Fringe Credit and Global Financial Governmentality

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Draft, comments welcome.

> "…there is no such thing as a merely given, or simply available, starting point: beginnings have to be made for each project in such a way as to *enable* what follows from them."
> -Edward Said, *Orientalism* (Said 1979,16)

Over the course of 2007 several striking if quietly noted developments reshaped the global landscape of fringe credit. Fringe credit refers to the diverse range of (often high cost) credit practices explicitly targeted toward those populations on the margins of mainstream financial systems. In the spring and early summer of 2007 one of the largest and oldest providers of fringe credit (or 'home credit') in the United Kingdom (UK), Provident Financial, organized a 'de-merger' in which its international operations were reconstituted as a separate, publicly-traded firm on the London stock markets. Creating what will likely be the largest single integrated provider of global fringe credit, the launch of the new firm—International Personal Finance PLC (IPF)—was framed as a dramatic bid by venerable Provident to export the 'home credit' model abroad not only to Eastern Europe where it had been engaged for several years, but also to Mexico, Russia, India and other 'emerging markets'. (International Personal Finance 2007a: 2)

Another striking event in global fringe credit occurred just a few months before the official Provident/IPF de-merger. In the early spring of 2007, a network oriented around a much different set of social and commercial practices—the spaces of 'microfinance'—also became embroiled in a complicated overture to global financial markets. This drama centered around the initial public offering (IPO) of one of the world's most successful Microfinance Institutions (MFIs); Mexico's Banco Compartamos. The Compartamos IPO was a secondary offering of equity in a MFI which had been founded in the 1990s by a network of non-governmental organizations dedicated to 'socially responsible' microfinance options for the very poor. The IPO was13 times over-subscribed and netted the 'owners' of Compartamos a staggering $450 million for the sale of 30 percent of the NGO, a rate of return on the original investment of "roughtly 100 percent a year compounded over eight years." (Rosenberg 2007: 2) Compartamos represents both the single largest flow of global financial capital into the microcredit sector as well as an emphatic recognition by global finance capital that microfinance constitutes an 'investible', 'commercial' and 'financialized' object.

Despite the differences between these two events and the kinds of financial practices they orbit around, they nonetheless reveal something urgent about fringe credit and the broader realm of global finance. Although it can be extended in an astonishingly diverse range of ways—informally through family or migrant networks, through semi-formal arrangements, through 'alternative financial providers' such as payday lenders and pawnshop operators—there is evidence that fringe credit is increasingly internal to the spaces of global finance. This is not to suggest that the diverse instruments of fringe credit—home credit, payday loans, microfinance loans—are offered directly through mainstream financial institutions. Indeed fringe credit continues to be offered through an increasingly dense set of specialized financial agents. I am suggesting, however, that there is no longer any strict border which separates global and fringe finance. Increasingly fringe credit is offered through 'financialized' mechanisms (mechanisms which are fully incorporated into and are governed by mainstream financial markets).

But if fringe credit is increasingly constituted in the 'normal' spaces of global finance it must, by extension, also exist in confrontation with the mechanisms of global financial governance. A contested concept, global financial governance has come to dominate recent conversations in International Political Economy (IPE). Often referring broadly to some constellation of institutional practices which regulate liberalized financial practices or which manage the organization of credit, the notion of global financial governance signals something of the complexity with which global finance is governed. No longer managed by the relatively stable or public set of institutions—the Fed, the International Financial Institutions, the Bretton Woods regime—global finance is increasingly governed by a much larger and more complex network of actors.

The piecemeal incorporation of fringe credit more formally into the spaces of global finance, I argue in this paper, is an intriguing case with which to assess these conversations about global financial governance. Although the notion of global financial governance has been important in moving beyond state-centered analyses, the financialization of fringe credit, I argue throughout this paper, emphasizes the need for more fully de-centered analyses which not only sketch a more complex set of networks and actors involved in governance but which foreground governance more fully as a fluid and often ambiguous process. Much of the discussion of governance in the financial literature has tended to sketch a somewhat centered and relatively coherent set of practices with which global finance is organized and in whose interest finance operates. Although this image is not without significant merit, I want to contrast that notion of governance with some insights influenced by the Foucauldian notion of governmentality. Foucault's notion of governmentality seeks to move beyond the 'mythicized abstraction' of the state and focuses, in contrast, on the 'conduct of conduct' and on the diverse forms of knowledge and practice required to render objects governable in particular ways. Taking governmentality seriously, I argue, can usefully augment our critical discussions of global finance by emphasizing a more de-centered and heterogeneous set of governmental practices.

To make this case I organize this paper around a discussion of some of the recent developments which have led to the financialization of fringe credit and focus, in particular, on the story of the Compartamos IPO. The Compartamos IPO foregrounds financial governance not as a centered or coherent process but as a diverse set of objects in formation. On one hand, the Compartamos IPO is emblematic of an ongoing process of *incorporation* in which microfinance is brought into the mainstream spaces of global finance and, by extension, is made governable as a financialized object. Incorporation signals not a settled or coherent mode of governance but a set of practices whose objects of government in constant formation. In addition, the IPO also makes visible a second, and competing rationality associated with fringe credit; a logic of *differentiation*. Because it imposes higher costs on those populations it seeks to incorporate, fringe credit is deeply implicated in the imposition—perhaps institutionalization—of differential terms of access and, by extension, in deepening forms of inequality. Taken together these two trends, and the complicated interplay between them, indicate an ambiguous notion of 'finance' as a territory not governed in any singular way. Rather finance is a space whose territory is never well demarcated. This more ambiguous notion of what it means to govern finance, I conclude, might help contribute to analyses which could depict finance as a heterogeneous and, hence, contestable practice.

To develop this kind of analysis this paper is divided into three main sections. The first section establishes the methodological context for the paper by reviewing recent discussions of 'governance' and by suggesting several principles influenced by the foucauldian notion of governmentality that might be useful in establishing a more heterogeneous notion of finance. A second section forms the core of the paper by reviewing the financialization of fringe credit including, perhaps most strikingly, the Comparatamos IPO. These episodes, I contend, are attempts to make fringe credit an 'investable' asset fully governable as a financial object. A third section seeks to place financialization in a broader critical context by returning to the question of governance. The Compartamos case, and the logic of incorporation/differentiation it constitutes, implies an ambiguous notion of governance. Financialization not only unsettles the borders of financial governance—the range of categories made governable as financial objects—but also underscores a process of differentiation in which marginalized populations are subjected to high, perhaps excessive, costs of credit; a danger that might result in the entrenchment of a differentiated system of global finance. Taken together this implies a need for conceptualizations of global financial governance which are sensitive to the ongoing processes by which objects of government change over time and to the uneven spaces of government they create. A conclusion notes the broader political context of this debate by calling for a certain disruptive ambiguity that might open space for alternative ways of assessing the needs of those on the fringes of global finance and the instruments that might meet those needs.

