

WORKING PAPERS ON CAPITAL AS POWER

No. 2016/02

Why Diamonds and De Beers?, or The Need for Accumulation Studies

D.T. Cochrane

April 2016

<http://www.capitalaspower.com/?p=2021>

Why diamonds and De Beers?, or The Need for Accumulation Studies

Preface.

I successfully defended my dissertation¹ in December. This served as the introductory presentation for the defence. In it, I explain what I tried to do with the dissertation, the methods I used, and the larger project I hope it is initiating. Specifically, I suggest there is a need for accumulation studies as a field of research and analysis. The dissertation was a case study within this not-yet-existent field. Hopefully, this text serves to clarify my approach and, ideally, will generate greater interest in such research.

Introduction.

There are two general sets of reasons I wrote my dissertation on diamonds and De Beers. The first set we might think of as both *personal* and *contingent*. These are related to my intellectual interests and the reasons I have pursued academia for so many years. Flowing into and out of those interests are all the happenstance, unexpected events that bring us to the particularities of research and analysis. The second set of reasons are *analytical*. They constitute the foundational and structuring purposes of what I hoped to achieve with the dissertation.

The first reason, a personal reason, is my abiding desire to understand how business

¹ Available at <http://bnarchives.yorku.ca/469/>

operates. As an undergrad, critical of capitalism *tout court* and *writ large*, I went into economics hoping to gain this understanding and the language for a knowledgeable critique. Two degrees later, all I had learned about business was why economic theory is so useful to it as an obfuscating, ideological veneer.

The next event was a contingent one: a call for abstracts for a conference about 'Love.' My department, Social & Political Thought, has a conference every year called *Strategies of Critique*. It is an excellent conference and I wanted to participate. However, as a political economist, what could I say about love? Somewhere in my brainstorming came the idea of diamonds as the symbol of romance & marriage. Already studying theories of capital with Professor Jonathan Nitzan, I was curious about the accumulation of De Beers. When the abstract was accepted, I began some cursory research and became hooked on the topic.

The next event came at a later conference where I presented again on De Beers. After that presentation a colleague — Tim DiMuzio — asked if this was the subject of my dissertation. I answered in the negative, saying it was too slight. He disagreed and encouraged me to consider the matter. On initial discussions with Professor Nitzan, he concurred with my original assessment. However, some further research and further discussion with Professor Nitzan convinced us both that De Beers would be a suitable object of study for me to pursue my broader interests.

This leads to the final event: research providing a glimpse of the complexity of the

story of diamonds and De Beers' accumulation. De Beers' accumulation was dependent on what I've referred to as the 'global diamond assemblage,' which included the complex intertwining of an untold number of heterogeneous elements: from The American Dream to the geometry of light diffraction to family ownership to high speed manufacturing to nostalgia to multiple government agencies in different countries and on and on and on. That incredible complexity made the topic interesting and suitable for disassembling to suit my analytical purposes.

The first of those purposes was to understand this global diamond assemblage better. This is the entity that I argue was — in all its complexity — responsible for the value of De Beers. The features and transformations of the global diamond assemblage contained the elements translated into De Beers' valuation and accumulation.

Therefore, it also contained what I described as De Beers' 'matters of concern.' This term comes from actor-network-theory – ANT – and is intended to distinguish mutable and immutable entities, the latter being described as 'matters of fact.' On the one hand, matters of fact were fixed and not responsive to efforts to change. Matters of concern, on the other hand, could be the objects of intervention for De Beers. For example, the Sun's placement in the North when in Kimberley, South Africa and in the South when in London, England was not likely to be altered by De Beers, no matter how hard it might try. However, De Beers could ensure that the windows of its sorting rooms faced in the opposite direction, since sorting is best facilitated by non-direct sunlight.

Then, I wanted to understand how we get from these points of qualitative intervention and transformation to the quantities of accumulation. For example, De Beers' advertising sought to educate the American masses on the four axes of diamond qualities, now known as the 4Cs, which resulted in greater demand across the range of diamond qualities available, allowing jewellers to sell stones of a given size — at a given price — that previously would have been unwanted as a jewel and shifted into the industrial category at a much, much lower price.

