

Signs of the Apocalypse

**Baudrillard and the
Simulacra of Money**

by Ushi Krausz

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Reviewed by Eyal Dotan

The day of the largest bankruptcy in world history was also the day on which a new record was set for the most profitable public auctioning of works by a living artist. These two momentous events took place on September 15, 2008, one in the New York Stock Exchange, the other in Sotheby's London. In the case of the former, Lehman Brothers, the fourth-largest investment bank in the United States, crashed, its stock plummeting, erasing tens of billions of investors' dollars virtually overnight. It was a breach of confidence of devastating proportions. No nightmarish scenario seemed too impossible, no company too strong to collapse. The following week, the paranoia led the financial market to a full-blown global melt-

down, and the worst economic crisis since the Great Depression of 1929 set in. An entirely different atmosphere pervaded the public auction of the work of British artist and *enfant terrible* Damien Hirst, however. Two hundred twenty three of his new pieces were sold for an unprecedented sum of almost \$200 million, making their creator the wealthiest artist in the world today. The main attraction that evening was a work entitled *The Golden Calf*: an enormous glass tank on a podium of polished white marble, and inside a large calf, preserved in formaldehyde, its horns and hoofs cast in gold. This work alone was purchased for a staggering \$18 million.

What are we to make of this curious coincidence, the intersection of the greatest bankruptcy and the greatest art auction in history? On an individual level, at least, the connection between these two events is self-evident: They involve the same milieu. Among the ranks of buyers outbidding one another for Hirst's works were hedge-fund CEOs and top investment bankers—precisely the

individuals who were responsible for the financial catastrophe. It is in the nature of capital to migrate, after all. The few who had the foresight to bet against the market or extract their money in time retained a hold on their overstuffed purses. Most of them chose to invest in gold; the connoisseurs purchased Damien Hirst.

The bursting of the subprime bubble became the finest hour for economic experts. A tsunami of mavens and authoritative savants flooded the media, including analysts, financial consultants, managers, former traders, professors of finance and economics, legal experts, and journalists. Each had his own perspective and ready-made answers to the big questions: Could the crisis have been averted, or at the very least minimized? Who, if anyone, was responsible for its eruption? And how long could it be expected to last?

Compelling as they may be, most explanations for the breakdown of the global market are confined to the economic field. As such, they are of little use to anyone seeking to understand the larger picture, in which capital crises are an important—but certainly not exclusive—component of the matrix of contemporary reality. Today's intellectual climate, however, neglects the macroscopic in favor of the microscopic. The superabundance of phenomena and stimuli to which

we are exposed, exacerbated by current web technology, would appear to thwart any attempt to formulate a panoramic view of the various spheres of human existence—such as, for example, the art and stock markets.

Very few intellectuals have managed to assume this seemingly impossible task with any success. Regrettably, the French critic Jean Baudrillard is no longer among them; he died in 2007. Still, if any theoretician was able to shed new light on the recent financial calamity and situate it within its broader cultural context, it was he.

Jean Baudrillard was one of the most outstanding and prolific cultural critics of our time. Beginning in the 1970s, his copious writings, scholarly articles, and media appearances were an unending source of both provocation and insight, garnering enthusiastic support and scathing criticism alike. Unlike many of his colleagues, he was never an elitist: He found popular culture fascinating, and devoted more attention to technological innovations than to the etymology of obscure Latin phrases. He belonged to that rare breed of intellectual who is able to discuss just about anything, without boring the reader or becoming repetitious. Baudrillard set out as a Marxist and wound up a hyper-nihilist, but above all, he is regarded as the postmodern

thinker *par excellence*. Though he spent the better part of his life in France, Baudrillard is better known in the United States, which he always regarded with a mixture of fascination and revulsion.

Baudrillard was first and foremost a diagnostician of society and contemporary culture. His later writings dealt extensively with the World Wide Web, terrorism, mass media, and globalization. He carefully enumerated the symptoms that characterize each of these phenomena—some plainly obvious, others hidden and evasive—and then expertly tied them together. Never did he pretend to offer solutions or courses of action. Indeed, Baudrillard was a pessimistic observer: The human subject he described was a creature unable to fend off the pressures of the system, passive and helpless, tossed violently to and fro in a turbulence of stimuli, signs, and codes.

