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Financialization from a Marxist Perspective

Abstract: *Within the framework of Marxist political economy, financialization is understood through the prisms of logical, theoretical, and historical perspectives. It is defined in terms of the increasing presence of interest bearing capital, as distinct from credit as such, the role this plays in real as opposed to fictitious accumulation of capital, and how this has underpinned the period of neoliberalism, including the global crisis. Financialization is seen as the expansion of interest bearing capital in intensive and extensive forms. The first is notable in terms of the growth and proliferation of financial assets themselves with increasingly distant attachments to production and exchange of commodities themselves, and the second involves the extension of interest bearing capital to new areas of economic and social life in hybrid forms with other types of capital. An appendix draws out the differences between the approach taken herein and the approach on financialization taken by Costas Lapavitsas.*

Keywords: *fictitious capital, financialization, global crisis, interest bearing capital, Marxist political economy, neo-liberalism*

Although financialization is a relatively new term and entirely confined to heterodoxy, it has benefitted from a proliferation of definitions.[1] That it should be confined to heterodoxy within economics (as well as being

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much more open to use within other social sciences) is to be expected in light of its being understood as both systemic (i.e., characteristic of the workings of the economy as a whole) and dynamic, and hence not reducible to the optimizing, equilibrium, and efficiency that are of central concern to orthodoxy. That it should be subject to multiple understandings is also unsurprising, for three reasons. One is the proliferation and expansion of financial markets themselves across circumstances differing in time, place, and application, from mortgages through pensions to futures markets in carbon emissions. The second is the equally multifarious conduits through which such finance is connected to the rest of the economy. And the third is how such developments in and around finance are attached to a more fundamental understanding of how the capitalist economy evolves systemically.

From a Marxist perspective, taking the last issue as a critical point of departure, emphasis is placed upon the capitalist economy as organized around the accumulation of capital through the production, circulation, and distribution of (surplus) value as a totality of economic relations, processes, structures, dynamics, and corresponding agents. This is distinct in principle from other approaches that may focus on one or more aspects of the economy and how they interact with what is taken to be financialization, not least the heavier presence of finance. Some, for example, might emphasize how changes in finance have affected distributional relations and/or corresponding levels of effective demand.[2]

There is no denying that such analyses can cast useful empirical and analytical light on what has been going on. But, from a Marxist perspective, this is at most only part of the picture. And, in particular, Marxist political economy plays considerable attention to how capital is accumulated with a corresponding dynamic associated with *restructuring*. This can be interpreted in a narrow sense, as in much of Volume 1 of *Capital,* which places emphasis on the way in which the factory system requires the accumulation and restructuring of capital across economies of scale and/or scope into ever-larger enterprises to accrue productivity increases. But the restructuring of capital also takes place both globally (with uneven accumulation of capital and its associated activities, including finance, across the world) and socially (how, for example, the workforce is reproduced in terms of health, education, and welfare and, as such, fit for work). Not surprisingly, the roles of internationally organized productive and financial capital, as well as a more nationally confined labor, have played major roles in bringing about such restructuring al-

though the balance across them has changed. And this too is reflected in the major role played by the state as an agent of both economic and social restructuring.

This is all very grand and abstract but how is financialization to be broached in these terms. There are three aspects involved (and possibly a fourth if seen as how the other three specifically interact with one another). These are to look at financialization logically, theoretically, and historically.

From Logic . . .

Logically, Marx has a very sophisticated theory of money and finance in which a crucial aspect in addressing financialization is the derivation of the use of money as credit as distinct from the use of money as capital (although the latter can include the former). We are all familiar with borrowing money and paying it back, possibly with some interest for the favor. The latter means we will have less than otherwise but others will have more.

The borrowing, and use, of money as capital is different in that the money is now used not just to buy something we need or to meet a payment but to use the money to make more money. Most directly from the perspective of capitalist production, this occurs when money is borrowed to expand accumulation for which a return with profit is anticipated. In Volume 3 of *Capital* Marx denoted money lent (and borrowed) for this purpose as interest bearing capital (IBC), as distinct from money borrowed for other purposes. And, of course, those lending money as IBC will expect interest in return, for which payment will depend to some degree on the successful expansion of production or profitable activity out of which the interest can be paid.