Through all of this, I was involved in an exercise of what I'm calling 'accumulation studies.' The field is intended to simultaneously grapple with the qualities and quantities of accumulation, a problem that has slipped through the cracks of disciplinarity, as highlighted by the capital as power — or CasP — approach.

The Role of CasP.

CasP, with its challenge of the two dominant theories of value — the neoclassical and the Marxist — identifies capitalization as the central mechanism of capitalism. As such, De Beers' capitalization was my immediate object of interest. However, CasP does not theoretically restrict what is being translated into the quantities of capital. At this point, I took a lesson from ANT, which states that objectivity is achieved not by creating a distance from the object of analysis, but by moving closer to the object. Moving closer to De Beers, one keeps finding — unsurprisingly — diamonds. So, the question became,

what is contained in the relationship between diamonds and the value of De Beers?

Consider first, the answer of the dominant value theories: productivity. For both Marxist and neoclassical value theory, the determinant of the nominal price of De Beers' valuation would be productivity with some sort of distortion that caused it to fluctuate around its *real value*. However, the diamonds would not actually matter, since both theories bypass the qualitative heterogeneity of the actual to postulate a quantitative determinant, utility in the case of neoclassical theory and abstract labour in the case of Marxist theory. As such, the materiality of diamonds, and the particularities of diamonds' relationships — to desire, to extraction, to jewellers, to governments, etc. — all fall away.

In the language of ANT, the dominant theories treat the heterogeneous stuff of the actual like *intermediaries*, merely relaying forces initiated elsewhere. Conversely, with my analysis, I grant some of these entities the status of *mediator*. They affect qualitative transformations that are consequential for accumulation. I argue that this approach to the qualitative diversity of the world is commensurable with CasP, which makes no *a priori* categorizations on what is and is not translated into capital values.

Where the dominant theories would eliminate diamonds, reducing them to productivity, CasP theorizes the relationship as one of power. However, just as CasP does not restrict the possible objects and subjects of that power, it does not articulate what that power relationship means, qualitatively. What are the qualities of power?

What is the make-up of the processes quantified into capital values? How does the make-up change as capital values are redistributed?

Power, as theorized by Professor Nitzan and his writing partner Shimshon Bichler, is ‘confidence in obedience.’ This is what is expressed by capital values, which are made meaningful by differential comparison to a benchmark of capital-in-general.

Accumulation is achieved when a particular capital gains faster – or loses slower – than the benchmark. In this way, differential values are a map to power. In my interpretation of CasP, differential valuation constitutes the *explanandum*, that which is ‘to be explained.’ This directly answers a question about CasP raised by Bob Jessop: is differential accumulation the *explanans* – that which explains – or the explanandum? In this way, I offer a contribution to further developing the power theory of value.

Returning to the ANT method, and moving closer to capitalization as an object, we find what I labelled *assayers*. These are the investors, fund managers, brokers, bankers, market makers, accountants, analysts, and others whose calculations and transactions quantify the qualities of power. The most dynamic component among the assayers are the buyers & sellers of shares whose decisions generate the second-to-second fluctuations in share valuation.

Unfortunately, the activities of assayers are highly opaque. In part, this is a consequence of the productivist bias of political economy. If value was determined in systems of production and if financial markets were merely a distorted representation

of that value, then assayers were simply intermediaries. We know little of how assayers make their decisions. How do they translate information into calculations? How are they making their decisions to buy-and-sell? Financial sociologists are starting to critically explore this process. However, for my specific purposes, I had no access to data on the actions of assayers responsible for the construction of the value of De Beers.

In order to bypass the assayers, I moved the analysis from capitalization to profits. Nitzan and Bichler refer to expected profits as one of the elementary particles of capitalization. Actualized profit is also a standard input into the calculation of expected profits. However, what was ultimately important for my purposes was — as I found in my quantitative analysis — that the long-term dynamics of De Beers' differential capitalization and differential profits were the same.

The Qualities and Quantities of De Beers' Accumulation.

So, as I said, I began with consideration of the differential capitalization and differential profits of De Beers. Despite the relative simplicity of these objects — consisting of a series of numbers — actually compiling these figures and constructing these series was far from simple, especially for the profits. Nonetheless, these numbers express in commensurable terms all the otherwise incommensurable heterogeneous elements of the global diamond assemblage.

