

# Preamble

## THE ENIGMA OF CAPITAL

This book is about capital flow.

Capital is the lifeblood that flows through the body politic of all those societies we call capitalist, spreading out, sometimes as a trickle and other times as a flood, into every nook and cranny of the inhabited world. It is thanks to this flow that we, who live under capitalism, acquire our daily bread as well as our houses, cars, cell phones, shirts, shoes and all the other goods we need to support our daily life. By way of these flows the wealth is created from which the many services that support, entertain, educate, resuscitate or cleanse us are provided. By taxing this flow states augment their power, their military might and their capacity to ensure an adequate standard of life for their citizens. Interrupt, slow down or, even worse, suspend the flow and we encounter a crisis of capitalism in which daily life can no longer go on in the style to which we have become accustomed.

Understanding capital flow, its winding pathways and the strange logic of its behaviour is therefore crucial to our understanding of the conditions under which we live. In the early years of capitalism, political economists of all stripes struggled to understand these flows and a critical appreciation of how capitalism worked began to emerge. But in recent times we have veered away from the pursuit of such critical understanding. Instead, we build sophisticated mathematical models, endlessly analyse data, scrutinise spread sheets, dissect the detail and bury any conception of the systemic character of capital flow in a mass of papers, reports and predictions.

When Her Majesty Queen Elizabeth II asked the economists at

the London School of Economics in November 2008 how come they had not seen the current crisis coming (a question which was surely on everyone's lips but which only a feudal monarch could so simply pose and expect some answer), the economists had no ready response. Assembled together under the aegis of the British Academy, they could only confess in a collective letter to Her Majesty, after six months of study, rumination and deep consultation with key policy makers, that they had somehow lost sight of what they called 'systemic risks', that they, like everyone else, had been lost in a 'politics of denial'. But what was it that they were denying?

My early seventeenth-century namesake William Harvey (like me, born a 'Man of Kent') is generally credited with being the first person to show correctly and systemically how blood circulated through the human body. It was on this basis that medical research went on to establish how heart attacks and other ailments could seriously impair, if not terminate, the life force within the human body. When the blood flow stops the body dies. Our current medical understandings are, of course, far more sophisticated than Harvey could have imagined. Nevertheless, our knowledge still rests on the solid findings that he first laid out.

In trying to deal with serious tremors in the heart of the body politic, our economists, business leaders and political policy makers have, in the absence of any conception of the systemic nature of capital flow, either revived ancient practices or applied postmodern conceptions. On the one hand the international institutions and pedlars of credit continue to suck, leech-like, as much of the lifeblood as they can out of all the peoples of the world – no matter how impoverished – through so-called 'structural adjustment' programmes and all manner of other stratagems (such as suddenly doubling fees on our credit cards). On the other, the central bankers are flooding their economies and inflating the global body politic with excess liquidity in the hope that such emergency transfusions will cure a malady that calls for far more radical diagnosis and interventions.

In this book I attempt to restore some understanding of what the flow of capital is all about. If we can achieve a better understanding of the disruptions and destruction to which we are all now exposed, we might begin to know what to do about it.