In this way, it is possible to derive the logical possibility of IBC, of the lending of money as capital as opposed to an advance simply to allow purchases in general. While each of these forms of lending may require interest to be paid by the borrower to the lender, one merely involves a redistribution of whatever monetary wealth is already in place, whereas the other's success requires the expansion of that wealth: production and realization of surplus value in Marxist terms. However, once again from a logical point of view, once there is an obligation to repay, especially with interest, the debt can take on a market life of its own. Indeed, the money has departed its original owner, for whom some sort of acknowledgment

of debt remains instead, whether in the form of interest or dividend payments, for example. Consequently, this paper claim on the value of the loan (and the interest payments due) can itself be bought and sold at a monetary value that may or may not correspond to the potential to realize that value in the application of the money advanced as capital by whoever took the loan.

For this reason, Marx termed this independent circulation of IBC in paper form as fictitious capital, not because it does not exist or has been made up, but because it is distinct from the circulation or performance of the capital it represents. This leads to two further logical points. The first is that, while the category of IBC is based on the intentions of those who are borrowing (to use the loan as capital to make more money) and possibly of those who are lending ("I would not have done so had I realized you were going to spend the money on a holiday with lesser likelihood of paying it back"), it is more properly seen as an abstract category characteristic of the economic system as a whole. For whether a genuinely intended exchange of IBC proves successful or not is to some degree independent of those intentions since, for example, positive outcomes in terms of profitability depend upon how the economy as a whole, or at least other parts of it, are functioning.

Second, this uncertainty led Marx to speculate (in the intellectual sense) over when an accumulation of fictitious capital is a real accumulation of capital in the sense of corresponding to an increase in productive assets that are going to provide for the anticipated, even required, returns. This is far from simple since, as already suggested, even the best of intentions (and certainly the worst in terms of embezzlement) may lead to the failure of IBC to generate real accumulation. However, credit extended merely for the purpose of making purchases may not itself accrue interest (if the state borrows to support income benefits, for example) but, as that credit is spent, so it allows some real accumulation to be successful that would otherwise fail (in creating markets and realizing the circuits attached to IBC elsewhere in the economy). In other words, the expansion of money as money may allow for the successful realization of fictitious capital as real accumulation and, vice versa, the expansion of fictitious capital may lead to no real accumulation at all but merely the expansion of credit.

In short, it follows that money as money, or simple credit, and money as capital coexist and mingle alongside one another, and that the dynamics of accumulation of fictitious and real capital have the potential

to diverge from one another. This equally gives rise to the potential for speculative booms in which the prices of assets, such as shares, rise disproportionately but can then come crashing down. Such is common to many analyses of finance, other than those attached dogmatically to the notion of efficient (financial) markets. Marx's own unique take on this is to attach such speculative crises to the production and appropriation of surplus value, in which the role of IBC is both essential (to allow for competitive accumulation and productivity increase on a larger scale, and economic and social restructuring more generally) and potentially destabilizing, as and when the accumulation of fictitious capital runs ahead of real capital and, ultimately, fails to realize its own as well as knock-on chains of obligations.

Furthermore, the distinction between money as money and as IBC is far from fixed or transparent within money markets themselves (although there may be some shift in the division of "labor" between institutions specializing in credit for consumption and credit for investment). In an idealized money market (or markets), all borrowers and lenders come together and make an exchange at a given rate of interest (possibly discounted for level of risk or whatever and, in practice, spread across multitudes of different money markets). Some of the money to be lent may come from the returns of productive capital (and corporations today do hold mountains of financial assets) and some may come from petty savings of workers or otherwise. Similarly, those who borrow may wish to fund either consumption or investment. Subject to some sort of guarantee of repayment, such money markets are disinterested in both the sources and applications of the money lent and borrowed, subject to the capital being returned and the interest paid. In other words, money markets conceal the fundamental division between the uses of money as money and money as capital, since each seems to be capital that provides a rate of interest as a rate of return. For this reason, Marx used the term loanable money capital, LMC, to describe the workings of money markets as a whole, in which the distinct underlying functions of money as money and money as capital come together in a single market determining the rate of interest (at least abstractly considered).