Presumably, most economists—to say nothing of those with just a lay interest in the field—have never heard of Baudrillard. It is thus fortunate that Ushi Krausz, a lecturer on the philosophy of economics at Tel Aviv University, has written *Baudrillard and the Simulacra of Money*. The book not only introduces the reader to Baudrillard's philosophy, in particular his unique theory of semiotics, but also seeks to bridge cultural criticism

and economic discourse. Considering the scarcity of theoretical discussions of this sort, the task Krausz sets for himself is laudable. Sadly, though, its execution leaves much to be desired.

More than any other intellectual, Jean Baudrillard is known as the thinker who formulated, in a particularly provocative way, the postmodern view of reality. Broadly speaking, his philosophy is founded on the premise that we are unable to apprehend "truth" or "reality" in a direct and unmediated manner. The world appears to us first and foremost through *signs*; in fact, these signs are so pervasive, they cannot be distinguished from the real-world objects they supposedly represent. If in the past man lived in a cosmos of fixed and permanent meanings, an inseparable part of the order of things, in the postmodern age these meanings have lost their hold on objects and have become more fluid than ever, emerging and vanishing with every fleeting fad, sociopolitical need, and economic interest. This is how Michelangelo's famous scene on the ceiling of the Sistine Chapel, the sublime moment of God's contact with man, could be enlisted in Nokia's pretentious marketing campaign: All images, even the most sacred, are raw material one can sever from their original context and insert

into an entirely new setting. The mobility of the sign, the reencoding of every value and every meaning, is one of the most salient characteristics of the hyper-capitalist society.

Much of Baudrillard's thought revolves around the concept of *simulation*. The term, generally associated with scientific and technological jargon, is for Baudrillard the founding principle of postmodern life. Simulation, he argues, is ubiquitous.

In theory, every simulation should resemble some source. Nevertheless, there are two types of simulation, differentiated by the nature of the source they purport to simulate. The first type is simulations that are "faithful" to some preceding, real-world source. When no such source exists, however, we encounter a second type of simulation, one that Baudrillard terms a "simulacrum." This kind of simulation creates its own source.

An obvious example of a "faithful" simulation is a flight simulator. This device, which is used to train pilots, is supposed to recreate the experience of a real flight accurately, and in full detail. Another example is the medical process known as virtual catheterization, which uses a CT scanner to create a precise three-dimensional image of the heart and its arteries. Likewise, the modern food industry produces items that are nutritionally depleted simulations of the original

food. "Meat" is manufactured from a mixture of certain substances that may once have been animal or vegetable but have since undergone heavy processing. The resulting compound is something entirely new, insipid and bland, engendered in a factory; the "original" taste of the hamburger or chicken nugget is achieved by synthetic flavorings.

The simulacrum, which does not correspond to anything in the real world, has become even more widespread in our time: We take greater interest in constructing reality than in imitating it. Simulacra invent themselves out of models, conventions, narratives, and formulae. Their ties to "reality" are loose, sometimes even consciously parodic. The reality-show genre is a perfect example. Presumably, television shows like *Big Brother* or *Survivor* imitate real-life situations (such as being secluded in a closed space or on a desolate island), when in fact they depict party games carried out under controlled laboratory conditions. A far more impressive simulacrum is James Cameron's sci-fi blockbuster *Avatar*. The film's mass appeal can largely be attributed to its having created—successfully—a three-dimensional image of the planet Pandora, and animating that image so as to allow viewers to experience it as an actual place. Of course, Pandora is completely

fictitious; it is entirely the product of Cameron's creative imagination, and the advanced CGI technology he employed. Yet ironically, *Avatar*—perhaps the most sophisticated simulacrum ever produced in film—boasts a more realistic look than most of the nature movies filmed on planet Earth. That it was a box office juggernaut says something about the consumer appetite for simulations that are not grounded in any real-world origin.

