Social Finance Meets Financial Innovation:

Contemporary Experiments in Payments, Money and Debt

Theory, Culture & Society

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Abstract

This special section explores the intersection of social finance and financial innovation in contemporary technologies of relational finance. The articles that follow study detailed cases of contemporary experiments in payments, money and credit-debt relations. By way of introduction, in this short piece we outline three paradoxes at the heart of these experiments: the feudal life of capitalist financial innovation; the social life of supposedly asocial crypto-currencies; and the market life of relational financial dissent.

Keywords

Financial innovation, social finance, alternative finance, sharing economy, digital economies

Recent years have witnessed experimentation with payments, money and credit-debt relations in the context of a broader emergence of digital economic interactions. In financial industries, novel applications of digital technologies and new data sources are spurring enthusiasm for 'fintech' and 'finnovation', undertaken in the name of 'disrupting' established financial market practices and players. In daily life more broadly, people are embracing peer-to-peer economic interactions through currency exchange, micro-credit, crypto-currencies, online marketplace lending and the sharing economy. Many of these experiments claim to 'resocialise' finance by harnessing a range of informal, peer-to-peer and collaborative relations. Such appeals to the social are not new; finance has long been acknowledged to be irreducibly social in character (e.g. Granovetter, 1985; Dodd, 2014; cf. Callon, 1998; Maurer, 2008). Nevertheless, today's intensification of digital economic interactions is reinventing the 'social' of finance by inserting sociality squarely within market relations. The result, as the collected articles of this section attest, is a novel and ambiguous intersection of social finance with contemporary financial innovation.

This themed section investigates the political significance of this 'social finnovation'. Building on earlier accounts of popular, ethical and social finance (e.g. Maurer, 2005; Gibson-Graham, 2006; Aitken, 2007; Fuller, Jonas, and Lee, 2010), the section considers how people and firms are experimenting with the social in finance to form new markets, enclose public sites of value and bypass state control, while also using this experimentation to express social solidarities and update the social contract for a post-global financial crisis era. Together, contributors to the section ask: what publics, politics and ethics are generated within and by claims to the social in finance at the present moment? In the remainder of this Introduction, we offer some preliminary remarks about the challenge that the cross-fertilisation of social finance with financial innovation poses to existing conceptualisations of finance, before highlighting the original theses underpinning the section's articles. Specifically, we foreground how each article reveals a different political paradox at the heart of social finnovation. In their exposure of these paradoxes, the articles can be taken as a collective caution against a Manichean interpretation of contemporary experimentation with social finance as either a straightforward furthering of capitalist market relations, on the one hand, or as a set of unproblematic financial alternatives, on the other hand.

Beyond social versus mainstream finance

A unifying contention of the articles in this section is that today's experiments with the social in finance are not marginal or straightforwardly 'alternative'. Nor, for that matter, are these experiments mere replications of what has gone before. Social finnovation experiments assemble people, knowledge and infrastructures in such a way as to side-step the oppositions that commonly structure industry and critical readings of finance alike. Understanding these experiments requires a non-oppositional conceptual imaginary, and in turn this imaginary opens up the *political* character of these experiments. Indeed, one theme running across the papers in this section is their shared attention to the political tensions and paradoxes at the heart of contemporary processes of financial experimentation.

In this way, the section's articles return us to debates about how best to understand the relationship between so-called 'alternative' and 'mainstream' money, finance and economy (see Tooker and Clarke, this issue). Understanding the politics of today's social finance experiments requires questioning a series of habitual analytic oppositions, including between capitalism and pre- and post-capitalism (Gibson-Graham, 2006), crisis and 'normal' economic times (Roitman, 2014; Langley, 2015), social purpose and pecuniary gain (Callon, 1998, 2015), and power and resistance in finance (de Goede, 2005; Amoore, 2006; Langley, 2008). These oppositions, which often feature in both popular imaginings and academic discussions of finance, limit understanding of the 'new' sociality of money and finance in important ways. For example, people's experimentation with online peer-to-peer platforms often registers discontent with both markets *and* the state, while responding to the withdrawal of social provisioning and the increasing burden on households of social reproduction.

These practices engage marketised forms of social interaction and work with contested governing agendas, such as ‘financial inclusion’, that are fully endorsed by the state and other governance institutions (Taylor, 2012; Soederberg, 2014; Gabor and Brooks, 2016). For this reason, straightforward oppositional frames such as ‘state versus market’ (e.g. Strange, 1994) hamper attempts at understanding social finnovation.

