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CHAPTER 3

International Political Economy as a Cultural Practice: The Metaphysics of Capital Mobility

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Recent discussions of globalization are founded on an assumption about the movement of capital, goods, people, and images—that movement generates change, and that movement is a self-evident phenomenon. Cultural approaches to globalization, such as Appadurai's (1996) and Hannerz's (1996), tend to posit that *increasing* mobility characterizes the contemporary era. Critics of these approaches note that capital, goods, labor, and ideas have been moving from place to place ever since the rise of capitalism, if not before, through trading routes and ancient empires (e.g., Abu-Lughod 1989; Friedman 1995). Within political science, "international political economy" (IPE) scholars, while not dipping quite so far back into history, do make the point that the sorts of economic relationships that cultural critics point to as harbingers of a new era—flexible financing, foreign direct investment, floating exchange rates, paper trading and securitization, and all the other ancillary features of contemporary global finance (Harvey 1989)—also characterized the heyday of nineteenth-century industrial capitalism, only to wither away after the world wars. In the late twentieth century, as one IPE reviewer puts it, the "phoenix" of international finance, a dead duck after World War II, had "risen" again (Cohen 1996).

An orthodox Marxist approach to the world economy might find resonances with the recent line in IPE that views global finance as a "resurgence," and not a new phenomenon (e.g., Helleiner 1994;

Kindleberger 1987; Kapstein 1994). Indeed, the world described by contemporary IPE scholars sounds very much like that described by early-twentieth-century Marxists such as Rosa Luxemburg (1951), V. I. Lenin (1989), and Rudolf Hilferding (1981). These authors were writing in the aftermath of the nineteenth-century era of "free trade." It was a time of financial speculation, technological advance, especially in transport and communications, and vast movements of money, goods, people, and ideas. Even earlier, Karl Marx, writing of the role of finance in nineteenth-century British imperialism, often reads like David Harvey, writing of the role of finance in late-twentieth-century geographies of wealth and inequality. And Rosa Luxemburg, writing of the financialization of the world economy in the 1910s, makes arguments and uses rhetoric similar to those of Charles Kindleberger, an IPE authority, writing of the "resurgence of global finance" in the 1980s and 1990s. Notice how easily the following quotations can be made to follow each other in a consistent, and by now quite familiar, narrative:

> Primitive accumulation proceeded without the advance of even a shilling . . . As with the stroke of an enchanter's wand, [debt] endows unproductive money with the power of creation and thus turns it into capital, without forcing it to expose itself to the troubles and risks inseparable from its employment in industry or even in usury . . . [Debt] has given rise to joint-stock companies, to dealings in negotiable effects of all kinds, and to speculation: in a word, it has given rise to stock-exchange gambling and the modern bankocracy. (Marx 1977, 917, 919)

> This "bewildering" world of high finance encloses an equally bewildering variety of cross-cutting activities, in which banks borrow massively short-term from other banks, insurance companies and pension funds assemble such vast pools of investment funds as to function as dominant "market makers," while industrial, merchant, and landed capital become so integrated into financial operations and structures that it becomes increasingly difficult to tell where commercial and industrial interests begin and where strictly financial interests end. (Harvey 1989, 161)

> These operations of capital, at first sight, seem to reach the height of madness. One loan followed hard on the other, the interest on old loans was defrayed by new loans, and capital borrowed from the British and French paid for the large orders placed with British and French industrial capital. While the whole of Europe sighed and shrugged its shoulders at [Egypt's] crazy economy, European capital was in fact doing business in Egypt on a unique and fantastic scale—in incredible modern version of the biblical legend about the fat kine which remains unparalleled in capitalist history. (Luxemburg 1951, 434)

> The last decades have seen the development of . . . currency swaps, interest swaps, repos—a device for selling a security with a contract to buy it back later at a set price to gain short-term liquidity—a bewildering panoply of options and futures contracts on government bonds, interest rates, stock-market indexes and the like, packaged loans in which mortgages, automobile installment paper and credit-card debt are grouped and participants in the total sold, . . . etc. etc. (Kindleberger 1987, 65)

Such quotations might give ammunition to the argument that, where globalization (and here, specifically, capital mobility) is concerned, there is nothing new under the sun, that global movements of money, goods, people, and ideas are as old as modernity, if not older. Perhaps it is analysts who have changed more than the objective conditions, or at least structuring logics, of modern capitalism (Friedman 1995; cf. Lash and Urry 1994).

