'IT'S THE ROMANCE, NOT THE FINANCE, THAT MAKES THE BUSINESS WORTH PURSUING' : DISCLOSING A NEW MARKET CULTURE

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forthcoming in <u>Economy and Society</u> November 2001

… Strive for, aspire to more than today and yesterday
Then you will not be better than the age, but the age at its best.
(Hegel, cited in Lukacs, 1975 p.105)

Speculation contagions still periodically infects vast swathes of society. As in the days of Mississippi, equities are no longer an elitist investment. Nowadays anyone with money invested in a pension, a tax-exempt savings scheme, a mutual fund or a building society account is likely to have a vested interest in the share market, and to feel, directly or indirectly, the effect of huge spikes and falls in shares prices. Recently, speculation fervour has fantastically bubbled NASDAQ Internet Company shares (Gleeson 1999 p247)

In this new world, scepticism was not a sign of intelligence. It was a sin. (Lewis, 1999 p256).

They were unbelievably arrogant about how successful they were going to be, and they were unbelievably arrogant about the valuations they wanted to achieve on their IPO. I was just pissed. I was like, 'come on guys' … The first generation [of Internet entrepreneurs] was like, 'Hey isn't this great! I'm a billionaire! Well, that's kind of embarrassing. What am I going to do with all this stuff?' The next generation is saying, 'Well, if <u>he's</u> a billionaire, then <u>I've</u> got to be a billionaire'. With every IPO, the envelope is pushed a little further. At some point, you have to scream 'uncle'.
(Mary Meeker, cited in Remnick, 2000 p183)

1. Introduction

In this paper, I want to consider the invention of a new economic form, the so-called 'new economy'. This form was invented by a series of stakeholders as a means of providing new behaviours which confirmed its existence. It was a canonical case of trying to forge facts to which everyone would agree to submit (Callon, 1998). Forging this new economic form was a Herculean task, involving vast expenditures without any necessary return. And it worked - partly because of the power the various stakeholders had to <u>define what the facts consist of</u>, partly because of the ability a number of stakeholders have to <u>train up bodies</u> whose stance assumed this world, and partly because of the provision of <u>measures of behaviour</u> that offered confirmation. Act as if it’s the case and new regularities are produced which 'have the obduracy of the real' (Callon 1998 p47).

Yet what is also remarkable is how open-ended this process of achieving mass was. For a long time the new economy was little more than a signature which gathered associations - information technology, novelty, business revolution, youth. Now this spectral gathering has gathered flesh. It has formed a kind of frame. In particular, new kinds of property have been formed which rely on its presence as justification for their existence.

These thoughts provide an agenda for this paper, one in four parts. In the first part of the paper, I will outline how the concept (or better, perhaps, brand) of 'the new economy' was constructed by stakeholders like the cultural circuit of capital, as a new institutional-cum-ideological calculus. The second part of the paper then considers the means by which the new economy was incarnated into business. I will suggest that, above all, this involved the romantic notion of a kind of passion for business - thus Komisar's (2000 p93) best-selling injunction that, 'it's the romance, not the finance that makes business worth pursuing'. In other words, the new economy was an attempt at mass motivation which, if successful, would result in a new kind of <u>market culture</u> - or a spiritual renewal of an old one. Then in the third section, I will argue that we should be careful about this attempt to build a conviction capitalism. In very specific ways, the new economy <u>was</u> framed by finance - in terms of venture capital, the prevalence of shareholders, and the distribution of wealth. In certain ways, I will argue the new market culture was better interpreted as a material-rhetorical flourish intended to produce continuous asset price inflation. In other words, the passion play of the new market culture was framed by another calculative agency with its associated metrics, which acted to both produce and discipline it. Then, I will finally come to what is often considered to be the core of the new economy, namely information and communications technology (ICT). My aim is to show that many of the new developments in ICT are the results of a technological forced march resulting from the rhetorical push of the cultural circuit of capital and the resultant sheer weight of investments from finance. In large part, ICT was created anew by the new market culture. A brief envoi follows, which considers what the legacy of the new economy may prove to be.

2. The New Economy

Nowadays the idea of the new economy has stabilised; it consists of strong non-inflationary growth arising out of the rising influence of information and communications technology and the associated restructuring of economic activity. All kinds of other features can be - and usually are - associated with this core definition - for example, the growth of small high-tech firms, the increasing importance of mobile and highly-skilled talent, the rise of entrepreneurship, and the centrality of venture capital. And it is almost second nature for commentators to produce grand rhetorical flourishes such as the death of the business cycle or virtually unlimited growth. What seems certain is that the new economy is both a description and, at the same time, an assumption of what constitutes a normal future. For example, all kinds of counties, cities and regions now want to be a part of a new economy.

But where has this idea arrived from, and who are its chief progenitors? The 'new economy' as a description was first used in the 1980s. At the time there was no clear economic model. Rather this has had to be developed and that work was mainly done in the 1990s (although a new economy genealogy can certainly be traced back to the 1960s). It was made durable in the media, in academia, and, most importantly of all, in peoples' own houses through the advent of the personal computer and subsequently the Internet and the World Wide Web. Thus, the World Wide Web first appeared in November 1993 and the Mosaic web browser became publicly available in February 1994. But large numbers of people did not discover the Web until 1997; not entirely coincidentally the time of the concerted acceleration of the NASDAQ stock index and the movement of price-earnings ratios into hitherto uncharted territory.

