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Capitalism's traumatic encounter with lack

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Introduction

Žižek insisted on the 'temporal gap between the production of value and its actualization' (Žižek, 2009b [2006], p. 52): 'the temporality here is that of the *futur antérieur*: value "is" not immediately, it only "will have been," it is retroactively actualized, performatively enacted' (*ibid.*). In August 2007, BNP Paribas was caught in this gap when it acknowledged that it did not know what many of its assets were worth. The acknowledgement started a chain of events that led to the public takeover of British bank Northern Rock, the collapse of Lehman Brothers, and the public bail-out of 'the world's largest insurer' (Marks, 2013), AIG. The result was fiscal and monetary crisis in the US, UK, and Europe, as well as widespread unemployment and losses in household wealth.

Against this backdrop, this paper has three key ideas:

- the Global Financial Crisis (GFC) was a traumatic encounter with lack, in which global capitalism confronted a gap at the centre of its chain of signifiers;

- most explanations of the crisis, anything to do with ‘establishing the real value’ or ‘getting back to fundamentals’, should be read NOT as explanations but as symptoms of this encounter; and
- in the panic to re-establish the master signifier, the keepers of global capitalism tossed aside the core of capitalism, and it is not yet clear what the results will be: re-establishment of the situation *ex ante*, a return to a Primal Father, or a turn to the analyst’s discourse.

The arguments will be presented in several sections. First, some background is provided on psychoanalytic theory and the history of the economic crisis. Then, the paper will work through each of the three key ideas, finishing with some thoughts on the future.

Background

Theory

Žižek emphasises the relational nature of value for neoclassical economics: ‘the price of a commodity is simply the result of the interplay between supply and demand: of the commodity’s usefulness with regard to other commodities’ (Žižek, 2009b [2006], p. 53). In Lacanian theory, the value of signifiers is similarly the result of interplay. The idea is that the meaning of a word or a term is established in relation to other words and terms; it is not an absolute meaning but a relative one. Words are therefore slippery, as is meaning. The meaning – the relative position, the difference between signifiers – is always subject to revision. A prime example is the statement, ‘I love you.’ When a husband says this to his wife in the early days of a marriage, she takes it to mean, ‘you are the one for me’. But then, one night, he does not come home, and there is lipstick on his collar and strange charges on his credit card. The meaning of the words changes - ‘I love you’ means ‘I am trying to keep you from suspecting me’. But when did the meaning change? she asks herself. Yesterday, last week, two years ago when I was in hospital? The meaning of past words can be revisited.

Lacan also noted that working backward along any chain of signifiers, there is still an empty place at its origin. There is ‘the empty Master-Signifier and the series of “ordinary” signifiers which struggle to fill in the Master-Signifier with a particular content’ (Žižek, 2009b [2006], p. 37). From Freud, Lacan talked about the Oedipus complex and the function of the cut. Accession into language produces the impression for the subject of being cut off from its essence, as Copjec (1995) described. Thus, the subject’s entry into the symbolic order is

marked by a lack that anchors the symbolic order. Subjectivity revolves around the specific lack that a person perceives, the specific cut that prevents them from being themselves. This is the function of the unconscious. Lacan (1981, p. 22) explained:

> For what the unconscious does is to show us the gap through which neurosis recreates a harmony with a real – a real that may well not be determined. In this gap, something happens. Once this gap has been filled, is the neurosis cured? After all, the question remains open. But the neurosis becomes something else, sometimes a mere illness, a *scar*, as Freud said.

The Real, to Lacan, is that which sits outside and resists the symbolic order. An encounter with this Real is traumatic for the subject, who cannot symbolise it and therefore cannot think it or speak it. Again Lacan (1981, p. 55): 'The function of … the real as encounter … first presented itself in the history of psycho-analysis in a form that was in itself already enough to arouse our attention, that of the trauma.'