Although it does force analysts of the current era to examine closely their own claims about the novelty of recent financial operations, and to dig back into past financial systems before making any such claims, this perspective is fundamentally flawed. It assumes that the nature of the movement described by authors from Marx to Kindleberger is identical, and that such movements, and the objects being moved, are comparable. In short, it leaves unasked the questions that most need answering: What counts as capital, and what counts as movement, in discussions of capital mobility? How do certain practices and processes constitute "capital" such that it can "move"? How do they also structure its "movements" so that they can have the sorts of effects that cultural analysts of globalization ascribe to them?

In this chapter, I argue that the problem with theoretical approaches to globalization that leave movement and the objects moved relatively unanalyzed can be analogized to the problem of classical kinship studies in anthropology. In his pathbreaking critique of the anthropological study of kinship, David Schneider (1984) argued that anthropologists had sought to explain kinship systems in different societies without first understanding the metaphysical assumptions that went into their own construction of "kinship" itself. These assumptions were about both the persons related by kinship and the notion of relationship implied in the anthropological construct of "kinship systems." In discovering systems of "kinship" wherever they looked, anthropologists blinded themselves to alternative modes of relationship and affiliation, and alternative modes of personhood and identity not captured by their own kinship thinking.

Similarly, when IPE scholars and others engaged in debates over globalization look for either disjunctures or continuities in processes of capital mobility, they miss the construction of both "capital" and "mobility" in their own analyses and in the practices of the persons who create the phenomena they study. Neglecting the practices that create the objects and processes of mobility leads analysts to miss alternative constructions that seriously challenge neat narratives of globalization. In this essay, I discuss two curiously interlinked examples of such possible alternatives: the offshore financial services sector, consisting of a chain of tax-haven jurisdictions spanning the globe, each attempting to push the limits and contradictions of "capital mobility" as it is currently constructed; and the Islamic banking industry, which uses offshore financial centers, together with the moral doctrines of the Qur'an and Islamic law, to devise alternative "financial" operations and instruments. These alternative operations and instruments, in turn, challenge definitions of finance and economics and concoct alternative "globalized" modernities.

Securitization and the Meaning of Kinship

My contribution comes out of a concern with the unexamined assumptions of the IPE literature, a literature that I have found incredibly helpful to my anthropological pursuits in attempting to write a cultural study of finance. While the IPE literature in political science contains the kind of specificity on the nature of global finance that the sociology and anthropology literature often lacks, it also effects interesting metaphysical sleights of hand in its accounts of capital mobility. A leading IPE scholar, for example, attempts a definition of financial globalization that is admirable for its comprehensiveness yet peculiar—from an anthropological perspective—in the sorts of unexamined equivalencies it draws between different sorts of financial and proprietary entities:

> For our purposes, global finance is assumed to encompass all types of cross-border portfolio-type transactions—borrowing and lending, trading of currencies or other financial claims, and the provision of commercial banking or other financial services. It also includes capital flows associated with foreign direct investment . . . Financial globalization . . . refers to the broad integration of national markets associated with both innovation and deregulation in the postwar era and is manifested by increasing movements of capital across national frontiers. The more alternative assets are closely regarded as substitutes for one another, the higher the degree of capital mobility. (Cohen 1996, 269)

This definition, while breathlessly all-encompassing, depends on the ultimate convertibility of different forms of property into one another. Indeed, convertibility and substitution form the cornerstone of his measure of capital mobility: "The more alternative assets are closely regarded as substitutes for one another, the higher the degree of capital mobility." But what are the processes that make the objects of property at issue able to be converted into one another, or able to be converted at all?

At one level, this is an obvious question with an obvious answer. The most important process enabling convertibility is securitization. Securitization refers to the abstract division of objects of property into intangible "shares" represented by pieces of paper or ledger ticks. Elsewhere, I have discussed the history of securitization and the securities clearance process in terms of a shift from metaphors of substance to metaphors of risk in the construction of property (Maurer 1999). Here, however, I want to emphasize that securitization and securities clearance, which allow the kind of convertibility that Cohen identifies as integral to capital mobility, involve a set of technical and procedural norms that make equivalencies among objects of property possible by rendering these objects into the same kind of thing—abstractions of value embodied in imaginary shares.

