The Risks of Others: Imperial Nostalgia and Technologies of the Financial Imagination

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In late 2014, the East India Company opened a new luxury tea and coffee store at the Royal Exchange in the City of London. Today's East India Company does not, however, present itself as a tea shop *named after* the corporation whose officers Adam Smith charged with crafting a "perfectly destructive" system for the administration of Bengal during the seventeenth and eighteenth centuries. Instead, they claim as their own the Company's "rich heritage" of "adventurous, honourable merchants" traversing the oceans "to discover the exotic and the elusive." Contemporary corporations charged with historical malfeasance are all too keen to present traumas arising from their past acts as "legacy issues," and disavow any genealogical intimacy. So why would today's East India Company celebrate a heritage that cannot be disentangled from the administration of famine, war and imperial aggression? The answer perhaps is to be found in the saturation of contemporary British public culture by a jumbled imperial nostalgia. Oxford theologian Nigel Biggar has complained of a *lack* of pride in the ordering force of Britain's empire and has set out to restore an ethics of empire by way of compensation. Meanwhile, his colleague Niall Ferguson has proudly proclaimed in response to a poll: "I won. Most [Brits] think the British Empire is more something to be proud of (59%) rather than ashamed of (19%)."

These efforts to recast the British empire as beneficent underpin violent and exclusionary aspirations for the future. In Ferguson's hands, the City of London's place as the world's great middleman is central to the rehabilitation of imperialism: not only did the Victorian imposition of "the rule of law" across its empire help mitigate investors' contract enforcement concerns, but the only uncertainty that investors in the colonies had to face was "the expected duration of British rule." With independence a remote prospect, colonial possessions appeared to receive more investment than other countries with similar "fundamentals." If as Ferguson suggests "the appeal of investing in the empire is obvious," how might that appeal be reflected in the contemporary financial imagination? I suggest here that the tools used by political risk analysts and insurers function as "technologies of the imagination" that provoke continued anxieties about the consequences of investing in sovereign, post-colonial nations. In the City of London, it is the discourse of political risk (or the risk that assets in post-colonial jurisdictions might be confiscated or devalued through regulatory actions that violate investors' "legitimate expectations") which serves as the point of exchange between the imaginative repertoires that condition financial practice, and those propelling broader attempts to revalorize Britain's imperial past.

Managing an empire of risk

Financial agency is necessarily imaginative. The replacement of historical cost accounting with discounted cash flow models during the 1930s saw accountants and investors embrace the "risky business of tearing aside the veil which conceals the future." Capital came to be allocated on the basis of projections, forecasts, and scenarios outlining what *might* come to pass. An "asset logic," according to which things are valued on the basis of their capacity to produce revenue in the future, has become all-pervasive. This asset logic now makes itself felt with particular force in disputes between foreign investors and host states. The pages of international law journals are replete with attempts to standardize methods for calculating the compensation owed to foreign investors when their assets' capacity to produce future income streams are threatened by nationalization - or, increasingly, by "creeping expropriation" or threats to an investor's "legitimate expectations." In *The Wretched of the Earth*, Frantz Fanon observed that in the later stages of imperialism, what "the metropolitan financiers and industrialists expect is not the devastation of the colonial population but the protection of their 'legitimate interests' using economic agreements." It is, then, not too surprising that the analysis and insurance of political risks - or threats to investors' "legitimate" expectations and interests - emerged as a formal domain of managerial concern in response to the decolonization movements of the mid-twentieth century.

One of the first comprehensive examinations of political risk, written by international business scholar Stephen Kobrin in the early 1980s, found that over half of the US-based transnational corporations surveyed had begun to institutionalize political risk management. Kobrin attributed a growing interest in political risk to the 1979 Iranian revolution, which had shaken the confidence with which American executives generated visions of the future. In addition to identifying the risk of new sovereigns intervening in their economies, Kobrin also drew on anthropologist Clifford Geertz's *New States* project, noting the problems posed for the centralization of power (and guaranteeing of contracts) in nations divided by "primordial sentiments" and "tribal loyalties." Political risk analysis has since become a "growth industry in its own right," providing both quantitative and qualitative prompts for the imaginations of investors planning to enter new markets. But the categories used to produce these analyses are derived in turn from the market for political risk *insurance* that emerged in London in the late 1970s and early 1980s.

The members of the insurance market at Lloyd's of London, which once occupied the Royal Exchange and now stands a short walk away on the site of the original East India Company offices, have for centuries written policies that cover the "perils of the sea," including the risks that war might pose to a ship's hull or cargo. At the start of the First World War, one of the Lloyd's underwriters provided cover - partly in jest - against the risk of a building being destroyed by aerial bombardment. While the business of insuring against war on land soon proved profitable, the previously unimaginable devastation wrought by aerial bombardment at Guernica in 1936 led to an agreement among the Lloyd's insurers "excluding war risks on land." Nearly half a century passed before a small group of brokers and underwriters in the City of London created a set of products to insure against a new kind of political risk on land. Specifically, the risks insured against were the Confiscation, Expropriation or Nationalization of assets located in independent, sovereign territories.

