2 Part One: Theorizing the Financial Crisis

The financial crisis represents tremendous fiscal losses on Wall Street. At the same time, the term comprises the financial plights that materialized on Main Street. To analyze how different aspects of the financial crisis are staged as literary themes, first and foremost, a solid understanding of the economy and the financial system behind it is essential. Simultaneously, underlying economic concepts, as well as historical and cultural elements, are crucial for a holistic understanding of the many ways in which finance affects daily life. Therefore, this chapter commences with a brief outline of the most important economic developments that led to the crisis. The chapter will try to grapple with questions such as: How did the financial crisis evolve and what historical elements need to be understood to grasp the full scope of this crisis? Why has the current decade been nicknamed the “fail decade” (Hayes 6)? Has finance replaced democracy? And has the extremely high social inequality, in fact, created a *worse* social class? Moreover, in light of the fact that the topic of ‘freedom’ has become controversial as increased surveillance was required after the terrorist attacks on 9/11 – the larger question of whether ‘project America’ has failed is also relevant.

The focus of this chapter then shifts to the broader cultural context which will discuss the extent to which the particularly American debt culture added to the eruption of the crisis. In addition, the gender dimension of the crisis will also be examined. The third part discusses how fiction responds to the financial crisis. This chapter gives the theoretical background that is necessary to fully understand the fictional texts which are analyzed in Part Two of this study. Therefore, cross-references are given in each subchapter.

J. Schulz, *From Wall Street to Main Street*,
DOI 10.1007/978-3-658-16268-9_2

2.1 Capitalism & Control: The Financial Crisis and the Conflict between Freedom and Authority

First of all, to understand the connection between neoliberalism and the financial crisis, a working definition of the term 'financial crisis' is necessary. One must, however, take into account that each attempt to place the financial crisis within a coherent framework that has a specific starting point and an ending is inevitably a construction.[10] This reduction of complexity is nonetheless necessary to enable a discussion and for matters of coherence; here I apply the narrow definition of the term 'financial crisis' in reference to the events from 2007-09 in the United States.[11] The *Financial Crisis Inquiry Commission* (FCIC)[12] clarifies that the financial crisis

> first manifested itself in August 2007 and ended in early 2009. The primary features of that financial crisis were a financial shock in September 2008 and a concomitant financial panic. The financial shock and panic triggered a severe contraction in lending and hiring beginning in the fourth quarter of 2008. (FCIC 417)

In September 2008, a severe financial shock occurred and the collapse of the investment bank Lehman Brothers was perhaps the most notorious 'event' of the financial crisis. On September 15, 2008, the US government decided not to bail out Lehman Brothers, a decision which had immense consequences for the global financial system. On the following day, the multinational insurance corporation AIG (American International Group) was rescued by the government with $85 billion.[13] The international dependencies between the banks led

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[10] For a detailed discussion of the history of the term 'financial crisis' see for example Carmen Reinhart and Kenneth S. Rogoff. *This Time is Different: Eight Centuries of Financial Folly*. Princeton: Princeton University Press, 2009. Print.

[11] The term 'global financial crisis' (GFC) is frequently applied. However, as the focus of this study is on the United States, I apply the term financial crisis to refer to those developments that occurred largely within the United States. These are closely connected to the global economy, which are discussed later in this chapter.

[12] See the introductory chapter for a discussion of the *Financial Crisis Inquiry Commission* (FCIC)

[13] This information was made public in a press release by the Board of Governors of the Federal Reserve System on September 16, 2008. Board of Governors of the Federal Reserve System. "FRB: Press Release," 16 Sep. 2008. Web. 04 December, 2015.

to global instabilities of the financial markets and a number of subsequent banking failures, such as Hypo Real Estate. In total, "ten large financial institutions failed, nearly failed, or changed their institutional structure" (FCIC 417) in September 2008. The FCIC report further emphasizes the severity of the financial crisis by stating that it "was a fundamental disruption – a financial upheaval, if you will – that wreaked havoc in communities and neighborhoods across this country" (FCIC xv).

The failure of these financial institutions triggered a financial panic which resulted in a "large contraction in the real economy in the last few months of 2008" (FCIC 417). As typical of a crisis in the financial sector, the financial crisis of 2007-09 resulted in an economic crisis (cf. FCIC 419). In early 2009, the first signs of recovery surfaced. However, while the beginning of that year marked the "end of the financial shock, panic, and rescue" it was followed by a "continued and deepening contraction in the real economy and the beginning of the financial recovery and rebuilding period" (FCIC 417). One important characteristic of financial crises is that the fast actions within the financial sector usually hit the real economy later. While this aspect is discussed in more detail in Chapter 3.1, it is important to note that the end of the shock in the financial sector only marked the beginning of the crisis in the real economy. Even though the Great Recession officially lasted from December 2007 to June 2009, its effects on the economy are felt until today.

> Firms and families are still deleveraging and are uncertain about both future economic growth and the direction of future policy. The final tragedy of the financial and economic crisis is that the needed recovery is slow and looks to be so for a while longer. (FCIC 438)

The costs of this global financial upheaval exceed the human imagination. On a national level, approximately $11 trillion in household wealth has disappeared ($700 billion were spent in the context of TARP (Troubled Asset Relief Program), on an individual level retirement savings and life savings appear to have vanished into thin air (cf. FCIV xv). Here, the close interdependencies between Wall Street and Main Street become apparent. The bursting of the *real estate bubble* and the panic in the financial markets resulted in a massive reduction of business investment. Simultaneously, consumer spending strongly decreased (due to the recession-related insecurity among the American population). This combination of a drop in private consumption and business investment had substantial effects on the labor market. The results were high unemployment rates, which in turn further intensified the reduction in consumer spending. The only way to break this vicious cycle was by way of government intervention.

In their report “How the Great Recession Was Brought to an End” (2010), Blinder and Zandi emphasize that a

> stunning range of initiatives was undertaken by the Federal Reserve, the Bush and Obama administrations, and Congress […]. While the effectiveness of any individual element certainly can be debated, there is little doubt that in total, the policy response was highly effective. If policymakers had not reacted as aggressively or as quickly as they did, the financial system might still be unsettled, the economy might still be shrinking, and the costs to U.S. taxpayers would have been vastly greater. Broadly speaking, the government set out to accomplish two goals: to stabilize the sickly financial system and to mitigate the burgeoning recession, ultimately restarting economic growth. (2)

Without a doubt, the government succeeded – in contrast to the 1930s – in preventing a full-blown depression and the crisis was officially declared over in 2009. From today’s perspective, it is obvious that the Great Recession was in fact ‘only’ a recession and did not turn into a depression. The Great Recession officially lasted from December 2007 to June 2009, whereas the Great Depression roughly lasted a decade (starting from October of 1929 and not ending until the late 1930s). If the bailouts proved to be so successful, then why are they debated so controversially? This dispute raises questions regarding the role the government took in the financial crisis and are topics I return to later in this chapter.

Neoliberalism and the Contradictory Question of Freedom

In order to understand the financial crisis in its larger context, we need to take a look at the underlying economic belief system which informed those economic policies at the time of the financial crisis – and continue to do so now. The current economic situation in the United States is generally described with the term 'neoliberalism,' i.e. economic liberalism that is based on neoclassical economic theory. The most important characteristic of neoliberalism is the emphasis on individual rationality and freedom, as expressed in economic liberalization, deregulation, privatization as well as open markets and free trade. In the United States, neoliberalism is closely connected to the economic policies introduced by Ronald Reagan. Margaret Thatcher is seen as the European counterpart as she also promoted a guiding principle of deregulating and liberalization of the financial industry. In *A Brief History of Neoliberalism* (2005), David Harvey defines neoliberalism as:

> a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills characterized by strong private property rights, free markets, and free trade. (2)

This definition clearly demonstrates the focus on freedom, liberation and individualism. According to neoclassical economic theory, the active interference of the state into economic processes should be reduced to a minimum to enhance the role of the private sector in society. The main reason for this argument is the structural information asymmetry inherent in the financial and economic system. In line with this argumentation, the state is not in the position to possess all relevant information necessary to understand the market and make the right decisions due to the complexity. This leads to market fundamentalism, i.e. the belief that markets work best on their own. This belief system goes back to Adam Smith's well-known image of the invisible hand. Put simply, this concept describes Smith's idea that if everybody acts in his own self-interest, the outcome is best for society as a whole. Milton Friedman further developed this theory and was one of the main promoters of the belief in the self-regulating powers of the market. Expanding Adam Smith's idea of the importance of self-interest, Friedman emphasizes that nobody "spends somebody else's money as carefully as he spends his own" (qtd. in Butler 97). Consistently, Friedman emphasizes the importance of private property and argues "that unfettered capitalism, build on the foundation of private property" leads to the highest level of economic productivity and hence efficiency (qtd. in Butler 22). Friedman also underlines the connection between free markets and individual freedom by arguing that it in order for people to cooperate on a peaceful basis, it is essential that exchange processes are beneficial for both sides. In other words, for the "system to work" it is essential to offer "the incentive for us all to collaborate peacefully" (qtd. in Butler 134). According to Friedman, a society based on free markets offers particularly these incentives.

Following Friedman's argument, neoliberal economists argue for privatization, free trade and open markets, which means that the government should not interfere with exports and imports, for example through quotas of the application of tariffs to imports or subsidies to exports. Consistently, neoliberalism is traditionally linked to so-called laissez-faire economic policies; meaning a "policy of minimum governmental interference in the economic affairs of individuals and society" (Britannica).

The emphasis on freedom that characterized neoliberalism shows how closely culture and economics are related. Freedom is a cornerstone of the American belief system on which I elaborate more in part 2.2 of this chapter in my discussion of the American Dream. At the same time, the belief in freedom is a cornerstone of the neoliberal American economy which is based on the idea of free markets. In short, one can say that neoliberalism is everything that is 'free' in the sense of not being controlled. It is certainly no coincidence that the American economy is based on the belief in free markets. After all, the USA prides itself on being 'the land of the free' with freedom being an essential element of the American self-image and considered to be a birthright. The American Dream can be understood as the economic, i.e. free market, equivalent of American ideals of individual freedom and democracy. The American Dream has been employed to motivate generations of Americans to be the best version of themselves that they can be, and in parallel, according to the efficient-market hypothesis, free markets are the best version of an economic system. The concept of the American Dream is not only a cultural phenomenon but one that is recurrently employed to promote political agendas.

The American Dream is by no means an abstract concept but rather one that has a direct impact on the economic realities of the United States.[14]

The economic policy in the United States is headed by the aforementioned Fed and is based on neoclassical theory. Alan Greenspan, Chairman of the Fed from 1987 to 2006, is considered to be the face of economic policies that followed neoliberal principals in a comparatively ‘pure’ form. He is a controversial figure and has been heavily criticized for his lack of willingness to regulate the new financial products on Wall Street as well as for his policy of low interest rates, both of which are often mentioned as factors having decisively contributed to the financial crisis. The monetary and fiscal policy of the Fed under Alan Greenspan was designed to foster private consumption. However, this controversial policy did not come out of the blue but was an important response to the terrorist attacks on September 11, 2001. These attacks had a huge impact on the national sense of security. Not only was the population scared but also the markets reacted to the terror. In an attempt to stabilize the markets, the Fed increased the amount of money in the system. The objective was to fight a recession by providing ‘cheap money,’ i.e. lowering interest rates to enhance consumerism. This policy eventually paved the way for the development of the *real estate bubble*, as increased consumerism and a great demand for houses led to rising housing prices.

There are, of course, important differences between these two historical instances. Most significantly is the terrible fact that the terrorist attacks had cost the lives of nearly 3,000 people. It was an attack from an enemy outside the US, while the financial crisis is more complex and has its roots within the United States. Nevertheless, both ‘events’ significantly shattered the sense of the United States as the world economic power. In addition, more or less all Americans have been affected by the two events to different extents. While the terrorist attacks led to an intangible fear, the effects of the financial crisis are very real with immediate effects such as losing one’s savings and in many cases of foreclosure, losing one’s home. In this way, both ‘events’ severely affected

[14] One prominent example is the *American Dream Downpayment Initiative* which will be further discussed later in this chapter.

the subjective sense of security. Consistently, an already traumatized nation might be shocked even more by another crisis. In this way, one could argue that the terrorist attacks significantly contributed to the development of the financial crisis.

Renegotiating Neoliberalism

The financial crisis has shown that certain beliefs and convictions, such as the belief in free markets, need to be reconsidered. Joseph E. Stiglitz, Nobel Prize winner and former Chief Economist of the World Bank, argues that "[w]hen the world economy went into freefall in 2008, so too did our beliefs. Long-standing views about economics, about America, and about our heroes have also been in freefall" (*Freefall* xvi). For a long period of time, the capitalist financial system as such was not called into question. Stiglitz emphasizes that the key players on Wall Street "wanted to believe that individually they had done nothing wrong, and they wanted to believe that the system itself was fundamentally right" (*Freefall* xviii). A substantial part of the discourse on the financial crisis comprises apportioning blame for what has happened in the past. Stiglitz' argumentation points towards a systemic analysis. In fact, in public discussions, 'the markets' are often held responsible for the crisis. This imprecise reference to the markets shows that the causes of the financial crisis cannot be found at an exclusively individual level, but are a rather a systemic phenomenon as the financial system provides incentives which favor immoral and high-risk behavior. Stiglitz, among others, shifts the focus away from the individuals to the system. In contrast, after two years of investigating the causes of the financial crisis, the FCIC came to the conclusion that the recession "was the result of human action and inaction, not of Mother Nature or computer models gone haywire" (FCIC xvii) and thus avoidable. While the financial crisis may have been avoidable, Stiglitz intimates that changes would have had to be made on the systemic level. In a similar vein, Hyman argues that "[t]he crisis was caused not by a few individuals but by the structures in which those individuals acted" (252). These conflicting views illustrate the complexity of the issue.

