entails the obliteration of their savings (although, as we will see in the second wave of cannibalistic capitalism, the destruction of their pension savings occurs anyway on a frequent and intense basis). Second, securitization represents an attempt to expand and reproduce capitalism through the credit system, which is historically marked by strategies of speculation, fraud, and predation.[17] As Marx reminds us, while the credit system has the potential to resolve all the imbalances for which capitalism is prone, it can do so only at the price of internalizing these contradictions. Thus, the incessant need for more intensified forms of speculation, fraud and predation is, in part, naturalized and reproduced through financial fetishism and structural violence over labour – the hallmarks of cannibalistic capitalism.

C. The Second Wave of Securitization

Throughout the latter part of the 1990s, pension funds continued to shift their assets into Corporate America, consolidating the interdependency between Wall Street and Main Street (see Table 1 below). As labour's deferred wages and salaries entered Wall Street, securitization continued to both deepen and widen. Despite attempts by the state to encourage economic growth through record-low interest rates, the productive sphere remained largely unprofitable, and surplus capital continued to expand via interests in the credit system, particularly in the area of consumer credit as beleaguered workers sought to maintain living standards by borrowing heavily. In just seven years (2002-2009), the rate of consumer debt to income rocketed to 40 percent, doubling the rate of the mid-1970s and making the credit card industry the most profitable financial service in the US.[18]. At the end of 2008, with 70 percent of US families holding credit cards, Americans' credit card debt reached $972.73 billion, up 1.12 percent from 2007. According to one consultant, penalty fees from credit cards will total about $20.5 billion in 2009.[19]

Table 1
Pension Fund Asset Allocation, 1999-2008*
(in $ billions)

Year	Total Assets	$ Equity	% Total Assets	$ Bonds	% Total Assets	$ Other Assets, e.g. Hedge Funds and Equity Firms	% Total Assets
1999	8,329.6	3,941.8	47.3	1,948.4	23.4	2,015.6	24.2
2000	8,208.7	3,987.3	48.6	1,764.7	21.5	2,061.2	25.1
2001	7,541.3	3,714.2	49.3	1,708.2	22.7	1,771.0	23.5
2002	6,912.2	3,159.4	45.7	1,714.6	24.8	1,694.4	24.5
2003	8,391.8	4,188.2	49.9	1,855.2	22.1	2,006.6	23.9
2004	9,191.1	4,714.0	51.3	1,928.5	21.0	2,221.3	24.2
2005	9,683.9	5,028.4	51.9	1,960.6	20.2	2,347.3	24.2
2006	10,768.5	5,564.3	51.7	2,062.6	19.2	2,780.7	25.8
2007	11,313.8	5,599.7	49.5	2,187.4	19.3	3,146.8	27.8
2008	8,590.2	3,576.5	41.6	2,217.1	25.8	2,440.2	28.4

*I have excluded the category of ‘cash items,’ due to their negligible amounts, which hover around 4 percent to 5 percent across the above time period.

Source: The Conference Board, *The 2009 Institutional Investment Report: Trends in Asset Allocation and Portfolio Composition*, New York: The Conference Board, 2009, p. 14.

The state’s role in facilitating securitization was ramped up in 1999, when the US government came to the aid of institutional investors by dismantling one of the cornerstones of the New Deal. The Glass-Steagall Act of 1933 was effectively repealed by the Clinton administration through the introduction of the Gramm-Leach-Bliley Financial Services Modernization Act, therein destroying the firewall between bankers and brokers and the historical restriction that commercial banks could receive no more than 10 percent of their income from the securities markets. The official justification for removing this firewall was to ‘allow consolidation in the financial sector that will result in efficiency gains and provide new services for consumers.’[20]

In reality, what occurred was a fresh wave of accumulation by dispossession in which institutional investors, including pension funds and other financial institutions, could seize hold of consumer debt and transform it into new and profitable investment opportunities. Largely unregulated, highly leveraged, and opaque mutual funds became an integral part of the asset allocation decisions of these institutional investors, fuelling growth in the hedge fund industry.[21] A key feature of this strategy involved asset-backed securities (ABS). Basically, ABS describes a practice of ‘bundling’ or ‘pooling’ a stream of future repayments (e.g., consumer debt in the form of credit cards, student loans, mortgages, etc.) to provide the basis for the issue and payment of interest and principles on securities.[22] While asset securitization has been practiced since the 1970s, it has risen

to dizzying and dangerous heights since the late 1990s and has played a key role in the implosion of the overly leveraged hedge fund Long Term Capital Management, the bursting of the high-tech bubble in the early 2000s, and the sub-prime mortgage calamity of 2007.