To people familiar with the division of property into abstract shares, the process of securitization may seem as commonsensical as their belief in paternity or maternity—that a child "belongs" to or is "related to" the woman who bears and the man who begets it. Yet these are cultural conceptions of relatedness (and are closely linked to cultural conceptions of property), and there are myriad ways that people can, and have, imagined the relationship between a child and the men and women who have had a role in its creation (Delaney 1986; Strathern 1988). As post-Schneiderian kinship scholars have argued, we cannot study something called "kinship" without automatically assuming a meaning of kinship that may very well be alien to the cultural worlds we study. The language of bearing and begetting, for example, betrays a host of cultural assumptions about the relationship between a child and its parents and the notions of fatherhood and motherhood that have been central to Western kinship thinking. It assumes that a woman who "bears" a child passively "carries" it, while a man who begets provides the spark of life that animates inert matter to take form into a child. The vision of procreation and relationship entails a vision of cosmology as well, linking intimate conceptions of procreation to ultimate conceptions of a divinely created world order (Delaney 1986).

Although the extrapolation of abstract shares from physical or intangible objects may, like the "facts" of procreation, seem natural and commonsense, it is anything but. The conceptual, technical, and procedural norms of securitization are difficult to grasp, if not utterly alien, in other cultural contexts. This fact can even be deduced from the publications of institutions most invested in the idea that securitization is as natural as bipedalism. The World Bank reports that a main difficulty of financing businesses in so-called transitioning economies stems from lenders' unwillingness to accept certain kinds of collateral from potential borrowers—specifically, movable property held by the prospective borrower such as factory machinery or inventories. "Rather," the Bank writes, "lenders require that the moveable property be placed under their direct control—as if they were valuables in a bank vault or goods in a bonded warehouse" (World Bank 1996, 89). The World Bank then asks, incredulously, "Why is real estate or merchandise in a vault acceptable as collateral, but not livestock, machinery, and inventories?" In spite of people's difficulties with the logic of securitization, however, the Bank proposes the development of legal regimes that permit the "creation of security interests for any person over any thing" (ibid.). Securitization, thus, is simply not obvious or self-evident, and must be imposed.

Systems of securities also generally require sets of institutions to support them, such as a central registry or clearinghouse. "In Bulgaria," the Bank notes, "the priority of a security interest is determined by the date it is agreed to; without a central registry, this can only be uncovered by searching through hundreds of scattered notarial records" (ibid.). Teaching people proper "market-related skills and business know-how"—like "international accounting standards"—is, according to the World Bank, the key to resolving such problems and to strengthening trust and credibility (ibid., 139). What are deeply culturally specific requirements of capitalist societies with political consequences—convertibility into one scale of value, double-entry bookkeeping, accounting as a practice of knowledge, and so on—are here written as universally applicable, rational, commonsense "know-how."

It is this character of securitization and convertibility as commonsense know-how that I want to open up for questioning, for it is these processes that create the objects of global finance and render them capable of a kind of movement. The convertibility of forms of property made possible by securitization and accounting procedures recalls a classic problem in the anthropological theory of kinship, first posed by Edward Tylor (1889) in the late nineteenth century, on the nature of exogamous marriage in so-called primitive societies. Tylor and others after him were perplexed by the system of marriage exchanges they termed "circulating connubium," in which men seemed to exchange their sisters with other men for the purpose of marriage. Claude Lévi-Strauss's famous book *The Elementary Structures of Kinship* (1969) claimed to "solve" the problem of circulating connubium by positing a neat and parsimonious explanation for the process, rooting it in the universality of the incest taboo and, rather explicitly, in the presumed universality of classical economics:

> Generalized exchange establishes a system of operations conducted "on credit." A surrenders a daughter or a sister to B, who surrenders one to C, who, in turn, will surrender one to A . . . Consequently, generalized exchange always contains an element of trust . . . There must be the confidence that the cycle will close again, and that after a period of time a woman will eventually be received in compensation for the woman initially surrendered. The belief is the basis of trust, and confidence opens up credit. In the final analysis, the whole system exists only because the group adopting it is prepared, in the broadest meaning of the term, *to speculate.* (Lévi-Strauss 1969, 265; emphasis in original)

As feminist anthropologists have argued, Lévi-Strauss took for granted the following suppositions: that the value of any woman is identical to the value of any other woman; that the value of any woman inheres in the woman and is not a product of the exchange; and that women can be objectified as pieces of property (Rubin 1975; Collier 1988, 227). On what does that equivalency, inherent value, and objectification rest? Jane Collier writes:

> Lévi-Strauss alludes only to women's sexual attractiveness and to their performance of necessary tasks in societies where labor is divided by sex

> (Lévi-Strauss 1969, 37–41). But the question is not What are women good for? Women—and men—do useful work and are sexually desirable . . . Rather, we should ask why, given their . . . attractiveness and usefulness, men and women do not just get together and live happily ever after. (Collier 1988, 227)

They do not, because men have rights in women that women do not enjoy in men or in other women. The question becomes, then, why do men come to have those rights in their female kin? (ibid.). As Collier summarizes, Lévi-Strauss "takes for granted what is most perplexing: that people can have rights to objects or objectified others in the first place" (ibid.).