1 From Global (Financial) Governance to Governmentality

Over the past number of years 'governance' has entered our academic and popular lexicon as a term emblematic of our liberal and globalized present. An attempt to respond to the perceived dislocations of authority associated with globalization, governance is generally associated with a diffusion of authority and a demise in the capacities of the sovereign state. In contrast to images of sovereignty which tend to depict the state as an epicenter of authority and regulation, governance makes visible a variety of centers of regulation including those beyond or above conventional state agency. Broadly consistent with (and often explicitly drawn from) liberal conceptions, governance also frequently re-imagines regulation as a practice of the self in, for example, practices of prudential self-government.

This familiar language of the governance debates seeks to displace the formula which equates rule with a singular legal order emanating from the privileged space of the state. In these arguments, technological developments (especially those associated with information and communication) have opened space for the diffusion of political authority across a range of levels and actors. Governance, not the purview of a centered or nationally-bounded state, is now constituted out of 'horizontal interaction' which crosses space and which operates across multiple centers of authority. (see, for example, Hurrell 2007: 96)

This process of horizontal interaction has both diffused decision making capacities across levels of authority below the space of the state and migrated authority to actors and institutional settings which exist in global spaces beyond the state. This emergence of diffused networks of governance has unsettled the conception of sovereignty as both an exclusive center of authority and a well-bounded space coterminous with the borders of the nation. Governance seeks to disturb the notion of an overly-settled conception of sovereignty and rule:

> We increasingly find a variety of different kinds of rules, norms, and principles, developed through the actions of a wide variety of actors, in a wide variety of national, international, and transnational settings, and diffused, internalized, and enforced through a variety of material and symbolic incentives. (Hurrell 2007: 110-111).

At one level, the notion of governance seems to address something of the slippages and multiplicities with which our political present is confronted. The contexts of ‘globalization’ and the various reformulations of self-regulation associated with neo-liberalism do seem to indicate a web of empirical trends clearly connected to decentralized forms of authority. In addition, governance is part of a much broader trend within International Relations concerned with the displacement of sovereignty in a world increasingly characterized by dense transnational flows. (see Held, Arniel, Sassen, etc.) Despite this importance, however, much of the debate around ‘governance’ has tended to either reinscribe broadly (neo) liberal claims in an uncritical fashion or to invoke overly abstract and generalized accounts of what a ‘non’ or ‘post’ sovereign conception of rule and authority might look like. As Paul du Gay has noted, ‘governance’ is often posited as either a benign development or as the generalized outcome of an ‘epochal’ shift from a fixed world of sovereign authority to a world constituted in governance ‘beyond’ or ‘without’ government. This offers an abstracted depiction without any attempt to develop a more specific account of the mundane practices and knowledge through which actual changes in modes of government occur; practices that may, in fact, be less readable in the terms marked out in a singular story of governance:

> Despite foregrounding a set of transitions that have a certain intuitive plausibility, this narrative is less an institutional history than an abstracted theoretical account. Blocks of abstract ‘governing styles’ are allotted a clear and unambiguous identity as they overtake and supersede one another in an onward much towards their dominant contemporary manifestation, ‘governance’. (du Gay 2007: 165-167)

Others have sought to reposition governance as a critical term more conducive to the consideration of alternatives ways of governing. Timothy Sinclair, for example, contrasts governance with earlier notions of International Organization characterized by “faith in the postwar dream of a controlled world in which states could plan their way out of conflict and into peaceful prosperity.” (Sinclair 2004: 3) In contrast to International Organization and the technocratic faith it placed in the management of international issues as technical or discrete problems, governance is introduced as a more broadly analytical category “focused on outcomes rather than just analytical processes.” (Sinclair 2004: 5)

Global finance is now frequently assessed in terms of this question of governance, especially in the wake of the financial crises of 1997/98 and the various institutional responses to those crises. (see Langley 2004; Soederberg 2004, 2002) Although a term used in a diverse set of ways, global financial governance has often been mobilized to assess critically the set of practices and institutional networks with which the increasingly complex and liberalized world of financial markets are governed. This focus on global financial governance has spanned a wide range of work related to: the macro-prudential core of the New International Financial Architecture (NIFA) (Langley 1999); the ways in which the system of financial governance ushered in as part of NIFA represents a certain continuation of neo-liberal commitments (Langley 2004) or the class interests which sustain those commitments (Soederberg 2004); and the far-reaching questions of democracy and democratization of markets (Porter 2005) as well as the influence of private networks of technical experts in the formation and regulation of private financial markets. (Sinclair 2005; but see also Best 2005, Harmes 1999)

Randall Germain has been particularly central in attempting to clarify debates relating to global financial governance. Germain has been particularly keen to point out the ways in which objects of governance change in ways which "alter the modalities through which governance is delivered". (Germain 2007: 72) The most significant alteration in the modalities of financial governance over the past number of years entails the deeper reliance on what might be called 'prudential government'. Broadly consistent with neo-liberal modes of self and citizen, prudential government requires the development of mechanisms and capacities with which key actors are able to monitor and govern themselves. This mode of governance does not invoke prescriptive pressures or strict rules but, rather, facilitates transparent processes through which actors come to monitor and manage their own practice. The various changes bound up in the NIFA have, for Germain, made "possible a shift in the modalities of financial regulation, away from an emphasis on rules…and more towards procedures targeted at the actual capacities of financial institutions." (German 2007: 72)

Germain's analysis goes some distance to addressing some of the overly-abstract ways in which global financial governance has been figured. His approach pays attention to both the shifting ways in which the objects of financial governance change over time as well as the crucial role played by self-governance. Nonetheless, this analysis still offers a relatively centered approach to the question of governance. Germain, like other approaches to the critical governance literature, tends to depict relatively fixed, or at least stabilized, systems of governance which can be traced to the operations of relatively rigidified logics or interests. Although this has a certain degree of strategic value in its identification of a set of political and material interests which author modes of governance, it may also obscure the heterogeneous practices and forms of knowledge with which objects are made governable. For example Germain's approach remains wedded, in some important ways, to a 'states versus markets' approach in which governance is measured in terms of the confrontation between public and private authority. Governance, notes Germain, is related most fundamentally to "the broad outlines of the relationship between states and markets, or public and private authority." (Germain 2007: 75) Although important in many respects, this kind of public/private dichotomy can work to obscure the diversity of forms of expertise and authority which are not easily reducible to either public or private domains in any strict sense.

In addition, Germain's conceptualization of the role of ideas renders knowledge a secondary factor not 'essential' or primary to the question of governance. Although

Germain acknowledges the significance of ideas, they are not accorded an ‘independent’ role in the ways in which ‘modalities’ of governance are made. “Even if ideas are not an essential building block of financial governance”, notes Germain, “they are certainly an important one.” (Germain 2007: 76)

To build on the main thrust of this critical notion of governance developed by Germain and others, and to offer a provocation that might push those notions of governance in a more thoroughly de-centered direction, I want to draw on the notion of governmentality. Governmentality could, I argue throughout this paper, contribute to the development of more heterogeneous conceptions of global finance; conceptions concerned with the diversity through which the space of finance is governed and the multiplicity of forms of knowledge and practice that makes up finance as a bounded and identifiable category in the first place. To put it a bit differently, finance is neither a stable category—or even as relatively centered as often imagined—nor a category that finds its source in a single location. Governmentality is a concept that might help provoke more multiple and diverse images of finance as a governmental ‘mentality’ constituted in diverse and multiple—and not singular—kinds of ways.