The significance of financial fetishism emerges here with the representation of ABS and credit derivatives, in all their various incarnations, as rational, efficient and natural (evolutionary) outcomes of a maturing, and thus increasingly sophisticated, financial system. The infallibility of securitization – that is, selling the obligations to investors in return for a fresh infusion of money that can be used to make more loans – rests on the socially constructed trust in the scientific knowledge and management of risk through, for example, risk-based pricing. Elvin Wyly *et al.* note that the doctrine attached to this mechanism seems to falsely equate financial innovation with democratized access to capital (other people's money).[23]

Another way of viewing the second phase of securitization might be to think about it as the neoliberalization of what Marx referred to as fictitious capital. For Marx, fictitious capital represents capital that is either not backed by any commodity transactions, or that which is produced whenever credit is extended in advance, in the anticipation of future labour as a counter-value, as it is in the case of ABS.[24] The value of fictitious capital is determined by the price for which credit is sold and speculates on 'as-yet-unproduced' surplus value. For Marx, only investment in production is the driving force of capital, 'if no real accumulation, i.e., expansion in production and augmentation of the means of production, had taken place, what good would there be from the accumulation of debtor's money claims on…production.'[25] The tendency to deepen and widen the securitization of pension fund savings through cannibalistic capitalism may be seen as part and parcel of the lack of profitability in the productive realm, a sign of overaccumulated capital. It also calls into question the (il-)logic of a system that can provide annual nominal rates of return on pension funds over the past fifteen years at 6.9 percent (4.4 percent in real terms), which is above the average real growth rate (based on GDP) of the United States.

D. The Remaking of Cannibalistic Capitalism

Seen from the above perspective, the credit system and fictitious capital, supported by the neoliberal state, represent a crisis-prone strategy to deal with the limits to capital accumulation. Moreover, this practice has propelled cyclical and ever-deepening forms of cannibalistic capitalism, which itself feeds off of workers' debt, annihilates pension savings when asset bubbles (based on fictitious values) burst, and produces new flesh by intensifying securitization strategies through dispossession. Cannibalistic capitalism has led to a more uneven, volatile, and exploitative interdependency between labour and capital. While workers have suffered the most from this accumulation and disciplinary strategy, for capitalists, it has proven central to the spatial and temporal displacement of the crisis of overaccumulation.

The class nature of cannibalistic capitalism is evidenced by the 2009 bonus packages linked to the record profits of investment banks such as JP Morgan and Goldman Sachs,

which were indirectly bailed out by workers' (present and future) income tax, and which continue to be supported by generous corporate welfare schemes (e.g., capital-gain tax advantages, lack of consumer protection in credit markets, limited transparency, lax anti-trust law enforcement, and so forth). This occurs despite the rhetoric of corporate governance. Workers, on the other hand, have paid a high social cost with the advent of each crisis. Coinciding with the second wave of securitization in the late 1990s, the fastest and largest number of conscripts to the reserve army has been the 'suburban poor'.[26] In the aftermath of the sub-prime crisis, official poverty rates shot up to their highest levels (13.2 percent) since 1997.[27] The recessionary environment has catapulted workers further into debt, thereby releasing new forms of fictitious capital (securitized debt) into the cyclical process of cannibalistic capitalism. This new round of dispossession based on junk mortgage loans has been particularly devastating for the most vulnerable groups of the working class – older workers close to retirement and members of racially marginalized communities.[28] For the most part, these workers have been relegated to the reserve labour army and subjected to its structural violence, which serves to isolate, atomize, individualize, and demobilize the working class.[29]

The self-evident manner in which cannibalistic capitalism has continued to proceed in the wake of the sub-prime fiasco points to the deepening, as opposed the frailty, of neoliberalization and its key capitalist strategy of expanded reproduction through the credit system. Pension funds, for instance, are engaging in the same risky investment behaviour that got them into trouble in the past. While Table 1 (above) reveals that there has been some temporary movement away from equity holdings, pension fund assets have shifted to largely unregulated and highly leveraged hedge funds and equity firms. According to key observers, these have remained the investment vehicle of choice for pension funds allocating capital to 'alternative investments' in order to recoup the $5.4 trillion in losses from the 2007 meltdown – of which only $1.5 trillion was regained as of 2009. While it can only be flagged here, it is interesting to note that, in contrast to the high-risk focus of the pension industry, the US Social Security Trust Fund, which at $2.4 trillion represents 57 percent of the OECD reserves, experienced a positive return of 5.1 percent during the 2008 crisis, due to its conservative investment portfolio, i.e., bonds.[30]