Popular culture is not the sole producer of sourceless simulations. Simulacra have made their way into every aspect of our lives. They thrive, for example, in politics, which present us with public figures who dare not veer from the images created for them by PR experts; they also pervade genetic engineering, which aims to design life forms hitherto unknown. The influence of the simulacra goes as far as the strategic command centers of the nuclear superpowers. Baudrillard reminds us that the operational structure of these centers and their deployment of ballistic missiles are determined according to a doomsday scenario that never actually took place—and, one hopes, never will. The global economy, in contrast, recently underwent a real apocalyptic event, and in this drama too, as we shall see, simulacra fulfilled a critical role.

Money was one of Baudrillard's central interests. He called it an "evil, seductive object," and discussed it at great length, though never systematically. For Baudrillard, money is the quintessential simulacrum—perhaps the most paradigmatic, and probably the most important.

The advent of money was preceded by a barter economy, which suited the tribal lifestyle of hunters and gatherers, but was inadequate to the needs of larger and more complex communities. As commerce developed, one specific commodity, such as salt or gold, became the primary means of payment. This commodity could be accumulated and used, when necessary, to purchase other goods. Money first appeared as the ancient civilizations (China and India in the East, Asia Minor and, later, Greece in the West) began minting gold and silver coins. In many respects, this was a critical stage in the development of the simulation: The coin already simulates a predetermined value, not the specific object that may be purchased with it. And yet, even this system of trade, which lasted many hundreds of years, eventually hit an impasse. For a number of practical reasons—the difficulty of carrying out large-scale deals in such a cumbersome manner, for instance—markets adopted a new method of payment, in the form of currency notes. Paper money

represented a certain amount of actual gold that was held in coffers. That is to say, the notes functioned as a simulation of gold, which was itself a simulation of a fixed, real value. At that point in history, money and commodities were held in a one-to-one ratio; there was no more money than there were commodities—or, to use contemporary terms, money did not exceed the gross domestic product. The simulation was, by and large, a faithful representation of reality.

But then, credit was invented. The institutions in charge of issuing currency notes—banks and states—soon understood that they could loan out more money than the gold they effectively held in stock; after all, it was improbable that they would ever be asked to redeem the entire sum. From then on, a percentage of the paper bills was not really covered. Money came to represent both actual gold and phantom gold, which was no more than a promise.

The birth of credit proved to be a stimulus for trade and a driving force in global economic processes. Stock markets, which began appearing in major European cities as early as the eighteenth century, grew at an astounding rate over the course of the subsequent two centuries. Beginning in the 1930s, markets were controlled by strict domestic regulations that prevented the extension of excessive

credit. All that changed in 1971, when the United States gave up its gold standard, thereby releasing money from any contractual obligation to reality. After that, there was no need even for phantom gold; the value of currency was determined in relation to other currencies.

Thus was money gradually abstracted: From its initial form of salt it became gold and gold coins, then currency notes, and today is no more than a collection of encoded bytes in the banks' titanic computers. Money's new, non-material form makes it easier to transfer and reconfigure. Market deregulation has allowed for exotic financial instruments to flourish unchecked. Add to this the new computing and automated trading technologies, followed by the appearance of the Internet, which has considerably eased international commerce, and what you get is a recipe for an inflated bubble—a credit bubble, to be exact.

Indeed, a closer look at the derivatives market (i.e., financial instruments such as options or future contracts, whose value is derived from some original or “underlying” asset) reveals almost inconceivable numbers. The original value of the entire derivatives market, which first appeared in 1988, was calculated at \$865 billion. In time, it not only swelled to catastrophic proportions,

but also became exceedingly creative and complex. New instruments were devised that were, quite simply, too sophisticated, further hindering any attempt at regulation and supervision. In 2008, the year Lehman Brothers collapsed and Damien Hirst touched the sky with his *Golden Calf*, the derivatives bubble had swelled to a fantastic \$403 trillion—six times the gross national product of the entire world.

Baudrillard, who had anticipated the creation of a derivatives bubble back in 1988, also foresaw that the world would not let it burst. When the debt becomes too big, he maintained, we banish it to virtual outer space, and there we let it remain, an orbiting, frozen catastrophe. This is precisely what happened when AIG ran into trouble: So astronomical were the losses of the insurance giant that its collapse threatened to bring the entire financial industry down with it. To avert such an unthinkable catastrophe, the United States government took AIG's enormous debt upon itself. Other countries did the same, stepping in to assist their largest financial institutions. The use of public funds to save private businesses outraged many, but the thought of the alternative absolutely terrified decision makers. National banks understood, almost too late, what Baudrillard had grasped dur-

ing the late 1980s: The credit bubble must not be allowed to burst, just as nuclear weapons must never be used. In both cases, the powers that be must do everything possible to prevent the nightmare from becoming a reality.