Trauma can push individuals into analysis, where they meet the analyst (Schneiderman, 1983). In an interview about the financial crisis, Jacques-Alain Miller said, 'The financial universe is an architecture made of fictions and its keystone is what Lacan called a "subject supposed to know", to know why and how' (Žižek, 2009, p. 28). This 'subject supposed to know' is the position that the analyst takes up in the transference (Lacan, 1981, p. 233). What the analyst knows, though, that the analysand does not, is that it is an empty position: there is no actual such subject, or at least no knowledge that would set that subject apart from any other.

These are the concepts at the core of this paper. First, that meaning is subject to change, both in the future and in the past. Secondly, that what constitutes the subject initially is a cutting-off – a cutting-off-from, perhaps – such that the subject revolves around a gap or lack. Thirdly, an encounter with the Real, that is, with the original cut, is traumatic. The subject reacts to the trauma by a process that leaves scar.

Crisis and impacts

To develop the analysis of the GFC, it is necessary to review the events. This paper takes a specific position on the crisis and aftermath: the economy became depressed because of a lack of aggregate demand as a result of a financial crisis (DeLong, 2011; DeLong et al., 2012; Eggertsson and Krugman, 2012; Krugman, 2009). Essentially, in 2007, the economy was approaching a 'Minsky moment' (Eggertsson and Krugman, 2012). Minsky's theory was

that borrowing or leverage was cyclical and passed through several stages (Minsky, 1992). First, borrowing was low enough that payments on principle and interest could be made from current income. In the second stage, income was only enough to interest payments. The principle was not being paid down, but this could be a sustainable equilibrium. In the third stage, people started borrowing against future growth. Current income was not enough to pay even the interest, but that would be alright because assets – houses, businesses, etc. – 'always' increased in the value. The expected increase would be enough to cover the accumulating interest.

The third stage is a delicately balanced system. Borrower and lender have to have sufficient confidence in the future value of assets, and they have to maintain that confidence over time as the interest accumulates. The situation is one characterised by Keynes as trying to guess what the average opinion believes that the average opinion will be (Keynes, 1936). Any disruption – any change in beliefs or beliefs about beliefs – and lenders start calling in loans or borrowers start trying to pay down their loans. Once that happens, people start trying to turn things into money. They sell whatever they can to get the lending to a manageable level. The problem is that everyone is doing this at the same time, so the price of things falls and the price of funds – the value of liquidity – rises.

When this happens at a large enough scale – when enough individuals and businesses are trying to sell off assets at the same time – the economy can enter a situation called a 'general glut'. There is a theory that a general glut cannot happen: Say's Law. Say's Law is that supply produces its own demand. The idea is essentially based on barter economies. If I am producing something to sell, I am doing that with the intention of buying something else. Thus, the fact that there is production signals that there is also expected consumption, and the two will net out. What Mill and Say later figured out – and others after him came to understand – is that production and consumption do not have to happen in the same time period (DeLong, 2012). I may be offering something for sale, but only to increase my financial assets. Money allows me to hoard value – to store up wealth – for later use. In the case of a Minsky moment, supply of products or assets may be allowing me to pay down past borrowing. As a result, supply in the current period does not need to equal demand in the current period. Aggregate demand can fall short, there can be an oversupply or general glut, and the economy enters recession.

In a generalised sense, this was the story of the last several years. There are details that the story misses out, to be sure, but this is the plot trajectory for the characters, motifs, and subplots of the recent past. Let us quickly review those events (Eggert, 2009; Kingsley, 2012). In late 2007, French banking group BNP Paribas questioned the value of

collateralised debt obligations (CDOs) that it held, saying that it could not assign them a value. These CDOs were financial instruments based on sub-prime mortgage lending. The next month, when Northern Rock, a British bank, tried to sell its repackaged mortgages, it found that the market had slumped. Its failure to raise enough funds triggered a run on the bank. In February 2008, the bank was nationalised. Meanwhile, in the US, there was a string of failures. In March 2008, Bear Stearns had to be bought by JP Morgan. In September, Fannie Mae and Freddie Mac returned to public ownership, and Lehman Brother went bankrupt. Washington Mutual and Wachovia – two more banks – also disappeared. In October 2008, the global financial system was nearing collapse (Eggert, 2009). It was saved by several measures. One measure was the Troubled Asset Relief Program (TARP) in the US, which assured or insured the value of the sub-prime mortgage-backed securities. In the UK, government bailed out several banks, including the Royal Bank of Scotland and Lloyds TSB.