The decision by pension funds to invest in hedge funds and equity firms is questionable on at least two counts. First, these highly leveraged and largely unregulated institutions, which in turn facilitate riskier investments, have not been performing better than other types of investments, despite the fact that hedge fund managers are making billions of dollars in fees. Second, these institutions have not shifted the income distribution downward, i.e., moving money from billionaire hedge fund operators to lower-income workers.[31] At a deeper level, however, the ever higher forms of risk necessitated to increase returns within securitization lies in the contradictions internalized by the credit system, e.g., pension funds are prone to speculate not only in good times (high profit/earnings ratios[32]) but also during bad times of economic downturn.

The exploitative and class-based nature of cannibalistic capitalism has been framed in the depoliticized and sanitized bounds of the individual and rational market. The false dilemma offered to pension fund beneficiaries during the most severe economic downturn since the Great Depression represents a renewed attack on labour, as workers

are being told to have faith, once again, in the financial markets, or else contribute their pension savings, as they earn less, to make up for the losses incurred by securitization. This Hobson's Choice reflects the deepening of the exploitative relationship between Wall Street and Main Street, including the class-led attempt to establish securitization as a natural, inevitable, and rational preference.

Securitization has not been devoid of struggle. However, as illustrated in the next section, forms of contestation have largely been framed by a marketization of resistance represented by the corporate governance doctrine. Contestation, therefore, struggles to transcend the market populism of financial fetishism.

III. UTOPIA AS SOCIAL REALITY? CORPORATE GOVERNANCE AND THE MARKETIZATION OF RESISTANCE

Moored in the neoliberal state and its key forms of intervention into capitalist society – financial fetishism and the marketization of labour – the corporate governance doctrine emerged in the 1980s. This period was marked not only by the first wave of securitization, but also by growing discontent among a wide array of shareholders regarding corporate restructuring and malfeasance (e.g., the Savings & Loan crisis). This discontent took the form of shareholder activism, which rests on the same assumptions as market populism.

The dominant definition of corporate governance is based on agency theory.[33] Within modern forms of corporate organization, managers are seen as the 'agents' of shareholders (also known in agency theory as 'principals'), and are therefore expected to engage in activities that maximize value to shareholders by increasing the market price of the shares. Ensuring that managers remain accountable to shareholders is the cornerstone and defining feature of Anglo-American forms of corporate governance.[34] Corporate governance is primarily concerned with understanding and providing solutions to the 'principal-agent problem' by ensuring that the interests between principals (i.e., shareholders) and agents (i.e., managers and the board of directors) are aligned as fully as possible. Corporate governance stands both as the unity of institutions, processes, and practices that shape the way shareholders, directors, and management interrelate within the corporation, and as a framework for conceptualizing and legitimating these relationships.

Seen from the above angle, resistance is framed by, and thereby limited to, a structured, democratic, and sanitized exchange between those who own ('principals') and those who control ('agents'). Moreover, the extent and content of the interaction between shareholders and management is legally prescribed by the rules of allegedly neutral government bodies such as the Securities and Exchange Commission (SEC). Shareholder activism usually takes the form proxy voting, dialogue with management and, more rarely, divestment.

Nested within financial fetishism, corporate governance tends to flatten hierarchy and smooth over the paradoxical and exploitative elements within corporations. It suggests

that corporations lack any built-in structure of authority and power rooted in capitalism.[35] Thus, the corporate governance doctrine acts to contain and depoliticize principal-agent tensions as well as obfuscate struggles within the bounds of the impersonal (apolitical) market. The doctrine re-focuses class-based discontent in superficial, market-based terms such as excessive executive pay packages, discrimination policies, and disclosure devoid of any considerations of class and capitalist state relations.