B*audrillard and the Simulacra of Money* is a relatively slim yet ambitious volume. In 199 pages Krausz endeavors to review the history of money from Antiquity to today's stock-market economy. In contrast to the two leading theoretical approaches to the issue—namely, metalism, which argues that money represents real goods, and chartalism, which perceives it as an abstract commitment between the country and its citizenry—Krausz posits the Baudrillardian point of view, which regards money as a simulation gone berserk. Baudrillard's theory of money is never systematically outlined, but is rather dispersed throughout his writings. Krausz reconstructs this theory (albeit, as we shall see, incompletely), and uses it to explain not only the history of money, but also its tempestuous present. The great advantage of Baudrillard's theory, Krausz notes correctly, is that it does not negate either metalism or chartalism, but instead integrates them into broader sociocultural trends. In this sense, the analysis of monetary phenomena does not limit itself to the field of

economics, but becomes an important branch of semiology.

Given the importance of the subject, it is only regrettable that Krausz's book is so typically academic, that is, largely inaccessible to readers who are unversed in the theoretical jargon. In general, the more lucid sections of the book are those devoted to monetary history and the structure of the stock market, whereas the more obscure, scholastic sections deal with Baudrillard's theory. Here is one sentence, demonstrating the problem: "The world of the screen is an example of a practice which the signifiers have taken over, excluded the signified, and created what has been termed in previous chapters the semioto-material ontological middle of signifiers without signifieds." And this is the unfortunate definition of the most important concept in the book: "The simulacra—the relation that exists between objects and themselves and their semiotic logic, thereby creating the construct of ever-changing reality—are produced by institutions, practices, products, and events, and is the expression and the way in which the human-cultural system operates in every stage." Baudrillard's own prose was far more lucid and reader-friendly.

Moreover, judging by the structure of the book, it is difficult to tell for whom it is intended. About a third of it is dedicated to a tech-

nical economic discussion, another third presents Baudrillard's theory in an accurate, yet somewhat tendentious, manner, and the final third deals with the recent economic crisis. Krausz focuses on the financial sphere, rarely venturing into other areas of human life. In doing so, he forgoes not only a large audience of potential readers, but also a more interesting and fruitful avenue of research.

Yet this is not the only problem with *Baudrillard and the Simulacra of Money*. A cursory reading of the bibliography reveals that the most recent work by Baudrillard cited in the book was published in 1981. As Baudrillard passed away in 2007, and was a prolific writer until the very end, this is a most peculiar omission. In those twenty-six years of writing—completely disregarded by Krausz—the French theoretician published twenty-eight books of no small import. That Krausz does not refer to these books is unfortunate; even if we assume that these "later" works offer no significant contribution to the discussion at hand—and this is hardly the case—a mention of their existence in the first Hebrew book ever written about Baudrillard would not have gone amiss. Consider it a public service.

This lacuna leads to a serious theoretical flaw. That Krausz chooses to

ignore the development of Baudrillard's theory since 1981 severely undermines his argument. The problem is most evident in Krausz's failure to address the seductive nature of the simulation—a key issue in this discussion. For Baudrillard, one cannot understand the development of capital as a paradigmatic case of simulacrum without accounting for its immense appeal. To get at the root of the problem, it is not enough to rehash the usual descriptions of greed and avarice, or the psychoanalytic theories that view human beings as suffering from chronic want that can never be satiated. Contemporary economic models, which do acknowledge the irrational aspect of human behavior, might be able to offer an acceptable explanation for the choices made by individuals, but they are inadequate to explain the behavior of the masses. Their applicability, moreover, is generally limited to economics. A comprehensive account of the dynamic relationship between the subject and the sign demands a more ambitious approach.

