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## UC Irvine Previously Published Works

### Title

Edward LiPuma and Benjamin Lee. Financial Derivatives and the Globalization of Risk. Durham and London: Duke University Press, 2004 (224 pp. + xi)

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Peer reviewed

Edward LiPuma and Benjamin Lee. *Financial Derivatives and the Globalization of Risk*. Durham and London: Duke University Press, 2004 (224 pp. + xi).

This book is a primer on financial globalization, specifically the emergence and operation of a particular set of complicated financial instruments that the authors see as signaling a far-reaching transformation of the domain conventionally referred to as “the economy:” derivatives. While derivatives have sometimes entered into public consciousness due to scandal, crises, and crime, the authors use derivatives as a window into the new everyday operations of global capital and the new normalcy of “systemic risk”—the risk that the entire international financial and banking architecture may implode.

Derivatives are financial assets the value of which is based on another asset or set of assets. The authors’ story is very much one of impacts and emergences: the impact of mathematical formulas for pricing and trading in risk, the emergence of new speculative forms of finance that seemingly elevate circulation over production as the primary source of value creation in the world economy, and the mutual entanglements of new financial forms and new political arrangements that make considerably more complicated the old arguments that globalization erodes state sovereignty or heralds the decline of an old order of things. And yet, at the same time, the authors are quite clear that their tale of the distribution of risk over the entire planet and the enmeshment of us all in these financial webs does indeed represent something radically new or fundamentally different from an earlier capitalism more comfortably analyzed in the terms of economics in its Marxian or neoclassical incarnations. This is a story of the continual subversion of “the very principles of production by which the state produces itself” (p. 177), and not only the economic information flows by which states make decisions but also the very formations of the public sphere on which the liberal imaginary depends.

The book consists of seven chapters, including a very readable layman’s introduction to the financial instruments in question, and nice treatment of the history of global financialization, the institutions through which finance operates, an important chapter on the calculation of risk, and a chapter on the uneven global impact of those calculations. It also has a handy glossary. I appreciated its easy style as well as its theoretical flourishes. If it contains some of the breeziness of the business publications it treats as parts of the culture of finance, it also by doing so has the potential to reach wider readerships as well as reasonably well-informed students. The most important contribution here, to my mind, is the argument about the new public imaginaries set in motion by the circulations the book opens up, and the vivisection of liberal forms of sovereignty that wagers on risk perform.

———Bill Maurer