Just as Lévi-Strauss (1969) wrote elaborate algebraic analyses of the wandering wombs in the "circulating connubium" of marriage exchanges without interrogating the categories of exchange, woman, and marriage his analysis rested upon, so analysts of globalization seek to explain the impacts of global movements of money, goods, people, and ideas without interrogating the metaphysics of "movement" and of the "objects" being moved.

Another assumption of Lévi-Strauss's analysis is that persons precede relationships. Marilyn Strathern and Michelle Rosaldo have gone to great lengths to demonstrate how the Western liberal logic that posits individuals first and social relationships second simply does not hold for people who imagine themselves as constituted through their relationships with past and present others (Strathern 1988; Rosaldo 1983, 1984; cf. Leenhardt 1979). As Strathern writes:

> Far from being regarded as unique entities, Melanesian persons are as dividually as they are individually conceived. They contain a generalized sociality within. Indeed, persons are frequently constructed as the plural and composite site of the relationships that produced them. The singular person can be imagined as a social microcosm. (Strathern 1988, 13)

"Transparency" is also a key word in contemporary political rhetoric of democratization, and usually entails little more than the notion of free and fair elections and a clear separation of powers. Confidence, trust, and credibility are bound up in and expected outcomes of transparent political processes and institutions. And confidence, trust, and credibility are the goals of transparent economic practices. The interconnection between political and economic transparency was brought home in a speech given by Aburizal Bakrie, the chairman of the Indonesian Bakrie Group conglomerate, during that country's financial crisis in the late 1990s. As reported in an article in the *Jakarta Post* titled "Transparency Vital to Restore Trust," Bakrie, discussing the restructuring of his own company, stated:

> There are many questions from foreign fund managers about political transparency. And I believe the government can accommodate such concerns . . . And I also believe that, in the future, transparency at the economic and corporate level will also improve because the current crisis will teach all of us about the importance of it . . . This crisis is a blessing in disguise. (*Jakarta Post*, December 20, 1997, 12)

Other newspaper articles from this period of financial crisis echo this theme, with headlines such as: "A New Crisis in Asia: Now It's Confidence" (*International Herald Tribune*, Singapore edition, December 22, 1997, 1). In Indonesia (and elsewhere) transparency has meant confidence and trust, and more specifically, the idea that confidence and trust in a government will result in confidence and trust in a national currency or national economy, and vice versa. The daughter of Indonesia's former president, Suharto, initiated a "grassroots" movement to restore trust and faith in the Indonesian currency, the rupiah, through an act of love:

> The head of the Golkar party, Haji Siti Hariyanti Rukmana [oldest daughter of Suharto], who is known more intimately as Mbak [big sister] Tutut, has said that she is prepared to begin a "love the rupiah movement" to help the government overcome the monetary crisis.

> "If you say that society needs an example, well, I am ready to start this movement. Okay, let's begin!" said Mbak Tutut in the People's Representatives Hall, Thursday, January 8, 1998.
>
> Supported by her husband, businessman Indra Rukmana, the oldest daughter of Suharto also said that it is proper for the whole Indonesian nation to follow this pioneering action of the "love the rupiah movement," in a sincere, desiring, and free manner, so that the people will exchange their dollars for rupiah as soon as possible.
>
> There is no excuse for all the people and civil servants, businessmen, and reporters not to follow this action of the "love the rupiah movement." Businessmen must pay for their entire stocks in rupiah, officals should set an example of loving the rupiah, and reporters should write so that the people will love the rupiah, she said.
>
> What is the concrete form of this "love the rupiah movement"?
>
> "Well, to invite society so that within their own awareness they will choose to use the rupiah over the dollar. So whoever really has dollars, right away change them into rupiah. I guess that's what's meant by the 'love the rupiah movement,'" she said. (*Surya*, January 9, 1998, trans. Tom Boellstorff)

The link between accounting transparency and political transparency is specific only to certain places, and contains implicit narratives of origin. These origin narratives, which differentially evaluate political and economic practices based on their presumed starting point, validate some places but not others, setting up a world in which some places need more transparency (or more love) than others, for good credit ratings and hence loan eligibility, because their creditability is always already suspect. These narratives of origin put a spin on the objects of property that, like the spin of an electron, introduces instability, randomness, unpredictability, and risk. This is the risk of instability inherent in a world where all "development" means is securitization and accounting transparency, and where all "democracy" means is elections.