Critique of Neoliberalism and the Controversial Role of the Government

With the financial crisis, neoliberalism has become the target of profound critique. One argument that has been frequently put forward is the contention that neoliberalism is the root of the high level of social inequality. Social inequality here is to be understood not only regarding income inequality but also concerning inequalities of access and influence. This criticism has been extensively expressed in the context of the Occupy movement. Why does the neoliberal emphasis on freedom lead to inequality? The answer is simple: the neoliberal emphasis on freedom results in decreasing regulation and this, in turn, increases the influence of large corporations and financial institutions.

Though not obvious at first glance, the main conflict of neoliberal America is that between freedom and authority. In this controversy, the government has a central role. Questions arise as to whether stronger government intervention is necessary – or do markets, in fact, work best on their own? How does this translate into the private sphere? What is the correct balance between individual freedom and security? How much surveillance (for example in public spaces) is necessary to guarantee the safety of the population and prevent further terrorist attacks? Lastly, where is the line between 'too much' and 'too little' government intervention? These issues of freedom and democracy are closely linked to the economy. Kenneth Millard comments on the relationship between the concept of freedom and economic growth in *Contemporary American Fiction* (2000). He argues that "American freedom and opportunity are often conceptualized in commercial terms, and the language of trade has a long history of association with American emotional life" (111). In a speech delivered in 2009, in which he addressed the trade relations between the United States and China, former president George W. Bush further clarified the connection between economic prosperity and freedom. He argued that "[t]he case for trade is not just monetary, but moral. Economic freedom creates habits of liberty. And habits of liberty create expectations of democracy" (qtd. in Cox et al. 188). In a similar vein, President Barack Obama addressed the issue of freedom and emphasized the need for collective action to enable individual freedom his second inaugural speech on January 21, 2013:

> Our celebration of initiative and enterprise, our insistence on hard work and personal responsibility, these are constants in our character. But we have always understood that when times change, so must we; that fidelity to our founding principles requires new responses to new challenges; that preserving our individual freedoms ultimately requires collective action. […] Now, more than ever, we must do these things together, as one nation and one people. (N. pag.)

Managing the balancing act between enabling individual freedom and providing the amount of interference that is necessary for a stable economy is certainly the main challenge that current and future governments will have to face. A number of America's problems can only be solved through politics – not economic politics. Nevertheless, in recent years and in particular after the terrorist attacks, the widely accepted concept of freedom in America has turned into a highly complex and controversial issue. The increased need for security that resulted from the attacks led to greater demand for government intervention. However, government measures such as the *Homeland Security Act* (which had been introduced in 2002 in response to 9/11), or surveillance in general, stand in opposition to the belief in freedom. The tension lies in the awareness that the political decisions made by government officials added to the development of the crisis while at the same time, government intervention was necessary for two main reasons: firstly, there is a stronger need for security as a result of 9/11 and secondly, the financial crisis painfully showed the limits of free markets. The state has taken on the highly controversial role of the 'savior' of the economy by providing the bailout money that was needed to prevent the banking system from a total collapse. Moreover, there is an urgent need for stronger regulation of the financial sector, e.g. by setting the rules to limit speculation by banks. To sum up, the conflict lies in the fact that on the one hand, stronger government intervention is necessary but on the other hand, government decisions also actually exacerbated the problems.

The role of the government has always been a matter of dispute among economists and is often associated with the controversy between Monetarism and Keynesianism. While Monetarism, which is closely linked to the Chicago School (the school of economic thought which is linked to the University of Chicago with Milton Friedman as one of its most prominent and influential faculty members) contends that government intervention must be restricted to a minimum, Keynesian economics argues that state intervention is necessary to balance out economic cycles of boom and bust. Generally speaking, the role of the government is highly contradictory. It is required to set up the legal structures that guarantee, for example, the safety of its citizens and make sure that markets function properly but at the same time government intervention is seen highly critical as it is regarded as an encroachment on freedom.

The dispute over the role of the government also becomes clear in the discussion on the financial crisis. One argument that has frequently been put forward by leading economic experts such as Stiglitz and Sinn[15] is that it was too much government intervention that destabilized the economy. An important example for the expansive monetary policy is the *American Dream Downpayment Initiative* (ADDI), which had been signed into law on December 16, 2003, by former President George W. Bush.[16] The objective of the initiative was to provide home ownership to a broad majority of the population by helping American families (especially those belonging to ethnic minority groups) who could not afford the down payment or closing costs themselves.[17] In June 2002, Bush underlined that,

[15] See for example Stiglitz (*Freefall* 10) and Sinn (112).

[16] City of Cincinnati. *American Dream Downpayment Initiative*. 2015. City of Cincinnati. American Dream Downpayment Initiative, 2015. Web. 17 Jan. 2016.

[17] An in-depth analysis of the American Dream and its relevance in regard to real estate is presented in Quercia, Roberto G., Allison Freeman, and Janneke Ratcliffe. *Regaining the Dream: How to Renew the Promise of Homeownership for America's Working Families.* Washington, D.C: Brookings Institution Press, 2011. Print.

> [o]wning a home lies at the heart of the American Dream. A home is a foundation for families and a source of stability for communities. It serves as the foundation of many Americans' financial security. Yet today, while nearly three-quarters of all white Americans own their homes, less than half of all African Americans and Hispanic Americans are homeowners. We must begin to close this home-ownership gap by dismantling the barriers that prevent minorities from owning a piece of the American Dream. (Bush 966)

As this statement stems from a radio address, the rationale behind this communication strategy was arguably to receive consent for the political initiative among the broad population. From an economic perspective, however, it is obvious that the political agenda of the ADDI was the strengthening of the American housing market. Although the objective of this initiative was to enable low-income families to acquire property which appears to be a desirable objective that benefits society, it has to be critically reviewed. Due to the ADDI, mortgages were effectively issued to low-income households who in reality could not afford them in the long run. Accordingly, these low-income households were likely to face foreclosure at some point. Davies emphasizes that because this initiative "required government intervention in the market through legislation" (3), in effect, it led to a high number of foreclosures. Another side effect of the initiative was that it provided an incentive for private households to speculate with real estate. The steady increase in housing prices led to subjective expectations that this upward trend would continue and hence, consistently resulted in increased speculation (cf. Sinn 112). The overvalued real estate prices play a central role in the dominant narratives of the financial crisis as the speculation with real estate is regarded as one of the main causes of the crisis. Accordingly, the actions by the government eventually accelerated the collapse of the financial mortgage system.

Increasing home ownership has been part of a political agenda since the 1980s. Whalen explains that the roots of this tendency can be found after WWII when the "housing industry began to evolve into a replacement for the defense industry as an engine of growth – and debt" (323). The actions by the government are amplified through the influence of lobbies.

Whalen emphasizes that the development of the *real estate bubble* was neither an accident nor a coincident, it was rather a deliberate strategy that includes the following elements:

> The combination of direct government support for affordable housing, active advocacy, and credit availability by government-sponsored enterprises such as Fannie Mae and Freddie Mac and intense lobbying and marketing efforts by the real estate, home building, banking, and mortgage lending industries, created the circumstances for the subprime bust of 2007-1010. (Whalen 323)

Thus, the example of home ownership demonstrates in how far government intervention, economic policies, and individual actions are interrelated.[18] In a nutshell, there are some economists who argue that the degree of government intervention was too high. On the flipside of the coin, there are those who argue that it was in fact too little government intervention that caused the financial crisis. Opponents argue that more regulation would have been necessary to control the financial sector. Accordingly, if governments had provided stronger rules for the regulation of banks to prevent speculation, the crisis could have been prevented. Davies claims for example, that the deregulatory measures in the United States "encouraged the growth of the financial sector, and the growth of financial innovation" (3) and thereby contributed decisively to the development of the crisis. Piketty is among those who argue that stronger government intervention is necessary. He points out that a market society that is based on private property is "potentially threatening to democratic societies and the values of social justice on which they are based" (571). He explains that the reason for this is that if the rate of return on capital is greater than the rate of economic growth over the long term, the result is a concentration of wealth. Put simply, the gains from capital can be significantly higher than the growth rates of income and output. This was particularly the case in the United States where

[18] The individual level of these effects such as increased family instability and the fact that it is deeply ironic to note that the *American Dream Downpayment Initiative* in effect turned out to be a nightmare for many Americans will be further discussed in Chapter 3.3 on *Financial Lives*.

wages stagnated from 2001 to 2007 (cf. FCIC xx). It is, however, important to note that the stagnation of wages was not due to a lack of productivity.

In fact, the aggregate productivity in the United States between 1998 and 2008 added up to almost 30 percent (cf. Castells *Network* xx).

> However, because of shortsighted and greedy management policies, real wages increased only by 2 percent over the decade, and in fact weekly earnings of college- educated workers fell by 6 percent between 2003 and 2008. (Castells *Network* xx-xxi)

In other words, the gains from the increase in productivity were not transferred to the workers. Instead, the yields were taken up by the financial industry whose "share of profits increased from 10 percent in the 1980s to 40 percent in 2007" (Castells *Network* xxi). As a consequence, those who own capital increasingly become "dominant over those who own nothing but their labor. Once constituted, capital reproduces itself faster than output increases. The past devours the future" (Piketty 571). This unequal distribution of wealth is the source of both economic and social instability. According to Piketty, stronger government intervention, especially through a reform of the taxation system (i.e. a global system of progressive wealth taxes), is necessary to create more balance.

Then, was the main problem too much or too little government intervention? Since both lines of argumentations are well-researched and based on facts how could it be possible that they come to opposite conclusions? There is one simple answer: narratives. Economists make use of storytelling techniques as well, and the way economic 'facts' are described is necessarily based on narratives. Generally speaking, how we decide to remember and narrate events is a matter of choice – and economic events are no exception. How do economists explain the financial crisis? This depends on their economic school of thought and more often than not on their respective political agenda. The role of the government (one of the central and most controversial conflicts) is one example which shows how arguments can be used in both directions. Another example is the attempt to lay out a number of reasons which added to the financial crisis. The question regarding the consequences to be drawn and lessons to be learned from the crisis are subject to recurrent debate but yet remain to be determined. There is a myriad of explanations and opinions about who is to blame and many of them differ strongly. Hence, reducing the reasons for the financial crisis to a limited number is similarly a construction and one that appears to be rather arbitrary. To name but two examples, the FCIC points to the "ten essential causes of the financial and economic crisis" (417) whereas Howard Davies identifies thirty-eight strands (6) (which can be categorized into political, macroeconomic, systemic and individual as well as a discussion about economics on a meta-level) in his comprehensive analysis *The Financial Crisis: Who is to Blame* (2011). The range from ten to thirty-eight reasons highlights the constructed nature of this approach. The objective of this study is not to say which explanation one is 'right' or 'wrong'; there is a grain of truth in each approach. It is, however, of utmost importance to understand that economic 'facts' leave room for interpretation and that in many cases the same facts can be interpreted in converse ways.

2.2 Culture & Consumption: Understanding the Financial Crisis as a Cultural Crisis

In all of the uncertainty in the aftermath of the financial crisis, one thing is certain: it was not only a crisis of the financial sector and the economy but also of American national identity. Even though the focus of this study is on the financial crisis, it is of utmost importance to see that this is only one element in a larger chain of events and developments. The financial crisis alone would not have caused such a deep disruption of the American belief system. Accordingly, basic assumptions (such as the belief in free markets) and concepts that are deeply rooted in the American culture (e.g. the American Dream) need to be re-visited and renegotiated. In the United States, the one principle that everyone can relate to in one way or another is the American Dream. As Jim Cullen puts it in his comprehensive analysis, *The American Dream: A Short History of an Idea That Shaped a Nation* (2003), in troubled times "the American Dream becomes a kind of lingua franca, an idiom that everyone – from corporate executives to hip-hop artist – can presumably understand" (6). The American Dream is not a static concept but rather reflects a continuous process of negotiation. And while there is certainly not one definite definition of the American Dream (in fact, its multitude and ambiguity constitute significant components of the myth), it is commonly agreed upon that it comprises economic, political and religious freedom and equality, personal development and fulfillment as well as the opportunity for social ascent. More precisely, at present the American middle-class version of the American Dream can be summarized as the "dream of a steady job with decent pay and health benefits, rising living standards, a home of your own, a secure retirement, and the hope that your children would enjoy a better future" (Smith xvi). In *Financing the American Dream: A Cultural History of Consumer Credit* (1999), Lendol Calder explains that

> from the beginning the American dream has had a double nature. On the one hand it alludes to noble ends such as 'freedom,' 'self-fulfillment,' and 'a better life.' On the other hand it commonly refers to a particular means to these ends – a house, a yard, a couple of cars – the things sociologist David Riesman termed 'the standard package' of consumer goods and leisure opportunities. (4)

Discussions of national identity are particularly important during times of crises and thus it is not surprising that the term 'American Dream' was coined during the Great Depression, despite the fact that the key idea of the concept even precedes the discovery of America (cf. Cullen 4). Money constitutes an essential element of the American Dream as it is closely linked to consumerism and the achievement of material goals. Generally speaking, home ownership represents the values of the American Dream, namely upward mobility as well as family stability and a sense of security (both fiscally and emotionally). In particular, this perception of security has gained an increasing relevance in the context of 9/11 and again in the context of the financial crisis.