What seems certain is that by the mid-1990s, the new economy had already become a stable rhetorical form, in common usage in business and government, and seeping into popular culture. In effect the new economy had become a kind of brand, compounding in one phrase the attractions and rewards of a new version of capitalism.

So, how had an innocuous phrase become the chief watchword of capitalism, to the extent that by the late 1990s even the Financial Times had declared itself the 'newspaper of the new economy'. I want to argue that its strength and speed of diffusion was the result of the existence of five stakeholders willing to give it push. Of them, undoubtedly the most important was an institution I have elsewhere called the 'cultural circuit of capital'. This circuit which has chiefly come into existence since the 1960s, is a machine for producing and disseminating knowledge to business elites. (Thrift 1997, 1998, 1999).

The three chief producers of this knowledge are business schools, management consultants and management gurus. Business schools were first founded in the late nineteenth and early twentieth century in the United States. However, save for a small elite, the main phase of expansion in the United States took place much later, from the 1940s on, on the back of the MBA. In the rest of the world, business schools were slow to be founded, but in the 1950s and 1960s they began to open and expand in Europe and subsequently in Asia. Nowadays business schools are the jewels in the crown of a vast global executive education market, calculated to be worth in excess of $12 billion per annum, of which they generate about one quarter of the value (Crainer and Dearlove 1998).

Management consultants also date from the later nineteenth and early twentieth centuries. Often described as unacknowledged legislators, management consultants offer advice to business on such a large scale that a case could be made that they have simply become an extension of firms. Whatever the case, it is clear that they are important producers and disseminators of business knowledge, able to take up ideas and translate them in to practice and to feed practice back in to ideas. (Michlethwait and Wooldridge, 1996).

> Whatever the product … consultants need to sell ideas. The problem is that what consulting has to sell isn't always new and certainly isn't always fresh. It is an unusual industry because it builds its knowledge base at the expense of its clients. From a more critical perspective, it is not much of a stretch to say that consulting

> companies make a lot of money collecting experience from their clients, which they turn around and sell in other forms, sometimes not very well designed, to other clients (O'Shea and Madigin, 1997 p13).

Finally, management gurus are chiefly a phenomenon of the later twentieth century, consisting of various well-known academics, consultants and business managers who have been able to package their ideas as aspects of themselves. Though there is a clear genealogy, modern management gurus date from Peters and Waterman's <u>In Search of Excellence</u>, published in 1982. Gurus tend to develop formulaic approaches to management, which play down context for the sake of rhetorical force.

Producers of business knowledge necessarily have a voracious appetite for new knowledge which can continue to feed the machine of which they are a part. So they do not just produce knowledge from within. They are also constantly on the hunt for knowledge from without which can be adapted and brought within. Thus almost every aspect of human knowledge is available for incorporating - and huge amounts of it have been! (Thrift, 1999)

These producers produce a range of different kinds of business knowledge. Put schematically, it is possible to say that this knowledge has three main functions. The first is the provision of general principles of business life - 'do this, don't do that - a kind of grammar of business imperatives. The second is as a primer which tells managers how to attain particular goals. The third is an intelligence-gathering function - concerned with how business practices are working out. In other words, what is being produced is a process of endless, relentless, and continuous critique of the status quo (Boltanski and Chiapello, 1999).

These three producers could not exist in their modern form without a symbiotic relationship with the media which both publicises and distributes their wares. In particular, we can consider three main ways in which the media intervenes. First, through the production of standard media like books, magazines, newspapers, internet sites, and television. The importance of journalists as translators of business ideas, coupled with the way in which the media provide outlets for writing for the knowledge producers to display their wares, are underlined by these media (Furusten, 1999). A second element is the increasing scale of specialised business media. These range all the way from industry-specific magazines to the new breed of consultancy-sponsored magazine (such as Strategy and Business) which emulate the The Harvard Business Review. Since the mid 1990s a whole set of new economy magazines have come into existence, either in print or on the web (eg The Standard). The model provided by Fast Company, first published in 1995, has proved particularly influential, leading to a large number of copycat magazines (eg just in the United Kingdom Business 2.0, Red Herring, e-Business, Revolution, The International Standard,). In turn Fast Company's format has been copied back in to the mainstream business journals like Fortune. A third element is the growth of media intermediaries - press officers, publicity consultants, design consultants, advertising agencies, and so on - which have become more important as business ideas have increasingly come to resemble brands. Then, a fourth element has been the re-engineering of the face-to-face meeting through the continual production of conferences, seminars, workshops, and the like. These events serve both as disseminators of new business knowledge and as motivational fuel.