Offshore Finance: Pushing the Metaphysics of Mobility

Thus far, I have been outlining an official discourse of transparency, risk, and stability in international finance that, to many, and certainly to readers of the financial press, is simply common sense. I do so, however, to highlight its specificity and peculiarity. There is more to capital mobility than convertibility; there is, first of all, the magic of accountancy that renders certain activities, like securitization, "transparent." There is also the odd configuration of transparency itself, an interesting metaphor for a practice that supposedly produces a seeable, verifiable economy, yet one guided by an "invisible" hand. Finally, there is the link between economic and political transparency confirmed by such technical, bureaucratic practices as bookkeeping and ballot counting (see Coles 1997), which, in their own magic act, create confidence and trust and ensure future credibility. What happens, however, when the procedural norms and techniques of confidence, trust, and credibility are put to new purposes? What happens when they are rejected entirely, or reformulated, or redefined and given new origin points?

The offshore financial services sector provides one case of putting procedural norms and accountancy techniques to new purposes. Offshore finance points up the limits of the accounting rituals by so nicely demonstrating that the line between shady and sound dealings is incredibly difficult to draw. It also highlights an extreme logical extension of capital mobility that IPE scholars and others involved in globalization research have not really grappled with, and which seems to make the world today quite different from the world of Rosa Luxemburg.

Offshore finance trade publications list a number of Caribbean jurisdictions as tax havens (see Ginsberg 1991; Cornez 1996; see also Maurer 1995a, 126–27 for a comprehensive list of world offshore financial service centers). Many of these jurisdictions, of course, are not full-fledged "service centers," with accountancy, legal, and financial offices and workers ready to help businesses and individuals conduct their affairs "offshore." Rather, most are simply jurisdictions with tax codes that favor foreign investment. Some do so merely by offering lower corporate tax rates than the United States, the United Kingdom, and other countries, and so are true "tax havens." Others market themselves as offshore financial service centers and have encouraged banks and accountancy firms to set up shop within their territories. They have also crafted legal and regulatory apparatuses to enable certain kinds of specialized services unavailable "onshore," or to enable special kinds of "investment entities" such as offshore trusts and "international business companies"—mostly of the "brass-plate" variety.

Mainstream economists tend to evaluate offshore finance in terms of its benefits to the tax revenue base of offshore jurisdictions and its harm to onshore jurisdictions (see Hines and Rice 1994). They do this, however, based on the erroneous assumption that offshore financial service centers make money from foreign direct investment, or from taxes on corporate earnings. Economists also measure the impact that offshore financial services have on tax revenues "at home," in the onshore jurisdiction from which offshore money originates. They rarely examine the phenomenon of offshore finance from the point of view of the countries offering the services, or ask what it means to a country to be a tax haven.

Many Caribbean governments make money from the fees that they charge for their services, not from taxes they collect. In the British Virgin Islands, for example, individuals or corporations can create an "international business company" (IBC) domiciled there for a onetime incorporation fee of U.S. $300 and an annual licensing fee of U.S. $300. Such IBCs usually exist for a short time only, generally for the duration of a particular transaction a company wishes to conduct "offshore," and are then dissolved. Dissolutions are announced in the local newspapers, whose back three or four pages are always full of "voluntary liquidation" notices. Many IBCs come into and go out of existence during the course of a week, and so the revenue generated from fees can become considerable. In 1992, out of a total British Virgin Islands government revenue of U.S. $54 million, the offshore financial services sector contributed

U.S. $21 million, outstripping tourism for the first time in the islands' history (Meyers 1993; Maurer 1995b, 227).