The concept of the American Dream is rooted in the United States Declaration of Independence, which declares that "all men are created equal" and that they "are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness."[19] Despite its claim of universality, the American Dream has always been an exclusive and highly ambivalent concept. For example, as only "men" (i.e. *white* men) are defined to be "equally created," large segments of the population were excluded (such as women, immigrants, African Americans, Asians, Hispanics, and Native Americans). In a similar vein, Cullen emphasizes that "the United States was never a 'free,' 'open,' or 'virgin' land" (136). The promise of America is closely linked to the emphasis on meritocracy as opposed to the European aristocracy. The underlying message was that even those with no financial means have the opportunity to succeed. American studies scholar Ulfried Reichardt, explains in how far the current situation can be explained by looking at the historical background in the essay, "Wall Street and Representations of Masculinity in Contemporary American Film and Fiction" (forthcoming). He explains that the

> present situation hinges on a mindset that evolved historically through a religious context. Protestantism was instrumental in placing the individual and his professional success in the center of the universe. Puritanism linked economic striving and religion; according to its interpretation of the concept of predestination, success was regarded as a sign, not the proof, of being among the 'elect.' (3)

As the Puritan belief system regarded economic success as a sign from God, it was considered 'wrong' to interfere with God's plans. While it is not the scope of this study to discuss the history of the United States in depth, it is important to keep in mind that the current political and economic situation (e.g. the insufficient welfare system) can be traced back to America's colonial beginnings. The concept of the American Dream has gained new relevance in the context of the financial crisis and the Great Recession. In particular, members of the Occupy movement employ the American Dream to express their frustration and anger with the current situation. Accordingly, looking at this traditional concept enhances our understanding of the current situation. Though there has always been criticism of the concept of the American Dream, the stridency of

[19] The U.S. National Archives and Records Administration. *The Declaration of Independence: A Transcription*. Web. 20 Nov. 2015.

critique is currently at an extremely high level. What is the reason and how can the exclamation of the "death of the American Dream" (Oualaalou 1) be situated into the larger context of the financial crisis?

A national opinion poll of young Americans (age group 18 to 29) was carried out by Harvard University's s Institute of Politics (IOP) in December 2015 to present a "Survey of Young Americans' Attitudes Toward Politics and Public Service." With regard to the belief in the American Dream, the report illustrates that young Americans are divided on the question whether the American Dream is dead or alive. 48% say it is dead, and 49% state that they believe it is alive. The interesting result of the report is that the majority of those who stated that they would vote for Trump (61%) say that the American Dream is dead for them (cf. 8). In other words, there is a direct relation between the cultural concept and the political reality.

As aforementioned, the main conflict of neoliberal America is one between freedom and authority. American life is increasingly organized around the fear of external dangers, such as terrorism, economic collapse, climate change, global pandemics or cyber-attacks (cf. Beck 39). Generally speaking, in times of crises, there is a tendency to turn to authorities for guidance. Yet, the role of authorities in the United States, and in particular the government, has never been more controversial. Though the role of the government has always been debated, there is one crucial difference now: the lack of trust. It is not only the fact that the actions of the government are disputed (especially among economists) – this has always been (and will probably always be) the case. What is different is the fact that there is a deep sense of distrust of authorities among the population. This distrust is a result of the insecurity, which materialized on account of the continuing failure of manifold institutions (including Wall Street) and the continuing list of severe crises. To name but two common examples, bankers, are constructed as culprits for the financial crisis and politicians are frequently accused of acting in their own interest or failing to fulfill their social responsibilities. In the comprehensive social analysis *Twilight of the Elites: America After Meritocracy* (2012), Christopher Hayes argues that this lack of trust in institutions results from the fact that they have

> shown themselves to be untrustworthy. The drumbeat of institutional failure echoes among the populace as skepticism. And given both the scope and depth of this distrust, it's clear that we're in the midst of something far grander and more perilous than just a crisis of capitalism. We are in the midst of a broad and devastating crisis of authority. (12-13)

The results are a sense of anger and frustration among the population. In fact, all of the aspects that have been pointed out so far can be summarized with one word: failure. The failure of neoliberalism, the failure of authorities and the failure of the American Dream. Thus, it comes as no surprise that Hayes coins the term "fail decade" (6). He argues that the distrust in elites and the related sense of frustration is the factor that connects the events of the past decade.

> Elite failure and the distrust it has spawned is the most powerful and least understood aspect of current politics. It structures and constrains the very processes by which we gather facts, form opinions, and execute self-governance. It connects the Iraq War, and the financial crisis, the Tea Party and MoveOn, the despair of laid-off autoworkers in Detroit to the foreclosed homeowners in Las Vegas and the residents of the Lower Ninth Ward in New Orleans: nothing seems to work. (Hayes 13)

Hayes expresses his frustration with the fact that the leading American institutions have not been reformed despite their failure. He argues that this is in particular the case with Wall Street institutions as due "to unprecedented government assistance, Wall Street has managed to increase its economic and political power" (Hayes 28). The social commentary given by Hayes represents the sentiment of frustration and disappointment of the broader American population. These voices are important, yet they also illustrate the problem of the debate which has to a large degree turned into a 'us versus them' rhetoric. A one-sided argumentation based on greed falls too short. Again, the point of this study is not to dive further into the question of who is to blame, but focuses instead on creating a dialogue between the financial sector and civil society.

On a more objective note, the FCIC report observes that in the aftermath of the Great Recession there "is much anger about what has transpired, and justifiably so. Many people who abided by all the rules now find themselves out of work and uncertain about their future prospects" (FCIC 417). The growing popular dissatisfaction and the recession-related uncertainty and anger of a large segment of the American population have also been expressed in the Occupy movement.

The Age of Mistrust

In an economic context, it is commonplace to measure the success of a project, i.e. the achievement of project objectives, by comparing actual versus target performance. Then, what would be the outcome if we compare the objectives of the American Dream as the 'target performance' and compare it to the current social reality in the United States? The figures are sobering: there is a record of social and income inequality, high unemployment rates, a welfare and healthcare system in urgent need of reform as well as the ongoing War on Terror, to name only the most pressing issues. Both, American democracy and with it, the American Dream are currently in a state of crisis. They are ideals which do not correspond to the reality of American society. In light of the ideals of the American Dream, the high level of social inequality becomes all the more disturbing because it no longer appears to be a concept that can be achieved by the majority of the population, but rather seems to be increasingly exclusive (and perhaps elusive). Recent studies even show that the possibility for social ascent is currently lower in the US than in Europe. In the analysis "Mobility in the United States in Comparative Perspective" (2009), sociologist Markus Jäntti summarizes that the

> United States has a much more unequal distribution of income than most developed nations. Even though it has one of the highest standards of living on average, as measured by its gross domestic product per capita, the more unequal income distribution translates into comparatively high rates of both relative poverty (50 percent of median disposable income) and absolute poverty (the official U.S. poverty thresholds). (38)

How is this unequal distribution of wealth related to a lack of social mobility? To answer this question, Alan B. Krueger, Bendheim Professor of Economics and Public Affairs, Princeton University, has introduced the so-called "Great Gatsby Curve" into the public debate in a speech he gave in 2012. This is also a nice example of how fiction is employed to give an illustrative face to an otherwise abstract economic concept.[20] The *Great Gatsby Curve* describes "an inverse relationship between income inequality and intergenerational mobility" (Krueger, n. pag.). Krueger explains that the conclusion to be drawn from the model is that "greater income inequality in one generation amplifies the consequences of having rich or poor parents for the economic status of the next generation (n. pag)." This is not only due to simple monetary matters, which offer more abilities for well-off parents to invest in the education of their children, but also highlights the influential effects of social inequality. Krueger points out that there are possibly other social factors that underlie the *Great Gatsby Curve*, for example:

> if social connections are important for success in the economy (e.g., getting the right summer internship), and wealthy parents have access to job networks, then a spreading out of the income distribution would leave children from the bottom of the distribution in a more disadvantaged position in terms of gaining access to networks that will ultimately lead to a higher paid job. (N. pag.)

Again, we see how much individual lives and the financial sector are interwoven. Social inequality has its roots in the financial sector and specifically describes the lives of the average American citizen. The inequality of access and influence is thus not limited to the influence of lobbies on the political process but holds true for daily life as well. It is of utmost importance to understand that the social inequality in the United States is not limited to monetary and income inequalities, but also to differences in influences. Money is not an end in itself. As Hayes explains, "because of the primacy of money in our post-meritocratic

[20] The fictional character Gordon Gekko is certainly the most vivid example of this phenomenon as he was even employed by the FBI in a TV spot to warn of the dangers of insider trading. Federal Bureau of Investigation. *FBI Public Service Announcement with Michael Douglas on Insider Trading*, 2012. Web. 1 March, 2016.

culture, there is a ready path by which one can trade certain kinds of powers for others: money can purchase influence, and influence can later be cashed out" (149). The financial crisis has further intensified the social inequality in the United States. As Zalewski and Whalen demonstrate in their study "Financialization and Income Inequality: A Post Keynesian Institutionalist Analysis" (2010), the problems arising out of the financial crisis were unequally distributed.

> Although the U.S. economy had shed approximately 5.1 million jobs from the start of the recession in December 2007 to March 31, 2009, and the unemployment rate reached 8.5% in March 2009 (eventually exceeding 10% in late 2009), financial elites – including some employed by firms like A.I.G. and Bank of America, which received U.S. government bailout funds – continued to receive outsized pay packages and 'retention bonuses.' (Zalewski and Whalen 768)

Topics like 'retention bonuses' were widely discussed in the media as examples of social injustice. It comes as no surprise that this led to anger and frustration among large sections of the population. Consistently, this unequal distribution of wealth and the related lack of social mobility have led some people to announce the "Death of the American Dream" (Oualaalou 1). Among them is Stiglitz who argues in an interview that

> the American dream has become a myth. The life chances of a young US citizen are more dependent on the income and education of his parents than in any other advanced industrial country for which there is data. The belief in the American dream is reinforced by anecdotes, by dramatic examples of individuals who have made it from the bottom to the top -- but what matters most are an individual's life chances. The belief in the American dream is not supported by the data. (qtd. in Jung and Schulz 1)

The most important reason for this disappointment with the American Dream is the high social inequality in the United States. This is, however, a complex issue as striving for material wealth is not per se regarded as problematic. Quite the contrary, it is a culturally accepted element of the American Dream. Smith explains that, “Americans, more than people in other countries, accept some inequality as part of our way of life, as inevitable and even desirable – a reward for talent and hard work, and incentive to produce and excel” (xv). The scope of individual success, however, has gotten out of hand. This is, in particular, the case in the financial sector.

As a result, this individualism has become the target of sharp criticism especially in the context of the Occupy movement. The movement started right in the heart of the financial district in New York City with protests on Wall Street, the ideological center of Western capitalism. In the documentation on the first 100 days of the movement, Marco Roth analyzes the “Letters of Resignation with the American Dream” (2011). Roth analyzes the statements on the microblogging ‘Tumblr’ platform (“We are the 99 percent)”[21] onto which users can either post texts, quotes, links, photos, music or videos from a Web browser or directly comment on posts by other users. As the slogan underlines, the movement’s main criticism is targeted at the so-called 1%, i.e. the top one percent of Americans in terms of wealth, by arguing that the people at the top are pursuing their American Dream at the expense of the majority of the American population, i.e. the 99%. The slogan of the Occupy movement (“We are the 99 percent”) is at its core collectivist. The website opens with the following statement:

> We are the 99 percent. We are getting kicked out of our homes. We are forced to choose between groceries and rent. We are denied quality medical care. We are suffering from environmental pollution. We are working long hours for little pay and no rights, if we’re working at all. We are getting nothing while the other 1 percent is getting everything. We are the 99 percent. (1)

The rhetoric strategy of beginning each sentence with the plural personal “we” underlines the attempt to strengthen the sense of a collective national identity. This introductory statement also reflects the development of an ‘us against them’ rhetoric. The opposition is clearly defined as the ‘other.’ The short state-

[21] http://wearethe99percent.tumblr.com/, Accessed. 11 December 2014.

ment comprises some the currently most pressing issues in the United States, such as the insufficient health care system, high unemployment rates as well as global climate change. Remarkably, it is, in essence, a victimization discourse. As most sentences are written in the passive, agency is located outside the "we" of the statement. It is interesting to note that a similar strategy is followed in recession novels and will be further discussed in Chapter 3.3.

The most problematic consequence of the financial crisis is that the gap between rich and poor has increased even further. Whereas Wall Street has recovered by now, American middle-class citizens are still suffering from the long-term effects of the crisis. Given the current wage structure in the United States, which forces a number of American citizens to work two or even three jobs to make ends meet, it is likely that it will take a long time for this segment of the population to recover from the crisis (especially due to the high number of foreclosures causing many Americans the loss of their lifetime savings). In contrast, top bankers and executives are back earning excessively high and disproportionate bonuses. To name but one very prominent example, Lloyd Blankfein, the current Goldman Sachs Group Inc. Chief Executive Officer, is said to have received a $23 million in salary and bonuses for 2015 (cf. Oran, n. pag.). Even though this is "the first decline in four years for Blankfein, who received $24 million in 2014," this salary is still beyond comprehension. Hayes points out that,

> Washington managed to pass the bailout for the financial sector, and while Wall Street would soon return to glory, wealth, and profitability, the rest of us would come to learn in gruesome detail all the ways in which the source of its prosperity had, in fact, been the largest Ponzi scheme in the history of human civilization. (3-4)

This is in particular due the underlying principle of a capitalist market society, which can be described in short as the principle of privatizing the gains and socializing the losses. In other words, economic elites enjoy the gains "often at the expense of the prosperity and security of many others – while the losses are socialized by means of federal government intervention intended to prevent financial collapse" (Zalewski and Whalen 771). This is the main reason why the bailout decisions by the government were considered to be extremely controversial. While they did prove to be successful in terms of preventing the economy from collapsing, they further intensified the social inequality in the United States. This tendency is reinforced through lobbies and in particular the great influence that money has on the political process is a matter of ongoing dispute. As a result of the financial crisis, the disparity in wealth and relatedly, the supremacy of economic elites has increased significantly. The strong influence of large corporations and lobbies on the political process is one of the major reasons for the decline of the democratic principle in the US. In *Who Stole the American Dream?* (2012), Hedrick Smith, a former New York Times reporter who was awarded the Pulitzer Prize, argues that the loss of the American Dream can be traced back to a 40-year trend and led to a division of the country into "two Americas" (Smith xii). Smith regards the massive influence of lobbies on the political process as the main reason why the "country is divided sharply and extremely by money, by political power, and by ideology" (xii). The process of political participation lacks transparency and this is even intensified by the fact that corporations as legal persons can have a direct influence on the political process. This way, they undermine democracy in the long run. Smith contends that, "wealth begets wealth, especially when reinforced through the influence of money in politics" (xv). Ralph Clare emphasizes that the influence of corporations on the political reality has intensified after the financial crisis. The *Citizens United* decision by the Supreme Court in 2010 "grants corporations even more of a political voice via unlimited campaign contributions" (198). Colin Crouch elaborates on the impact of lobbies and large corporations in *The Strange Non-death of Neo-liberalism* (2011) and argues that they continue to significantly shape the political reality.