The financial crisis had two aspects. One was a balance sheet problem: the value of CDOs was uncertain, so banks and investors could not be sure of their own value (or solvency). The other was a cash-flow problem: liquidity dried up as banking lending slowed and commercial paper markets virtually stopped. These twin financial problems then created problems for the economy: slumping demand and falling business activity. The result was a fall in Gross Domestic Product that in some countries has not recovered, and increased unemployment that will likely remain for years.

Finance as a chain of signifiers

Žižek and Lacan emphasised the importance of a chain of ordinary signifiers in establishing meaning or value. Value in the finance system can be explained the same way. The general story of the crisis was this:

- financial institutions were buying and selling derivatives whose value was somehow based on the housing market
- the housing market lost value
- the value of the derivatives became suspect
- the value of financial institutions became suspect
- institutions stopped trading because they were not sure of the value
- people and institutions started hoarding cash and safe instruments.

Central to events and this narrative of events is the value place on complex financial instruments. The underlying drive to produce financial derivatives and derivatives of derivatives was explained by Henwood (1998), based in part on Marx. Taylor (2007) worked through the cultural activity that created simulation and repetition in financial markets. What are these derivatives, which Warren Buffet called 'financial weapons of mass destruction'? They are invented assets – contracts of sorts – based on other assets or contracts, and eventually pointing back to some real estate. For example, an individual wants to buy a house, for which she must borrow money. For her, the mortgage is a liability; she is liable for paying it. For the lender, the mortgage is an asset: it can look forward to an income stream from the repayments. Importantly, the mortgage carries some risk. If the lender carries only the one mortgage, its financial fate is bound up with the mortgagee. If she fails, the lender bears the loss.

Lenders, of course, sell not just one mortgage but thousands of them. The value of the loan portfolio is not bound up with one specific person and the uncertain path that her life takes. Instead, the value is linked to many, many people, and so it becomes statistical rather than idiosyncratic. Data collection and analysis produce reasonable understanding of what happens to masses of people. They have statistical life expectancies; they have distributions of earnings; they have probabilities of unemployment. While what happens to a specific mortgage is uncertain, what happens to a bundle of mortgages is more predictable. A derivative works with these statistics. It bundles together a large number of mortgages and sells the package. Some will be paid and some will fail, but with enough mortgages, the failure rate is known, and thus the future value of the bundle is less uncertain.

Further innovation followed (Caprio et al., 2008). To make these bundles work, there need to be enough mortgages. The bundle is big and expensive, which makes it less liquid. To overcome this, traders created shares in these bundles. Investors did not have to buy the whole thing, just part of one. In addition, different investors have different risk appetites. Major investors are entities like pension funds, and the risk they are allowed to take on is often set by policy. To cater to the diversity of risk appetites – to ensure that there were derivatives for all types of clients – traders created classes of shares with different priorities. Of course, traders can always sell either short or long – they can always buy a bet that the mortgage bundle will actually fail.

These derivatives are best understood as a chain of signifiers. There is an original mortgage, which signifies the value that the buyer, the seller, and the bank have ascribed to the real property. The bundle of mortgages relies on those mortgages. It exists only insofar as the mortgages exist – it is contingent upon the mortgages. The shares in the mortgage

bundle, similarly, are contingent upon the mortgages and the bundle. They are also contingent on the other shares – the value is determined in relation to the value of the other shareholders. The slice of the risk pool and the short selling of the share in the bundle of the mortgages similarly are contingent. They exist in relation to the mortgages. Semiotically, they depend on this chain of values to establish their own value. Note, too, that this is a chain without end – as Henwood (1998) showed.