In what follows, I briefly explore two examples of how corporate governance serves the *illusion* of securitization – the new activism and the equal access proposal – to gain some insight into how cannibalistic capitalism is naturalized and reproduced. The new activism refers to the revival of trade unions – not in terms of their members' role as workers, but as active shareholders. Union organizations, including trade union organizations, union-based pension funds, individual union members, and labour-oriented investment funds have become increasingly cognizant of their powers as 'owners' of vast amounts of pension fund capital, or what some commentators refer to as 'labour's capital.'[36] Unlike traditional forms of union activism, which relied primarily on strikes and picketing to gain concessions from management, the so-called 'new activism' focuses on ensuring that good corporate governance practices are met by way of proxy voting, dialogue, and negotiation with management and other shareholders.[37] In their extensive and path-breaking study of labour-shareholder activism, Stewart J. Schwab and Randall S. Thomas, go so far as to suggest that labour unions are active again, but this time in the form of capitalists.[38] While the discourse of labour-shareholder activism is not new, its current incarnation is distinct given its centrality to the corporate governance doctrine and the fact that it mirrors a general phenomenon of institutional investors challenging corporate power within the bounds of the market, through, for instance, a corporate social responsibility framework.[39]

By flexing their financial clout through shareholder oversight and influence on corporate decision-making, proponents of this new activism believe that unions will make more inroads in securing workers' interests than by using older strategies to change corporate behaviour.[40] While labour-shareholder activism has assumed different forms (e.g., economically targeted investments, social screening, and shareholder advocacy initiatives), the main strategy to effect change in publicly held corporations has been shareholder advocacy through proxy proposals.[41] Indeed, as Maureen O'Connor notes, union-led activism largely involves submitting precatory (advisory) shareholder proposals.[42] These proposals, however, do not involve challenging corporate management on meaningful social issues. During the 2006 proxy season, for instance, corporations faced more than 200 shareholder proposals from major union-sponsored pension funds. These proposals dealt with corporate governance, largely focusing on executive pay and board accountability, as opposed to broader social issues.[43]

In their bid to use shareholder rights to influence managers, unions have sought to align themselves with other shareholders. This alignment, which reflects the interdependency brought about by securitization, has largely been accomplished by appealing to the broader (and common) concern of protecting shareholder value. As such, the economic best interests of beneficiaries are privileged over specific claims that could further the

interests of workers writ large. Some commentators have gone so far as to suggest that the success of union-led shareholder campaigns is dependent on downplaying social issues. As one observer notes,

> Indeed, past voting patterns clearly indicate that shareholder resolutions that are brought forward because of their appeal to shareholders with special interests generally do not pass. Shareholder resolutions that focus on social or labour issues generally fail, while those that have attracted majority support are the ones that are viewed by professional money managers as clearly serving shareholder value.[44]

In other words, by remaining within the *form* of financial fetishism, the new activism is limited and weakened by the overriding goal of profit maximization in the corporate governance framework and therein serves to reproduce the *illusion* of securitization under cannibalistic capitalism. The new activism has failed to bring about substantive social welfare gains, as evidenced by stagnant real wages, the steady erosion of workers' rights, and the general decline of the average real pension benefit by one-third since the 1980s.[45]

The danger of the corporate governance doctrine is that it depoliticizes power relations that are central to the workings of the corporation, obscuring their impact on the wider social environment. Depoliticization of resistance occurs in at least two ways. On the one hand, resistance to current practices is recast in exclusionary terms of shareholder activism, i.e., those who do not directly own enough shares of corporations cannot contest its policies, power, or behaviour. On the other hand, resistance is subjugated within a process of marketization, wherein financial codes and economic law are used to shift the contestation of corporate power and the exploitative relationships of securitized pension funds to the apolitical realm of the market.

In the wake of the Enron collapse in 2001 and many subsequent debacles, appeals to the corporate governance doctrine surged as shareholders, led by the new activists, sought to correct the lack of board independence from management by asking the SEC to revise its rules to allow for an easier and direct process for shareholders to nominate candidates for a company's board of directors – a mechanism formally known as the 'Proposed Election Contest Rules' (hereafter: equal access). The aspect of equal access that is of central concern pertains to the ability of shareholders to nominate their candidates for seats on the board of directors.[46] In theory, shareholders are, under the present system, legally permitted to place their own board candidate on the proxy. This, however, can only be achieved through a costly and burdensome proxy contest.[47] The minimum expense of such a bid is typically $250,000. Thus, in practice, management has the upper hand, as they are able to draw on corporate coffers to oppose the candidacy. Due to these barriers, there is effectively only one candidate for each board seat, which is hand selected by company management. Shareholders are not permitted to vote against this candidate, all they can do is withhold their vote. As one observer notes, 'The height of irony is that a candidate nominated by management needs only one vote to secure a place on the board of directors, even if an overwhelming majority of shareowners oppose the nominee.'[48]