Taken together, these forces result in a weakening of democratic values. To sum up, the influence of corporations and lobbies on the political process has intensified in the past years. It is my contention that it would be naïve to think that this will change in the near future. Therefore, the main objective should be to find ways to include corporations in the democratic principle, e.g. by strengthening awareness of corporate social responsibility and ethical actions instead of focusing all business activities on a mere short-term profit orientation. The argument for more social equality is not only one of ethics and social justice; it is also in the best economic interest of a nation to provide income equality. Referencing a study by the International Monetary Fund (IMF), Smith argues that a “high level of income inequality can be ‘destructive’ to sustained growth” (xvi). According to this argumentation, equality in the distribution of income of a given county contributes to its long-term progress.

It is remarkable that the high influence of money on American society is by no means a new phenomenon. Alexis de Tocqueville already observed this in the early nineteenth century and published his findings in his renowned study *De La Démocratie en Amérique* (*On Democracy in America, 1835–1840*). Tocqueville’s theory on American democracy is an essential element of the American sense of identity. Going back to this early text provides illuminating insights for an understanding of the current crisis of American democracy and helps to draw conclusions about its current state. Tocqueville emphasizes the high importance of money in America as he claims, “I know of no country, indeed, where the love of money has taken stronger hold on the affections of men” (Tocqueville 46). However, Tocqueville defines equality in terms of equal rank within society, not equal income. What is interesting from today’s perspective is the fact that in line with his aristocratic heritage, Tocqueville locates the main threat to democracy from ‘below,’ i.e. the lower class. Yet, what we are experiencing in the current situation in the United States is quite the contrary; the danger comes from ‘above,’ i.e. the upper class.

The main problem with the current financial system is that it does not violate the democratic principle formally and is, therefore, difficult to change. However, it takes the principle of equality ad absurdum. While the democratic structure remains formally intact, it is effectively circumvented. And this tendency is likely to remain so. At present, the most vivid example of the close ties between Wall Street, the corporate world, and politics is Donald Trump’s candidacy to become President of the United States in 2016. Though he is a highly controversial public figure, it becomes clear that his slogan ‘Make America Great Again!’ hits a mark among the broad public. Nonetheless, because he is a billionaire, it is likely that (in case he should win the presidency) he would continue a tax policy that is in favor of the upper class – similar to George W. Bush. The high social inequality in the U.S. and the supremacy of the financial sector are two highly topical issues. Paradoxically, it is not that these problems cannot be solved (stronger regulation of the financial sector and a restructuring of the tax system in the US would be two feasible solutions), the problem is that the high influence of Wall Street and the corporate world continues to shape the political reality. To promote change, this awareness has to be conveyed to large segments of the population – who will then act on this knowledge at the ballot box.

The Impact of Financialization

How was it possible that the US-American economy changed in a way that enabled this extreme level of social inequality? According to the 'financialization thesis,' the current high degree of social inequality in the United States has its roots in the increasing financialization of the economy. Thomas I. Palley, among others, has discussed the effects in his analysis, "Financialization: What It Is and Why It Matters" (2007). Palley defines financialization as "a process whereby financial markets, financial institutions, and financial elites gain greater influence over economic policy and economic outcomes" (2). As a consequence, income is shifted from the real sector to the financial sector. This development "contribute[s] to increased income inequality and wage stagnation." (2). Palley explains that financialization

> increased the influence of the financial sector over the non-financial sector. For households this has enabled greatly increased borrowing. For non-financial firms, it has contributed to changes in firm behavior. When combined with changes in economic policy that have been supported by financial and non-financial business elites, these developments have changed the broader character and performance of the economy. (4)

As aforementioned, the current neoliberal economy is largely rooted in the policies of Reagan. The change in politics was paralleled by a change in the economy and the financial system. Beginning in the 1980s, with the combination of changed political attitudes and simultaneously, the development of new technologies, a fundamental transformation of the economy occurred as information technology and services became more important than manufacturing. The exponential growth of financialization in the US is closely related to this change from manufacturing to the information age and the network economy. The most important changes due to the financialization of the economy are the exponential growth of financial markets and the highly increasing number of financial products. This entails a dominance of companies active in the financial sector (such as banks, investment funds, insurance companies). At the level of private household, the financialization of the economy has had the effect that the income of private households increasingly stems from financial assets instead of earned income.

Increasing Financialization and the Disappointment with the American Dream

Even before the financial crisis, the increasing financialization and the changing workplace related to the new economy resulted in a declining belief in the American Dream. In his comprehensive essay, "The New Economy and the American Dream: Examining the Effect of Work Conditions on Beliefs about Economic Opportunity" (2003), Brian Starks discusses how experiences of downsizing have resulted in pessimism about the American Dream. Starks comes to the conclusion that,

> cleavages among workers arising from experiences regarding work and employment are important for explaining why some workers, today, fear that the American Dream is slipping away. In particular, experiences with layoffs and experiences of job deterioration have eroded many workers' belief in the American Dream. (220)

Starks emphasizes that in light of the distrust in the promises of the American Dream, it is questionable whether "the American Dream of opportunity for all remains the dominant ideology for all or whether it has become limited to the privileged in our society" (220). As the first signs of the "death of the American Dream" (Oualaalou 1) actually predate the financial crisis they are in this context more related to questions of social inequality and widening gaps in income inequality.

Two historical developments are crucial for understanding how this increasing financialization and the accompanying primacy of the financial sector were possible. The first was the dissolution from the gold standard (i.e. canceling the Bretton Woods agreement) and the second was the repeal of the Glass-Steagall Act. The Glass-Steagall Act, which had been signed into law in 1933 as a response to the Great Depression, was repealed with the Financial Services Modernization Act in 1999. As before the Depression, "commercial and investment banking functions could once again be legally intertwined […] permitting greater risk-taking but potentially creating greater institutional profits" (Wallace 312). This change in legislation was the starting point for commercial banks to 'gamble' with the money of their depositors as banks were once again allowed to combine commercial and investment functions. Wallace summarizes that,

> the nation's financial sector was unleashed to create the now infamous sub-prime mortgage instruments; within a decade, troubled financial institutions with unsustainable 'toxic assets' led to banks 'too big to fail' (but fail their clients did). (312)

In other words, the repeal of the Glass-Steagall Act significantly increased the supremacy of the financial sector. The Financial Services Modernization Act is an impressive example which illustrates the high influence of lobbies on the political process in the United States. The act was strongly promoted by "corporate heavyweight, Sanford I. Weill, who wished to merge Travelers Group with Citibank to form Citigroup, which could have been illegal under Glass-Steagall" (Wallace 312).

Another important development that predates the repeal of the Glass-Steagall Act is the dissolution of the Bretton Woods Agreement. One could, in fact, even argue that the developments that eventually resulted in the financial crisis began on August 15, 1971, when the United States went off the gold standard. Shortly after that, the Bretton Woods Agreement, which fixed exchange rates, was completely dismissed. The Bretton Woods Agreement was introduced after World War II as a means to establish "a system of monetary management among the world's industrial states, consisting of rules and procedures for commercial and financial relationships" (Wallace 310). In his wide-ranging study *Inflated: How Money and Debt Built the American Dream* (2010), R. Christopher Whalen emphasizes the political agenda behind Nixon's decision to dismiss the Bretton Woods agreement in 1971.

> Unlike the process leading up to the Bretton-Woods agreement, there were no meetings, no international consultations. The decision to end the gold convertibility of the dollar came down to just the unilateral calculus of the President of the United States, who was seeking to manage his domestic political – that is economic – problems. The end of convertibility allowed Nixon to avoid the embarrassment of seeing the Treasury run out of gold. (285)

This significant example from the early 1970s demonstrates the close links between politics and the financial sector. Nixon's decision was so far-reaching that it continues to influence the global economy today. In fact, the detachment from the gold standard is not only important from an economic perspective but also from the viewpoint of cultural studies. From an economic perspective, this detachment means that the currency is not fixed (i.e. based on a stable quantity of gold) but rather free-floating. In this monetary system, the value of a given monetary unit is determined in relation to other currencies (for example the US Dollar and the Japanese Yen, as we will see in the discussion of *Cosmopolis*). Although it is clear that this impacts the economy, the cultural impacts are more subtle but just as pervasive. Taylor clarifies that as a result of these developments, currencies have turned into "floating signifiers unmoored from any stable referent" having "neither secure nor predictable value" (128). Money is no longer based on solid gold – it consists of nothing but signs. As what a dollar represents is no longer clearly defined, trust in the economy and the financial system is essential. The government has to guarantee the value of money, or more precisely, the stability of the dollar. In other words, the detachment from the gold standard resulted in a decrease in people's trust in money. Simultaneously, the detachment from the gold standard is an important factor concerning the financialization of the economy and hence the *information age*. As a consequence of the detachment from the gold standard, information itself becomes a value. Mark C. Taylor explains that the "shift from the gold to the information standard prepares the way for the transition from trading stuff to exchanging bits at a distance" (151). As a consequence of this development, information becomes a good. The important aspect of free floating currencies is that they are subject to speculation and are accordingly volatile and vulnerable. The dangers of speculating with currencies as well as the diverse cultural implications of the detachment from the gold standard are drastically staged in *Cosmopolis* and will be further explained in Chapter 3.1.

Importance of Trust

The current age is characterized by a huge degree of mistrust which is highly problematic because the banking system (and an economy as a whole) cannot function without trust. The FCIC report emphasizes the importance of trust as the "integrity of our financial markets and the public's trust in those markets are essential to the economic well-being of our nation (FCIC xxii)." The report also points out that there "was a systemic breakdown in accountability and ethics" (FCIC xxii). As I mentioned before, the striving for material wealth is a culturally accepted element in the US. Nonetheless, this endeavor to accumulate has to take place within ethical structures. It is, therefore, important to note that this official political report comments on those aspects that originate in the American Dream. "In our economy, we expect businesses and individuals to pursue profits, at the same time that they produce products and services of quality and conduct themselves well" (FCIC xxii). The focus here is on the fact that underlying questions of ethics and morality need to inform economic actions. This is essential to reestablish trust in the economy and its big players.

Concisely put, there are two aspects that are interrelated and that impact trust in the system: the recent history and the awareness of amoral actions of those active in the financial sector and second, the financialization of the economy. Why does financialization influence the public's trust in the economy? Simply due to the fact that if forms of value become ever more abstract and thus difficult or impossible for the average citizen to understand; dealing with these forms has to be learned and accepted. Generally speaking, trust in a system partly stems from the public discourse because people need reassurance from others. In the context of the financial crisis, restoring trust (in the financial system, in the government, in the banks' capacity to restore the value of money) within society was given a high priority not only in the United States but around the globe. A vivid example of the importance of restoring trust among the population was set by German Chancellor Angela Merkel on October 5, 2008 (i.e. at the peak of the financial crisis when the banking failures led to panic). Merkel appeared on television to ensure the German population that their deposits were safe. At the time, the risk ahead was incalculable and therefore Merkel was in no position to know this for sure. Nonetheless, it was a very well-conceived action and a productive measure to reassure the population and to prevent the eruption of a bigger panic such as a run on the banks.

Returning to the Gold Standard?

The financial crisis has triggered a renewed debate about Bretton Woods and the idea of going back to a gold standard. However, returning to a gold standard is not an option simply because present monetary policies would not work with a gold standard. This restriction would significantly limit the scope of the monetary policy of the Fed, and its ability to initiate measures to either stimulate the expansion of the economy in times of economic downturns or decelerate growth to prevent inflation. This would have extremely negative consequences not only for the financial sector but the economy as a whole. Though always a subject of heated debate and highly controversial discussions, these economic policy measures are indeed highly effective. To name only the most striking recent example, the government prevented the Great Recession from turning into a depression. The main argument that is often put forward is the fear of inflation, and it is true that monetary policies (or the FED's ability to 'print money') can result in the fact that savings will decrease in value. These measures are nonetheless successful in supporting the economy.

Taken together, the repeal of both the Glass-Steagall Act and the Bretton Woods agreement are two crucial developments which eventually paved the way for the financial crisis. A further crucial factor is the declining risk awareness. It is interesting to examine how this lack of risk awareness fits into the context of financialization especially because there were new technological instruments that had been created to manage risk. Of course, this also leads to a more generally accepted idea that risk is an essential – and thus predictable – element of capitalism. In light of these observations, the financial crisis has to be seen within a larger historical context.

