

Nothing from Nothing: Alchemy and The Economic Crisis

Karen Pinkus

In a short article in *The Nation*, economist Robert Pollin sets out some proposals for US financial markets. He writes:

The most cost-effective way to finance the bailout is for the Federal Reserve, not the Treasury, to buy the bad debt from distressed financial institutions. If the Fed, as opposed to the treasury, buys the bad debt, the funds don't come out of taxpayers' pockets but from the Fed's power to create money. This may seem like alchemy.

He goes on to explain that, far from radical, this proposal represents a variation on the normal practices of the Fed: management of monetary policy and financial crises. The Fed can and does purchase debt or bonds, for instance with "its own money." *Obviously*, the term "alchemy" as used above is a *mere* rhetorical figure, a simile. In the context of Pollin's proposal, "alchemy" means something like "magic" or "conjuring something from nothing." In its very obviousness, "alchemy" here should not merit our attention, and instead, we should get on with the "substance" of the proposal. Yet because, as Christian Marazzi, perhaps more than any other theorist working today, has pointed out, the markets are based on language, perhaps we should not dismiss "alchemy" as *mere* figure, and instead, investigate the multiple directions in which this figure takes us.¹ Follow it to its logical conclusions. Given the gravity of the current crisis, given the degree to which financial instruments are indeed figurative, phantasmagorical, and immaterial, it may be time to take seriously the figurative language with which we operate.

"Alchemy" has a long and complex history in the West, but also in those emerging markets, China and India. Alchemy means different things in different contexts. Sometimes it is a practice, the transmutation of lead (or another base substance) into gold, carried out in secret laboratories by quacks and kooks, or mad scientists or devout philosophical Christians. Sometimes, it is a theory of philosophical or form of spiritual redemption, one that may even disavow practice as pure greed. Sometimes it produces an elixir to prolong life. The variants of alchemy are overwhelming, and Pollin does not necessarily have alchemy's rich history in mind when he uses the term. Why should he, since his use of the term is...obvious? Indeed, alchemy is common coinage in our day, appearing in everything from best-sellers on spirituality to goth-rock band names.

Consider, then, this passage from a book on Rembrandt by historian Simon Schama:

Using a soft-bristled, precisely pointed squirrel-hair brush, the kind favored by seventeenth-century miniaturists, Rembrandt has taken one set of earthly materials (the builder's) and translated it into another (the painter's). It seems like alchemy.²

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Although the context is aesthetics and not economics, Schama's alchemy is remarkably close to Pollin's. Perhaps we can note a subtle shading of difference: Rembrandt's alchemy is positive (genius), where Pollin's usage suggests something vaguely suspect about alchemy, and indeed, throughout its history, alchemy has often been the subject of critique for its connection to black arts, usury, counterfeiting, falsification and so on. In any case, alchemy often evokes or is surrounded by ambivalence.

We would not be surprised to find alchemy as toxic chemistry, linked with the evils of capitalism. For instance, in a highly ironic passage from *The Jungle*, Upton Sinclair writes:

They were regular alchemists at Durham's [a Chicago meatpacking plant]; they advertised a mushroom-catsup, and the men who made it did not know what a mushroom looked like. They advertised 'potted chicken'—and it was the boarding-house soup of the comic papers, through which a chicken had walked with rubbers on. Perhaps they had a secret process for making chickens chemically—who knows? ... 'De-velyed' ham was made out of the waste ends of smoked beef that were too small to be sliced by the machines; and also tripe, dyed with chemicals so that it would not show white; and trimmings of hams and corned beef; and potatoes, skins and all; and finally hard cartilaginous gullets of beef, after the tongues had been cut out. All this ingenious mixture was ground up and flavored with spices to make it taste like something.³

Capitalism may embrace the possibilities of using alchemy to extract surplus value (think of Marx's example of "sophisticated bread"), but in a general sense, institutions and states are fearful of alchemy's disruptive power.⁴ At the end of the thirteenth century, Pope John XXII issues a decree, *Spondent quas non exhibent*, declaring transmutation against nature. In 1404 a parliamentary act in Britain forbids the mutation of gold and silver. The law is repealed in 1689, and alchemy can be practiced legally, as long as the metals derived from it are deposited at the mint of the Tower of London, in exchange for their true value in "authenticated" gold and silver. Now the state can tolerate some alchemy, as long the product is subject to regulation!⁵