The differential method compares De Beers' profits and capitalization with a

relevant benchmark. What this analysis found, for both capitalization and profits, was a long-term decline that reversed into long-term gain centred around 1940. The CasP interpretation is that De Beers was losing power relative to other capitals and then regained its relative power. The 1940 inflection point became my analytical focus.

Moving closer to the diamonds, I found numerous entities and processes that affected the value and sales of stones in myriad and complex ways. Therefore, I argue, they were relevant to the accumulation of De Beers and are relevant objects for a differential qualitative analysis. By shifting from capitalization — which is forward-looking and involves the assayers, whose calculations are hidden from me — to profits, I could focus on De Beers' efforts to establish, maintain and transform relationships with these entities and processes affecting its profitability. Within the CasP framework, in as much as these efforts succeeded or failed to improve De Beers' differential profits, then the company could be said to be increasing or decreasing its power.

I chose to unfold four of the objects within the global diamond assemblage and consider De Beers' relationship with them:

1. diamonds themselves: from extraction to sorting to the distribution of the diamond trade around the globe, the specificity of diamond as a material, and diamonds as individual objects, was relevant to their pricing, and to De Beers' sales and profit margins;
2. the masses: De Beers worked to understand diamond desire among the masses via

market research and then used the research to inform meticulously constructed interventions in the form of advertising;

3. governments: De Beers had different relationships with different governments that defy the universalizing categorizations of theories of state and capital;

4. families: I found family connected to the diamond assemblage in three ways: via the masses, whose inter-generational aspirations and nostalgia was important to prevent the emergence of a second-hand diamond market; via the diamond traders, who depend on inter- and intra-family connections to establish trust that facilitates the movement of diamonds from De Beers to the cutters and jewellers; and via that Oppenheimer family that controlled De Beers' for almost a century.

These various facets have numerous effects on the accumulation of De Beers even though trying to quantify those effects was beyond my analysis and, I would argue, likely beyond any analysis that does not try to re-impose a dual-quantity theory of value. Instead, their effects worked among the complex foldings of relationships that comprised the global diamond assemblage until they emerge among the determinants of diamond prices, margins and sales. De Beers understood this all too well — even if political economists have tried to escape this reality — intervening as it could to create a more profitable diamond order.

Beyond De Beers.

Moving beyond the specificity of diamonds and De Beers, my dissertation was intended to do two things:

1. use the CasP approach and help develop the framework.
2. initiate accumulation studies as a field of research and analysis

From within CasP, I see my endeavour as advancing a differential method. I'd suggest that this method locates categorical boundaries in the course of research and analysis by examining differential thresholds. First, using the quantitative tools that are integral to CasP, I was able to detect De Beers' 1940 inflection point, which constitutes just such a threshold. The second part of the analysis required the development of a more explicitly qualitative approach suitable to the power theory of value. The quantitative findings served as a map to De Beers' waning and waxing power and provided the focal point for the analysis to identify both qualitative differences and qualitative constants relevant to De Beers' profits and accumulation. The qualitative analysis was informed by ANT, which deserves a quick sideline examination.

I've referred here to the ANT toolkit. Bruno Latour has explicitly stated that ANT is not a framework. He said that, if anything, it is a negative method. He argues that the social sciences are overly dependent on — and too quick to turn to — reified categories like economy or society or ideology. These operate, he argues, within frameworks that become analytical traps, preventing analysis from following the actors responsible for the actual phenomenon under consideration. As such, he opposes frameworks. ANT is

intended as an informant of analytical practice rather than a theory of society.

Therefore, at no time did I feel like I needed to somehow map CasP to ANT and vice-versa. Instead, as ANT encourages explicitly, and I would say CasP also advocates, although more implicitly, I adopted a *naively empirical* approach. Having identified power distributions via nominal capitalization, the questions become: Who? Where? How? To this naive undertaking, ANT provided important analytical tools to order my qualitative undertaking, such as the distinction between ‘matters of concern’ and ‘matters of fact’ that I used to delineate the facets of the diamond assemblage where De Beers’ intervened.