Cause of crisis

In the economic crisis of 2007-2008, it became clear that the Master-Signifier for the financial derivatives linked to real estate was empty: real estate could not ensure its own value. In 2006, the US property market peaked (Eggert, 2009). By the end of 2007, the Case-Shiller index of property values in the US had lost 11 percent of its value; by the end of 2008, it had lost 36 percent.

One way to think about the chain of signifiers is as a promise to pay (Caprio et al., 2008): 'I promise to pay you if….' In the case of the mortgage bundle as a whole, the promise is something like, 'We promise that the return on this bundles will be x%, so long as enough people repay their mortgages.' In the case of specific tranches of a mortgage-backed pool, the promise is more complex: 'If a certain number of people pay enough of their mortgages, and taking into account in any parties who must be paid from this pool, we promise to pay you.' More complex derivatives – futures on CDOs, for example – can be described as more complex promises. The thing to notice about these promises is that they are all conditional. The promise 'I will pay' is subject to change; its value as a promise of future income is uncertain. Furthermore, CDOs were built on mortgages, and the crisis revealed that those mortgage were just another promise: 'I promise to repay my mortgage.' What became lost is that this promise itself is conditional: 'I promise to repay my mortgage, *if* I keep my job and medical bills don't sink my finances and the value of my property keeps going up.' Investors believed that CDOs were based on the value of 'real' property, that these investments were 'safe as houses', that there was some tangible thing of value at the end of the chain. The crisis revealed that it was just another signifier, whose value was subject to change and conditional on yet more signifiers. It can be likened to a *mise en abyme* or 'turtles all the way down' (Hawking, 1998).

Another way to think about CDOs is the way the financial sector did. They were a way of subdividing and allocating risk, and thus of hedging against it. CDOs took individual mortgages, aggregated them, and then split the aggregation into parts. Each part, described

by the expected return and the measured riskiness, could be sold to a different type of client. Furthermore, by pooling the risk, CDOs were able to spread or hedge it. 'In a typical securitization of residential mortgage backed securities (RMBS), about eighty percent of the resulting securities would be rated AAA, considered "investor grade," another ten percent AA, five percent A, and five percent BBB+ or lower' (Eggert, 2009). In addition, this securitisation also allowed investors to sell them short, or to bet against the market.

Two important things happened in this market, however. First, a single company, AIG, insured a significant portion of the CDOs. AIG had sold investors derivatives, and then sold them insurance against a fall in value of the derivatives (Baxter, 2010). Instead of spreading the risk, this had the effect of concentrating it. The testimony of Thomas Baxter, Jr., General Counsel of the Federal Reserve Bank of New York, to the Committee on Government Oversight and Reform is novelistic in its depiction of desperation:

> The initial emergency $85 billion Fed Facility was successful in stabilizing AIG in the short term, but the company's financial condition and capital structure remained vulnerable to further deterioration in market conditions. AIG's pressing liquidity needs were resulting in rapid and sizeable draws on the Fed Facility, prompting concern that AIG's needs might well exceed the facility's capacity. The prospect of further downgrades of AIG's credit rating by rating agencies intensified the liquidity concerns AIG faced, because such downgrades would have immediately triggered billions of dollars of additional liquidity demands related to AIG FP's business….
>
> In the months leading up to early November 2008, AIG had been actively engaged in efforts to negotiate tear-ups of its CDS contracts with its counterparties. AIG was completely unsuccessful. The need for the tear-ups was real; AIG was effectively haemorrhaging cash.

Secondly, the risk of collapse did not disappear, no matter how much the risk of individual mortgages was chopped up and mixed with others. The riskiness of a mortgage can be notionally divided into the particular risk of the specific mortgage and the general risk of the asset class. CDOs pooled the risk from specific mortgages so that they mimicked the behaviour of the asset class. However, they did nothing about the asset risk. In addition, the CDOs in question were based on a specific group of mortgages, the subprime and other non-prime mortgages (Eggert, 2009). Thus, they were not based on the whole residential property market, but on a specific group of economically vulnerable mortgages. The risk remained that the asset class would not perform.