Governmentality, influenced by Foucault’s lectures, shares much in common with the notion of governance. Both ‘governance’ and governmentality attempt to broaden ‘government’ beyond the strict world of state practice and institutions. In general terms, both concepts are attempts to respond to and offer critiques of the network of practices which seek to govern ‘beyond the state’. Despite these similarities, governmentality seeks a more broadly diffused or de-centered type of analytics. Unlike ‘governance’ which seeks to diagram a relatively centered network of institutions and norms, governmentatlity is purposely focused on the ‘conduct of conduct’ or the *diverse* and *heterogeneous* sets of practices and forms of knowledge which seek to govern the conduct of self or other. Governmentatlity is not a concept which allows a generalizable notion of rule or an abstract conception of the ‘interests’ which animate forms of rule. Rather, it seeks out an analysis of the diverse *assemblages* of knowledge and practice through which objects become governable in distinct ways including ways that emphasize or work through the governance of the self. (Dean 1999; Rose 1999; Walters and Larner 2004)

Government also always entails a ‘mentality’, a certain form of knowledge capable of rendering particular objects governable. Unlike approaches which render ideas a secondary set of practices reducible to more material sets of forces, governmentality emphasizes knowledge as a ‘technology’ necessary to the ways in which objects are represented and rendered identifiable. Before a object can be governed it must first be represented in ways which constitute that object as knowable and which, at the same time, make it available for management and intervention. (Miller and Rose 1990; du Gay 1997) Knowledge in this formulation, however, does not belong to some ideal or abstract realm but refers to the ‘humble’ and ‘mundane’ technologies (the graphs, systems of notation, reporting mechanisms, statistics, physical or visual representations) with and through which objects are made real in particular kinds of ways. This mundane and diverse approach foregrounds ‘government’ not as a ‘singular anchorage’ but as the irreducibly diverse practices through which we and objects to which we relate govern and are governed. This is a mundane conception of government related not only to the ‘intimate’ space of our lives as governable selves and identities, but also to the larger world ostensibly dominated by large macro-forces supposedly beyond the scope of everyday life, including the spaces of finance and financialization.

2 Constructing Financialmentality in/through Fringe Credit[1]

One of the sites at which global finance has been most recently visible as an object in formation and incorporation is the realm of fringe finance. Fringe finance refers to the diverse range of credit practices provided to those populations which exist on the edge of or in some ways outside of mainstream financial practices. This population includes not only the categories of 'unbanked' and 'underbanked' (see Barr 2007) but also a large population which has often relied on informal or personalized webs of credit. Fringe finance refers to a diverse and heterogeneous set of practices either committed to the extension of credit to those at the fringes of mainstream finance or concerned with the integration of those populations into mainstream financial practices. Although webs of informal credit and finance have long been a persistent feature of most economic systems, there is now dramatic evidence that fringe finance is becoming a quickly consolidated and *formalized* presence across much of the global economy and across the Anglo-American world in particular. (See Aitken 2006)

There are also, moreover, signs that some components of fringe credit are coming into more direct and *formalized* contact with mainstream financial spaces; are becoming increasingly *financialized*. This entails a process through which fringe credit increasingly circulates within mainstream (and global) circuits of capital and, by extension, is made governable as a *financial* object subjected to the processes of financial governance, especially those associated with the regulatory practices—the financialmentality—of Anglo-American stock markets and corporate governance techniques. One signal of this process is the IPF de-merger which created the largest publicly-traded U.K. firm committed to the extension of home-credit in the developing world. (Provident Financial PLC 2007b, 28)

Another, perhaps more startling signal is the financialization of microcredit. Microcredit emerges from a much different set of political, social and economic contexts than home-credit. Unlike home credit (or even American variants of payday lending), which have a longer history rooted in commercial or quasi-commercial contexts, microcredit is related to the field of international development. Emerging most significantly from the successful model of the Grameen Bank in Bangladesh and the pioneering work of Muhammad Yunus, microcredit has become an increasingly core component of international development agendas and key to global anti-poverty strategies. Microcredit schemes often extend credit to the poor or 'very poor' (often to women in particular) in order to fund micro-enterprise schemes or small self-employment projects. The small amounts of credit are often (although not always) advanced to individuals who form small groupings of lenders. Unsecured credit is managed and monitored by the transparency of the small groups who, over time, slowly built credit-worthiness and extend the amount of finance available to the group as a whole. Credit extended under these conditions have achieved very high repayment rates and have managed to extend credit enormously over the past decade. By 2006 it was estimated that over USD $25bn had now been extended to as many as 100 million micro-borrowers. (Dieckmann 2007: 7) Although it clearly comes from a different social and political context and constitutes a quite distinct form of credit practice, microfinance schemes share much in common with other forms of fringe credit. Microcredit schemes, like other forms of fringe credit, seek particular ways in which those populations on the edge of finance might be integrated in ways that allow some form of financial citizenship/agency' a form of agency increasingly achieved in relation to private capital markets.

'Making Up' Microfinance an Investible Asset Class

Although it emerges from a distinctly non-commercial site, and although it has often been reliant on philanthropic or donor capital microcredit has increasingly been recast as a commercial practice which draws upon private and liberalized capital markets as a source of capital. This reliance on private capital is enfolded into a story about the possibilities opened in the processes of financial liberalization. According to this narrative the processes of capital account liberalization have opened the space and competitive pressures in which microcredit practices might attract attention from private investors as a profitable commercial venture. The culture of competition which was ushered in by the processes of liberalization unleashed, according to this story, the force of financial innovation, including innovative schemes that would link capital markets with practices of microcredit:

> In the early 1980s, when microfinance began to emerge, the financial sector environment in most developing countries…operated under a set of policies now referred to as financial repression…Financial sector liberalization has changed this situation…private banks are far more interested in finding new opportunities for profit than they were a decade earlier…These conditions have unleashed major expansion and innovation in financial products throughout the financial systems of liberalized countries…MFIs offer…profit potential. (Rhyne and Christen 1999: 2-3)

Bolstered by this particular narrative of liberalization, the financialization of microfinance has taken several forms. At one level this has entailed a process through which micro-finance has increasingly turned to private sources of capital. In 2006, for example, 'market-based financing' increased 10 percent over 2005 levels in every region except Sub-Saharan Africa so that "commercially priced borrowings and deposits funded nearly 70 percent of an MFI's loans by the end of 2006." (Stephens 2007: 32-33) Although initially funded by public or philanthropic sources, many MFIs are becoming converted to commercial models reliant on private or financial capital. Fully commercialized providers of microfinance capital now comprise the fastest growing dimension of the microfinance sector. By 2006, for example, there were at least 222 MFIs that could be classified as commercial institutions; a pool of private capital which reached 11 million clients up from 3 million in 2004. (Rhyne and Busch 2006: 3)