This is worth dwelling upon at greater length. Across the circuits of capital taken as a whole, money is always flowing into and out of circulation. As such, it constitutes a common pool, potentially serving not only as hoards but also as loanable money capital under the command of the financial system however constituted. The latter not only has the

capacity, though, to receive deposits and to lend them, but also to create both credit through the banking system and corresponding claims upon repayments, whether for use as IBC or not.

Through Theory . . .

At this point, we are beginning to cross the far-from-sharp border between the logical and theoretical bases for Marx's theory of finance,[3] not least if we ask what determines the rates of interest within money markets. Within orthodoxy, there is a tendency to divide the determination of the rate of interest between the short run, when there is equality between the supply and demand for money, and the long run, when it more or less aligns with the naturally given rate of profit (otherwise, capital would switch to whatever gave the higher return, whereas in the short run, more or less temporary and volatile expectations enter into the picture). For Marx, there was no such thing as a natural rate of interest (in the same way that commodities had prices underpinned by their values or labor times of production). This is because, for him, competition in money markets does not bring about the tendency to settle the rate of interest at some technically determined rate (equilibrium, for orthodoxy), it establishes the rate itself according to the money flows in and out of the money markets (dictated by combinations of flows of values and surplus values and the powers and interests attached to them).

In addition, for Marx, as with most other theories, competition does involve the more or less free flow of capital between sectors to equalize rates of prices. There is also accumulation within sectors, not just to establish uniform prices but also to increase productivity, reduce cost, and "steal" a competitive advantage and a higher rate of profit than rivals have. An important, systematic element in this process is accessing money capital in a variety of ways, primarily as larger capitals beat out smaller ones, but also to survive downturns.

As a result, even if embedded within financial markets as a whole, IBC plays a key role in competition between other capitals, both in smoothing entry into and out of sectors and within sectors themselves. It is, in other words, a key agent of competition. But what of competition within, or around, the financial sector itself? Here, there is an anomaly. While finance does have access to money capital for accumulation from a variety of sources, such as deposits and surpluses from its own operations, it is less likely to feed on itself by using this capital as a source

of competitive entry into the sector. Put bluntly, money might be lent to a steel company to enhance its competitiveness but hardly to create a competitor for entry into the financial sector itself.

This is not to say that there is no competition within the financial sector, nor that new set-ups within finance are impossible, only that the processes involved are more muted and different than in other sectors. This leads Marx to argue that IBC's relation to other capitals is analogous to that between capital itself and labor. As a precondition for the competitive accumulation of capital, IBC must be able to appropriate surplus at the expense of other capitals. It does so by taking its share of the surplus produced in the form of interest (that might include fees and so on) before the remaining surplus is distributed to the other capitals as profit. Similarly, by analogy, the simplicity of such relations in the abstract is heavily masked by their frequent attachment not to the borrowing and lending of IBC directly but to the borrowing and lending of IBC in the form of loanable money capital for purely credit purposes. This is similar to the exploitation of workers not being observed directly in the distribution of surplus value as such, but through the wage, price, and profit system that appears as if based upon harmonious exchange between equals.