In the digital world, alchemy as magical transformation is again mobilized in the economic sphere. In *Virtual Money*, Elinor Harris Solomon writes: "A modern alchemy succeeds where the old failed. The ancients of the Middle Ages [sic] were never able to change lead into gold, but the medium of electronics turns magnetized particles (bits) into money-like value. Money seems for a time to be conjured out of nothingness, to be returned to nothingness either quickly or at an indeterminate moment...Nor do we know, at this time, whether people will even want to do—and pay in this manner for—much significant business on the Internet. We don't yet have a do-it-yourself money form, although a lot of people are trying to create a demand for one."⁶ Point by point, this selection reveals many contradictory elements. First, the author takes the common sense but reductive position that alchemy was indeed a practice, albeit one that failed, precisely because it was based on faulty, "ancient Medieval" science. In the modern period, thanks to new technologies, it appears that alchemy has finally succeeded, transforming a base element (bits of digital code) into something of value. Solomon's

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main point is to stress that e-money (sometimes known as cyber-cash) could potentially, in some not-so-distant future, represent a new money form, a form of exchange or barter, but in any case, one that is not based merely on reserves of actual, material, cold hard cash. We have not yet reached this golden age, since e-commerce today is still based on plain old dollars and cents. Solomon's casual analogy reveals that we cannot yet think outside of the money system. Moreover, she suggests that her alchemical e-money could potentially originate in a dematerialized state and return to that state ("...to be conjured out of nothingness, to be returned to nothingness either quickly or at an indeterminate moment.").

Solomon's "real alchemy" of the ancients was far from such a practice. For many alchemists the work involved engagement with a very real material (lead, or other ores). They were metallurgists, proto-chemists, pharmacists. Had alchemy succeeded, it would have resulted in the creation of a very real material (gold) that could be, in theory, freely exchanged on a market in which it had already established itself as the supreme value. This holds true in spite of the fact that a great deal of the alchemical literature either dissimulates or fails to mention gold as a product altogether. The Great Work is never followed by a spending spree. On the contrary, alchemical treatises tend to include disclaimers stating that although the Great Work was achieved, the product never reached the marketplace. In a treatise titled *Introitus* [*The Open Entrance to a Closed Palace*, perhaps written by Thomas Vaughan under the pseudonym "Eirenaeus Philalethes"] for instance, we learn that the silver and gold the (pseudonymous) author produced were so pure that they could not be traded. By bringing them to the market, the author would risk being unveiled as an alchemist and being persecuted by greedy adepts and nonbelievers. The author regrets the fact that he must keep his product to himself, not because he would like to spend gold for the purchase of other goods, but because he cannot share in his good spiritual fortune.⁷

Ultimately, what this brief discussion hopes to tease out from Pollin's brief article is the suggestion that when the Fed performs "alchemy" it is buying, holding or selling financial instruments, but not actually ordering the mint to print more money or dealing with anything material. The Federal Reserve is a name for the group of people that do these transactions. It is not a real place where real gold lies in reserve, any more than the Nasdaq (represented by a shallow storefront in Herald Square) is a real market where bodies circulate; or any more than the island where Christian Rosencruetz fans the fire under a pair of slowly baking homunculi in *The Chemical Wedding of Christian Rosencruetz*, one of the most important narratives of alchemy's golden age (the seventeenth century).⁸ The Fed has no engagement, however ambivalent, with lead, or with baser, alloyed forms of precious metals. Nor does the Fed produce a narrative of spiritual fulfillment. The Fed is being asked to move money around, but that money is nothing tangible. According to economists, we are supposed to rest assured that what the Fed does may seem like "magical transformation" but it is actually serious business. For instance, as Pollin reminds us, the Fed recently bought up debt of Fannie Mae and Freddie Mac "to further support market functioning." Sounds good, no? Yet I, for one, am not reassured. It might be preferable for the Fed to engage in alchemy, because at least then they would have some material content, something to touch. Some might choose to imbue this material with metaphysical powers, but we could point to

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something ultimately physical; some *thing* that one could choose to value as one would wish.

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Notes

¹ Robert Pollin, “Ending Casino Capitalism,” *The Nation* (October 13, 2008), 7.