The financial crisis has led to the Great Recession, a term which openly alludes to the Great Depression of 1929 and thereby emphasizes not only the severity of the crisis but also shows the fears and anxieties among the population. At the same time, this choice of terminology underlines a sense of continuity. It is a basic assumption that the capitalist system cannot function without a certain level of risk and that it is impossible to avoid financial crises completely. Crises are part of capitalism. The formation of speculative bubbles has been a recurring worldwide phenomenon since the Dutch tulip mania in the 17^{th} century. Generally speaking, speculative bubbles are not the result of a scarcity of resources, but can only be explained through herd behavior of market participants. If prices go up, investors reach higher gains, and this attracts further participants into the 'game' of investing. Moreover, the more these stock market returns increase, the more enthusiastic are its players. The higher demand leads to ever higher returns and consequently, to the development of a bubble (i.e. an overinflated value) – until at some point the moods change. In the worst case, the investor confidence is severely shaken, and the bubble bursts.

Cyclical fluctuations, which occur on a more or less regular basis, build a further systemic risk. In the past years, however, it has become a widespread belief among economists that these fluctuations can be controlled and prevented.

> Modern economics, with its faith in free markets and globalization, had promised prosperity for all. The much-touted New Economy – the amazing innovations that marked the latter half of the twentieth century, including deregulation and financial engineering – was supposed to enable better risk management, bringing with it the end of the business cycle. (Stiglitz *Freefall* xi)

This optimistic assumption has been strengthened by the fact that the markets were recovering rather fast, for example after the dotcom bubble of 2000/01, and that there seemed to be no long-term effects. Kansas points out that,

> [e]ven an event as devastating as the September 11, 2001, terrorist attacks did not have a permanent impact on markets. Manhattan real estate prices momentarily buckled, but by December of that same year, prices started shooting higher, even as the World Trade Center site smoldered. (3)

However, if there is little or no fear of risk, this could lead to overconfidence. Kansas regards the decline of risk awareness as one major factor that led to the crisis: "[i]n the end, the financial storm came because the system no longer feared risk. Instead, it saw risk as a one-way opportunity. More risk, more reward" (8). This tendency has been further increased through the creation of complex financial products. Kavanagh argues that "the explosion of new financial instruments like derivatives […] [is] driven by the desire to stabilize value and ground representation" (12). In other words, financial instruments were created to manage the risk, but the outcome was the opposite – these instruments created opportunities to take risks and they increased the system-inherent risk by increasing the volatility of the financial system.

The Example of CDOs

The financial system and private households are connected in many ways. For matters of readability and coherence, I employ the example of the financial instruments termed CDOs (*Collateralized Debt Obligations)* as a representative for the developments in the financial sector to illustrate the close links between the financial sector, political measures, home ownership and individual decision-making.[22] CDOs “were engineered from different bundled payment streams from mortgage-backed securities” (FCIC 425). This basically means that the streams of mortgage payments were reconfigured from a “bundle of simple mortgages to a mortgage-backed security, and then to a collateralized debt obligation” (FCIC 425). They are one example of numerous financial derivatives which build an essential part of the financial system. These debt obligations are crucial to gaining an understanding of the financial crisis. It is, however, not the simple restructuring of mortgages but the underlying flaws in the system that cause the damage. The FCIC report makes clear that “[i]f the system works properly, reconfiguring streams of mortgage payments has little effect. The total amount of risk in a mortgage is unchanged if the pieces are put together in a different way” (FCIC 425).

What are the underlying mechanisms of the trillion-dollar CDO machinery? It is important to see that in this system a number of factors are interrelated. To give a few general examples, there is the home owner who is looking for a house that exceeds his financial means, the banker who is issuing a mortgage that is not suited to the client’s finaf home ocial situation as well as actions by the government which encourage these developments. In short, individual irrationality is paralleled by the unsustainability of the system.[23] CDOs are arguably the most vivid and dangerous example of systemic flaws

[22] A detailed account of financial instruments is presented, for example, by Rottleb, Jan. *Credit Default Swaps: Features, Valuation, Use*. Saarbrücken: VDM Verlag Dr. Müller, 2009. Print. and Choudhry, Moorad. *The Credit Default Swap Basis*. New York: Bloomberg Press, 2006. Print.

[23] For a discussion of human irrationality in an economic context, see for example Akerlof, George A., and Robert J. Shiller. *Animal Spirits: How Human Psychology Drives the Economy, and Why it Matters for Global Capitalism.* 1st ed. Princeton, Woodstock: Princeton University Press, 2010. Print.

and wrong incentives on Wall Street. They not only led to a decisive shift in the mortgage system but also strongly increased the social inequality in the United States. As I pointed out at the beginning of this chapter, the social inequality in the United States is not limited to money but is also responsible for the unequal distribution of power and political influence. This is closely related to the tremendous use of CDOs. In *Failure by Design: The Story Behind America's Broken Economy* (2011), Josh Bivens argues that this is not an accident. He contends that CDOs were specifically designed to reallocate wealth in favor of the upper class.

> The economy that generated sub-par outcomes before the Great Recession and that turned a housing bubble into an economic catastrophe was *designed*. It was designed, specifically, to guarantee that the powerful reaped a larger share of the rewards of overall economic growth. And in this purpose it succeeded. (Bivens 9, emphasis in the original)

Among many others, Lewis argues that CDOs are at the center of the problems of the financial system. The problem is not that CDOs intensify 'greed.' Greed is certainly not a new phenomenon in the financial sector. Lewis maintains that the cause of the financial crisis is not simply a matter of greed but "more complicated. Greed on Wall Street was a given – almost an obligation. The problem was the system of incentives that channeled the greed" (Lewis 256). Stated simply, those who created the problems made a fortune along the way. Lewis gives the example of the notorious $9 billion trading loss by former Morgan Stanley bond trader Howie Hubler, who "lost more money than any single trader in the history of Wall Street – and yet he was permitted to keep the tens of millions of dollars he had made" (Lewis 256). This case was no exception. In fact, due to the bailout decisions

> the CEOs of every major Wall Street firm were also on the wrong end of the gamble. All of them, without exception, either ran their public corporation into bankruptcy or were saved from bankruptcy by the United States government. They all got rich, too. (Lewis 256-257)

The crucial difference to previous speculative crises is that in this case, those investors who speculated with CDOs made a fortune along the way – regardless of which side of the gambling table they sat at. As Lewis puts it, “pretty much all the important people on both sides of the gamble left the table rich” (256). In other words, the problem is systemic because if the system rewards amoral behavior, then why should anyone change? Though morally and ethically questionable, the motivations are nonetheless comprehensible. Lewis sarcastically wonders, “[w]hat are the odds that people will make smart decisions about money if they don’t need to make smart decisions – if they can get rich making dumb decisions?” (Lewis 257).

Crashing the ‘Party’ on Wall Street

The period before the financial crisis is often dubbed colloquially as the ‘party on Wall Street’ to emphasize the financial excess. It is highly important to understand that American civil society also participated in this ‘party.’ If individual home owners had not signed mortgage contracts that by far exceeded their financial means, the CDO machinery would not have worked. The American middle-class largely benefitted from the developments in the real estate sector. Thus, the positive atmosphere on Wall Street materialized not only in extremely positive developments of prices in the real estate sector but also in the belief that the value of houses could only rise.

For as long as house prices rose, real estate investments were highly profitable. Many Americans used their house to make up for the stagnating wages. This way, “home owners could borrow against their houses and repay their debt, even if their incomes did not rise. Everyone’s house, and the U.S. economy, became a house of credit cards” (Hyman 219). In other words, houses were transformed “from homes into ATMs” (220). Hyman further points out that the decision to borrow against one’s house required considerably little financial reasoning, simply because “[h]ome owners already ‘owned’ the equity. It was the owners’ to spend. Borrowing against a house was rooted as much in ideas of ownership as in such a financial calculation” (235). Hence, it becomes clear that borrowing on the equity of your home is an irrational act because the loan itself actually decreases the equity. Yet, the models to calculate the risk are based on the assumption of rationality.[24]

In the aftermath of the crisis, home ownership as a sound investment turned out to be just the opposite. Seefeldt points out that home mortgages not only constitute by far the largest segment "of household debt, but the crash of the housing market in 2008 has left many home owners owing more than their homes are worth" (266). The ups and downs on the real estate market have impacted American families not only in financial terms. The excessive use of CDOs significantly affects private life as results in the "financialization of the home" (Leyda *Financialization* 1). A house is much more than a financial asset – especially for the middle and lower class. Home ownership is a central element of the American Dream and thus has a strong ideological component; it is a means to provide security (both ideologically in terms of family stability and the fiscal stability that comes with the ownership of real estate). However, with the development of CDOs as well as political initiatives to encourage home ownership, the home is now no longer a means of security. Quite to the contrary, it is an element of risk and speculation. Although CDOs were created by the financial industry, they have a strong impact on private life. Leyda points out that in the context of the *real estate bubble*

> many Americans at this time introduced the risks associated with financial speculation – previously largely confined to the public sphere of business – into what most believed was a safe haven from the travails of the market. (*Financialization* 6)

It is important to note that thinking of a house in terms of a financial assets (i.e. an investment) is not only complex in terms of culture (due to the idealistic component of home ownership) but also from an economic perspective. As Hyman productively argues, the main difference between investments in stocks and investments in real estate is that "[m]oney invested in stocks was put into a

[24] The cultural implications of home ownership as well as the question in how far a certain risk behavior on both Wall Street and on Main Street added to the eruption of the financial crisis. will be further discussed in Chapter 3.2. and 3.3.

business that produced value. Money invested in a house produced nothing" (219). Accordingly, Hyman defines a house as an "oversized consumer good" (219).

The American dream is more than a concept that shapes American national identity – its high relevance becomes apparent in the fact that it is repeatedly employed in political speeches by government officials and also implemented into laws (as the above mentioned example of the *American Dream Downpayment Initiative* illustrates). These political measures have a direct and strong impact on the economy. Hence, the abstract and ambivalent concept of the American Dream informs not only cultural elements (such as the national identity), but also translates into the financial sector. If we regard home ownership as a vital constituent of the American Dream and CDOs as the implementation that enables home ownership for many (even low-income households who would otherwise not be able to afford home ownership), the relation between an abstract financial instrument (CDO) and the American Dream becomes clear.[25]

Lack of Reformation

As opposed to Iceland, which held some of its – mostly male – bankers and traders legally accountable for speculative risk and unethical behavior and which also experimented with exchanging men in executive positions with women, no such cultural change has taken place in the financial sector in the United States. While some regulations and rules to the banking systems (such as Basel III and Dodd-Frank) have been put in place, a solid reform of the system has not been carried out. The nightmare scenarios (which have been painted by economists, politicians and the media alike) did not come true. If financial speculation is not punished (in fact, it seems that it has been rewarded) – then

[25] The aspect of home ownership is central to the novels *Dear Money* and *Financial Lives* and is discussed in Chapter 3.2. and 3.3. The disappointment with the broken promises of the American Dream as well as the implications of the 'fail decade' are elaborated on in more depth in Chapter 3.3.

why would anyone stop? Hayes argues that the reason for the lack of reform is that the system is still functioning:

> the ATMs work, the planes get people where they need to go, crime is the lowest it's been in decades – it's tempting to simply hope that national convalescence is right around the corner. But the longer this Crisis of Authority persists, the more it runs the risk of metastasizing into something that could threaten what we most cherish about American life: our ability to self-correct, to somehow, even seemingly against all odds, make the future better than the past. (28-29)

Due to this comparatively quick recovery of the US economy, no fundamental changes have been made to regulate the financial system. The most alarming aspect is the fact that derivatives, such as CDOs and swaps, are widely in use again. Incredulously, subprime mortgages are again being issued to low-income households. New schemes (including for example the automobile sector) function according to the same underlying principle as the one that led the system to the brink of collapse in 2008. What it is crucial to note is that these actions largely take place in the background and that they hit the economy with a time lag. It becomes clear that the power structures have remained intact.

The Recovery of the Economy is not Enough

Even after a financial crisis that shook the American economy to the point of disaster and which was in part based on speculation in the real estate market, it is puzzling to see that not only the fundamental economic structure, but also the basic belief in home ownership as secure financial investment was never questioned. Rather, it seems that this narrative actually reinforces the present structure; even if from a rational standpoint (speculating on future earnings in order to buy a larger home in times of financial downturn) or even one's present financial situation (not having enough savings/income to make such a large purchase) does not support this narrative. The promise of home ownership has captured the American imagination since the country was founded – the story seems to be a particularly American one.

From the perspective of literary studies, it is highly interesting to note that economists make use of storytelling techniques as well. However, in contrast to literary studies, economic analysis can have a direct impact on the economy and, as a consequence, on people's lives, these narratives are often directly translated into economic policies. Therefore, even though the economy is currently recovering, it is clear that this is not enough to forestall the next disaster. It is not sufficient to simply observe that a number of narratives have been put forward to explain how and why the financial crisis has happened. Neither is it enough to show that these explanations are often contradictory. As Davies productively argues, the main problem is that "policy responses are being proposed, and even implemented, based on narratives which may not be well supported by evidence" (5). Davies further underlines that the risk of a "flawed and very partial analysis" is that "measures taken will impose long-term costs on the economy for little ultimate gain" (6). The most important danger, however, is to overlook (or willfully ignore) the underlying causes of the financial crisis. If fundamental changes are not implemented, as is currently the case, it is very likely that an even bigger crisis is yet to occur. Put less drastically, if the social inequality remains, it is likely that this will result in less economic growth and a further destabilization of American democracy.

In the previous sections, I have presented solid economic theories and descriptions of economic processes to offer some rational explanations and causalities as to why this last financial crisis occurred. I have shown that US American economic policy is not only based on numbers, but also on beliefs, dreams, visions and intentions. My discussions on the American Dream and particularly on home ownership have attempted to proffer more narrative-based reasons why the irrational actions of many Americans largely contributed to the crisis. It is clear that numbers and economic analysis alone cannot encompass all the facets of the economic system, let alone the emotional response and motivations of the actors. It is precisely here that fiction can fill in the gaps in our understanding and perhaps even help those caught in the whirlwind of financial distress to gain a chance to reflect, observe and see other alternatives.