The new economy could not have taken off without this cultural circuit. But it is not the only stakeholder. There are others. To begin with, there is government. By the mid-1990s governments around the world were latching onto the idea of a new economy and were attempting to make it their own through a series of reports (eg Report to the President, 1997). Particularly active in all of this were intergovernmental bodies like the OECD and the EU for whom the new economy provided both a means of justifying their existence and a new means of authentication. (eg EU, 1997, Anderson, 2000). Governments launched initiatives aimed at preparing for and instituting a new economy - which already existed - some way into the future. The reasons for the attractiveness of the 'weightless' new economy for governments were many - increasing closeness to business, the use of many new economy ideas in government, a sense of imminent threat, new justification for government intervention, a search for a kind of youthfulness, and so on. They were typified by the annual Davos meeting of the World Economic forum, often described as the Parliament of Managers (Lapham, 1999, Thrift, 1997). Here, the hope was that through information technology the leviathan of capitalism could be invested with a human face.

Another set of stakeholders were non-business school academics, and especially economists. Initially economists were slow to take up the new economy although their ideas (eg on endogenous growth) were sometimes drawn upon by new economy gurus (eg Romer, 1990). But in the late 1990s many economists began to take serious note, and acted as key legitimators, by providing validation through empirical studies as well as elaboration (eg Quah's (1997) weightless economy). Economists, in other words, began to produce a formal body of knowledge which could act as serious confirmation of more general (and rather flighty) business knowledge. In their hands the new economy took on weight.

Then, another group of stakeholders; the managers themselves. Managers provided a growing audience for the new economy for a series of different reasons. For older managers the new economy is something to keep in touch with. For younger managers it is something to be part of. It is talking the talk and walking the walk. It is both a rhetorical frame for producing business effects and a source of ideas about how business (and the management self) should now be conducted.

There is one final stakeholder, and that is information and communication technology itself. ICT has now reached the point where it can be counted as having its own agency, of a sort. That agency comes from four separate directions. First, there is the simple matter of sunk costs. Massive amounts of expenditure have been laid down on ICT which means that it has to be used, even if at first it's use is highly inefficient. Many of the results of ICT come from massive, even excessive, expenditures which force the world in a particular direction. Second, it produces an expectation of useage, complete with its own morality 'good' companies have and use ICT. Third, it provides new means of apprehending the world, although often not in the ways originally expected (cf see Brown, Middleton and Lightfoot, 1999 on Groupware). Fourth, through software, rules of conduct are laid down which are the informational equivalent of walls and barriers, roads and tolls, junctions, and crossroads, and which have similar effectivity.

The push provided by these five stakeholders set up a frame of action and expectation, a new set of market rules and commensurabilities. Just as importantly, the institution of the frame also depended upon a vision of what was outside it. In this case, it was the 'old economy' of heavy industry, bureaucratic ways, deficit of entrepreneurial spirit, and general lack of economic sparkle. This othering was crucial since it provided an economic negative, a mirror world of all the things that cannot and must not be.

3. Management Body. It's the Romance

This is all very well, but it suggests a level of engagement with the new economy which is merely (or perhaps not sufficiently) gestural. But effective social movements need to create background, a taken-for-granted world which, if you like, assumes the new economy's assumptions. In this section, I will argue that this necessarily means providing a politics of incarnation. Management has to become convincingly embodied in new ways.

So what kind of management body might required by the new economy? On this the cultural circuit of capital is clear and its ideas are now being played out in businesses around the world. There are four ways in which the management body is being shaped.

To begin with, at a number of levels the management body must <u>do more</u>. 'All of us can do more, and be more, and contribute more, and help each other more' (Lewin and Regine, 1999 p268). The management body must make more of itself. This means working harder but it also means spreading the body around more.

So, second, the major body must be <u>passionate</u>. Managers must be continuously active in pursuit of visions and goals, continuously wary of 'spinning the wheels'. But that requires being able to engage the emotions, not just cognitive skills, in order to design the moment so that it will engage others.

Third, the management body must become more <u>adaptable</u>. Bodies must be involved in continuous learning so that these firms can learn faster, on the ground that learning faster than their competitors is now the main competitive advantage that firms have (de Geus, 1997; Senge et al, 1999). But this is a particular kind of learning based on the production of emergence rather than the reproduction of routines. Therefore it is necessarily open-ended; 'if we believe that people in organisations contribute to organisational goals by participating inventively in practices that can never be fully captured by institutionalised processes then we will minimise prescription, suggesting that too much of it discourages the very inventiveness that makes practices effective' (Wenger, 1999 p10). The learning must be carried out in a new way which will maximise inventism, sort for creativity. Such chronically inventive learning has a number of characteristics. To begin with, it is not generally the work of individual genius but of shared community. Then, it is learning that takes place in the doing; it is worked out in the working out. And, last, it is 'playful'. That is it involves constant cultural prototyping which, because it is prepared for surprise, is more likely to happen across viable solutions (Schrage, 1999).

Finally, the management body must <u>participative</u>. Management bodies do not work so much through command as persuasion. They must engage the 'soul' (Lewin and Regine, 1999). This means investing the community with a sense of purpose and common ownership through deliberate working on relationships. The idea is that the management body is sensitised to the social dynamics of the organisation and can achieve continuous modulation rather than bureaucratic control (Deleuze, 1990). The management body can go with the flow, providing smaller but more effective interventions as and when necessary. The heavy bureaucratic hand is replaced by the light touch of the change agent.