The pushback that soon developed against the equal access proposal reveals not only the 'illusion of securitization' but also what is at stake when corporate governance becomes politicized. In July 2007, when the first rumblings of the sub-prime crisis could be detected, the SEC offered two alternative proposals to mediate the mounting disputes around equal access, both of which had the effect of silencing shareholder voice. First, the SEC proposed that a minimum of five percent ownership in a corporation would be required if a shareholder wished to sponsor proxy resolutions. To put this number in perspective, according to ownership data of the top 25 publicly listed corporations only a handful of major financial corporations (e.g., Berkshire Hathaway, Barclays Global Investors, Fidelity Management & Research) hold over five percent of shareholdings in the largest 25 publicly listed corporations in the US.[49] Second, the SEC proposed that shareholders either be limited or prohibited in their ability 'to nominate members of corporate boards'.[50] The Social Investment Forum, a formidable alliance of 500 shareholders and shareholder groups in the US, vehemently opposed both proposals.

The SEC was originally expected to reach a resolution regarding equal access during the 2008 proxy season. However, aside from clarifying its position regarding rules permitting management's exclusion of certain shareholder proposals related to the election of directors,[51] the SEC has not undertaken any major ruling on the equal access proposal well into 2010. This is the case despite the rhetoric of the Obama administration during the sub-prime mortgage crisis demanding better oversight and accountability of financial corporations.

It should come as no surprise that several conservative interest groups, think tanks and business organizations, including the Business Roundtable (BR), a highly influential lobby group of CEOs of leading companies in the US, have strongly advised the SEC to reject the equal access proposal on the grounds that it will not serve shareholder interests because of the presence of 'collateral objectives' linked to special interest groups (read: trade unions).[52] According to the BR, some institutional investors, particularly the more active union and state pension plans – the same groups that spearheaded the equal access proposal[53] – 'can be expected to put forward and vote for shareholder election proposals to advance 'special interests of their own that are unrelated to the openness of the proxy process', such as wages, unionization and benefits, and environmental protection.[54]

The following excerpt of a letter penned by the Competitive Enterprise Institute and addressed to the SEC in resistance to the shareholder access proposal is worth quoting at length, as it reveals the underlying capitalist motivations for continued support of the corporate governance doctrine, including financial fetishism and the marketization of labour:

> Through pension funds, labour unions and other *anti-market interest groups* have significant stakes in major corporations as well as entrepreneurial new firms. *A shareholder access rule would allow them and other activists to achieve through the board nomination process what they have been unable to accomplish through the political process.* [...] The implications go far beyond unions. Everything on the anti-market

> political wish list from Kyoto-like carbon restrictions, to auto emissions standards, to prescription drug price controls, to animal rights activism, to interfering with defense contractors to advance foreign policy objectives would be possible. *These initiatives, whatever their merits, belong in the political arena, not in corporate boardrooms where the focus should be on maximizing shareholder value.*[55]

In contrast to these sentiments, union activists need to *delegitimize* – as opposed to participate in – the representation of corporations as apolitical entities that possess a 'natural right' to make profits in the interests of shareholder value and place the goal of profits and value above 'mere' social and the environmental concerns.

IV. CONCLUSION

Despite the ongoing paradoxes inherent to the securitization of pension savings, including the recent sub-prime crisis, neoliberal forms of domination have deepened and consolidated. This can be readily seen in the marketization of resistance through the corporate governance doctrine. The doctrine depoliticizes and declasses struggles, especially during times of crisis, but also deepens two key components of cannibalistic capitalism: financial fetishism and the marketization of labour.