Although it is frequently cast as marginal and shady, offshore finance is an integral part of financial globalization. The period from 1970 to 1990 has been characterized as a period of competitive deregulation in the world's financial markets (Cerny 1994). It is the same period to which David Harvey (1989) and others trace post-Fordist production strategies and niche marketing, just-in-time production, and flexible specialization. This is also the period during which many states set themselves up as offshore financial centers, rewriting their banking and finance regulations to cater to flexible accumulation strategies and to the Eurocurrency markets. At the same time, deregulation in the United States in the 1970s and in the United Kingdom in the 1980s led to new kinds of financial instruments. In the 1970s, for example, the United States ended rules governing stock brokers' commissions; this led to increased competition among brokers, who attempted more speculative and innovative investment mechanisms. In 1986, the United States Federal Reserve Board enacted Regulation Q to prohibit U.S. banks from paying interest on short-term deposits (Roberts 1994). Regulation Q made securities more attractive than loans against bank deposits, and so boosted the securities market. It also made the Eurocurrency market more attractive. Because tax haven jurisdictions are spread across the globe, in between the major onshore financial centers, offshore financial service centers could function as intermediary stepping-stones for companies interested in investing in the Eurocurrency markets, and for any company or individual interested in keeping money "moving" from time zone to time zone throughout the day (ibid.). Deregulation in the 1980s and 1990s, meanwhile, expanded finance to consumer markets through credit cards (issued by banks as well as nonbank entities and corporations), mutual funds, and retirement accounts.

As Susan Roberts argues, "changes in the international financial system cannot be understood except as operating through . . . distinct spaces" such as offshore financial services centers (ibid., 237; see Leyshon and Thrift 1997). Post-Fordist flexible production strategies have gone hand in hand with flexible financing, made possible by regulatory change in the major banking centers, the rise of nonbank financial entities, and the development of offshore centers as nodes in capital networks necessary to the financing of multinational production and business. These capital networks have expanded as a result of increasing disparities of wealth around the world. Extremely wealthy individuals seek out private banking services, corporations seek out means of getting capital to transnational arms of their operations quickly and efficiently to finance just-in-time production strategies, and individuals and corporations alike seek out means of insulating profits and assets from taxation, nationalization, or sudden exchange rate changes. (In describing these networks of capital, one must also mention the contribution of capital from illicit trade in drugs, arms, microchips, compact disks, and more mundane goods; see Maingot 1995.)

In a world where "capital" can be "mobile," offshore finance represents an example of pushing the limits of the standard procedures that create "capital mobility." In doing so, it troubles the boundary between licit and illicit practice, and highlights the contingency and instability of contemporary configurations of "capital" and "mobility" themselves. It also, of course, obscures the "transparency" that accountants are looking for and producing in the act of corporate accounting. After all, muddying transparency is the point of offshore finance in the first place. And yet, as Roberts has argued, offshore finance is vital to the "normal" functioning of the international financial system, whose hallmark is supposed to be its seeability, its transparency.

Islamic Banking: Redrawing the Objects of Property

Islamic banking is my second example of alternative financial operations. It provides a case of rejecting and redefining the technical procedures that produce "transparency." It does so by stating, essentially, "Those practices of transparency are actually rather opaque, and we've got better, more transparent, more self-evident practices to offer." Islamic banking arose during the same time period that offshore finance took off, and, indeed, the two are interrelated, for Islamic banks at first found few places with the legal apparatus that would allow them to incorporate, and so many incorporated in such offshore jurisdictions as Luxembourg and the Bahamas (Khan 1987). Their growth was aided by the fact that several jurisdictions with a majority Muslim population had also become offshore centers in their own right, such as the United Arab Emirates, Bahrain, and Brunei (Montgomery 1997).

Islamic banking proceeds from the Qur'anic injunctions against usury and interest, or *riba*, and from specific conceptualizations of uncertainty and risk. Because, according to religious doctrine, "risk and uncertainty are inherent in the Universe in which God has placed us, it is immoral to off-load any part of your personal share of risk onto someone else" (Gambling 1987, 324; Gambling and Karim 1986). Islamic banking also proceeds from precepts about social responsibility and an imagined community of Muslims who act for the betterment of the *umma* (world community of Muslims). Commitment to the *umma* is enforced through the practice of religiously mandated almsgiving (*Zakah*).

Although its roots can be found in modernist movements within Islam and a small number of key texts written as the postwar international financial system was being crafted (Qureshi 1945), Islamic banking boomed immediately after the 1973 OPEC oil price rise, and found form in a number of very diverse efforts on the part of religious leaders, financiers, and politicians from North Africa to Indonesia (see Khan 1987; Siddiqi 1983; Meenai 1989). One of the earliest and most successful Islamic financial ventures took the form of the Islamic Development Bank (IDB), which sought to compete with the International Monetary Fund in providing funds for development projects in the Muslim third world (Meenai 1989; Wilson 1990). Several Islamic republics have attempted to Islamize their banking systems completely (Iran, Pakistan, the Sudan, Brunei), with varying degrees of success. Because world Islam is characterized by debates among numerous schools of Islamic law, Islamic banking practices are quite diverse. But the underlying principles about *riba* and the *umma* are constant across these different endeavors, and Islamic bankers have devised a common tool kit of procedures, accounting practices, and investment instruments across various jurisdictions.