What are the effects of these economic tendencies on fiction? For one, the increasing virtuality of the economy seems to have triggered a form of nostalgia. The underlying assumption is that the system has gone out of control and was more sustainable before. It is a nostalgic longing for a previous economy – the real economy of post WWII-society is probably closest to this image. It is, however, important to see that this is a longing for an economy that never existed in this safe, secure and perfect way. This nostalgic longing shows in a fascination with craftsmanship. This phenomenon frequently surfaces in recession novels and is further elaborated on in Chapter 3.3.

American Debt Culture: Foreclosing the Future?

The previous part of this chapter was designed to give an overview of economic concepts and historical developments. These are crucial for an understanding of the topic of finance. However, financial topics are never simply financial. They influence our daily lives and inform all aspects thereof – if we want it or not, and what is more, regardless of whether we are aware of it or not. The beginning of this chapter focused on neoliberalism and the conflict between freedom and authority. Moreover, the controversial role of the government was discussed, particularly in light of the bailout decisions. However, what are the cultural implications of neoliberalism?

As demonstrated, neoliberalism informs the way we interact with one another. The underlying neoliberal logic is essential for the analysis of the primary texts. While this holds true for all fictional texts under discussion, this aspect is particularly interesting in *Financial Lives* and is discussed in depth in Chapter 3.3. Related to the neoliberal logic is the question of debt. How can we understand the increasing significance of debt (individual and national) in society? Much more than being an economic phenomenon, debt is a cultural issue. Thus, it is essential to understand in how far the American attitude toward debt has changed in the past. To understand the mortgage system which is at the core of the *real estate bubble*, we need to take a look at the particularly American debt culture. Increasing national debt has become a global issue, especially in the context of the European debt crisis. However, what differentiates America from other nations is the particularly American attitude towards debt. Money and especially debt are always seen in moral terms. Moreover, debt always describes an interpersonal connection. In the words of Hyman, "[b]orrowing is more than numbers, it is a set of relationships between people and institutions" (9). Money, and in particular debt, are continuously connected to questions of morality.

In the discussion of the American Dream, I pointed out that the Puritan influence is visible in the current American economy and in particular in the insufficient welfare system. The Puritan belief system is important in a further dimension as it is characterized by the general aversion of debt. Spending more than one owned was even considered to be a sin (cf. Clayton 43). How did debt change from sinful behavior to one that is culturally accepted? While this is a highly complex issue which cannot be fully discussed in the scope of this study, there was one crucial paradigm shift that took place in the early 20th century. Known under the term 'Fordism,' debt was redefined as an investment into one's future. It thus gained a positive connotation. Generally speaking, the American belief system is future-oriented and optimistic, thus favoring this paradigm shift. In comparison to other cultures, Americans appear to be more willing to take risks. While certainly no one likes to be indebted, and especially student loans are a huge burden, the idea to go into debt to invest in one's future is culturally accepted. This presents, for example, a stark contrast to German culture with the assumption that an education should be free of charge. In a sociological study conducted in 2015, Kristin S. Seefeldt states that student loans in America were generally accepted as "debt from student loans is expected to pay off in the form of significantly increased wages over the life course" (264).

In addition, historically, debt was a form of social welfare. In his essay "Risk and Nostalgia: Fictions of the Financial Crisis" (2016), Christian Kloeckner summarizes that,

> the expansion of credit was long seen as a tool of democratization and social welfare in the United States. Because credit functionally allows

> to make use of future resources in the present, the poor and disadvantaged groups like African Americans, immigrants, (single) women continued to fight for their access to regulated credit throughout the twentieth century. (468)

At present, debt has a very negative connotation – despite the fact that debt was (and still is) a means to equalize the stagnation of real wages as I demonstrated above. Whalen points out that "successive American governments turned debt and inflation into virtues in order to make ends meet" (x). While this alone is not an unusual strategy, what is different is the fact that it is deeply connected to the American national identity. In Whalen's terms, "Americans have taken the tendency to borrow from the future to an extreme and in the process made it a core ethic of our society. In pursuing the American Dream today without limitation, we have made our tomorrows less certain" (x). Whalen emphasizes that this is by no means a recent phenomenon, but one that can be traced back to the colonial beginnings of America. As he puts it, "[a]s a nation we seem to feel entitled to a national agenda and standard of living that is beyond our income, a tendency that goes back to the earliest days of the United States" (x). What is new, however, is the extreme scope which is due to the large influence of the financial sector. Each financial activity is essentially the exploitation of risk. Hence, it is always a gamble with the future. In the words of Elena Esposito,

> [f]inancial markets 'play' with these future possibilities, in that they intertwine and compensate, imagine and deny, and produce present profits out of the unpredictability of the future. As a matter of fact, financial markets do in a more daring way what money has always done. They deal with and trade in tomorrow's uncertainty today. (2)

It can thus be argued that the financial markets in effect demonstrate the American Dream on a large scale as they operate on the optimism that the future will be a brighter day. Seen from this perspective, the interrelation between the cultural belief system and the economic reality becomes clear.

The fact that Puritanism describes debt as a sin illustrates that debt is an age-old concept. Nonetheless, the way debt is structured in the U.S. today has dramatically changed in the past decades. The beginning of this chapter explained in how far the political agenda carried out by Reagan strongly influenced the economy by paving the way for the increasing financialization. Likewise, the current debt system has its origins largely in the 1980s. This was the beginning of securitization. The example of CDOs can also be taken in this context. Securitization is a means to "repackage risk" (Hyman 226). Traditionally, "personal debt was personal. It existed between two persons who knew each other" (Hyman 249). After World War II, the banking system was comparatively controlled. To give a general example, a person would receive a mortgage from a bank at a given interest rate. Once that mortgage was paid back to the respective bank (usually in a timeframe of about 30 years) the person would own the house and could expect that the house would increase in value. The financial interaction took place between the two parties of the contract (home owner and bank) and the bank would count on receiving the sum of the mortgage plus the interest rate. However, once debt could be traded and resold, this relationship changed significantly. "Debt could be traded like any other commodity. Character, perhaps the most personal description imaginable, became abstracted into a credit score" (Hyman 249). Thus, the relationship is no longer based on the interaction between two people, but on abstract 'numbers.' This tendency has increased significantly in the past decades. The development of mortgage-backed securities in the 1980s essentially changed the system between home owner and banker. What is the result of this abstraction? As we have seen above, the financial products that were created to manage risk in fact increased the risk. They were designed to reallocate the risk from those who were willing to handle it from those who did not. Accordingly, the risk of a financial asset no longer mattered to the bank – they could simply sell the risk to a third party. With the bank that would give out the mortgage no longer being the one who receives the money, the decision of who would be given a mortgage became distorted. The risk behavior of banks is no longer related to the actual risk. Essentially, banks had incentives to give out as many mortgages as possible – regardless of the creditworthiness of the borrower.

The Great Recession as a Network Phenomenon

The main difference between the Great Depression and the Great Recession is the degree of global integration and interconnectedness of markets. The issues of networks and globalization are not only important for an understanding of the financial crisis and the Great Recession, but is an essential element of today's economy. The topics of globalization and network theory cannot be discussed in their full complexity in the scope of this paper, but they are productive fields for further research.[26] It is, however, important to note that the financial crisis (with the domino effects on global financial markets) and the Great Recession have to be understood as network phenomena. The Great Recession is characterized by synchronization of global markets and these "synchronized recessions were explained to last longer than typical economic downturns and have slower recoveries" (Evans-Pritchard 1). According to this argumentation, the global interconnectedness severely intensified the crisis. Davies argues that the financial crisis of 2007 onwards can be described as "the first crisis of globalization" (100). Due to the interconnectedness of global markets, the effects of the crisis quickly spread around the globe.

> Although different countries and different financial systems were affected in different ways, almost no country or financial institution was spared entirely. The degree of contagion from one financial market to another was remarkable. Disturbances in the subprime mortgage market in the United States triggered a collapse in equity prices in Shanghai. Some of these linkages came as a surprise to governments and regulators, who did not seem as well integrated as the markets themselves. (Davies 100)

Manuel Castells explains that the financial crisis directly resulted from the particular dynamics of the global economy (cf. xix). As a global crisis, the

[26] For a detailed account of global literature refer to Reichardt, Ulfried. *Globalisierung: Literaturen und Kulturen des Globalen*. Berlin: Akademie Verlag, 2010. The implications of the increasing interconnectedness of global markets are discussed in Castells, Manuel, ed. *The Rise of the Network Society: The Information Age: Economy, Society, and Culture*. 2nd. Malden, MA; Oxford, UK: Wiley, 2010. Print.

financial crisis is characterized by a high speed of economic activity, a high level of interconnectedness and a high degree of complexity. In the words of Mark C. Taylor, "financial assets become insubstantial information backed by virtual assets circulating ever faster on global markets whose complexity exceeds our grasp" (2).[27] This leads to a greater volatility and consistently greater system-inherent risk. Most importantly, the high degree of the interconnectedness of the financial system has the consequence that it "is a financial system with greater interconnectivity and more vulnerability to shocks" (Davies 102). Then, is the most important question truly if banks or corporations are 'too big to fail' or is it in fact something else? Davies productively argues that a number of banks were "too connected to fail" (87). Put differently, the issue of interconnectedness is more important than the size of a corporation or a financial institute. Lehman Brothers was a comparatively small investment bank, yet its failure had devastating effects on a global scale. The devastating effects of the decision not to rescue Lehman Brothers underline the high relevance of the issue of connectivity.

What is the connection between the network economy and risk? Two aspects are crucial here: first, interconnectedness strongly increased the risk (due to a higher systemic risk with increasing complexity) and second, it also promoted a lack of risk awareness.

> When it becomes clear that in the network economy volatility is the rule rather than the exception, economic theorists, investors, and money managers become preoccupied with devising strategies to manage risk by redistributing it from people who cannot tolerate it to people who can. Contrary to expectation, the strategies and new financial instruments designed to avoid risk often end up creating greater volatility and thus actually *increase* risk. (Taylor 152, emphasis in the original)

In this scenario, models are of increasing relevance. Why did the models fail to predict the financial crisis? Basic neoclassical models neglect important aspects,

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[27] A related phenomenon is the fact that in this networked economy information turns into a form of currency. This aspect is discussed in Chapter 3.1.

such as irrationality of economic agents. Generally speaking, these models tend to ignore systemic risk factors for the sake of simplicity. They are thus “misleading and produce a *control illusion*” (Crespo and van Staveren 249).

The first part of this chapter demonstrated that there is a number of serious challenges in contemporary neoliberal America. The economy has changed in essence, 9/11 called for a stronger role of the government to provide more security and the financial crisis has made clear that building economic theory on assumptions of economic rationality are perilous to the economy. To understand the current challenges, a look at the theory that led to the crisis and continues to inform the debate is inevitable.

With the eruption of the financial crisis, not only neoliberalism, but the economics profession, in general, has been severely criticized. The financial crisis showed that this belief in the system as such is no longer valid and has triggered a heated debate on a meta-level, i.e. questioning ‘the system’ as such. The debate within the realm of economic sciences centers on the questions of the reasons for the financial crisis and which economic school of thought is ‘right’ and should be the basis for decision-making regarding economic policies. This led to a general critique of the economics sciences. Among others, Crespo and van Staveren regard the financial crisis as “the systemic failure of the economics profession” (242). According to their argumentation, economists played a crucial role in the development of the crisis,

> with risk and derivative models that, through spurious precision and untested theoretical assumptions, encouraged policy makers and market participants to see more stability and risk sharing than was actually present. (249)

This conclusion echoes the criticism of the homo economicus model and thus emphasizes the need for more complex models that expose behavioral patterns.[28]

[28] I have elaborated on the shortcomings of the *homo economicus* model in my essay “Zwischen Fakt und Fiktion: Die Finanzkrise als literarisches Motiv in Martha McPhees *Dear Money*.” Eds. Peltzer, Anja, Kathrin Lämmle and Andreas Wagenknecht. *Krise, Cash & Kommunikation: Die Finanzkrise in den Medien*. Konstanz, München: UVK, 2012. Print.

Neoclassical theory has been the object of profound criticism right from the start, and the criticism is often directed at the fact this theoretical approach is too far removed from reality and detached from culture and history (cf. Ruckriegel 51) – and especially the neoclassical construct of a "universal individual," (Felderer and Homburg 25, my translation) i.e. the *homo economicus*, has been continuously criticized. Of course, the function of a model is always to minimize complexity and to make generalizations about human behavior. Therefore, it lies in the very nature of a model not to consider all the details and gender-specific variations of behavior. Consistently, the *homo economicus* model is not intended to explain human behavior in detail. Instead, it is a paradigm, which enables economic analyses. Thus, conservative economists argue that it is impossible to develop a model that could cover the full complexity of human motivation and that such a model would be unnecessary and indeterminate. Persky argues that the "message to derive from Mill's homo economicus is not that humans are greedy, not that man is rational, but that social science works best when it ruthlessly limits its range" (230).

The rational choice model of the homo economicus has been analyzed from a variety of academic viewpoints, such as feminist economics and behavioral economics, and this critique is often the starting point of a cultural criticism of economics. There is also a rather long tradition of criticizing the model and claiming the "death of *homo economicus*."[29] Nevertheless, to date, neoclassical models with the underlying assumptions of rationality, perfect markets, and complete information still build the basis for economic policies in the United States.