The actions of the US government, as well as global responses to the crisis (e.g., the G20 Summits) confirm these trends.[56] Following the ideological contours of corporate governance, a major focus of popular discontent in the US has been the $700 billion in government bailouts channelled through the Troubled Assets Relief Program (TARP), and the record bonuses drawn by TARP recipients. President Obama and his government have played into electorate anger with tactics that appeal to the seemingly democratic sentiments of corporate governance. Through the proposed financial tax, for instance, Obama plans to 'get back "every single dime" that taxpayers put into bailing out the financial companies. Those firms can afford to pay the fee because of Wall Street's [in the words of Obama] "massive profits and obscene bonuses." '[57]

While the enormous profits and outsized bonuses of Wall Street *are* unjustified – even during boom times – and should be subject to taxation, the state's illusory demonization of banks, while actively supporting the banking system and reproducing cannibalistic capitalism, distorts the reality and the complexity of the uneven and exploitative class relationship between Wall Street and Main Street, between financial capitalists and workers. Obama's response, as with the attempts of the G20 Summits to strengthen the global financial architecture, need to be understood as class-based strategies to ensure new domains for the securitization of pension savings.[58] Such seemingly innocuous and technical paradigms as corporate governance falsely empower workers as shareowners. In fact, workers' security has been made – in the present as well as in the future – more dependent on their own exploitation through cannibalistic capitalism.

Any effective political alternative to this will have to break with the (futile) goal of aligning the interests of Wall Street with Main Street. It must transcend the bounds of

corporate governance and the new activism being taken up by some union activists by reconnecting the production and reproduction of cannibalistic capitalism with financial fetishism and the marketization of labour. For too long, discussions around finance, particularly around the fashionable term of 'financialization,' have avoided theorizing the growing, albeit complex, connection between workers, the bourgeois state, pension funds, the credit system, and corporate power. This void has contributed to the ongoing effects of individualization and the marketization of society, which have narrowed the scope for radical, collective political action. As pension fund beneficiaries, workers and unions need to find ways not only to repoliticize the corporate governance doctrine and expose its capitalist nature, but also to move our struggles outside its bounds, beyond a system in which the concern for profits and interest-based revenue become both the means and the end of challenging corporate power.

NOTES

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[1] This essay develops themes covered in my book *Corporate Power and Ownership in Contemporary Capitalism: The Politics of Resistance and Domination,* London: Routledge, 2009. It also incorporates new themes from my current book project, *Cannibalistic Capitalism: The Making of Predatory Credit.* A version of this paper will appear in the *Socialist Register 2011: The Crisis This Time* (eds.) Leo Panitch, Greg Albo and Vivek Chibber, Merlin Press, 2010, in press.

[2] This figure is down from $11.3 trillion in 2007. The Conference Board, *The 2009 Institutional Investment Report: Trends in Asset Allocation and Portfolio Composition*, New York: The Conference Board, 2009.

[3] The Conference Board, 2009.

[4] Pierre Bourdieu, *Acts of Resistance: Against the Tyranny of the Market*, New York: New Press, 1998.

[5] Soederberg, 2009.

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[7] Jamie Peck and Adam Tickell, 'Neoliberalizing Space,' *Antipode*, Vol. 34 (3), 2002, pp. 380-404.

[8] D. Harvey, *A Brief History of Neoliberalism*, Oxford: Oxford University Press, 2005, p. 32.

[9] P. Bourdieu, *The Social Structures of the Economy*, Cambridge: Polity Press, 2005.

[10] See, S. Soederberg, *Corporate Power and Ownership.*

[11] See, for example, Kim Moody, *Workers in a Lean World*, Verso: London, 1997.

[12] Loïc Wacquant, *Punishing the Poor: The Neoliberal Government of Social Insecurity,* Durham, NC: Duke University Press, 2009.

[13] Peck and Tickell, 2002, p. 389.

[14] An Individual Retirement Account is defined as a 'tax-deferred retirement account for an individual that permits individuals to set aside money each year, with earnings tax-deferred until withdrawals begin at age 59-and-a-half or later (or earlier, with a 10 percent penalty)'. For further information, see: <www.investorwords.com/2641/IRA.html>. Accessed 18 January 2009.