Whether the financial system is seen as a series of promises or a system for allocating and hedging risk, a gap or lack remained at the origin of its chain of signifiers. The lack of stable meaning was captured by a 2008 paper on the meltdown: 'regulation and

supervisions must be viewed as an endless game of actions and response' (Caprio et al., 2008). The initial promise to pay is conditional – it depends on other signifiers for its meaning – and cannot assure its own existence. In the system of CDOs that actually existed, AIG tried to guarantee the signifier by both selling the CDO and insuring it. It found, in the end, that there was an element of risk that had not been hedged. AIG and its clients circled around this risk but, finally, were drawn into it. Either way, the crisis showed that there was a hole at the centre: either an empty promise, or an irreducible risk. Once the promises were revealed to be empty or once the systemic risk was triggered, the chain of signifiers – the value of mortgages and CDOs – collapsed. This lack was global capitalism's trauma.

Papering over trauma

Since then, finance and economics has been papering over this lack. Specifically, they have been looking for solutions and explanations, which function as symptoms. When one is discarded, which is to say repressed, a new one arises. They are best understood as attempts to distance the system from its own master signifier, its constitutive lack. 'Papering over' is an activity that covers any gaps and makes the situation appear unbroken and whole. It 'explains' in a way that leaves nothing out, that closes up any holes. Žižek describes this as 'filling in the gaps' or 'telling it all' (Meyers, 2003). Papering-over distances the subject from the trauma of the lack at the core of subjectivity. The types of explanations being offered for the financial crisis are obviously false – they are factually incorrect and sometimes inconsistent with themselves – and for this reason suggest that they are attempts at papering over the trauma.

Explanation 1: regulations subverted the market

One explanation is that the collapse was the result of the US government encouraging or forcing mortgage lenders to give money to people who could not pay them. Since the 1970s, the US had passed laws trying to improve lending to poorer households. These regulations have led to explanations like this one, from Michael Bloomberg, Mayor of New York City (Denning, 2011):

> It was not the banks that created the mortgage crisis. It was, plain and simple, Congress who forced everybody to go and give mortgages to people who were on the cusp. Now, I'm not saying I'm sure that was terrible policy, because a lot of those people who got homes still have them and they wouldn't have gotten them without that. But they were the ones who pushed Fannie and Freddie to make a bunch of loans that were imprudent, if you will. They were the ones that pushed the banks to loan to everybody.

A *Forbes* article (Denning, 2011) helpfully explained that this is not true:

> More than 84 percent of the sub-prime mortgages in 2006 were issued by private lending. These private firms made nearly 83 percent of the subprime loans to low- and moderate-income borrowers that year…. The lenders who made these were exempt from federal regulations.

These facts and figures and ones like them have been repeated since this explanation of the crisis was first offered. Even Wikipedia (2013) quotes the Financial Crisis Inquiry Commission: 'the CRA [Community Reinvestment Act] was not a significant factor in subprime lending or the crisis. Many subprime lenders were not subject to the CRA. Research indicates only 6% of high-cost loans – a proxy for subprime loans – had any connection to the law.'

This explanation of the crisis papers over the trauma. It separates 'improper' mortgages from 'proper' mortgages. Improper mortgages are the ones that Congress forced on the banks. Proper mortgages are the ones the banks would have made in the normal course of business. This separation has the effect of arguing that not all promises are potentially empty; only those promises that were extracted artificially are potentially empty. The improper loans are then defined in relation to the proper ones. The role of real estate – properly mortgaged real estate – as a stable store of real value is restored.

Explanation 2: technology shifted the market

A second explanation is the Real Business Cycle. The theory holds that the business cycle of boom and bust can be explained by changes in technology. As new technologies are developed, old technologies are obsolete. The capital and labour tied to the old technologies must be purged from the system in order for the economy to perform efficiently once again. This process is painful, but necessary. The alternative is government subsidies of outdated, inefficient workers and machinery, which, in the long term, only prolong the pain and increase the cost of technology shifts.

This explanation has been rebutted by DeLong (2011, 2010). The RBC theory holds that some parts of the economy are doing well while others are suffering. Delong has shown that this explanation is inconsistent with the data, which showed a generalised slowdown across all industries. Large impacts were seen on construction, which is consistent with a housing-sector led financial shock. There is no construction-sector technological development that can explain the data.