Crucial to this innovation was the asset logic: risks posed to *property* by political unrest could not be ensured under the Guernica agreement, but the *value of an investment* could be. It is these *insurable* political risks that are now quantified, graphed, and analysed by dozens of risk analysis firms. The reports, graphs and numerical values produced by these firms in turn work as technologies of the imagination, provoking the decisions that executives and policymakers make about where to allocate their capital - and conditioning the requests that are made for guarantees and concessions when operating in a territory deemed "risky," or potentially threatening to an asset-holder's "legitimate" expectations.

The (neo)colonial financial imaginary

These technologies of the imagination do not, of course, work in a vacuum. They are nourished by a broader set of geographical and economic imaginaries that are intimately entwined with the imperial nostalgia that pervades Britain's public sphere. Take, for example, this passage from a contribution to the *Duke Journal of Comparative & International Law* on "How investors react to political risk":

> Among investors' greatest fears may be the ascension to power of a figure like former Emperor Bokassa of the Central African Republic. He spent in excess of $20 million, an amount representing a significant portion of his country's foreign reserves, to give himself a grand coronation on a solid gold throne. He was deposed and later tried for cannibalism…Might another comparable person succeed in taking over another country? It may not be likely; however, investors may not feel comfortable concluding that it is too remote to warrant concern.

Read alongside the assertion that political risk is negligible in developed markets or "Western liberal democracies," it is clear that the geographical imagination provoked by numerical assessments of Confiscation, Expropriation or Nationalization risk also draw succour from a troubling "trope of the tripe," reviving fevered images of blind loyalties, arcane rituals, cannibals and kings. As Kobrin's borrowing from Geertz might suggest, political risk analysis has from its earliest days been concerned with how far unruly post-colonial subjects might disrupt the earning potential of overseas assets.

The fear that disorderly post-colonial sovereigns might Confiscate, Expropriate or Nationalize foreign-owned assets complements Ferguson's claim that empire was *good* for the colonized (and for investors in the colonies) since the only uncertainty investors had to face concerned the expected duration of British rule. The continuity between the concerns of imperial investors and merchants, and contemporary political risk analysts, is manifest in the writings of Ian Bremmer, founder of one of the world's largest political risk agencies. In *The Fat Tail,* Bremmer writes of the importance of managing political risks through political risk insurance as well as complex legal agreements and diplomacy: this is necessary since "gunboat diplomacy" is no longer acceptable. Presenting Lord Clive's 1757 victory at Plassey as an "early corporate attempt at risk mitigation" Bremmer depicts Clive's dealing with a "Bengali takeover" of East India Company possessions as comparable to Enron's purchase of political risk insurance prior to entering into a 1993 agreement with the State of Maharashtra in 1993, an agreement which ultimately resulted in a "breach of contract." Bremmer is perhaps more hard-nosed than the management of today's revived East India Company when he identifies parallels between the "gunboat diplomacy" deployed by the East India Company of old, and the political risk insurance used today by cross-border investors. His interest is less in celebrating the "honourable" pursuit of exotic and elusive commodities, and more in providing the legal and financial means to shore up foreign investors' "legitimate expectations" and ensure the honouring of contracts. But these expectations (that operating in a sovereign post-colonial territory should pose no threat of interruption to future income streams), and investors' anxieties about disorderly post-colonial subjects that might *violate* those expectations, intersect with the imaginative repertoire deployed by the contemporary East India Company, Ferguson, Biggar, and other imperial nostalgists. In both cases, British imperialism is taken to have guaranteed stability, certainty, and the ready calculability of asset values; post-colonial sovereignty meanwhile introduces uncertainties and the potential for political action which threatens metropolitan investors' legitimate expectations.

Finance is a profoundly imaginative domain, in terms of the imaginative labour required to produce financial innovations, and the extent to which a financialized imagination limits the collective capacity to produce visions of the future outside of debt repayment schedules and personalized portfolio management. But the financial imagination is not hermetically sealed; it both draws upon and nourishes imaginaries with broader public purchase. By examining the political risk analysis and insurance industry, it becomes clear that the images that foreign investors produce about the post-colonial territories in which they invest - images which impinge upon the calculation of an asset's earning potential and so its value - share a great deal with the images circulated by imperial nostalgists hoping to rehabilitate the legacy of Britain's empire. Cultivating alternatives to the financial imagination, or the imagination of the "asset logic," must also involve resisting attempts to re-imagine empire and valorize the putative "stability" it is said to have provided, for the logic of empire and the logic of the asset are intimately entwined.

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