For some commentators this dramatic rise in the role of private finance is indicative of a broader trend in which private capital will come to form the core of microfinance and will underwrite the expansion of microfinance more broadly. In this view public development funding will not be sufficient to circulate microfinance more widely among a large available 'market'. "To extend microfinance to a substantial majority of the world's poor", two commentators note, "a new kind of capital must enter this market, and that capital will most likely come from the mainstream capital markets." (Emerson and Spitzer 2006: 7)

Beyond the reliance on private circuits of capital, however, microfinance has become incorporated into private financial spaces in a broader and more dense number of ways. Perhaps the most immediate sign that microfinance has become more fully integrated within financial markets is the emergence of a large number of successful specialized financial vehicles specifically designed as microfinance instruments. Microfinance Investment Vehicles (MIVs) have recently emerged as specialized investment intermediaries designed to link private investors in capital markets directly with providers of microcredit. MIVs either establish direct forms of investment in microfinance operations (and in some cases operate as the underwriters for MFIs directly) or, more commonly, help securitize microcredit loans (or receivables of some kind) which are then bought by investors or other financial agencies as appreciable assets. Although there are now many such experiments in financial intermediation, the core of the MIV sector is composed of 6 major private financial organizatons: Procredit Holding, Oikocredit, EFSE, BlueOrchard, Dexia and Calvert. Combined these 6 agencies experience rapid growth and expanded the capital they circulate by 90% between 2004 and 2005. (Microrate 2006: 4)

This evolution into an asset class—this financialization—is also characterized by the emergence of secondary financial agencies designed to incorporate microfinance into the governance structures organized around financial markets. As many commentators have noted, contemporary financial markets are increasingly governed by private forms of technical expertise—auditors, accountants, bond rating agencies, investment analysts, etc. This form of governance often orbits around the flow of highly specialized knowledge that is often proprietary or privately managed. Timothy Sinclair has described, for example, the forms of governance exercised by and through credit/bond rating agencies as ‘embedded knowledge networks’. These networks, although accorded a certain status as ‘private’ bodies, nonetheless contribute to the expansion of investor power globally and operate to constitute markets organized under uniform notions of Anglo-American financial governance. These networks, notes Sinclair, provide “a transmission pathway for the delivery of policy and managerial othrodoxy…They are agents of convergence, who seek to enforce ‘best practice’ and ‘transparency’ on the world.” (Sinclair 2005: 177)

As microfinance increasingly associates itself with the ‘financial orthodoxy’ it, too, becomes implicated in webs of financial ‘convergence’ and ‘best practice’. There have been numerous recent attempts, for example, to consolidate knowledge of MFIs and to translate that knowledge into reliable ‘benchmarks’ which are legible to mainstream financial analysts. A large-scale microfinance benchmarking process is underway which seeks a universal language through which MFIs and microfinance opportunities can be assessed. Perhaps more important has been the emergence of the first widely available investment rating service explicitly targeted toward microfinance—Microrate. Microrate offers and sells financial assessments of most MFIs and provides specialized investment ratings of MIVs. This is an endeavour, Microrate suggests, which will both translate microfinance into a language consistent with mainstream financial practices, but also render microfinance an ‘investable’ category of financial assets. “Its objective,” notes Microrate, “is to link MFIs with funding sources and in particular with international capital markets…allow[ing] lenders and investors to measure risk…and to help create the transparency without which financial markets cannot work.”[2]

In all of these different ways there are growing signs that microfinance is becoming increasingly situated within mainstream circuits of capital and the financialmentality which dominates those circuits. The aim of this process of *incorporation* is to transform microfinance into a fully financialized 'asset class'. This process signals a shift through which microfinance is constituted as an object amenable to the financial markets; as a financialized object and investable asset class most fully governed in relation to the practices and mechanisms of mainstream financial and corporate governance structures. This entails, some suggest, "confronting challenges such as developing standard rating methods; guarding against foreign currency risk and country risk; and meeting the large volume requirements" dictated by international capital markets. (Sengupta and Aubuchon 2008: 22; see also Microvest 2007: 1) This is a shift which entails the re-articulation of microfinance into a category legible not in terms of its conventional association with 'social responsibility' but in terms of the 'normal science' of finance; a shift which:

> …recognize[s] microfinance investments as legitimate and useful asset classes with measurable and attractive risk-reward characteristics, asset classes that can add valuable dimensions to a portfolio of investments…and traded in secondary markets…eventually…able to stand on their own, appealing to investors without needing a 'socially responsible crutch' and without any concession to the risk-adjusted market rate of return. (Emerson and Spitzer 2006: 18)

Perhaps the most ambitious way in which microfinance is stipulated as a mainstream financial object, however, is in a line of argument which constitutes MFIs as a source of portfolio diversification. Increasingly, financial advisors and investment brokers are turning to microfinance in conventional asset-allocation terms, as an asset class with some degree of variation from conventional investment vehicles. At the core of this approach is an emerging line of assessment which situates microfinance as an asset that is largely insulated from broader macro-economic trends or market fluctuations. (see Dieckmann 2007: 16) In these terms, MFIs can help reduce portfolio volatility and protect investments from broader market or macro-economic shocks. "Microfinance," note Sengupta and Aubuchon, "can reduce portfolio volatility…[because they] have a low correlation to general market investments…micro-enterpreneurs may be less integrated into the formal economy. When markets enter a downturn, micro-entrepreneurs may experience a countercyclical effect…" (Sengupta and Aubuchon 2008: 28) In these terms, the focus in microfinance on those on the fringes of the mainstream financial system becomes, itself, an investable asset. Because microfinance clients are not (yet) fully or formally integrated into the financial mainstream, the capital which they circulate is also partly outside of trends in those mainstream financial spaces; a fringe status which becomes, itself, a valuable and investable asset.

It is in this language that microfinance has been increasingly constituted *as* an investable asset *internal* to the spaces of mainstream finance. Implicit (and occasionally explicit) in these lines of force is an argument reinforcing a particular discourse of finance as a scientific and necessary kind of realm. As Marieke de Goede has noted, although it was once a contestable and politically dubious category, 'finance' has, over the second half of the twentieth century, been refigured as a rational, scientifically predictable and even 'necessary' practice. (see de Goede 2005…) Something of this discourse of scientific/instrumental rationality and necessity is echoed in the recent calls to transpose microfinance as an investable asset class. Recasting microfinance as an 'asset class' is one more instance of a discourse in which finance is represented as a rational and necessary object; a solution to other ‘social’ dilemmas and problems. The complexities of this emerging, if still somewhat fragile, attempt to connect microfinance to the ‘rational’ world of mainstream finance is perhaps most fully narrated in the recent drama of the Compartamos IPO.