Producing management bodies that can conform to these strictures has involved a whole series of technologies of government of the self which can achieve these goals. But this has not proved as problematic as might be thought, for three reasons. First, it is, at least in certain senses, simply another stage in the trek of a romantic US-style individualism and is therefore already culturally attuned to its heartland. Here yet again is the open frontier consisting of limitless possibilities, the self-made person, the elemental force of entrepreneurialism, and all the other tropes that populate so many of the writings on the new economy, all celebrations of a particular way of life which is now, so the story goes, are being reasserted. Whether this is the case, or the new economy is in fact the platform for a sub-Nietszchean individualism I will leave to another day. Second, this is also the time of the therapeutic model of the self and its associated tropes - the stress on emotions, on good communication, on psychological knowledge, and so on (Rose, 1999). Therapeutic models have now become so prevalent that they operate as a part of the general cultural background.

> Social institutions no longer bind and determine the self as they once did. More and more areas of life (vocation, beliefs, sexual identity, etc) are now areas of choice, determined by the individual self. The therapeutic ethos is thus characterised by a conspicuous self - referencing (Nolan, 1998, p9).

Third, over a considerable period of time, a management ethos has existed which is based on producing more open bodies which can develop a series of soft skills like intuition, leadership and other conducts of conduct. In part, this movement started as a reaction to the workplace authoritarianism of Taylorism but it gradually began to take on its own dynamic, ably documented by Kleiner (1996), which began to get into its stride in the 1940's with the work of Emery and Trist in the UK, and with the work of the National Training Laboratories in the US in the 1950's. For Kurt Lewin and Ron Lippitt, the answer to the problem of good organisational development was to make managers more authentic by changing their internal competences and ultimately their behaviour so that they could enact different more democratic and less top-down organisations. By the 1960's such thinking had become standardised, even stylised, by other currents like sixties counter cultures (as in est) and a nascent New Age tradition, so producing a range of technologies which were intended to change styles of embodiment in order to produce better managers.

Thus, by the 1990's a rich archive of continually validated work on the management body already existed, ready and able to be applied to the new economy. This work spawned three technologies in particular. The first of these was organisational, and consisted of technologies that brought bodies into alignment. In particular, optimal alignment is considered to occur through the use of teams and projects. Indeed, so widespread has the use of teams and projects become that, by one estimate, in 2000, 80 per cent of all Fortune 2000 companies will have over half their employees working in teams (Flores and Gray, 2000).

> In response to this trend, the US Department of Labor has suggested that schools begin training students in such competencies as team work and project management. Scientists, engineers, technicians and so forth increasingly see themselves as engaged in the project, not the company. With this kind of organisation, today's companies have learned to sustain even the 20 per cent annual average employee turnover experienced in their IT departments. (Flores and Gray, 2000 pp 24-25)

However efficacious they may or may not be, the fact is that teams and projects are now regarded as the main way in which bodies can be aligned to produce creativity. The intention is to produce concerted periods of time in which people can come together productively to push through a particular creative project. This will involve designing rapid team start-ups (through the use of facilitators, 'check-ins', and other means of producing intense dialogic conversation) which will build both trust and new ideas, and careful time management. In turn, all over the world, offices are being redesigned to cope with this way of working. 'Hives' and 'cells' are being replaced by 'club' and 'den' environments (Duffy, 1997).

The second technology was <u>inspirational</u> and consisted of the careful design of events which will enable organisations to interact on a larger scale. A whole series of these technologies now exist, from conferences and seminars, through to courses and workshops. Their purpose is in part to disseminate information but it is also in part to keep the current of inspiration going. Many of these events are minutely plotted and the smaller of them use a number of summative body techniques, from performance (eg theatre, dance, opera), through body control techniques like Aikido or the Alexander Technique, to various forms of ritual (especially of the New Age variety).

The final technology to emerge is <u>ideological</u>. Each organisation must have narratives which can sustain it, especially in circumstances in which there may be constant jumping between projects, in which the organisation is likely to be dispersed over many locations, and in which there may be high personnel turnover. Thus the vogue for corporate storytelling, corporate websites, and the like. Thus also, on a different level, the iconography of the new economy - the dressed-down fashion styles, the there but not there spaces like Silicon Valley, the technological rhetoric (from the web page layouts to their print equivalents) - all wrapped together by a vast outpouring of business books, magazines and television series, each of them telling exemplary stories of what it is like to be in and a part of the new economy.

In each of these cases what we see are formats intended to change the body by changing space and time. From the vagaries of the modern office, through the controlled otherness of the event, through to the iconological formats, what we see are attempts to change the background of space and time by changing the way the body lives (Thrift, 2000). This is applied Bachelard (1966);

> By changing space, by leaving the space of one's usual sensibilities, one enters into a communication with a space that is psychically innovating. For we do not change place, we change our nature.

Change the rate of embodied interaction and change space and time, change space and time and, change the nature of embodied interaction. Make room, in the process, for possibility. This is also the virtuality of Deleuze applied, the constitution of a landscape of assemblages, circulations and multiplicities, a new conjunctive synthesis. For what is being built is a new machine which does not comprise individuals in interaction but rather inter-relationships of <u>assemblages</u>.