¹ See, for instance, his astoundingly prescient *Capitale & Linguaggio. Dalla New Economy all’ economia di guerra* (Rome: DeriveApprodi, 2002).

² Simon Schama, *Rembrandt’s Eyes* (New York: Knopf, 1999), 13.

³ Upton Sinclair, *The Jungle* (New York: Modern Library, 2002), 109

⁴ Marx writes about sophisticated bread as a disgusting example of attempting to extract surplus value. Adulterated bread, including “a certain quantity of human perspiration mixed with the discharge of abscesses, cobwebs, dead black-beetles, and putrid German yeast, without counting alum, sand, and other agreeable mineral ingredients” represents a type of sophistry that “knows better than Protagoras how to make white black, and black white, and better than the Eleatics how to demonstrate *ad oculos* that everything is only appearance.” Karl Marx, *Capital, Vol. I*, edited by Frederick Engels, trans. from the third German edition by Samuel Moore and Edward Aveling (1887) (New York: International Publishers, 1967), 249. Even the sacramental host may be adulterated in such a manner, says Marx! It is important, I think, to focus on the fact that the bread, the sausages, and the host are all material and digestible for all that they may be distasteful. The same cannot be said of inverse floaters and other exotic (but toxic) forms of credit that are blamed, in part, for the current mess.

⁵ “An Act to Repeal the Statute made in the Fifth Year of King Henry the Fourth, against the multiplying Gold and Silver.” *Anno Regni Gulielmi et Mariae, Regis & Reginae Angliae, Franciae & Hibernia* (London: Charles Bill and Thomas Newcomb, 1688.) For centuries, transmutation has been a felony. Now, “whereas since the making of the said statute, divers persons have by their study, industry and learning, arrived to great skill and perfection in the art of melting and refining of metals, and otherwise improving them and their dies (which very much abound within this realm) and extracting Gold and Silver out of same; but dare not exercise their said skill within this realm, for fear of falling under the Penalty of said statute, but exercise the said art in foreign parts, to the great loss and detriment of this realm: Let it be therefore enacted by the King and Queens most excellent majesties, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons in this present parliament assembled, that from henceforth the aforesaid branch, article or sentence contained in the said Act...shall be repealed....Provided always, and be it Enacted by the Authority aforesaid, That all the Gold and Silver that shall be Extracted by the aforesaid Art of Melting and Refining of Metals, and otherwise Improving of them and their Dies as before set forth, be from henceforth Employed for no other Use or Uses whatsoever, but for the Increase of Moneys: And that the place hereby appointed for the Disposal thereof, shall be Their Majesties Mint within the Tower of London; At which place they are to receive the full and true value for their Gold and Silver so extracted from time to time, according to the

Assay and Fineness thereof; and so for any greater or lesser weight: And that none of that Metal of Gold and Silver so refined and extracted, be permitted to be used or disposed in any other place or places within Their Majesties Kingdoms and Dominions. Provided also, and be it further Enacted by the Authority aforesaid, That no Mine of Copper, Tin, Iron, or Lead, shall hereafter be adjudged, reputed or taken to be a Royal Mine, although Gold or Silver may be Extracted out of the same.” (443-5).

⁶ Elinor Solomon, *Virtual Money: Understanding the Power and Risk of Money's High-Speed Journey into Electronic Space* (New York: Oxford Univ. Press, 1997), 85.

⁷ Eirenaeus Philalethes (pseudonym of Thomas Vaughan?) *Introitus apertus ad oclusm regis palatium* (1645) Translated by John Languis as *Secrets revealed or an open entrance to the shut palace of the king*. London, 1669.

⁸ Johannes Valentin Andreae. *The Chymische Hochzeit. Christian Rosenkreutz* (1616) Trans. Edward Foxcroft (1690); notes and commentary John Warwick Montgomery. (The Hague: M. Nijhoff, 1973). The text is organized into seven days, during which the narrator is invited to attend a wedding and undergo a series of trials to test his moral worth. On day five, for instance, the narrator and his fellow adepts are taken on boats to open sea inhabited by sirens, nymphs and sea-goddesses. They land at an island composed of a tower of Olympus where the narrator and several chosen men tend the fire. Perhaps each day of the story corresponds to a phase of alchemical transformation, but there is no gold at the end, only shame at the narrator's own hubris and a promise to attempt redemption.