Two aspects of Islamic banking bear on the argument at hand. First, accounting scholars involved in Islamic banking have created an origin narrative for their practices that challenges the historiography of double-entry bookkeeping. In so doing, they have authored an alternative history for Western capitalism, and a justification for a global Islamic capitalist system. They do not appeal to "tradition" but rather to an alternate modernity, one that developed from modern, rational precepts of an ever-evolving Islamic law (Ray 1995; Hameed 1997). In essence, these accounting scholars call the bluff of the magic of Western double entry by stating that the Western "inventors" of double entry, such as Luca Pacioli (see, e.g., Littleton and Yamey 1956), got it wrong by ignoring the moral aspects of accounting practice and masking their own normativity (Hameed 1997; Gambling and Karim 1986, 1991; Khan 1994).

The cornerstone of Islamic banking is the Qur'anic injunction against interest, or *riba*, embodied in various verses of the Qur'an:

> Those that live on usury [*riba*] shall rise up before God like men whom Satan has demented by his touch; for they claim that trading is no different from usury. But God has permitted trading and made usury unlawful. He that has received an admonition from his Lord and minded his ways may keep his previous gains; God will be his judge. Those that turn back shall be the inmates of the Fire, wherein they shall abide for ever. (2:275)
>
> God has laid His curse on usury and blessed almsgiving with increase. God bears no love for the impious and the sinful. (2:276)
>
> Believers, have fear of God and waive what is still due to you from usury, if your faith be true, or war shall be declared against you by God and his apostle. (2:278)
>
> Believers, do not live on usury, doubling your wealth many times over. Have fear of God, that you may prosper. (3:130)

> That which you seek to increase by usury will not be blessed by God; but the alms you give for His sake shall be repaid to you many times over. (30:39)

Scholars also cite a story from the Hadith about cost accounting when loans are made in kind: "Should a measure of wheat be paid back as a measure of wheat, or should one pay the market-equivalent of what was borrowed?" (Gambling 1987, 323). Muhammad's answer, and Islamic banking practice, confirms "measure for measure" as the appropriate and ethical course of action.

Measure for measure suggests two problems for Islamic banking: First, how to account for the time value of money? And second, how to make Islamic banking profitable? The time value of money turns out to be a nonissue. It only makes sense in a world where people believe that the charging of interest is, first of all, possible, and second, of no moral consequence. It hinges on the belief that the historical cost, from which interest is calculated, has meaning in and of itself. Gambling thus wonders "whether the pure time-value of money exists as a real phenomenon" or is "simply an anthropocentric device which 'explains' the ritual of taking usury." As he puts it, "we are able to make our concept of interest operational because we have the necessary sacramental machinery" (ibid., 324). As anthropological "natives" and Western historical figures such as Aristotle and Martin Luther have pointed out, those sacraments are mysterious indeed (Taussig 1980). Islamic bankers, for their part, argue that Western rituals of interest are obscure and difficult to see, whereas a system based in the "measure-for-measure" dictate of the Prophet is easy to see. Islamic banking is thus "more" transparent than Western banking.

What of profitability, for Islamic bankers are not just in the business for their souls? Islamic banking has invented new instruments for economic and moral purposes. They are not "financial" instruments in the Western capitalist sense, or in the sense that IPE scholars mean when they talk about capital mobility. Again, although practices vary widely across jurisdictions in accordance with disputes in Islamic law, there are about five alternative instruments that span the global Islamic financial markets. These provide alternatives to interest in order to mobilize funds for productive and other economic activities. *Musharaka* is a profit-and-loss sharing (PLS) system in which the financing bank is a partner and shares in management, with profits being divided according to a preset, agreed-upon ratio. Losses are shared, too, based on equity participation (Khan 1987). *Mudaraba* is a similar PLS agreement, in which one party provides finance and the other provides management. Here, profits are also shared according to a pre-agreed ratio, but losses are borne by the capital provider. *Murabaha* is a "cost plus margin of profit" agreement (Karim and Abdel 1990, 299) in which a bank purchases goods desired by a client who resells them at a markup so that both parties can profit (Martin 1997). *Ijara* is a leasing agreement in which the financing partner purchases equipment and leases it to the productive partner. Ownership is retained by the bank, and the lease duration and fees are agreed to in advance (ibid.). Finally, *Ijara-wa-igtina* is a lease/hire agreement in which the client is committed to purchasing the equipment financed by the bank at a pre-agreed price after the lease has expired.