The Compartamos IPO

In the spring of 2007, in a move that triggered anxious debate not only in the relatively confined world of microfinance, but also in broader political and business circles, a Mexican MFI—Financiera Compartamos—completed an IPO in which it listed a 30% stake of its operations on the Mexican Stock Exchange. A secondary offering, the IPO allowed the owners of Compartamos—consisting of the International Finance Corporation (a public finance institution associated with the World Bank), Accion, a large American Microfinance NGO, and several small investors—to sell parts of their ownership to private (mainly international) investors through mainstream capital markets. On one level, the IPO charts the narrative of a relatively successful microfinance operation. By 2000 the NGO which founded Compartamos transferred its microfinance operations to a fully commercialized financial institution—Financiera Compartamos S.A. de C.V.—which emerged as the result of an initial investment pool of $6 million generated from IFC, Accion, Gateway fund, Profund, the Compartamos NGO itself and other private Mexican investments. (Rhyne and Guimon 2007: 3) Among the most successful MFIs in Latin America, Compartamos now boasts a portfolio of $316 million USD lent in microfinance loans to 765 000 clients, the vast majority of whom are poor women. (Epstein and Smith 2007)

At another level, however, the Compartamos story is striking in terms of the process of financialization it consummated. The IPO was 13 times over-subscribed and garnered $468 million, resulting in an immediate increase in Compartamos’ valuation to $1.6 billion. (see Cull, Demigruc-Kunt and Morduch 2007a: 2) The shares were widely dispersed among just over 5000 investors, including over 150 institutional. Just over 80% of the offering went to international investors. (Rhyne and Guimon 2007: 4)

The Compartamos IPO was not the first or only IPO in the microfinance world—there have now been 4 major IPOs including Compartamos, Bank Rackay (Indonesia), the Bangladesh Rural Advancement Committee and Equity Bank (Kenya) (Liberman *et al* 2007: 4). The Compartamos IPO was, however, the event which crystallized some of the issues at stake in the financialization of microfinance in an important number of ways. At one level the controversy surrounding the Compartamos case relates to the ways in which the IPO transferred profits to microfinance supporters formally committed to the expansion of credit among the very poor as a social, and not profitable, objective. All of the initial owners of Compartamos, including several NGOs with longstanding commitments to microfinance realized enormous profits from the IPO. Accion, for example, an American network of microfinance NGOs netted gross proceeds of USD $140 million from the sale of a 9% stake in the firm, and continues to retain over 9% equity in the company. These proceeds were generated from an initial investment of approximately $2 million which itself was financed by contributions from USAID. (see Rhyne and Guimon 2007)

The most dramatic complexity of the Compartamos story relates to the cost of credit. Since 2000 Compartamos has charged its clients, mainly poor women, very high rates of interest even when compared to both the Microfinance and Mexican averages.

By 2006, for example, Compartamos charged rates of interest that were well over 85% APR and which resulted in real costs of interest of over 100%. (see Rosenberg 2007: 5 and Rhyne and Guimon 2007) Not only is this rate of interest exceptionally high when compared to similar lenders, it is also stands in stark relation to the high levels of profitability Compartamos achieved throughout the past 8 years. By all measures Comparatamos has become an exceptionally profitable financial firm. By 2006, for example, Compartamos achieved a 23% Return on Assets, 57% Return on Equity and a Profit Margin of 44%; figures which all dwarfed sector averages. (Lieberman *et al* 2007; Rosenberg 2007)

On one hand those who benefited from the Compartamos IPO defend the rates of interest (and profitability) as a strategy key to the expansion of microfinance credit in Mexico. High rates of interest both allowed Compartamos to finance expansion through retained earnings (and meet ambitious expansion goals) and attracted the attention of international investors drawn to the high rates of return on assets and equity. Financializaiton, and its associated requirements for profitability and asset growth, was an explicit strategy designed to expand microfinance credit more widely and to unleash a self-perpetuating process of financial growth and development. Establishing a microfinance institution legible in terms established by the financial sector—high rates of profitability, favourable rates of return—attracted deeper pools of capital which, by extension, allowed more sophisticated forms of financialization. This successful circle of financialization has its roots in high interest rates and rapid expansion unleashed by high retained earnings:

> Compartamos kept the vast majority of the profits generated by the high interest rates as retained earnings and used them to finance rapid expansion. Retained earnings were quickly lent out to new clients…High profits have given Compartamos a wide range of options for growing and expanding its range of services. (Rhyne and Guimon 2007: 15)

This process of financialization was an explicit strategy not only to incorporate Compartamos more fully into circuits of private (and global) financial capital, but also to secure the conditions for a particular kind of long-term growth. Beginning in 2000 Compartamos initiated an explicit plan for growth culminating in a goal of 1 000 000 microfinance clients by the end of 2008. By 2006 Compartamos was adding 100 000 new clients each year and had achieved a $270 million loan portfolio. (Rhyne and Guimon 2007: 4)

Critics of the IPO, however, argue that the high rates of interest paid by microfinance clients directly enable the extraordinary rates of return earned by initial investors through IPO proceeds. For these critics the high rates of retained earnings, built through high rates of interest, were not primarily related to the expansion of Compartamos' loan portfolio, but were key to the processes by which mainstream financial investors were attracted to the firm. Financialization becomes, in this perspective, an end in and of itself related to the security of profits and a high return on equity. Put more simply, the high rates of interest generated profits that both covered the costs of expansion *and* generated profits necessary to generate interest among international investors. As Rosenberg notes, "Compartamos charged its borrowers interest rates that were considerably above what the company needed to cover its costs." (Rosenberg 2007: 4) Strikingly, there is no evidence that Compartamos pursued any systematic attempt to correlate the rate of interest with projected expansion costs or requirements. Rather, interest rates floated well above both the market average and any reasonable estimate of what might have been required to finance rapid expansion. According to critics, it is more accurate to assess these ‘excessive’ profits not as a pool of capital recycled to microfinance clients but as a set of earnings designed to attract financial capital and, by extension, to earn profits for initial investors. Put bluntly in Rosenberg’s now-infamous critique, the “higher charges to borrowers correlate directly with higher profits captured by investors, including private investors.” (Rosenberg 2007: 10)

The Compartamos IPO, in these terms, signifies something of the complexities endemic to the financialization of fringe credit. Like the ‘demerger’ of Provident Financial, the Compartamos IPO seeks out a form of liberalized capital made legible in the language of financial governance. This process of financialization not only generates opportunities for profit associated with microfinance, but builds in the logic of financial assessment as an inherent element of how microfinance is made governable. This represents a normalization of financial criterion as the core of microfinance; a logic which not only constitutes microfinance as an ‘investable’ asset but also as a sector defined in terms of profit and financial return. ‘Finance’ comes, in this logic, to represent something of a ‘solution’ to the fragility of microfinance and, by extension, to the questions of exclusion and poverty with which it is associated; a variation on a long-held formulation that represents finance as a kind of rational and ‘necessary’ domain. Put directly by Lewis in a recent intervention:

> …the interest rate charged on microloans to poor borrowers must do more than merely alleviate poverty, create sustainable small businesses, empower women and finance microfinance…It must now also generate profit for investors (mostly foreigners). Thus, to help desparately poor people help themselves, they are charged extraordinarily high interest rates which, in part, are needed to enrich well-intentioned domestic and foreign investors who require financial returns to justify their doing social good. (Lewis 2007: 6)

The Compartamos IPO exists as the center of a deeply contested debate regarding the future of microfinance and the openings and limitations associated with a process through which microfinance becomes more fully integrated within mainstream financial spaces. This kind of contested formulation of financial integration—questions about what is at stake in financialization, what is opened and closed when microfinance is incorporated within mainstream financial practices—is emblematic, by extension, of the changing and uneven conditions not only of micro/fringe finance but of global financial governance itself and the objects that mode of governance seeks to address.