As such, and in contrast to much of the post-crisis literature on money and finance that tends to focus on systemic change (e.g. Cohen 2015; Turner 2016), contributors to this section theorise the socio-cultural life of payments, money and credit-debt relations through the study of particular practices, ranging from the development of private monetary infrastructures to activist appropriations of secondary markets for personal debt. Contributors emphasise the open-endedness of these practices, which is why we, as editors, use the term ‘experiments’: we suggest that emerging financial practices proceed without predetermined end or logic. The approach taken by contributors implies a pragmatic understanding of socio-economic life, while emphasising questions of politics and ethics (e.g. Maurer, 2005, 2006; Marres, 2012; Brassett and Clarke, 2012).

The feudal life of capitalist financial innovation

Much commentary around financial innovation, in both academic and business press outlets, both naturalises the claims of financial market players to novelty and innovation and elides the societal and political dynamics of contemporary financial change (e.g. Cambridge Centre for Alternative Finance 2016; PricewaterhouseCoopers 2016). The questions asked in these forums treat market forms of interaction as their reference point, with the result that key features of emerging financial practices are assumed rather than questioned. For example: How is a start-up 'disrupting' a particular industry? What is the 'innovative business model' of the latest payments firm? How will blockchain technologies improve the 'efficiency' of various businesses? Such framings take the liberal capitalist market to be the fundamental organisational device for financial and economic experimentation. In other words, this market form is both naturalised and taken as the implicit horizon within which any new experimentation must be understood and evaluated. Importantly, this analysis occludes the ambiguities of social finnovation experiments, such as their distinctive amalgam of non-market and non-capitalist features with capitalist market dynamics.

These ambiguities are brought into focus in the article by Taylor C. Nelms, Bill Maurer, Lana Swartz and Scott Mainwaring, 'Social Payments: Innovation, Trust, Bitcoin, and the Sharing Economy'. In contrast to industry accounts of payments technologies that emphasise market disruption, liberal openness and capitalist efficiency, Nelms *et al.* foreground both the non-market and non-public dimensions of the contemporary payments industry and its infrastructures. Drawing on ethnographic research on the sharing economy and Bitcoin, Nelms *et al.* explore how a host of start-ups and more established players are using digital technologies to reimagine economy in explicitly 'social' terms. However, this is emphatically not a sharing economy providing for more socialised collective ownership. Instead, ostensibly open, shared communities of users are surrounded, as the authors note, by 'walled gardens' of payment and consumption. The payments industry, Nelms and his co-authors demonstrate, is a space where capital threads in and out of pre-capitalist and post-capitalist relations, in the process looping barriers around public goods, like payments infrastructures, in the name of tropes of freedom, openness, sharing and peers.

Emphasising the ambiguous politics and moral investments of what they call the ‘Cambrian explosion’ in payments technologies, Nelms *et al.* show how what their informants term the ‘frontiers’ of capitalist payments and finance are temporally displaced, as the capture of financial value takes the form of fees that are not subject to market competition but instead resemble feudal tolls. In underlining the feudal life of financial innovation, Nelms *et al.* also show that the infrastructures underpinning social finance experiments are not neutral bearers of peer relations. Instead these infrastructures are *freighted with* political-economic values (such as libertarianism), while being *freighters of* appropriations of value (as when private companies ‘ride the rails’ of largely publicly maintained payments infrastructures such as the Automated Clearing House in the United States). Moreover, experimenters in payments, whether Bitcoin enthusiasts, Silicon Valley start-ups or established players, more often than not seek politics without a Leviathan and money without the state. Bitcoin, for instance, resonates with a new libertarian public that, in the wake of the financial crisis, does not trust bankers, Silicon Valley or the state. This public has been deeply marked by political developments like PayPal’s freezing of donations to WikiLeaks, and the prosecution and suicide of ‘free information’ activist Aaron Swartz (Nelms *et al.*, this issue; Tooker and Maurer, 2016). Nelms *et al.* therefore engage the crucial tension between a capitalist-libertarian ethos and the creation of semi-closed communities. They argue that, rather than creating an interconnected, open social system beyond the state, the infrastructures of crypto-currencies and sharing economies tend to create closed circuits.