Baudrillard's theory of seduction was first expounded in his study *Symbolic Exchange and Death* (1976), and was developed in *Seduction* (1979), *Fatal Strategies* (1983), and *The Spirit of Terrorism: And Requiem for the Twin Towers* (2002). In a nutshell, this highly complex and somewhat

idiosyncratic theory argues that man's primary motivation is not the desire to overcome a lack or realize an ideal, but rather the need to react to challenges and create a relationship of mutual seduction with the world. All the conscious passions and desires we experience emerge at a later stage, and serve as an alibi or indirect playing field for seduction. The collective unconscious and the all-encompassing symbolic network are characterized, essentially, by deceptive interactions, which deviate radically from the expressed intentions of those who use them.

Of course, relations based on challenges and mutual seduction are a stranger to no one. We encounter this kind of dynamic in numerous situations in both private and public life. Relations between the sexes, at different stages in their development, are typically based on seduction. Pretense is also an integral part of the game of poker, in which players lure one another to increase their bets. In reality-television shows, producers routinely encourage participants to undergo an emotional striptease in front of the camera. Decisions by policymakers are often dictated by considerations of public images and media spins, sometimes with blatant disregard for the public good. The same holds true for terrorism: al-Qaida uses simulations just as

politicians, television producers, and marketing advisers do. For terrorists, the panic caused by their violence is far more important than the actual number of victims. They seduce the media into cooperating with them and disseminating the lurid images of terrorism, thereby amplifying the fear and confusion they seek to sow. The 9/11 attacks, for example, were intended as an outrageous offensive, not as an opening bargaining ploy. The masterminds and perpetrators of the act demanded nothing more than the world's attention—and the media willingly acquiesced. Terrorism is constantly seducing and challenging in its effort to achieve its main objective: forcing the system to the point of collapse through a destructive excess of activity.

The aforementioned art auction offers yet another example of the cunning employment of seduction. Damien Hirst took a big risk when he bypassed his usual art dealers and offered hundreds of his new works for sale in a celebrated public auction. Luckily for him, the market responded with enthusiasm. But what would have happened had the sales been slow? What if *The Golden Calf* had not been purchased for an exuberant price? What would such a failure have meant for Hirst's brand name? The play of seduction and challenge

underlies buyer-seller relations, in art as in every other area.

Baudrillard argued that the dynamic of an art auction, in which the asking price ascends in accordance with the seductions and challenges that sellers and buyers pose for each other, is the same dynamic that characterizes global markets. At any point in time, but particularly when the market reaches extreme highs or lows, reason may give way to fear and aversion, which dealers and hedge funds in turn manipulate to the best of their abilities. Anyone who believes that the stock exchange is basically rational and risk-controlled would do well to read Michael Lewis's *The Big Short: Inside the Doomsday Machine* (2010) and *Liar's Poker* (1990) or Nassim Nicholas Taleb's *The Black Swan: The Impact of the Highly Improbable* (2007) and *Fooled by Randomness: The Hidden Role of Chance in Life and in the Markets* (2001); reading these books would, I am sure, shake, if not positively debunk, anyone's faith in the world of finances. The trading room at any large American bank is a battlefield whose warriors are forever setting and evading snares. What motivated the people who devised the impossible financial instruments that rule the market today was not only greed, but the desire to vanquish their rivals and gain the upper hand in the

wildest and most intoxicating of Darwinian struggles.

In 1990, two decades before the subprime bubble burst, Baudrillard wrote in his *The Transparency of Evil*: “There are two art markets today. One is still regulated by a hierarchy of values, even if these are already of a speculative kind. The other resembles nothing so much as floating and uncontrollable capital in the financial market: It is pure speculation, movement for movement’s sake, with no apparent purpose other than to defy the law of value. This second art market has much in common with poker or potlatch—it is a kind of space opera in the hyper-space

of value. Should we be scandalized? No. There is nothing immoral here. Just as present-day art is beyond beautiful and ugly, the market, for its part, is beyond good and evil.” The dramatic events of September 15, 2008—Damien Hirst’s meteoric rise, Lehman Brothers’ horrendous fall—confirm Baudrillard’s brilliant, almost prophetic analysis and make his writing more relevant than ever. Ushi Krausz has performed an important, if flawed, task; the reader will benefit if others follow suit.

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