This explanation also hides the trauma. It asserts that the recession was not caused by finance, but by technology. In this way, the explanation turns away from – forgets – the

central role that financial collapse played in generating the current recession. The trauma, the sudden encounter with lack, becomes something that does not need to be discussed. Instead, the important topics are labour-saving technologies, the skill bias in current technology, and the rate of obsolescence.

Explanation 3: computer models moved the market

A third explanation is the use of technology in finance, such as computerised trading or financial computer models. These explanations assert that finance has tempted many brilliant minds to develop ever more complex computer models that structure financial trades mathematically and automatically. This includes the now-famous Gaussian copula function, which Felix Salmon called 'the formula that killed Wall Street' (Salmon, 2009).

This explanation also avoids the trauma. It asserts that there is a 'real' value of assets, but that technology and models move markets away from their 'fundamentals'. Computerised trading is able to take advantage of discrepancies to generate large profits. For the theory to be correct, it must assume that there is some fundamental value, and that human traders show less deviation from that value than computer trading does. Without the assumption of a 'true value', the explanation is only a statement about variability. More importantly, the theory does not explain how financial instruments built on a small part of the economy, subprime mortgage, could be so important to computerised trading that it brought down the whole financial system.

These explanations are attempts to distance the financial system from its traumatic encounter with the Real, with the originating cut, lack, or gap on which it is built. They fill up the gap or turn away from it. They assert that economic value is real, when the Real is that value is signifier like any other, filled with whatever meaning people give it and ready to be redefined at any time.

Panic and turning away from capitalism

In the response to the GFC, mainstream economic theory has acted as a prop or a magician's wand, to be waved around as a distraction. What happened in the actual economy represented a turning away from standard, textbook capitalism, based on the idea of capital as a factor of production. Owners of capital should receive returns – get paid – because they own that capital. In addition, the more they take risks with that capital, the more they should be rewarded when they are successful. First, the fundamental principles of ownership and contract were replaced by a focus on smooth functioning of bureaucratic

process. Secondly, the financial sector was able to decouple risk from reward; reward for taking risks no longer describes the origin of returns to capital.

Process overcomes ownership

First, ownership of property is a keystone of capitalism. The CDOs at the centre of the financial troubles in the US were based on actual mortgages against actual properties and owed by specific people. Several problems have arisen with the mortgages themselves and the funds. In order to foreclose on a property, banks have to show that they own the mortgage and have the right to foreclose. Investigations have found that practices were shoddy and the paperwork was not properly handled.

At this point, the problem sounds like a paperwork problem, and that is how the banks have portrayed it. 'The banks say the document problems are technical—largely the result of papers approved by so-called robo-signers with little review—and don't reflect substantive problems with foreclosures' (Whelan and Simon, 2010). A Professor at Georgetown Law had a different view (Levitin, 2010):

> The mortgage foreclosure process is beset by a variety of problems. These range from procedural defects (including, but not limited to robosigning) to outright counterfeiting of documents to questions about the validity of private-label mortgage securitizations that could mean that these mortgage-backed securities are not actually backed by any mortgages whatsoever. While the extent of these problems is unknown at present, the evidence is mounting that it is not limited to one-off cases, but that there may be pervasive defects throughout the foreclosure and securitization processes.

Several cases have been widely reported in the US in which banks foreclosed on homeowners who had paid off their mortgages or had never had a mortgage with the particular bank (e.g., Lush, 2011). To put this in plain language, banks have illegally taken houses from their lawful owners. In some cases in which the mortgage-backed securities probably should be the lawful owner, they cannot prove it (Levitin, 2010). As a result, the people selling these investments did not have full, legal ownership of the underlying property. In theory, under capitalism, property ownership should be paramount. In fact, the finance sector has tried to brush aside any concerns. The extent of the problem is unclear. The crux of the argument, though, is that the principle of ownership has been violated. More important to the finance sector was the need to keep down the cost of transactions and streamlining the bureaucratic process. The sector is not primarily interested in who owns what, but rather in keeping the process moving. Activity – doing things, foreclosing on properties, issuing orders – these all demonstrate that the financial system is working. They

distract from the actual question of ownership of assets. Instead, they are more like a neurotic repetition that fills the gap.