The social life of crypto-currencies

Nigel Dodd's contribution, 'The Social Life of Bitcoin', challenges another shibboleth of contemporary accounts of financial innovation, namely the assumption that crypto-currencies enable avoidance of social relations of trust, obligation and community. Bitcoin is premised on an escape from the social ties that bind individuals to community, as well as from the political binds that attach money to the state. Dodd, however, challenges this image of a mechanised currency that allows individuals to stand apart from social life to achieve asocial monetary relations. Dodd highlights the importance of social connection and social structure to crypto-currencies, showing that Bitcoin folds back into social forms. For example, Dodd demonstrates how the central 'socially necessary fiction' of a finite supply of Bitcoins must be constructed in order for the market price-setting dynamics involved in 'mining' for a scarce resource to operate. The Polanyian point here is that the market principles of Bitcoin are reproduced through a set of beliefs about the market that are embedded within a broader set of social practices. More accurately, the Bitcoin example shows the necessary social *production* of that market environment – and of what Dodd calls a 'techno-utopia' – in complex and contestable ways.

Through this analysis, Dodd reveals a substantive paradox at the heart of Bitcoin: the paradox of the social life of a purportedly asocial crypto-currency. On the one hand, the blockchain ledger that distributes Bitcoin transactions across an international network of computers appears to secure the utopia of trust-free money and promises to its users a currency free from reliance on states, financial institutions and society. On the other hand, as Dodd adeptly argues, the anarcho-political values, social organisation of production, clear social structure and all too conventional asymmetries of wealth entailed in Bitcoin unwittingly illustrate the very sociality of money that Bitcoin users seek to evade. Foregrounding the unexpected turns of recent Bitcoin debates and crypto-currency developments, Dodd ends by considering the possibility that currency itself may disappear from the crypto-currency world, thus demonstrating that the experimental use of blockchain technologies remains uncertain, open and socially formed.

The market life of relational financial dissent

Finally, our contribution to the section, 'Experiments in Relational Finance: Harnessing the Social in Everyday Debt and Credit', explores the paradoxes and ambiguities entailed in relying on financial markets to enact 'alternative' relational forms of finance. In this piece, we examine the contested political dimensions of appeals to the social in digitally mediated forms of relational lending and borrowing. Specifically, we examine the reconfiguration of markets for personal debt and credit by focusing on three invocations of the 'social' in everyday lending and borrowing: 'social collateral' in micro-credit; 'social lending' in online peer-to-peer markets; and 'social debt' in activists' experimental engagements with secondary markets for personal debt. In each of these cases, there is a back-and-forth movement or 'alternation' (Maurer, 2008: 69) in which forms of relational financial practice allow for sociality to be marketised, but also for markets and the process of marketisation itself to be politicised. In these instances, critique *of* market forms is pursued in *marketised* form, to varied effect.

Indeed, the very act of appending 'social' to an established financial practice or unit is what enables both dissent from liberal financial market relations *and* the deepening of these relations. For instance, in microcredit, financial collateral becomes 'social collateral' via the mobilisation of informal relations of solidarity, peer pressure and censure (Schuster, 2015). In the case of peer-to-peer micro-credit platforms, this performative act of translation enables people to enact a relational form of finance that privileges connections with both distant and near others, while simultaneously providing the basis for new forms of 'adverse incorporation' (Aitken, 2015) into global financial markets. Equally, the emergence of the online peer-to-peer lending industry has been built on a discursive appeal to the operation of 'peer' relations and interactions outside established financial markets. On the one hand, peer-to-peer lending firms have depicted themselves as operating differently from banks because their lenders and borrowers enjoy peer status and because the lower costs of peer-to-peer lending can be shared by both parties. On the other hand, peer-to-peer lending platforms have reinvented themselves as 'marketplaces' for loans and made significant attempts to produce peer-to-peer loans as a conventional financial asset. We call the tensions revealed in this final article of the section the paradox of the market life of relational financial dissent.

In sum, this section examines a range of experimental attempts at 'social finnovation' in payments, money and credit-debt relations. We have underlined three paradoxes in these experiments: the feudal life of capitalist financial innovation; the social life of supposedly asocial crypto-currencies; and the market life of relational financial dissent. These paradoxes and their attendant political ambiguities underline the need for detailed accounts of social finnovation that side-step the oppositions commonly structuring both industry and critical accounts of finance. The articles that follow explore and contest these oppositions, as well as the politics of social finnovation that they enable.

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