> An assemblage can be made up of elements which are generative, neurophysiological, linked to infancy, to the family, to mass media, and so forth. The concept of assemblage draws on the assemblages created by certain surrealist painters and sculptors. The simplest example is the famous Bull's Head created by Picasso in 1942: in this assemblage, a bicycle handlebar placed on a saddle invokes a bull's head. On the basis of separate elements - heterogeneous elements placed in relationship to one another - an assemblage breathes life into the

> elements that compose it and induces a novel perception of reality (Elkaim, 1997, p xvi)

But, of course, such a process of manager-making has a notable downside. For the romance of the new economy also produced exclusivity. In a world where the passion and romance of work must be displayed on a 24/7 basis, where 'work today has to be half work, half play' in part because 'we spend our whole lives at the workplace' (Bronson, 1999, p xxxiv), those with other responsibilities find it hard to play. In particular, for all the talk of female values, women are actually a declining element of the new economy. Thus, in 1986 women represented 40 per cent of the US technology sector workforce, in 1999, they represented only 29 per cent. Again, women represent only 3 per cent of the board members of new economy companies compared with 11 per cent of Fortune 2000 companies. One of the reasons is that women are not well represented in relevant educational sectors - only 28 per cent of US computer science graduates are women. Another reason is the general increase in managerial work hours which in the United States, Britain and some other countries (Massey, 1996, Schor, 1992) is now striking. Indeed, one study of dot com companies found that 'the hours worked are longer, the travel is more onerous and time at home is limited. The new economy company increasingly mirrors the old, but without a supportive infrastructure' (Skapinker, 2000 p23). In other sectors of the economy, flexible work arrangements are much more common. And then one other reason is that the ultracapitalist romance of the new economy plays to a certain kind of male role model; the artist obsessed with their work becomes the entrepreneur seeking the concepts which make up the soul of the new economy:

> The media has mythologised stories of entrepreneurs sleeping in dingy motel rooms, or on the office floor, slaving away at the computer until the early hours, sometimes

forgetting to eat or to take a shower. They wear rumpled clothes, drink beer and play in their few free hours. Eventually they become billionaires. Just how much of this is reality and how much is myth is irrelevant. The point is that it has become the industry's image, and it is not a role many women see themselves playing. As they cannot place themselves in such a culture, many may choose to shun the industry. (Griffith, 2000, p 12).

4. It's the Finance

Many of those working in the new economy want to believe in more-than-business. For them, the new economy 'isn't primarily a financial institution. It's a creative institution. Like painting and sculpting, business can be a venue for personal expression and artistry. At its heart more like a canvas than a spreadsheet' (Komisar, 2000 p55). But there is another way of understanding the new economy and its rhetorical claims, one that reintroduces finance as not just inimical to passion but as the central passion of the new economy. Business missionary becomes financial mercenary. For another way of understanding the new economy is as a ramp for the financial markets, providing the narrative raw material to fuel a speculative asset price bubble which was also founded on an extension of the financial audience.

On this interpretation, the real genesis of the new economy was probably the initial public offering made on 9 August 1995 by Netscape, the internet browser company which is now part of AOL. Initially set at $28 a share, the price of its stake doubled during the day and then kept on going up, so setting off the Internet Feeding Frenzy which was to last five years. And this interpretation of finance as the ruling passion of the new economy has much to commend it. After all, many of the key innovations of the new economy were clearly financial. Most particularly, there was the growth of venture capital companies, able to specialise in funding the technological innovation; the growth of the initial public offering (which provided powerful necessities for managers and members who generally held stock options, produced funds for expansion, and allowed investors to cash out without waiting ten or twenty years); the increased use of stock options as compensation, and; the creation of a labour market of entrepreneurial workers willing and able to take the risks, which formed a 'mobile attack force', constantly on the move to the projects most likely to be successful (Mandel, 2000).

This financial interpretation therefore produces a frame around the frame of the new economy; the new economy became a command performance whose script (aided by extravagant props and acting) played so well to financial audiences that they were willing to pay the ever-increasing costs of admission. In other words, the new economy became a theatre which could be used to both push share prices up and extend share ownership.

Of course, the demand for shares of economic assets has always been strong in the financial sphere, but the demand has chiefly circulated within a relatively small circle, made up of institutional investors, and a comparatively small number of individual investors. However, in the last two decades of the twentieth century, this demand began to become more general, the result of the increase in the number of those who have investments, either directly or indirectly. This growth has resulted from four sources. First, and most importantly, there is the growth of pension funds and other institutional investors (Clark, 2000). Pension Funds now own many of the key sectors of the US economy, and nearly half of the British and Dutch economies. In effect Pension Funds (which themselves account for more than 40 per cent of investments in venture capital funds) have dramatically multiplied those who have indirect investments in the shareholder's economy. Then, secondly, there is the growth of new aggregate investment vehicles. Of these, the most important must be the mutual funds (unit trusts in the UK), which have grown strongly, in the United States since the early 1980s to the point where by 1998 there were nearly two shareholder accounts per family (Shiller, 2000). In part, the reason for the proliferation of these funds can be linked to the third source, the growth of individual shareholder choice (Martin, 2000). In the United States this was given an enormous boost by the growth of defined contribution (401(k)) pension plans which allow employees the opportunity to have their pension contributions paid into a tax-deferred retirement account. They then control the investments in these accounts and must allocate them among stocks, bonds, and money market accounts. Elsewhere, individual shareholders are growing in number even without this boost. Finally, there is the growth of employee stock options, shares issued through privatisations, and other means of boosting share ownership. Through the 1980s and 1990s these have become more general.