3 Unfixing the Cartographies of Finance

The Compartamos debate revolves around a sense of symbolic impression. The financialisation of microfinance is a relatively small event in the context of the larger world of global finance; in the context of global foreign exchange markets or the global markets for derivatives. The symbolic importance of these initiatives, however, is striking. As proponents suggest, events like the Compartamos IPO are significant as moments with symbolic weight which announce the arrival of microfinance as a calculative domain fully legible in terms of the language and symbolic practices of mainstream finance. “This new stage of development in the industry,” notes one observer, “will not necessarily come from the ability of institutions to do IPOs, but rather by the signals these successful IPOs send to commercial investors,” (Liberman *et al* 2007: 8)

At another, more critical level, however these initiatives are suggestive of some troubling trends which might throw into question or complicate our notions of global governance. The financialization of fringe finance confront our ‘centered’ notions of governance in at least two broad ways. First, the story of fringe financialization reveals global governance not as a settled but as a shifting and mobile category. The objects which are targeted by modes of global governance—the spaces and practices made governable and calculable as ‘financial’ or ‘investable’ objects—are not stable but often are constituted and reconstituted over time. The Comparatmos IPO forms a story of incorporation, of how a set of practices from outside the spaces of financial practice are brought within the formal financial sphere and are made amenable to the modes of governance of that sphere. Although those who benefit from fringe finance often claim it as an exceptional space (and, by extension, a costly population to serve), the world of fringe finance is becoming increasing central to and reliant upon the very core of mainstream financial practices. As the story of financialization itself narrates, fringe finance is in no meaningful manner external to or exceptional from the mainstream practices of finance.

This process of incorporation pivots upon a discourse of necessity in which finance is constituted as a ‘solution’ to microfinance and, more broadly, to the problems of poverty and exclusion. The incorporation of microfinance and fringe finance into the center of global financial practices, and the deep reliance on mainstream financial services and circuits of capital, is framed as a necessary and rational outcome; one more location at which finance is represented as a rational and scientific domain.

This mode of incorporation, moreover, implies that the objects which populate the territories of global financial governance are shifting and unstable. The kinds of practices which are interior to the spaces of global finance are in constant formation. This implies, by extension, the need to develop analyses of global financial governance which foreground the shifting practices through which objects become governable. In contrast to approaches which assume a relatively centered or coherent set of practices, this paper suggests the importance of analyses which acknowledge the shifting set of objects which are made governable in terms of global financial governance—which are incorporated within the logic of global finance—as well as the diverse ways in which the borders of global finance are constituted and reconstituted over time.

A second way in which the financialization of fringe credit complicates notions of global financial governance is in terms of a contrasting notion of differentiation. As the Compartamos story implies in particular, the financialization of microcredit has been made possible by the high rates of interest charged to clients. High rates of interest were the driving force behind very high levels of profitability which, in turn, attracted the interest of mainstream investors. The Compartamos story is, in fact, part of a broader set of trends in which the formalization and financialization of fringe credit is cementing differential sets of interest rates for those on or beyond the margins of mainstream credit practices. As Paul Langley has noted, sub-prime credit is increasingly being delivered in ways that invoke differential rates of interest for those who have access only to unsecured credit. (Langley 2008) Although there is no systematic independent research which has interrogated the costs associated with the provision of fringe credit, fringe credit providers continue to make the case that differential sets of interest rates—relatively affordable credit terms for prime customers and much higher, even coercive, credit terms for sub-prime markets—are justified as a reflection of the high costs required to deliver unsecured, short-term credit.

The story which forms the core of this paper, however, indicates a significant danger of a certain kind of entrenchment of these differential credit spaces. The financialization of fringe credit relies on the prospect of differential interest rates as a core component of business strategies designed to attract global capital flows. This model risks the possibility of entrenching a financial system in which those on the margins are increasingly subjected to differential modes and costs of access, even as those same populations are increasingly targeted for 'inclusion'. This implies that a 'two-tiered' financial system, characterized by differential rates of interest and coercive terms of access for those most unable to afford high costs, remains a very real possibility. Incorporation—the rationality which remains central to the dream of 'financial inclusion'—seems, in this case, to be articulated to, in confrontation with, a mode of differentiation which marks out certain marginal populations for costly and occasionally coercive credit. "There is no simple evolution or succession," writes Nikolas Rose, "in knowledges and practices of subjectification. Many specifications of subjectivity coexist. They are deployed in diverse practices at similar times, sometimes without being troubled by their discrepancies. At other times they are set off against one another." (Rose 1999 153)

This dynamic of incorporation/differentiation marks out a more de-centered notion of global financial governance than is often portrayed in conventional images of global finance. In contrast to relatively centered conceptions of governance, the incorporation/differentiation logic I've sketched in this paper highlights the space of government—and the objects which are its target—as a variegated, uneven and, in a certain way, ambiguous space. The spaces of governance are ambiguous partly because they are populated by objects in constant formation. Rather than assume a relatively stable set of objects of government, or understand the formation of governable objects as a somehow extraordinary event or episode, this paper foregrounds the importance of formation or incorporation as routine to the processes of government. This is to suggest that incorporation should not be conceived as something external to government or as a dramatic, and not ongoing or mundane process.

Neither, however, are objects governed in unambiguous ways once incorporated. The case reviewed in this paper foregrounds a deep ambiguity about the rationalities of governance associated with financial practice. Microfinance and fringe credit more broadly are riddled by differential rates of interest and by striking partialities in the ways in which they situate everyday populations in relation to global financial markets. Incorporating microfinance into modes of financial governance has, in fact, complicated the ways in which the very poor come into confrontation with global financial markets. There is no single way in which those incorporated into global financial practices are governed, nor is incorporation a single or complete process which delivers those outside unambiguously and fully into mainstream financial practices. Rather, financial markets are increasingly criss-crossed by a diversity of practices involving, and often combining, modes of individual self-governance common to neo-liberal images of the self with various forms of coercion (and often forms of self-discipline) marked by the burden of costly credit. In slightly different terms, it is clear that 'incorporation' has resulted in varying degrees of financial citizenship in which 'inclusion' often means some degree of access to but also some degree of exposure to coercive forms of credit.