Risk and reward decoupled

The second main principle of capitalism is the link between risk and reward. Capitalists, particularly entrepreneurs, are rewarded for their risk-taking with greater profits and greater shares of what is produced. Success is not, however, guaranteed. Failure and loss must be a possibility for the risk-reward trade-off to have any meaning. If capitalists do not face the possibility of ruin, then they have not earned their reward. This risk-reward trade-off was central to the structure of payments from the CDO market (Eggert, 2009):

> To provide different investors with securities featuring different sets of risk and rewards, interest in the payment flow from the mortgages is divided up into different strips of payments, called tranches, so that some securities receive an earlier and more secure income stream in exchange for a lower return.

The events in the US demonstrate that risk and reward have been decoupled. The US government bailed out many financial companies, including AIG, in order to preserve the financial system and prevent economic collapse. Companies and people who should have taken losses did not; they received high rewards but did not bear the risk. Žižek (2009, p. 11) reported a Congressperson saying, 'Someone must take these losses.' As Žižek showed, the Treasury plan meant that the public took the losses. That is, the losses are being absorbed by those who did not take the risks. Wall Street broker-dealer operations, on the other hand, posted record profits in 2009 and had its fourth-most-profitable year in 2010, after it 'benefited from a series of federal bailouts as well as low interest rates' (Reuters, 2010).

The standard economic model of capitalism does not fit the facts. Ownership is secondary to bureaucratic process. Reward for taking risks no longer describes the origin of returns to capital. The actors in the economy, particularly in the finance sector, have turned away from the central justifications for capitalism.

Where to from here?

The financial sector and the people in it appear to have suffered a traumatic encounter with a piece of the Real at the origin of their financial chain of signifiers: there is nothing solid there, just a potentially empty promise that folds into other signifiers. They learned that the Master-Signifier was indeed empty. Many of the explanations for the crisis and resulting

recession are symptoms of the encounter, rather than statements about what actually happened. Where does this leave our economic system? It is recovering, slowly creating more jobs and more output. However, it is not clear what sort of system it will be.

One option is that 'capitalism' may be acting like a primal father. The issues with bank foreclosures certainly suggest this. Banks own the properties and can foreclose on them because they say they do; they do not accept any check on this power. Any irregularities are unimportant, mere administrative errors. In a recent article, the trend of 'authentic management' was assessed in the same way (Costas and Taheri, 2012). Managers were not working inside frameworks of policies and procedure, but were instead personally motivating and guiding their staff. This management-by-personality suggests the unchecked power reminiscent of the primal father.

Another option is that people may attempt to re-establish the *status quo ante*. That is, once the crisis is past, they may fill in the gaps entirely and consciously re-establish the rules of theoretical capitalism. Ownership will again be sanctified, and risk and reward will be re-linked. People will overtly declare the past to be past and the future to be different. The crisis and recession will be left as a scar marking the encounter. This is entirely possible; it is merely a case of re-defining the chain of signifiers once the crisis is sufficiently distant.

A third option is also possible. The crisis has demonstrated the contingent and social nature of this thing called 'value'. It has shown that value is a result of circulating signifiers, but that the master signifier to anchor the whole system is, in fact, empty. The subject who is 'supposed to know' does not. This fact leaves open the possibility of a rise in the analyst's discourse. People can participate in the economy while fully conscious of its structure. They can, to appeal to Žižek (1995), learn to play by the prison rules.

The crisis revealed the lack that constitutes the economic system. No matter which future unfolds, it will be important to have a study of economics that is not ashamed of this lack. This new economics should speak about the lack without dismissing it or seeking distance from it, in order to understand the economy in which people live. This traumatic encounter has been painful, but perhaps it can be an opportunity for analysis.

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