This growth in the number of shareholders (both directly and indirectly) and in shareholder choice has been buttressed by the increasing mediation of finance which means that narratives like the new economy travel further and more forcefully than before. This mediation has come about through four processes of authority. The first is the constitutive role of the media which now acts as the main conduit of market information for most shareholders. The scope of business reporting has expanded massively and much of this plays to shareholders, as typified by the success in the US of channels like CNBC, CNNfn and Bloomberg which produce an uninterrupted stream of business news, much of it aimed at investors. So pervasive has their occurrence become in the United States that

> traditional brokerage firms found it necessary to keep CNBC running in the lower corners of their brokers' computer screens. So many clients would call to ask about something they had just heard on the networks that brokers (who were supposed to be too busy working to watch television!) began to seem behind the chase (Shiller, 2000, p. 29)

A particularly important subsidiary element of this newly mediated sphere of the economy has been advertising: the sheer scale of current financial advertising needs to be acknowledged, not so much for its impacts (which are debatable) as for its ability to set up a new background in which investing is a normal practice.

The second, related process of authority is the growth of financial literacy. This has been remarkable. Shiller (2000, p. 33) notes a 1954 New York Stock Exchange survey which showed that only 20 per cent of the US public even knew enough to describe what a share was. Now this is basic knowledge for many. Yet the consequences of this growth in financial literacy have yet to be explored. 'It occurred to no one that the public might one day be as sophisticated in [financial] matters as the professional'. (Lewis 2001 p33). Yet this has increasingly proved to be the case.

> The Bloomsberg News Service commissioned a study to explore the phenomenon of what were now being called 'whisper numbers'. The study showed that whisper numbers, the numbers put out by the amateur Web Sites, were mistaken, on average, by 21 per cent. The professional Wall Street forecasters were mistaken, on average, by 44 per cent. The reason the amateurs now held the balance of power in the market was that they were, on average, more than twice as accurate as the pros - this in spite of the fact that the entire financial system was rigged in favour of the pros. The big companies spoon-fed their scoops directly to the pros; the amateurs were flying by radar (Lewis 2001 p33).

Then a third process of authority is the general growth of financial advice, ranging from the kind of advice that was being doled out by the star media analysts like Mary Meeker through brokerage services to personal financial advisers. Such advice produces a kind of proxy financial literacy which is heavily oriented to the promotion of share ownership. And, finally, there is the fact that business interest increasingly runs to the dictates of shareholder sentiment (Williams, 2000). Through the advent of measures of performance like shareholder value, the share price of a company has become a crucial determinant of what is regarded as business success. In turn, these new processes of authority have lead to a continuation of stories like the new economy day-by-day to the point where public relations became a crucial element of many aspects of economic life - from the IPO to managing shareholder sentiment - and increasingly therefore economic life has come to resemble the media industry with fashions, stars and favourite stocks.

The importance of this change should not be underestimated. As Kurz (2000 pxxvii) puts it;

> A decade ago, those chronicling the ups and downs of Wall Street spoke to a narrow audience comprising mainly of well-heeled investors and hyperactive traders. But a communications revolution soon transformed the landscape, giving real time television coverage and up to the second reports immense power to move jittery markets. This mighty media apparatus had the ability to confer instant stardom on the correspondents, the once obscure market gurus, and the new breed of telegenic chief executives. CNBC was now as important to the financial world as CNN was to politicians and diplomats and, like Ted Turner's network, it had the power to change events even while reporting them. This was America's new national pastime, pursued by high powered players and coaches whose pronouncements offered the tantalising possibility that the average fan could share in the wealth.

So, for example, financial journalists no longer just reported. They were players (but with no real penalty for being wrong).

> Financial professionals entered some weird new head space. They simply took it for granted that a 'financial market' was a collection of people doing their best to get onto CNBC and CNNFn and into the Heard on the Street column of The Wall Street Journal and the Lex column of The Financial Times, where they could advance their narrow self-interests. (Lewis 2001 p33).

Running the new economy story through this financial machine had enormous benefits for a number of actors: it added value to particular shares (so, for example, benefiting managers whose salaries are attached to share value), it proved analysts worth and made media stars of some of them, it demonstrated the worth of the system as a whole, and so on. In particular, a new story will have grip on this machine if it can change the investment categories through which the economy is thought. And in the 1990s the new economy became an investment category of its own, as an obsession with high technology shares, with markets like NASDAQ and so on. In other words, telling the new economy story worked, and worked to the extent that it began to re-describe market fundamentals.

So great was the demand for shares in this category that for a time, the new economy became an irresistible force. For example, in the UK fund management firms like Foreign and Colonial and Philips and Drew which tried not to get sucked in to the technology bubble fared poorly. Pension Funds gave them the cold shoulder. And the growth of indexing added to the whole effect, making it well-nigh impossible to ignore technology stocks (Economist, October 21st 2000 p145). Indeed, as Mandel (2000) has argued, one way of interpreting the new economy story then becomes as a means of persuading investors of all kinds to take on riskier investments. In this sense, it can be seen as a means of fostering innovations that could otherwise not have taken place. Or it can be seen quite differently - as a means of drawing investors into taking on debt. It is worth remembering that in the five years to 2000 business and consumers took on $4 trillion in debt (Mandel, 2000) and the US savings rate in 2000 was only 0.8 per cent, a 67 year low (Financial, 2000). Seen in this way, the new economy comes to resemble to a financial instrument like junk bonds.