Take together, these logics of incorporation/differentiation underscore the need for a conception of global financial governance which takes seriously ambiguity not as an exceptional or extraordinary element but as a constitutive feature of how the spaces of global finance—and the differential populations which make up those spaces—are governed. Here I want to draw on a recent metaphor developed by Ann Stoler in a different context to crystallize this de-centered and ambiguous conception of global financial governance. Stoler's analysis recasts the question of empire as a 'formation' riddled with 'geopolitical ambiguity'. Far from understanding empire as a tightly bounded and coherent space marked out by clean lines of demarcation and belonging, Stoler offers an analysis of 'imperial formations' marked by heterogeneous practices of territorial redefinition, zones of ambiguity, population transfers, and a complicated roster of legal categories framing various levels of citizenship, belonging, partial membership and formal modes of exclusion. Alongside imperial practices of stark domination and abject dispossession, there was also a much more complicated, if still coercive, realm which managed empire through techniques of partial belonging or zones of truncated status. Empire, notes Stoler, "required frequent redrawing of the categories of subject and citizen fostering elaborate nomenclatures." (Stoler 2006: 135-142) Imperial formations, she continues, entail territorial ambiguity, the redefinition of "legal categories of belonging and quasi-membership, and…geographic and demographic zones of partially suspended rights…" (Stoler 2006: 135-142)

Empire according to Stoler, to put it in a language which dominates the political debates of today's 'global war on terror', entailed a form of exclusion marked out by 'exceptions' to claims of liberal citizenship but exceptions and partialities that are justified by an almost permanent sense of danger and threat. Empire is characterized not as a singular form of geopolitical rule but by heterogeneous forms of exclusion and 'exceptions'; exceptions to 'normal' legal forms or modes of citizenship which became increasingly routine. Empire, in this formulation, is constituted out of "force fields of attraction and aversion, spaces of arrest and suspended time. In imperial discourse, they are framed as unique cases—but they are 'exceptions' in a context in which exceptions are a norm." (Stoler 2006: 135-142; for a general discussion of exception see Agamben 2005; Aitken 2008)

I am not suggesting that global financial governance be recast as a question of empire in any direct sense, although to be sure, the dynamics of global finance could be usefully mapped out in relation to the spaces and logic of empire.[3] Rather, in the context of this paper, I want to highlight Stoler's formulation as an apt analogy for the 'governance' of global finance and for the processes of financialization more generally. Like empire, it might be critically useful to depict global financial governance as a centered mode of practice which presides over a relatively bounded and coherent set of social practices. There might also, however, be critical and strategic possibilities which can be opened by framing global financial governance, in terms resonant with Stoler's assessment of empire, as an ambiguous and often shifting terrain. As the story of financialization I've retold in this paper suggests, the objects made governable in terms of global finance are often formed and reformed in complex ways, and in ways that can often result in uneven processes of differentiation. Financial 'belonging'—the objective at the heart of incorporation' or other programs of 'financial inclusion'—is neither an even or fully achievable project. These processes are, in certain ways, 'exceptions' to the centered spaces of global finance, but exceptions that are increasingly normal. Making visible these exceptions as normal spaces is a critical strategy capable not just of capturing or documenting something of the ambiguities of global financial governance, but also of altering the terms of those ambiguities and opening space for alternative renderings.

Conclusion: Governance and the Possibilities for Alternative Credit Practices

As Edward Said has noted, all social and political projects are constituted in beginnings which then open and close fields of possibilities. Global financial governance is a project riddled with ambiguous beginnings and outcomes. As some recent critical voices in IPE have noted, however, the ambiguity of global financial governance is not matched by an official technocratic discourse which depicts finance as a rational and necessary domain; as a somehow scientific and respectable pursuit. (see, for example, de Goede 2005)

The main focus of this paper—the financialization of fringe credit—is often framed in ways that echo this technocratic-rational discourse. Those who support the incorporation of fringe credit more fully into global financial practices often frame it as a process thoroughly implicated in broader processes of financial liberalization. In this discourse 'finance' becomes a way to solve problems related to financial exclusion and poverty. The discourse depicts the financialization of fringe credit as a process only enabled by the broader liberalized financial practices which now form the centerpiece of global financial governance; one more site at which 'finance' is imagined and constituted as a rational and 'necessary' object:

> The trajectory of the policy and regulatory environment has been…from state–controlled and distorted financial markets toward more liberalized financial markets…Microfinance has flourished in settings where the government did not follow directed credit policies, allowed interest rates to be market-determined, kept credit allocation separate from politics. (Rhyne and Otero 2006: 19)

As this paper has suggested, however, this process of financialization, and the practices of global financial governance to which they relate, are often more ambiguous than represented. On one hand there is, of course, some evidence that the financialization of fringe credit has been enabled by—is a 'beginning' that has been constituted in the context of—a liberalized regime for global financial markets. This development has, in turn, facilitated a kind of broadening of access to mainstream credit by those on or outside of the very margins of those practices. Although the rhetoric with which supporters of fringe credit enunciate its success is overblown, there is, nonetheless, some resonance to the sense that large excluded populations—perhaps ranging into the millions—may gain some degree of access to formalized or semi-formalized credit.[4] Undoubtedly the outcome of this access—what I have referred to in this paper as incorporation—remains markedly positive for many who have begun to access credit in a more formalized or secure manner. The rapid rates of incorporation, moreover, signal a significant set of needs among the financially excluded for more secure access to forms of credit.

On the other hand, however, this trend cannot be read in any simple or singular manner. The financialization trend—a trend marked by the high rates of profit earned by providers of fringe credit—is deeply implicated not only in processes of incorporation but also of differentiation. The financialization of fringe credit carries with it a very real possibility of a certain permanence for the high rates of interest assessed on marginal populations. Because it is premised on the requirement for financial returns, incorporation has only been successful when it has attracted high rates of profitability and return on equity—terms which establish the conditions for continuing differentiation and perhaps even the institutionalization of a 'two-tiered' or differential financial system marked by widely divergent terms of access.[5] In these terms the logic of incorporation is not separable from the logic of differentiation. Rather incorporation and differentiation are often made possible by each other—operate as beginnings for each other—and remain bound into complex often mutually-reinforcing conditions of existence.

Conceptually, this logic of incorporation/differentiation implies the need for 'messier' images of financial governance. Governance is not a stable or already-existing or relatively centered practice, but one that is subject to practices of constant incorporation in which objects of governance are constituted and reconstituted over time. In addition, governance cannot be read as the result of or expression of a single logic but is, rather, marked by a certain degree of ambiguity in which competing logics operate in different ways. Rather than figure 'governance' as a relatively stable or singular practice, critical analyses of 'finance' and financialization more broadly, could benefit from purposely de-centered and heterogeneous accounts of how financial objects emerge and are rendered governable.

In more explicitly political terms, the 'messiness' of the process of financialization reviewed in this paper has two main implications. First, the process of differentiation signals some important, and troubling, questions regarding global financial governance. As many critical commentators have noted, most discussions of global financial governance tend to assume a neo-liberal hue by restricting discussions of finance to abstracted 'technical' issues associated with 'transparency', 'stability' or other measures of market integrity. (See, for example, Best 2005; Soderberg) The financialization of fringe credit, however, brings the question of global financial governance squarely into confrontation with issues related to social exclusion, poverty and equity. An explicit recognition of the 'differentiation' with which global finance is associated could deepen critical attempts to disrupt a neo-liberal managerial orthodoxy fixated on 'finance' as a somehow rational and 'necessary' object. To take seriously the issue of differentiation is to introduce, more fully, issues of equity and poverty. What does it mean, for example, to speak of financial 'stability' in a context in which financialization may be entrenching or deepening unequal access to credit? Taking seriously the question of differentiation might help introduce poverty, 'exclusion' and inequality as issues *internal* to the domain of global financial governance.[6] By reconceiving governance in more de-centered ways, the approach advocated in this paper could contribute by further disrupting the claims of neo-liberal forms of financial governance.