Now, of course, the corresponding monopolizing of IBC by the financial system, parallel to that of the means of production for the productive system, can be formalized, such as by placing legal restrictions or licensing requirements on those who may undertake which financial operations and under what conditions. And, as already mentioned, the surplus appropriated in the form of interest deriving from IBC varies according to competitive conditions, including the role played by the state. Currently, for example, in the UK, the rate of interest at which banks can borrow from the Bank of England is at its lowest (0.5%); the banks can therefore generate a large margin by lending at much higher rates. Due to the recession however, finance is unable or unwilling to generate large amounts of business. More generally, over the cycle, both availability of and demand for credit are high during a boom (and, vice versa, low in a downturn) so that the rate of interest (as well as capital gains or losses from financial operations) might be high or low according to the balance of supply and demand. In a downturn, for example, when meeting payments becomes vital for survival, the demand for credit and the corresponding interest rate level tend to rise, the supply of credit is constrained, claims on return of capital owed are strengthened,

and finance seeks to save and secure itself at great cost to production, which leads to crisis and recession. And, again, as illustrated by the current crisis, the state can play a major role in favoring the restoration of finance and its interests as opposed to preserving the productive system (although the argument can be made, with some degree of truth, that in the absence of more fundamental change, the productive system will be hit even harder if finance is allowed to fail).

In sum, Marx's theory of finance draws a distinction between money as money (and credit as such) and money as capital (IBC). For the former, Marx argues that there is a tendency within the financial sector for such capital to earn a rate of return equivalent to the general rate of profit. However, IBC stands apart both from productive (and commercial) capital and other capitals operating in money markets.[4] The latter tend to accrue a normal rate of profit through the competitive process, but IBC extracts its surplus (or interest) prior to the distribution of the remaining surplus across other capitals. This is a consequence of IBC's acting as an agent of competition in a way to which it is not subject itself. These underlying processes, however, are realized through an amalgam of complex financial markets in which the rate of interest is determined by competitive conditions, including state regulations and interventions. And, to return to the logical aspects involved, there will be some capital within the financial system that derives interest independently of the "naturally" determined rate of profit, as well as some part that is subject to this general rate (especially where entry is relatively easy and open, for example, out of borrowing from the financial system or from own or borrowed funds, as occurs when retailers give credit to consumers). In addition, not least from our earlier discussion of the relationships across IBC, LMC, and fictitious capital, are far from fixed in their scope of operations and are fluid both in their own mutual interactions and for those attached to the accumulation of productive capital.

To Financialization Defined

But how does this relate to (the definition or understanding of) *financialization*? Here, logic/theory must be pursued further. As emphasized, the distinction between IBC and other forms of capital in the processes of exchange (such as retail credit for example, where car companies might take their normal profit in part in the form of lease-purchase deals to their customers) is, in the first instance, logical. It bears on whether money is

borrowed/lent as capital or not. Yet, as already suggested, at a systemic level, this distinction is ambiguous in practice, because intentions may not be realized, have knock-on effects, and are contingent upon outcomes determined separately from intentions. Furthermore, the actual activities attached to IBC are far from fixed. Take mortgages for example. Borrowing and lending money to buy a house is not contingent upon using that house purchase to generate a surplus through engaging in capitalist production or exchange (although householders may aspire to accrue capital gains).[5] So, this is not a part of IBC. But it does become so once a portfolio of mortgages are bundled up into an asset and sold, possibly combined with other sets of assets, and sold again, and so on. In this case, those buying the fictitious capital are advancing money capital in the expectation of a surplus even though the origins of this surplus do not lie in such an exchange.

More generally, it is apparent that any stream of potential revenue is not only open to being (fictitiously) capitalized as an asset but can then serve as the basis for further exchange as IBC. In this way, the reign of IBC can be expanded not just *intensively* in speculative booms, as already indicated above. It can also expand *extensively*, attaching itself to new activities from which it was previously absent or even absented by virtue of regulation or a form of provision (e.g., where income streams are not generated, as in social housing as opposed to mortgaged owner occupation). In this light, this author would define financialization as the intensive and extensive accumulation of fictitious capital or, in other words, the increasing scope and prevalence of IBC in the accumulation of capital.

