

Words and their true meanings

In his 1984, George Orwell described a socialist paradise where words had meanings to suit the requirements of the rulers. Orwell was perhaps underestimating the capacity of western democracies, particularly of the Anglo-Saxon variety, to use deceptive words to hide the true intent and create an aura of reasonable innocence: so-called “spin doctors” are employed to give a gloss to the reality on the ground. For instance, in the cold-war era, the Americans always spoke in the name of the “free world”, notwithstanding the large number of brutal dictators who were an integral part of the anti-communist alliance. After the cold war was won, to quote from Samuel Huntington’s Clash of Civilisations, *“The West is attemptingto sustain its preeminent position and defend its interests by defining those interests as the interests of the ‘world community’.* *That phrase has become the euphemistic collective noun (replacing “the Free World”) to give global legitimacy to actions reflecting the interests of the United States and other Western Power”.* A few years back, the word “surge” (“a sweeping onward like a wave of the sea” Webster’s), which gives an impression of a spontaneous, bottom up increase of force, was used by President Bush to describe the increase in troops in Iraq ordered by him, about which there was nothing spontaneous.

Words, initially invented to communicate, are being increasingly used to hide the often ugly reality. The effect is all the more convincing when the politician is a brilliant articulator like Tony Blair who recently testified before the Chilcott Commission in the U.K., enquiring into the decision to invade Iraq. When you believe you are doing God’s work, as apparently Blair did, the self-righteousness breeds a moral, messianic certitude in the legitimacy of the cause: lying in pursuit of God’s work is not only pardonable but, indeed, a duty! The worry now is that the financial services industry seems to think that they are doing God’s work as the Goldman Sachs CEO explicitly claimed some time back. And, a recent article in the Financial Times claimed that speculators too are doing God’s work! One wonders whether God, or at least his messengers here, would agree: most religions frown on speculation and even money-lending.

One character in *Alice's Adventures in Wonderland* claimed that she can make the words mean what she desires. Bankers have clearly read their fables. Take the expression “investment bank”. The first word creates an impression of a long term commitment of risk capital to an enterprise, and the second means the acceptance of deposits for the purpose of lending. Investment banks, in general, do neither. The largest proportion of revenue comes from trading activities, and not through underwriting of bonds and equities, let alone any investment for the long term. The word “trading” (dictionary definition “to engage in the exchange, purchase, or sale of goods”) is itself a euphemism: even the corner grocer trades in foodgrains and vegetables! The correct description of the trading activity undertaken by bankers is speculation – buying or selling assets like currencies, bonds, equities, derivatives, commodities, etc., in the hope of profiting from price movement. Lately, the word trading is being substituted by the even more innocuous term “market-making”. The activity remains what it always was, namely speculation.

The term “hedge funds” is, once again, often misleading. Most large hedge funds are unregulated pools of investment capital undertaking directional bets on a leveraged basis. This activity is completely different from the traditional business of taking long and short positions in the same asset class: for example, a long position in (relatively underpriced) gold, and an equivalent short position in (relatively overpriced) silver, in a “hedged” precious metals portfolio. The actual bets are quite different from such a portfolio but the name continues to be used. Two University of Edinburgh researchers (Arman Eshraghi and Richard Taffler) in a recent study *Hedge Funds and Unconscious Fantasy* argue that a deliberate effort is made by the managers to create an image of the funds being “phantastic objects” (i.e. objects of the imagination in the Freudian sense). This is done by creating an aura of mystery and sexiness – partly by using seductive names like Dragonback, Eclectica, Richland, Matador, Maverick, Helios (the ancient Greek god of the Sun), Farallon (radioactive islands) and Cerberus (three-headed mythological creature), among others.

To give another example, in the recent crisis, “conduits” (“a means of transmitting or distributing”) were vehicles used by banks to transfer assets to, so as to reduce the

capital charge! The derivatives world is of course a minefield of euphemisms. To quote a couple:

⇒ “targeted accumulated returns”. The reality is a limit on gains, and none on the losses.

⇒ “range accruals”, which actually involve the buyer to write binary options;

⇒ “enhanced returns”, whatever they mean.

In a broader context, the word “reform” (“to make better or improve by removal of faults”) has also been corrupted: over the last few decades, the word has become a synonym for deregulation! Indeed, the first reform needed is the correct description of activities!

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