Second, analyses generated in relation to governmentality can be important if they can open political space for the consideration of alternative possibilities. Because governmentality is keenly focused on the ways in which rationalities and programs of government are assembled in mundane (and in 'non-necessary') types of ways, it can open space for a consideration of the possibilities for alternative assemblages and calculations of government. Governmentality assumes no necessary ordering of the practices and programs of government. Rather it pursues an 'analytics' squarely focused on the 'imminently empirical ways' in which objects are made governable. This mundane approach opens space for a consideration of the ways in which particular modes of governing—particular discursive formations, particular ways of making objects governable and calculable—can be contested, corroded over time or can lose coherence.

Although financialization seems to subject ever-increasing domains to a particular a rationality of government—a rationality in which objects are governed as financial categories—it is not uncontested or beyond corrosion. As Miller and Rose have noted, governmentality does not assume that 'governance' and 'contestation' are external to each other. Rather the dreams of those who seek to govern (like those who seek out a world of financialized credit) are often confronted with a 'reality' in which programs of government experience some form of contestation. Governing, note Miller and Rose, "is not the realization of a programmer's dream. 'The real' always insists in the form of resistance to programming, and the programmer's world is one of constant experiment, invention, failure, critique and adjustment." (Miller and Rose 1990)

Although it is beyond the scope of this paper to explore the possibilities of limits of alternative configurations of fringe credit, there are, nonetheless alternative models which resist the attempts to deliver fringe credit as a financialized object. Although the discourse which frames finance as a necessary mode of governance often forecloses political debate regarding alternative credit practices, a range of alternatives increasingly populate the discussions of fringe credit. Any assessment of fringe finance influenced by governmentality needs to take seriously attempts to constitute and assemble other ways of governing the extension of credit to 'others'. By way of conclusion I want to note one attempt to resist the provision of fringe credit as a financialized object. I point to this example—the work of American credit unions on alternatives to payday lending—not as a fully explicated or generalizable model but as a signal of the possibilities which exist for alternative formulations.

A range of American credit unions led by the National Credit Union Foundation, have begun to develop a series of programs designed to systematically assess 'real' costs associated with the provision of fringe credit—most importantly payday loans—and to develop costing models that would offer this credit at more affordable rates. The *Real Solutions* program, for example, is the first national credit union program designed to cost credit at a moderate rate through short-term loan instruments. At the core of this program is an attempt to avoid the costs of financialized credit and, by extension, to reduce the overall costs to borrowers. Although advocates often point to financialization as a process through which credit can be capitalized and circulated efficiently, the Compartamos case underscores the ways in which financialized credit can often lead to—and help entrench—higher costs for consumers. The *Real Solutions* program attempts to harness definancialized credit as a way to reduce costs. "Instead of building profits for stockholders," program head Loist Kitsch notes, "credit unions are in business to serve their members." (Kitsch 2006 9)

One specific attempt to begin to map out modes of definancialized credit—to insulate the provision of consumer credit from the pressures and governance structures of private financial markets—relates to a unique pooling of credit risk organized by a series of Ohio credit unions participating in the *Real Solutions* program. In lieu of high cost loans (usually offered through payday lenders) the Dayton-area credit unions have developed a small-amount line of credit (ranging from $250-$500) against which clients can borrow money for short-term periods in ways that mirror payday loans. The loans are offered, however, at a relatively low rate of interest (18%) but can only be accessed once clients pay an 'annual fee' which can range from $35-$70. The annual fees assessed on all clients in the program are pooled and are used by the participating credit unions as a kind of 'insurance' fund against loan defaults. As Kitsch notes, the innovative dimension of this approach "is the pooling of annual fees charged to members to build a kind of insurance fund available to cover losses by all participating credit unions. This pool of funds reduces risks and makes the program much more attractive to smaller credit unions." (Kitsch 2006: 20) In this experiment, the risk of servicing unsecured loans is not borne directly by individuals nor is risk that managed through private financial markets by way of higher interest rates designed to attract private investment capital. Rather the risk associated with this form of credit is managed collectively by the participants themselves in the form of a relatively simple collective insurance mechanism. This collective risk mechanism, in turn, allows for substantially cheaper forms of short-term credit. In this experiment fringe credit is governed not as a financialized object but as a practice whose risks could, to some degree, be managed outside of the spaces of private financial markets.

It is beyond the scope of this paper to highlight the limits and possibilities represented by this, and other, experiments in de-financialized credit. It is, however, important to note the mundane processes and experiments through which alternative credit practices are being innovated. Although some of these experiments will remain incoherent and undeveloped, it is clear that some of these models might successfully incorporate fringe credit customers into mainstream spaces along different lines than are currently being drawn by/in mainstream financial markets. Our assessments of global financial governance should open, and not foreclose, debates about the possibilities of these kinds of calculations. It is only by developing critical analyses that underscore 'governance' as a fragmented and dynamic practice—that adopt a certain mode of disruptive ambiguity—that such alternative calculations can be assessed with the clarity and urgency they deserve.

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[1] The inspiration for the notion of 'financialmentality' is Lord Mawuko-Yevugah.

[2] See www.microrate.com.

[3] I am not in any way discounting the possibly fruitful lines of analysis that could be opened up by a more systematic interrogation of the ways in which global financial governance operates in or evokes a certain style of imperial governance. It is, however, beyond the scope of the paper to address this issue. Rather, I want, simply, to draw on Stoler's rich assessment of empire as a way to help rethink the notion of governance.

[4] For one example of both the possibilities of increasing access and of the overblown rhetoric of those enthusiastic of financialization see Cull, Demigruc-Kunt and Morduch 2007a: "They [commercial microfinance operations] pave the way for broadening access to finance for hundreds of millions, perhaps

even billions, of low-income people who today lack ready access to formal financial services…such access can do something more fundamental: it can expand households' abilities to cope with emergencies, manage cash flows, and invest for the future—i.e., basic financial capabilities…that are especially valuable for low-income households seeking stability and the hope of a better future." (page 4)

[5] Even within the microcredit world, evidence is now accumulating that the 'very poor' are not served by commercial/financialized microcredit schemes, that there are two distinct markets, a group of lower class population served by commercial institutions and a group of 'very poor' served by social groups, ngo's or subsidized operations. (See Cull, Demigruc-Kunt and Morduch 2007a; Cull, Demigruc-Kunt and Morduch 2007b: F110.) Neither has the experience of financialization been unambiguously successful. The Compartamos share price has 'stuttered' in recent months and Provident has noted ongoing difficulties with its Mexican division.

[6] I am hesitant to use the term 'inclusion' and 'exclusion' as they imply a certain simplistic dichotomy. As the argument in this paper suggests, however, 'inclusion' and 'exclusion' do not accurately capture processes of 'incorporation' which are inextricably bound into process of differentiation. There is, to put it differently, no abstracted zone of 'inclusion' or 'exclusion' but, rather, complicated zones of ambiguity. I should also note that the reconceived notion of governance advocated in this paper might also usefully introduce questions of race and gender into debates about global finance, although it is beyond the scope of this paper to address these urgent issues.