Back to my development of the CasP approach, I also employed and confronted some of the analytical concepts that have emerged from Professors Nitzan and Bichler’s work. I do not intend ‘confront’ to mean conflictual or combative. Rather, I employed the concepts in ways that were perhaps unintended by Professors Nitzan and Bichler, altering them to suit my purposes, which hopefully helps further develop the concepts.

For example, the concept of creordering was deployed to explain De Beers’ interventions in the diamond assemblage. The global diamond assemblage constituted an order, in part of De Beers’ construction. Yet, as my quantitative analysis showed, it was failing to maintain De Beers’ differential power. As such, De Beers wished to *create* an *order* — *creorder* — to realize greater profits, such as by connecting diamonds with not only romance but also aspiration, encouraging men to buy the most expensive

diamond they could afford. Further, that order should be amenable to subsequent and on-going intervention.

The outcome of their creordering, which I identify as the catalysis of the diamond engagement tradition after the war, was not a logical necessity of 'accumulation in general,' nor was it a simple undertaking whose success was given. Failure was always an option. As Nitzan and Bichler note, creordering takes place against resistance. They emphasize resistance by "those on whom order is imposed and from those who wish to impose their own." I interpreted 'resistance' broadly to mean both organized opposition but also emergent material and expressive obstacles. As stated in the epigraph to my dissertation: between the wish and the thing, the world lies waiting.² There was much resistance to De Beers' efforts, although little of it was organized during the time period of my analysis. Rather, emergent consequences of the U.S. entering the war proved highly resistant. The U.S. entry into the war spread a generalized sentiment of sacrifice that was hardly conducive to selling a luxury item. In response, De Beers and its advertising agency, N.W. Ayer created a blurb for its advertisements touting the role of gemstones in subsidizing the 'fighting diamonds' that were used in wartime manufacturing. This was supported by marketing materials directed at jewellers offering advice on how to counter the resistance of prospective brides and grooms. The idea of conflictual creordering efforts and diverse forms of resistance informed much of

² This line comes from Cormac McCarthy's *All the Pretty Horses*

my analysis.

Finally, beyond just CasP as a method, I hope to do my own creordering in the form of accumulation studies as a field. When Marx said of accumulation that it is 'Moses and Prophets' he could have been speaking of the political economists as much as the capitalists. Yet, accumulation has fallen off the political economic agenda. I'd like to make it an explicit analytical concern again.

I consider the differential method that emerges out of CasP as an appropriate one for accumulation studies. One of the tasks of the field would be the identification of the qualitative differentiators that are responsible for trajectories of differential gain and loss. These differentiators would have far reaching social consequences, both positive and negative.

What are the qualities of ascending corporate coalitions? What are the differential qualities that define the boundaries of various intra-capitalist groupings? Which groups have shared interests in particular transformations? How do these interests align or conflict with other groupings? What are the defining qualities of the largest, most valuable, most powerful firms at different points in time?

Additionally, accumulation studies could help discern and distinguish between the necessary attributes of capitalism and those that are merely historically contingent. What institutional forms, what practices and processes, are a necessity of capital understood as a mechanism for expressing power?

The division of labour: perhaps the longest standing concept taken for granted as a necessity of capital and accumulation. Are there corporations or corporate coalitions whose interests are differentially served by moving against the division of labour? What social transformations can they — or have they — affected?

The nuclear family: one of the more contentiously claimed necessities of capitalism. Again, what differential interests are there in the maintenance, transformation or destruction of the nuclear family?

Racial oppression: an undeniable fact under capitalism, but does capital and accumulation require it? Has it been entrenched in capitalist societies through the differential maintenance and leveraging by particular groupings of capital?

Finally, and most controversially: growth. When accumulation is understood as a redistributionary process then it at least raises the possibility — desirable to some, undesirable to others — that capital as a mechanism could endure in a post-growth society.

I argue that answering these questions will only occur through greater study of the qualities of accumulation. The power theory of value can gird such an analysis by providing analytical meaning to the quantities of accumulation. From these mappings of power redistribution we can discern the myriad and complex ways the differential struggle among capitalists has reordered our shared world.