The strength of the story was only added to by the growth of the technology which most symbolised the new economy, the internet. The internet is an active technology which can give people a sense of mastery in their everyday life (not least through share investing):

> Because of the vivid and immediate personal impression the Internet makes, people find it plausible to assume that it also has great economic importance. It is much easier to imagine the consequences of advances in this technology than the consequences of, say, improved shipbuilding technology or new developments in materials science. Most of us simply do not hear much about research in these areas.
>
> Spectacular US corporate earnings growth in 1994, up 36% in real terms as measured by the S & P composite real earnings, followed by real earnings growth of 8% in 1995 and 10% in 1996, coincided roughly with the Internet's birth but in fact had little to do with the Internet. Instead the earnings growth was attributed by analysts to a continuation of slow recovery from the 1990-91 recession, coupled with a weak dollar and strong foreign demand for US capital and

technology exports, as well as cost-cutting initiatives by US companies. It could not have been the Internet that caused the growth in profits: the fledgling Internet companies were not making much of a profit yet, and indeed they still are not. But the occurrence of profit growth coinciding with the appearance of a new technology as dramatic as the Internet can easily create an impression among the general public that these two events were somehow linked…

What matters for a stock market broker is not, however, the reality of the Internet revolution, which is hard to discern, but rather the public impressions that the revolution creates. Public reaction is influenced by the intuitive plausibility of Internet lore, and this plausibility is ultimately influenced by the ease with which examples or arguments come to mind. If we are regularly spending time on the Internet, then these examples will come to mind easily (Shiller, 2000. pp. 20-21).

In turn, such impressions have knock-ons. For example, managers started to consider how they could insert their companies into the high valuation categories, often with little concern for longer-term consequences.

The consequences are clear. By one estimate about $150bn was raised for venture capital and public stock offerings in the five years from 1995 to 2000 to finance the new economy story. In turn, this lead to major income and profit for certain sectors, precisely those addressed in this paper (Tomkins, 2000). In particular, very large amounts of money went into the cultural circuit in the form of consultancy fees, (especially to specialist consultancy firms like the Gartner Group, Forrester Research and Jupiter Communications), and public relations company fees and the like. Most spectacular of all were the benefits that accrued to the media from publicity: advertising agencies, television, network, radio stations, bill boards, newspapers and magazines. Others who benefited included the financial sector, investment banks, venture capitalists, and their investors (especially institutional investors like Pension Funds). Those who lost were the investors who acquired shares and failed to sell them in time; mutual funds, pension funds, some corporate investors, and, inevitably, large numbers of ordinary investors (especially young first time investors).

So by disclosing a new world - ‘the new economy’ - money was made and spent - and it was made - and invested to be made and spent again - in large quantities. Little wonder that Lewis (1999 p254) has argued that for a time Silicon Valley was a 'little experiment of capitalism with too much capital'. But what was being described was not so much new knowledge as new business impressions and sensitivities, a new <u>mood</u> of engaging activity (Spinosa, Flores and Dreyfus, 1997; Flores, 2000; Flores and Gray, 2000), a new style of doing capitalism.

In turn, the new economy share boom had enormous effects on wealth distribution, and these should not be gainsaid. It is worth remarking that in the United States, for example, since the beginning of the 1980s, Americans' financial wealth has grown from $7 trillion to $32 trillion but this growth has been unevenly spread.   In 2000, for example the richest 2.7 million Americans, comprising the top one per cent of the population, had as many after tax dollars to spend as the bottom 100 million put together. (Meanwhile, the poorest one fifth of households had an average income of $8,800, a decline from the 1970s). More to the point, since the beginning of the Clinton administration (roughly paralleling the growth of the new economy) the incomes of the richest one fifth have risen twice as fast as those of the middle fifth (Reich, 2000).

But there is more. These figures do not include deferred income, stock options and the like, which have mainly gone to the top fifth. And most notably of all, they do not include increases in the values of stock portfolios. On one estimate, 85 per cent of the increases in share values went to the top 10 per cent of earners, and over 40 per cent to just the top one per cent (Reich, 2000).

Thus, the new economy story has had great purchase on the world. But, to slightly rephrase Komisar, it's the romance that produces the finance that makes the business worth pursuing. The romantic journey ends here. For stories of economies have usually proved to be about ownership and this story is no exception. As the figures above show, the youthful countenance of the new economy masks social relationships which are still regressive. The new economy builds new connections but at the same old cost. To this extent, it is simply a new received economic doctrine of the elite masquerading as a democratic or even aesthetic impulse (Gregory, 1997).