One could ask here why the *homo economicus* model is still in use and continues to be taught at the university level – despite its obvious flaws and shortcomings. The simple answer is that the model is necessary to position economics as a positive science as it allows calculability through the adoption of methods from mathematics and physics (cf. Ruckriegel 51). It is of utmost importance to understand that the *homo economicus* model forms the basis for

[29] See for example Snower, Dennis J. "The Looming Death of Homo Economicus." Project Syndicate, 2014. Web. 3 Dec. 2014.

the mathematization and virtualization of the economy. The model is based on the work of Leon Walras in the second half of the 19th century. This construct was necessary to transfer mathematical methods from physics to the field of economics. This focus on a mathematical predictability inevitably led to a decrease in a representation of reality (cf. Ruckriegel 50). Based on the *homo economicus* model, the neoclassical approach allows developing precise and comparatively simplistic models explaining the functioning of markets and the behavior of economic agents. These models are founded on the same fundamental assumption that human beings base their completely rational decisions on clear preferences and complete information. In addition, it is assumed that markets are efficient due to the flexibility of prices which creates a balance between supply and demand.

The simplicity of economic models is, however, not an issue that can be neglected. In their essay “Micro, Macro, Meso, and Meta Economics” (2012), Andrew Sheng and Xiao Geng point to the insufficiency contemporary mainstream micro- and macroeconomic models and come to the conclusion that,

> the simplicity and elegance of micro and macro models make them useful in explaining the price mechanism and the balance or imbalance of key aggregate economic variables. But both models are unable to describe or analyze the actual behavior of key market participants. (n. pag.)

In the words of Shiller, the “fundamental problem is that a generation of mainstream macroeconomic theorists has come to accept a theory that has an error at its very core: the axiom that people are fully rational” (n. pag.). In summary, the model of rational economic agents is necessary for economics to function as a science. Nonetheless, it is important to keep in mind that this model of human rationality is, in essence, a fiction. The financial crisis has impressively demonstrated the discrepancy between this ideal of rational economic actors and reality.

New Models and the Gender Dimension of the Financial Crisis

A further problem of the *homo economicus* model is its gendered nature. While I do not want to discuss the gender implication of the *homo economicus* model in detail here, I would like to emphasize that it is a strongly gendered model. It is, in essence, a model of a white man, as, among others, Julie A. Nelson argues in her essay “Feminism and Economics” (1995). The main point of criticism centers on the model’s implication that *homo economicus* “springs up fully formed, with preferences fully developed, and is fully active and self-contained” (136). This implies that *homo economicus* has no childhood or old age and is neither dependent on nor responsible for anyone but himself. The models thus neglect in particular those work fields that are commonly referred to as ‘women’s work,’ such as care of the home, children, sick and elderly relatives (a field which is now termed “care economics” to emphasize its economic relevance). The neglecting of these aspects of human life is often justified by the argument that they are “unimportant, or intellectually uninteresting, or merely natural” (Nelson 136). The fact that the essay by Nelson was published more than 20 years ago but is still relevant today illustrates the difficulties to change economic theories.

In this context, it is of utmost importance to distinguish between an analysis at the level of sex and one at the level of gender. The conclusion to be drawn from feminist criticism is not that, next to *homo economicus,* a model of a “*femina economica*” (Nelson 136) is needed to describe women’s behavior. This argumentation would imply that the different behavior exhibited by women is biologically determined and would oppose a feminist analysis that sees gender differences as socially constructed. It is, therefore, important to keep in mind that the *homo economicus* is neither a good description of a woman nor of a man. Nelson states that “both the autonomous, rational, detached, masculine projection and the dependent, emotional, connected, feminine one are equally mythical and distorting” (136). Consistently, Nelson argues for a conception of human behavior that

> does not confuse gender with judgments about value, nor confuse gender with sex. What is needed is a conception of *human* behavior that can encompass both autonomy and dependence, individuation and relation, reason and emotion, as they are manifested in economic agents of either sex. (Nelson 136, emphasis in the original)

The financial crisis has opened up a new discussion about the complex and multifaceted ways in which gender relations are being conditioned by, and in turn condition, politico-economic processes within the United States and around the globe. Women have traditionally been marginalized in economic topics. If one argues that this marginalization is partly due to the fact that economics as a discipline and, consistently, the economy are male-structured systems, then a re-structuring of the economic system could lead to a renegotiation of established gender roles. Questions of culture are also related to questions of corporate culture. What is the connection between money, rationality, the financial crisis and questions of gender? The corporate culture on Wall Street is male-dominated and accordingly it has been argued that the financial crisis was due to gender issues. This aspect is further elaborated on in Chapter 3.2 in my analysis of *Dear Money*.

Neoliberal Models and Network Theory

As we have seen, the question of neoliberal models is not limited to theory but impacts corporate culture. However, to what extent are models relevant in the discussion of network theory? Taylor highlights that the “constantly changing networks that increasingly govern our lives have a distinct logic that we are only beginning to understand” (7). The logic of networks that Taylor refers to is not (or not sufficiently) included in neoliberal models. Put simply, in a networked economy, it is difficult to presuppose what is going to happen due to the higher number of market participants (in contrast to the interaction between two people). With the evolving of a network society, a new dimension of complexity emerges while old economic models are still in use. Accordingly, new models and methodologies are necessary to respond to challenges of the networked economy. Taylor underlines

> that in an increasingly networked world where information is the currency of the realm, models matter. If we try to move into the future with models and visions drawn from the past, we court the very disaster we are trying to avoid. (xvi)

In a similar vein, Castells emphasizes the importance of network theory by stating that "investigating the networked structure of our global, networked economy may help to design strategies and policies adapted to the realities of our time" (xxii). These revised models should, however, not only include insights gained from network theory but also of fields such as complexity theory, game theory, chaos theory and behavioral finance. More generally, the findings from disciplines that analyze complex adaptive systems are relevant to economic analysis. But it seems quite an impossible task to incorporate cultural studies, psychology, anthropology, sociology, history, physics, biology, mathematics, computer science into economic models – and still have models that are useful to make statements about the economy and are applicable to economic policies. Generally speaking, a move from substantialist to more processual models is needed to respond theoretically to the challenges of an intricately interconnected global economy. The number of different theoretical approaches and conflicting views on how to handle this challenge shows the difficulty of this endeavor. Nonetheless, the ongoing debate on the financial crisis will hopefully be the starting point for a renegotiation of the objectives and models that are applied within economic theory.

The call for revised and more complex models is not only a request from the side of theory but of practical relevance. This is, in particular, the case with regard to regulation. In the aftermath of the financial crisis, it becomes painfully clear that there is a need for better risk management, and especially improved models to handle the system-inherent risk are necessary. The example of CDOs illustrates why there is a need for new models. As aforementioned, CDOs were at the core of the financial crisis. A large amount of them received AAA ratings – despite their high risk. These positive ratings were issued by credit rating agencies (CRAs), whose principal function is to express the creditworthiness of debt obligations. As investors and regulators heavily rely on these ratings, they have a substantial impact on the price of the respective debt. Davies points out that these rating agencies were harshly criticized in the context of the financial crisis.

> It was argued that they had profited unreasonably from these markets, assigned excessively high ratings without due diligence, and by their actions, both in their initial ratings processes and in the downgrades, had accentuated the boom and bust cycle. (124)

In other words, the rating agencies highly profited from the process that they created. Therefore, they have been severely criticized, and the argument was frequently voiced that they significantly added to the financial crisis. Among many others, Stiglitz sharply criticizes the role of the rating agencies in the context of the financial crisis:

> I view the rating agencies as one of the key culprits […] They were the party that performed the alchemy that converted the securities from F-rated to A-rated. The banks could not have done what they did without the complicity of the rating agencies. (qtd. Smith 1)

Financial instruments, such as CDOs, have become so complex that they can hardly be understood. Hence, they need to be regulated. According to Davies, the main problem of this complexity is that "technology of credit transfer had developed to the point where it is hard to determine where risks now lie – and it is quite impossible for the regulator of a single sector to do so" (101). Davies points out that the global regulation system responsible for regulating financial markets is no longer suitable to meet the challenges of the changed financial world.

> The global committees, whose structure is rooted in an old-fashioned breakdown of financial activities into the 'sectors' of banking, insurance and securities, need radical reform if they are to keep pace with the rapid evolution of financial markets. (101)

Davies states that as a consequence of the financial crisis “a range of new regulatory measures aimed at introducing direct government oversight […] and at improving the integrity of the rating process, particularly for structured finance” (128) have been developed. However, he comes to the conclusion that “the fundamental conflicts of interest and incentives remain broadly as they were before the crisis” (128). In other words, the conflict is far from being resolved. The problem is not only that the models in use are insufficient to measure the risk but, what is more, they are subject to conflicts of interest as the example of rating agencies demonstrates.

2.3 Crisis & Complexity: Fiction as a Mediator

The first part of this chapter explained in how far the financial crisis has to be situated within a larger context. The consequences of the financial crisis in combination with 9/11 and a number of other conflicts have resulted in a deep mistrust of authorities. Accordingly, the neoliberal conflict can be summarized with the clash between freedom and authority. How do these developments translate into fiction and what is the role of financial fiction in the debate on the financial crisis?

Financial fiction has productively taken on the function as a mediator, as it operates under the assumption that finance is approachable. In contrast to economic texts or political abstracts (whose main objective more often than not appears to be the discovery of the one flaw in the system that needs to be fixed) fictional narratives can explore the topic in its manifold dimensions; it does not need to provide answers. Though the field of literary studies is an established academic field, it still has to face the criticism from other fields of research that its findings are neither scientifically valid nor relevant. Nevertheless, I am convinced that fictional literature offers an invaluable contribution by mirroring, analyzing and creating alternative perspectives on the financial crisis. As Wolfgang Iser puts it, it is a medium that is “always hovering between the real and the imaginary, linking the two together” (20). Tilmann Köppe offers a structured and comprehensive list of the functions of literature in his essay on literature and knowledge, in which he portends that literature complements, visualizes and thus clarifies knowledge. Moreover, by popularizing as well as problematizing knowledge, literature anticipates it. Literature contains knowledge and at the same time, it is a form thereof (cf. Köppe 6). In addition to these functions, financial fiction facilitates and encourages a dialogue between the financial sector and civil society by translating economic topics and concepts into a language and form that is easily approachable. Moreover, fiction explains the financial world, the psyche of its agents, and the impact of the crisis on the average American to emphasize the financial crisis as a cultural and human dilemma (cf. Kuschel and Assmann 311). It thereby adds a crucial component to the debate which cannot be given by economic texts.

Defining Financial Fiction

With the increasing amount of texts dealing with high finance, a number of critical terms has surfaced. However, to date, sharp definitions of these terms are lacking. I use the term 'financial fiction' as a broad category for fiction dealing with economic topics in general. To be more specific, I apply the term 'neoliberal novel' to classify the branch of fiction that critically responds to and reflects upon neoliberal cultural developments. There are two subcategories of the neoliberal novel: the "9/11 novel" and the "recession novel." I apply the term 'recession novel' to novels which are set and published after 2008 in the US, written by US-American authors and which focus either directly on the financial crisis or indirectly on the impact of the financial system on individual lives. In accordance with the large amount of literature that has been published in the context of the Great Recession, there is a variety of terms to refer to this new body of literature. Andrew Lawson, for example, employs the term "foreclosure stories" to define those fictional accounts dealing with "suffering caused by the structures of inequality and disadvantage particular to a social order based the power of finance capital" (62). The term "credit crunch fiction" (Kloeckner 466) is occasionally applied, and Daniel Mattingly has coined the term "crash fiction." He uses the following definition of key aspects to define this genre.

> A mainly masculine focus, with women largely sidelined as voices of reason; an encroachment of the languages and practices of aggressive finance capital into everyday discourse; a tendency to adopt personal narratives of surviving the crash as parables of enlightened acceptance of modest living; difficulties in contextualizing and empathizing with the suffering of the lower classes, coupled with fears of poverty; an emphasis on either the inner workings of financial systems or the impact of the crash upon a largely white middle-class suburban population, or businesses and livelihoods associated with the middle class. (109)

Mattingly categorizes novels dealing with the Great Recession in four broader categories. First, "narratives from within the intertwined financial and political machines themselves" (97), second, "specific stories of families facing foreclosure" (62), third, "young adults struggling to find work" (96) and fourth, "business models failing" (96). What holds true for all genres discussed above is the fact that the attitude of the novelists towards Wall Street can generally be described as one oscillating between fascination and criticism. Moreover, Mattingly emphasizes that fiction in all categories faces "the difficulty of finding a way to represent the causes and impact of the crisis on a human and abstract scale" (109). To date, definitions of recession novels, foreclosure stories or crash fiction focus on the white middle and upper class and do not take into account "narratives from other social groups, notably African Americans, Latinos, rural Americans, blue-collar workers, and newly radicalized activists involved in protests through such groups as the Occupy Movement" (Mattingly 109). I use the term 'recession novel' as all aspects touched upon in these novels (foreclosure, crash, credit crunch) are in more or less direct ways related to the Great Recession. A further genre that has to be mentioned in this context is the "insider report," which is usually written by a former or current employee of a Wall Street firm who claims to give exclusive insights and firsthand insider information on the financial crisis. One example is the novel *The Big Short* by Lewis, which is discussed in the introductory chapter of this study.

The Neoliberal Novel and the Rule of the Super-Rich

The neoliberal novel emerged as a response to the neoliberal turn in American politics in the 1970s and '80s. As I pointed out at the beginning of this chapter, the political decisions that were implemented in that era continue to shape the socio-economic reality today. The increasing influence of the financial sector and the resulting social inequality has to be seen in this historical context. It is important to note that the neoliberal novel critically comments on these developments. Williams explains in his essay "The Plutocratic Imagination" (2012) that the neoliberal novel "focuses on the dominance of finance, the political power of the super-rich, and the decline of the middle class" (93).