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[21] Conference Board, 2009, p. 48.
[22] 'The process of ABS involves the transfer of a pool of relatively homogeneous assets from the lender (originator or issuer) to a special purpose vehicle (SPV). The SPV, which typically has trust status under the law, finances the transfer of these assets through the issue of tradable securities. ABS is a particular form of "off-balance sheet" accounting, whereby assets are isolated, repackaged and sold on the capital markets, and liabilities are thus reduced.' P. Langley, 'Financialization and the Consumer Credit Boom,' *Competition & Change,* Vol. 12 (2), 2008, p. 137.
[23] E. Wyly, M. Moos, D. Hammel, and E. Kabahizi, 'Cartographies of Race and Class: Mapping the Class-Monopoloy Rents of American Sub-prime Mortgage Capital,' *International Journal of Urban and Regional Research*, Vol. 33 (2), 2009, pp. 332-354.
[24] Harvey, 1999, p. 266
[25] Harvey, 1999, p. 269.
[26] 'The Suburbanization of Poverty: Trends in Metropolitan America, 2000 to 2008,' Washington, DC: Brookings Institution, 2010.
[27] MacEwan, 2009, p. 1.
[28] E. Wyly, *et al.*, 2009.
[29] Bourdieu, 1998, p. 98.
[30] OECD, *Pension Markets in Focus*, October 2009, Issue 6. Paris: OECD.
[31] A. MacEwan, 'Hedge Funds,' in *The Economic Crisis Reader,* Boston, MA: Dollars & Sense, 2009, p. 93.
[32] By convention, the P/E ratio divides the market price of a firm (P) with the reported earnings (E). See G.L. Clark, G.L. and T. Hebb, 'Why Should They Care? The Role of Institutional Investors in the Market for Corporate Social Responsibility', *Environment and Planning A*, Vol. 37, 2005, pp. 2015–2031. .
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[38] S.J. Schwab and R.S. Thomas, 'Realigning Corporate Governance: Shareholder Activism by Labour Unions,' *Michigan Law Review* (96), 1998, pp. 1018-1094.
[39] P.F. Drucker, *The Unseen Revolution: How Pension Fund Socialism Came to America*, New York: Harper & Row, 1976.
[40] Schwab and Thomas, 1998.
[41] Regulations detailing the shareholder proposal process are available at the Securities and Exchange Commission's website: <www.sec.gov>.
[42] O'Connor, 2001.
[43]'Union funds champs of proxy season,' *Pensions & Investments*, 5 February 2007.
[44] L.A. Bebchuk, 'The Business Roundtable's Untenable Case Against Shareholder Access,' *Harvard Law and Economics Discussion Paper*, No. 516, Cambridge, M.A.: Harvard Law School, 2005, p. 7.
[45] D. M. Brennan, '"Fiduciary Capitalism," the "Political Model of Corporate Governance," and the Prospect of Stakeholder Capitalism in the United States,' *Review of Radical Political Economy,* Vol. 37 (1), 2005, pp. 39-62.
[46] Proxy cards allow shareholders to vote at a meeting, whether or not they decide to attend. For further information, see: <http://www.pgecorp.com/investors/shareholders/proxy_cards_statement.shtml>. Accessed 26 January 2010.
[47] Proxy contests arise when a dissident shareholder or group distributes its own proxy materials separate from management's proxy materials. Both groups then wage an active solicitation campaign to persuade shareholders to vote their respective proxy cards.
[48] 'The Key to Director Independence: Equal Access to Corporate Board Elections', *SocialFunds*, 1 April 2003.
[49] The Conference Board, *The 2007 Institutional Investment Report: Trends in Asset Allocation and Portfolio Composition,* New York: The Conference Board, 2007.
[50] Social Investment Forum, '2005 Report on Socially Responsible Investment Trends in the United States – 10 Year Review,' Washington, DC: Social Investment Forum, 2006.
[51] Securities and Exchange Commission, 'Shareholder Proposals Relating to the Election of Directors', 6 December 2007. Available at: <www.sec.gov/rules/final/finalarchive/finalarchive2007.shtml>. Accessed 27 January 2010.
[52] See Letter from Henry A. McKinnell, Chairman, Business Roundtable, to Jonathan Katz, Secretary, Securities and Exchange Commission (22 December 2003). Available at: <www.sec.gov/rules/proposed/s71903/brt122203.htm>. Accessed 21 September 2007.
[53] The equal access proposal was put forward by the American Federation of State, County, and Municipal Employees Pension Plan (AFSCME), a major, union-sponsored pension plan representing the largest union for workers in the public service. It has subsequently been supported by a broad range of shareholder interests including the

California Public Employees' Retirement System (CalPERS) and the Council of Institutional Investors (CII), which represents $3 trillion in shareholder assets.
[54] Bebchuk, 2005, p. 7.
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[58] See, for example, S. Soederberg, 'The Politics of Representation and Financial Fetishism.'