5. Creating a New Market Culture

We come then, last of all, to information and communications technology (ICT). What can we say about this central preserve of the new economy, given the previous discussion? The first point to make is that the new economy depended upon the sheer amount of expenditure on ICT able to be unlocked by the cultural circuit and finance working in lock step. The scale of this investment cannot be gainsaid and it has resulted in what might best be described as a kind of forced technological march. The second point to make is that the cultural circuit also produced a process of constant technological critique (Boltanski and Chiapello, 1999). Thus, rather more rapidly than in the past, innovations were communicated and their opportunities and problems were fed back. In particular, the cultural circuit was able to produce two important forms of technological feedback very rapidly which jointly equated to a much greater diffusion of technological expertise – and what counted as technological expertise. One was the ability to track and comment upon how new technologies fitted into organisations. The other was the ability to track and comment upon consumer response (in part because of the existence of a set of consumers who were themselves to a degree producers). In turn, this process of constant technological critique meant that ICT technological changes could become akin to those of the cultural industries, involving rapid changes in function and style which are constitutive and not just a by-product, and competences which are much more evenly distributed between producers and consumers. A third point to make is that this meant that what counted as technology was redefined. Technology was increasingly counted as a subset of knowledge more generally, in part because of trends in management thinking which equated technology with knowledge or informational capital (e.g. Burton-Jones, 2000). More generally, what counted as information and communication technology could increasingly be framed as cultural as software and software engineering became more dominant. Thus, the kind of easy technological determinism that had been a part of the mindset of the ICT industry became something more subtle and more likely to be culturally inflected by content. A fourth point follows on. New privileged groups were created by ICT who took ownership of a cultural style being retailed by the cultural circuit and more widely. These ‘bourgeois bohemians’ (Brooks, 2000; see also Frank, 1997, 2000) regarded ‘hip as the official capitalist style’ (Frank, 1997, p. 224) and a part of this style was advertising the presence, actual or implied, of ICT. The actual manifestation could be of several kinds, of course, from the ethereal concept artist to the hard-living entrepreneur. But they could all fit into a bobo style which was simultaneously calculatedly irreverent and profoundly complacent about the world.

To summarise, the success of the new economy arose from its ability to disclose, to bring out, a new kind of market culture as a frame in which technology could be constantly modulated and so constantly redefined - to the advantage of many stakeholders. In other words, the triumph of this new culture resulted from an act of redescription which provided a peculiarly open means of forming the world as a set of becomings which keep the possible possible and thereby initiated a new style of doing business. In a certain sense this was simply a successful commercial restatement of Euro-American culture's fundamental tenet that everything is possible given the technology (Strathern, 1999), but if that was so then it was also about producing more effective means of making this restatement effective, new holdings that could create a new viewpoint.

6. Uncle

So now it's all over. The New Economy has been scorched, scotched, even scuttled. Both the rhetorical and the financial push are gone. The gilded age is gone. (Remnick 2000)

> Only yesterday, so it seems, Wall Street equity analysts almost unanimously proclaimed a new economic paradigm.. Out with these old equity valuation models, out with fusty concerns about earnings (actual or predicted), out with the business cycle, in with network effects, burn rates, and global scale. Forget, ugh, prudence: caution is the new recklessness.

> Nowadays, as one reputable member of the breed then put it, the only danger is to be out of the market.
>
> Well, for the shrewd advice (as NASDAQ tottered at around 5,000) many thanks. For all those 'busy', 'hold' and 'accumulate' recommendations on stocks that cost $100 last year, and now cost $1.50, thanks a lot. (The Economist 2001)

So, everywhere, there were signs of a new economy in a serious down turn. In February 2001, for example, Cisco Systems, one of the New Economy bell wethers, missed its earnings expectations for the first time in six years. Inventories were building. Firms had started to cut back on ICT spending. And Morgan Stanley Dean Witter's Mary Meeker, who made $15 million in 1999 telling people to buy Priceline when it was at $165 a share and Healtheon/WebMD when it reached $105 a share, went silent as their values collapsed.

Not surprisingly, those who have promulgated the New Economy worry what will come next - and how they can survive it. One of the key rhetorical sites of the New Economy, Fast Company, shows all the concerns (Thrift 2000). Bylines like 'weathering the internet storm', 'its crunch time for the Net'. 'Act II for the New Economy 'and' How to win in the Next Economy' document an increasingly fraught state of mind. Meanwhile websites like fuckedcompany.com with their counts of jobs lost daily, show what the decline of the New Economy means, lost jobs, lost hopes, lost passions. Now all the writing is about business basics: sustainable business, good management, grassroots adoption of products, and so on (eg Anders 2001).

And yet … There is a sense in which the New Economy will live on. To begin with, it is by no means certain that the widespread adoption of technologies and new modes of industrial organisation over the last five years has not generated growth in the output produced from a given amount of labour and capital. Then, it has produced a global software industry has been produced. And, most importantly of all, though many of the investments in the New Economy will be written off, many of the practices and products of the New Economy will carry over into what follows. Most particularly the extraordinary wave of investment that splashed over North America and parts of Europe produced a wave of internations that will be with us for a long time to come. Innovations like wireless communication, persuasive computing and certain new kinds of software will produce an ………fication of everyday life that will finally, I suspect, produce some of the enormous changes in the social and cultural structures of the Euro-American world, that New Economy enthusiasts constantly (and tiresomely) predicted (French and Thrift 2001, Thrift 2001). The New Economy may have screamed 'Uncle' but it has left a legacy, not all of which is bitter.

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