Moreover, as outlined above, the role of the government in neoliberal America is highly controversial. It is, therefore, interesting to see that neoliberal novels have a tendency to depict "government as subsidiary, with the main societal choices occurring within the economic sphere" (93). This builds a contrast to the fiction of the 1970s and 1980s which "tended to expose conspiracies under the surface of formal government" (93). Williams further points out that the "neoliberal novel displays a world in which wealthy individuals dominate political power" (97). Neoliberal fiction is not only concerned with power relations, but also with neoliberal ways of thinking.

As Williams points out, the neoliberal novel comments in various ways on the neoliberal creed by implying that,

> government is cumbersome and inefficient, social problems can be more effectively handled through private means than public ones, the super-rich are not only entitled to political power but also make the best political choices, their interest serves the public interest, and those not rich are naturally supplicants to those who are. (94)

Neoliberal novels depict "contemporary America as a plutocracy rather than a democracy" (Williams 94) by arguing that the super-rich are in power. As mentioned in Chapter 2.2, the current socio-economic reality in the United States is to a large degree shaped by the influence of the so-called 1%, i.e. the upper class.

In short, neoliberal novels critically reflect upon the unequal power relations in the United States, in particular concerning the increasing influence of the super-rich on the political reality. Emily Johansen and Alissa G. Karl point to a further dimension of the neoliberal novel by demonstrating that "in addition to making visible the transformation of neoliberal economic values into cultural norms, the neoliberal novel is implicated in forms of power and the consent they require" (4). The most remarkable quality of neoliberal novels is their ability to demonstrate the extent in which neoliberal values impact not only the economy, but the character of individuals living and acting within this system. The focus on individual achievement has gotten out of hand and the extreme scale of social inequality has another side-effect, which is often overlooked. Hayes argues that,

> [n]early all of the commentary on America's growing inequality focuses on the ways in which skewed distribution of income and wealth is bad for those on the bottom of the pyramid: the way it leads to stagnating wages and competition for scarce positional goods, how it alienates the middle and working classes and the poor. But we largely ignore the effect of extreme inequality that may, in the long run, prove to be the most destructive: the way it makes those at the top of the social pyramid worse. (Hayes 154)

Hayes argues that "[a]s American society grows more elitist, it produces a worse caliber of elites" (155). The high level of social inequality has the effect of making "elites less accountable, more prone to corruption and self-dealing, more status-obsessed and less emphatic" (155). In addition, he concludes that, "extreme inequality produces elites who are less competent and more corrupt than those in a more egalitarian social order would" (Hayes 155). This argumentation is underlying in *Cosmopolis*. The financial system is not only a highly elitist system that enhances social inequality but, what is more, the elite is destructive and lacks morality. I discuss the question of ethics and morality in Chapter 3.1 on *Cosmopolis*. Another way in which neoliberal tendencies influence daily life more subtly is the highly accelerated timeframe. Castells argues that "[a]ll major social changes are ultimately characterized by a transformation of space and time in the human experience" (xxxi). The highly accelerated timeframe that we experience today originates in the financial sector and results in the neoliberal attempt to make use of every second of one's life. This tendency will be discussed in more detail in Chapter 3.3 on *Financial Lives*.

The neoliberal novel is complemented by the 9/11 novel, which emerged as a result of the terrorist attacks. Like the neoliberal novel, the 9/11 novel often "revolves around finance, bearing the imprint of neoliberalism" (Williams 97). However, there is an important difference with regard to power as Williams emphasizes. The 9/11 novel "imagines the millionaires […] as impotent in the face of cataclysmic violence" (Williams 97). In other words, in contrast to the neoliberal novel, the 9/11 novel reverses the rule of the super-rich. Williams explains that,

> if the neoliberal novel displays a world in which wealthy individuals dominate political power and there is no procedural recourse, then the only political option is not collective action but the individual action of the terrorist. The terrorist is the dark side of the Randian hero, fulfilling, even if perversely, the logic of neoliberalism. Like Vin Haven's brand of politics, it is a vision that vacates democratic possibilities, although it despairs of them rather than overrides them. The 9/11 novel might augur a new political imaginary, showing the cracks in a rapacious and ever globalizing neoliberalism. (97)

What is missing in Williams' analysis of the 9/11 novel, however, is the awareness that the individual terrorist is not guided by a merely subjective motivation but is usually part of a terrorist *network*. Nonetheless, this argument is helpful for understanding *Cosmopolis*. Though a lot of research has been done on *Cosmopolis*, the financial crisis sheds a new light and a different layer of complexity on the novel. A crucial point that has been widely neglected due to the novel's pre-9/11 setting is the fact that it builds a bridge between the neoliberal novel and the 9/11 novel. *Cosmopolis* expresses a strong criticism of the rule of the super-rich as the protagonist Eric Packer is the embodiment of everything that seems to be wrong with the financial system. At the same time, the topic of limited agency in the face of terrorism is negotiated in the novel.

Recession Novels: Within the Eye of the Storm

As a further subcategory of the neoliberal novel, recession novels began to surface as a quickly evolving genre as early as 2009. As the name implies, the genre focuses on the Great Recession. Many of the faults of the financial system had already been exposed at that time – through extensive research executed by journalists and economic experts around the globe. What was (and still is) left to uncover were the deeper causes of the crisis, including the psychological, cultural and historical dimensions. While the neoliberal novel focuses on the power of the super-rich and the 9/11 novel locates agency within the individual (i.e. the terrorist), the recession novel brings the role of the average American into the picture.

The current socio-economic reality in the United States is structured by inequality. As I demonstrated in Chapter 2.1, this inequality originates to a large degree in the financial sector. Recession novels explore how these unequal power structures materialize in the lives of the ordinary citizens, e.g. through the impending foreclosure of the family home. Generally speaking, recession novels manage to illustrate in how far personal troubles are linked to public issues. Importantly, this is not limited to financial worries. In contrast to the neoliberal novels dealing directly with the financial sector (and the greed and a lack of responsibility of financial agents), recession novels emphasize the paradoxes of American culture at a tumultuous time fraught with social tensions and traumatized by a succession of political and economic shocks. They express deep misgivings about the state of the nation and present a profound criticism of neoliberal America. Moreover, recession novels critically review the modest decline of American economic power and the fears related to that.

Nonetheless, what is missing in recession novels is a clear political agenda or even proposals for a solution. Mostly, they present a lack of orientation and the struggle to make sense of the events in the financial sector and the manifold ways these affect daily lives. Related to this sense of disorientation and insecurity is a sense of nostalgia, which frequently surfaces in recession novels. Kloeckner convincingly argues that this "nostalgia is representative of a dominant cultural response to the present uncertainty brought on by the success of financialization and the failures of the financial markets" (466). Accordingly, nostalgia functions as a coping strategy to handle the insecurity of the present age. In the words of Kloeckner, "[i]f finance transforms future uncertainty into present risk, nostalgia in these novels projects an idealized past to deal with present uncertainty" (466). I return to the question of the function of nostalgia in recession novels in Chapter 3.3.

A further particularly interesting feature that all recession novels share is the focus on the present. Accordingly, they lack both temporal and emotional distance. Jess Walter elaborates on the related challenges during the writing process of *Financial Lives*:

> I wrote quickly because all of this seemed to be happening all around me and it seemed like an opportunity to do something novelists don't always get to do. I had this image of the social or cultural novelist as a detached bystander who usually comes across the scene of an accident after the fact and tries to reconstruct what happened based on the wreckage, the skid marks, the injuries. Here, then, is my novelistic assessment of the Cold War, etc.…. And I thought: what if instead of re-creating it later, I just stick my head out of the window and describe what I see as we go barreling off the road. So I did. (Walter *P.S.* 12)

Metaphors have been used extensively to describe the financial crisis. As opposed to the metaphor of a natural catastrophe (for example Alan Greenspan's prominent use of the 'financial tsunami' metaphor in 2008), Walter opts for the car metaphor and locates himself as a representative white middle class American man in the driver's seat.[30] The speed of the drive implies the inability to grasp the big picture. There is no time for reflection and one cannot escape what is happening. As he takes the reader along on his high-speed drive, the reader gets a front row view from the driver's seat and has the opportunity to get an impression and to capture the feelings and emotions of the time. At the time *Financial Lives* was written, there was still insecurity about the causes and consequences of the crisis, thus the metaphor of things flying by the window is very adequate. It illustrates the mindset at the onset of the Great Recession, such as the fear of another Great Depression and the impression that what is happening at present will have an historic impact. Moreover, through the use of the car metaphor, Walter makes an important statement about agency and culpability. The use of the plural personal pronoun "we" is a means to evoke a collective identity, a writing strategy he uses throughout *Financial Lives*.

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[30] A discussion of the use of metaphors in the context of the financial crisis is offered by Phillips, Michael M. "In Financial Crisis, Metaphors Fly Like Bad Analogies." The Wall Street Journal, 2008. Web. 10 Mar. 2015.

At this early stage, a large segment of the debate focused on the causes of the financial crisis. In an attempt to answer the question of who is to blame the risk behavior of bankers and traders was frequently mentioned. *Dear Money* is a very early example of a publication that attempts to move beyond one-dimensional stereotypes, such as the 'greedy banker' or the 'reckless trader,' as well as the marginalization of female characters in financial fiction. *Dear Money* thus provides more complex characters, which embody the flaws and complexities inherent in human nature. How did a particular risky behavior – both on Wall Street and on Main Street – add to the development of the financial crisis? What can fiction writers add to the debate on the financial crisis? McPhee explains in an article for BusinessWeek how she perceived the writing process during the financial crisis.

> As the collapse unfolded, my writing froze. I had not intended to write a novel about Wall Street blowing up. […] What happened on Wall Street has happened before; it will happen again. My story isn't an attempt to make tidy sense of the global financial system. That, of course, is not the novelist's job. […] As a fly on the wall, paying a little more attention than others outside of Wall Street, I saw we were all to some degree responsible for the mess. […] Having more […] had become an American right, a belief. I've come to understand how staggeringly much we know about the world of finance, manipulating numbers, creating products – derivatives, CDOs, and so forth – yet how little we know. As with medicine and deep-water oil exploration, we know so much and not enough. In between the extremes is our own hubris, to which, it seems, we will always be vulnerable. Locating that hubris, however, is a novelist's job. (*Novel Experiment* n. pag.)

McPhee distinguishes between a factual analysis of the crisis and the specific observer's position out of which novelists can point out new ways to understand the financial crisis at present and in the future. This lack of distance is both an advantage and a disadvantage of recession novels. While it inevitably encompasses a lower degree of analytical sharpness, it adds to the authenticity of recession novels as they capture the time of the moment and the individual recession-related struggles which affect authors and readers alike.

This complex and contradictory characteristic of being highly affected by the topic the authors (and literary scholars) are writing about is a defining feature of recession novels. The edited collection, *The Great Recession in Fiction, Film, and Television: Twenty-First-Century Bust Culture* (2013), acknowledges this particular struggle. At the beginning of the publication the editors express their appreciation of the

> contributors for producing outstanding analyses of bust culture artifacts while dealing with their own recessionary struggles. Through job searches, reappointment worries, tenure bids, dissertation defenses, health problems, family troubles, and financial woes, they labored tirelessly to meet our abstract, draft, and revision deadlines during the worst economic downturn since the Great Depression. (Boyle and Mrozowski vii)

This statement illustrates that academia is by no means free from the constraints of the market. The conflict lies in the fact that while there is a tendency within academia (especially in the humanities and the social sciences) to harshly criticize the neoliberal system, it nonetheless has to play by the rules of neoliberalism. Not all of the issues listed in the acknowledgments above seem to be related to the recession. The discussion of *Financial Lives* in Chapter 3.3 demonstrates that even those aspects that seem to be unrelated to financial matters (such as health problems and family troubles) are deeply connected to issues of the economy. These aspects are informed by a neoliberal logic, for example in the way we communicate or even think. Therefore, it is of utmost importance to understand and critically reflect upon these mechanisms, theories, concepts and framework. This approach is at the core of my analysis of *Financial Lives*. The novel looks at individual behavior and articulates a sharp social satire. In contrast to *Dear Money* and *Cosmopolis*, the main focus is on those outside the financial sector. The argument here is that even those who are not directly in touch with the financial sector are directly influenced by it – not only in the obvious way of possessing a mortgage (and thus participating in the CDO machinery) but also, and far more subtly, through the way that individual actions are impacted through neoliberalism.

This chapter provides detailed background information on the financial system and the history of the United States which is crucial for a holistic understanding of the crisis. Why is this background information important for literary scholars? In how far does it inform the understanding of the novels that are analyzed here? Finance affects our daily life; the logic of capitalism is deeply embedded in Western culture and informs all aspects of daily life – even those aspects that seem to have nothing to do with finance. The issues of home ownership and diverse forms of inequality are present in all novels under discussion in Part Two of this study, even though the approaches to the topic of finance differ strongly. Both topics (home ownership and social inequality) can only be understood in light of the current socio-economic climate in the United States. Moreover, the proposed perspective illustrates that the behavior depicted in the novels (and, again, this holds true for all novels under discussion) is not merely individual behavior but a certain behavioral pattern that results from the economic context. The behavior of the novels' protagonists is informed and shaped by the neoliberal system.

To sum up, there are currently several issues at stake in the United States, most importantly the high level of social inequality. A substantial reform of the financial sector is inevitable – but is it realistic that this will happen any time soon? Fiction writers take the freedom to move beyond the boundaries of reality and shed light on the broader dynamics of finance – its psychological dimensions, underlying hierarchies as well as the intrusions of finance into the private sphere. Fiction allows these narratives to not only go back to the future and nostalgically reminisce, but to create future alternatives that could verily be viable outside of the pages of these books.

http://www.springer.com/978-3-658-16267-2

From Wall Street to Main Street
Tracing the Shadows of the Financial Crisis from 2007 to 2009 in US-American Fiction
Schulz, J.
2016, VII, 233 p., Softcover
ISBN: 978-3-658-16267-2