The incommensurability between Islamic banking practices and the capital accounting required by institutions that charge interest provides the main reason that Islamic banking cannot easily incorporate in most Western jurisdictions. For such institutions, as Bank of England governor Robin Leigh-Pemberton put it, Islamic banking violates the principle that depositors have "capital certainty as to their original deposit, or certainty as to the return on it" (quoted in Rudnick 1992, 24). But, as partisans of Islamic banking maintain:

> Those accustomed to the Western approach to such matters may find it difficult to appreciate that matters of income recognition and the valuation of assets and liabilities can be moral and hence essentially theological issues. Western-style accounting standards assume the existence of a common (utilitarian) ground for all economic decisions, expressed in terms of economic theory. In fact, economic theory is an atheistic and

> amoral 'faith,' which demands the same quality of belief in its own particular assumptions about the nature of the Man and the Universe, as other religions demand for contrary propositions. (Gambling, Jones, and Karim 1993, 200)

Furthermore, they write, "The latter 'revealed' propositions can be made the basis for an accounting theory" (ibid.). Indeed, in 1990, Islamic banks established the Financial Accounting Organization for Islamic Banks and Financial Institutions (FAOIBFI) to create a set of accountancy standards and procedural norms for Islamic financial operations accounting (ibid.; see also Karim and Abdel 1990). The FAOIBFI works together with the Sharia Supervisory Board (SSB) of each Islamic financial institution, which consists of religious advisers who evaluate everything from investment decisions to the proper calculation of *Zakah* (Karim and Abdel 1990). Karim and Abdel note that, at first glance, the apparent laissez-faire approach to accounting practice—with each SSB coming up with its own procedures in accordance with its own interpretation of Islamic law, all under the rubric of the FAOIBFI—might appear similar to accounting policy in the United States during the period of deregulation in the 1970s and 1980s. However, because the "SSB is supposed to make sure that accounting practices do not violate the Sharia," "neither the management nor the auditor has the freedom to choose the accounting procedures which they prefer in preparing the financial statement of the bank. Rather, these accounting practices have to be *chosen* from and *justified* with reference to the Sharia" (ibid., 301; emphasis in original).

By now, there is a host of material on various means of accounting for Islamic finance (e.g., Harahap 1997; Hameed 1997; Khan 1994; Pomeranz 1997; Badawi 1986). In a system based on complicated PLS and leasing systems, whole budget lines must be added to banks' ledgers, such as inventories and leasing agreements, and, in addition, an account must be made for determining the "social cost and benefit" of any financial venture to the *umma* for the purposes of levying *Zahah*. Some advocate more "narrative accounts" and a move away from the balance sheet, again, rendering accounting practice in Islamic banking "more transparent," and more accessible to those lacking the specialist's knowledge, than "Western" accounting.

Conclusion

My purpose is not to trumpet the cause or hold Islamic banking up as some kind of wonderful and morally acceptable alternative to the sort of rapacious free-market capitalism that characterizes the early twenty-first century. It bears repeating that Islamic banking and the offshore financial sector share more than a place in my analysis; they are also interlinked practices operating apart from, but also deeply within, the international financial order. And, as the Bank of Credit and Commerce International (BCCI) scandal in the early 1990s should remind us, implicated as it was in offshore and Islamic practices (Temple 1992), these practices have serious criminal potential, whether criminality is defined in terms of financial fraud and white-collar crime or as an abrogation of responsibility to the social good.

However, in pushing the limits of capital mobility, on the one hand, and rewriting the script from the ground up, on the other, offshore finance and Islamic banking cast a shadow on IPE and other globalization literature. They should lead anyone invested in globalization—as active and happy participants in the expansion of "free" markets, or as academics making a living from their critique—to examine critically their own assumptions. They should cause us to highlight the practices and norms that go into the concoction of the objects of property and mobility we often take for granted, and to which we often grant their own ontological status to guide and move us like an invisible hand transparently traversing new terrains of globalization.

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Globalization under Construction

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