In particular, not only has the presence of finance grown disproportionately within the direct processes of capital accumulation for the purposes of production and exchange, it has also increasingly intervened in less traditional areas associated with what might be termed social as opposed to economic reproduction. This extends beyond housing (and mortgages) to an increasing range of elements previously provided by the state, quite apart from the huge expansion in reliance upon consumer credit. Such is especially apparent in the privatization and commercialization of what was previously provided by the state, although this is not in and of itself financialization from this paper's perspective, despite the heavier presence of, and opportunities for, (private) finance. Rather, financialization depends upon how such expansion of financial activity straddles the boundaries between IBC and other forms of capital in exchange: is it merely an expansion of credit or does it involve a requirement of sur-

plus production and appropriation beyond what would be expected of "normal" commercial activity? Thus, in the case of water privatization in the UK, the supply system is now owned by a byzantine structure of holding companies, traceable back to tax havens, and the imperatives of which are dictated by financial dealings far removed from collecting rain, as opposed to revenues, and redistributing it to customers. But, just to be clear and, to some degree in contrast to other understandings of financialization, this is not confined to the presence or expansion of finance as such (mortgages, credit cards) but to the incorporation of these into further financial operations that constitute, at a deeper level, the extensive and intensive expansion of IBC. In other words, the "hybrids" that attach money as credit, money as capital (IBC), fictitious capital, and productive capital to one another have expanded prodigiously, to the benefit of IBC.

This definition would, from the perspective developed here, incorporate other definitions of financialization (which inevitably and rightly emphasize the expansion and proliferation of financial markets in general). In addition, as addressed below, it allows for consideration of the effects of such financialization (beyond the most immediate, such as the massive increase in earnings derived from finance and the corresponding implications for rising inequality). But this is not simply expansion of finance in scope and quantity to incorporate agents such as non-financial corporations, households, and the nation-state. It is also the subordination of such finance to IBC in the form of assets that straddle the roles of money as credit and as capital. Furthermore, such intensive and extensive forms of financialization are unevenly distributed across the globe. The redistribution of surplus in the form of interest is internationally organized in ways that cut across financial systems that are supposedly national but in fact provide the basis for advantage (and disadvantage) in the workings of international finance, with the United States and the UK leading the way and reaping the most benefits. This clearly relates to both the position of financial corporations and the roles of reserve currencies. By the same token, financialization is not a form of universal backward (household) usury, or exploitation of (wage) revenue but, in this respect, a peculiarly *modern* form of incorporating a variety of credit relations into the orbit of fictitious capital. Financialization is not Wonga writ large (even if confined to the household side alone), at least until Wonga's assets themselves begin to be traded as fictitious capital.

And the History of Financialization

Now let us consider financialization from a historical angle. From a Marxist perspective, this most obviously raises the issue of whether it represents a different stage or phase of capitalism, for in the Marxist tradition, it is traditional to see capitalism as going through such stages (from the competitive to monopoly stages for example, although such periodization is common in other approaches as well, such as the Keynesian/welfare period of the post-war boom).

Necessarily, whether financialization is perceived as attached to a new stage of capitalism depends upon how one stage is distinguished from another. From a Marxist perspective, the answer is provided in distinct changes in the dominant forms taken by the production, distribution, and circulation of surplus value. Traditionally, for example, especially with Lenin's *Imperialism*, or monopoly stage of capitalism, emphasis is placed upon a number of factors in this respect (including those relating to the world economy and military redivision of the world). In addition, there is a presumption within Marxist, and even Marx's, understanding of the evolution of capitalism, that successive stages represent a teleology on the path toward socialism. This is a consequence of the growing socialization of economic life and its increasing incompatibility with private forms of ownership. Thus, large-scale corporations primarily internally exclude the market as such and rely upon what might be thought of as primitive, if otherwise motivated, forms of "socialist" planning. Furthermore, the state has also been increasingly involved in the production, distribution, and circulation of value, as in a welfare state, producing commodities itself in public enterprises or removing them altogether from capitalist production, as with a national health service.

Whatever the validity of such a teleology in principle or in detail, it has clearly ruptured since the collapse of the post-war boom. Keynesian, welfarism, monopolization, etc., have not proven to be the basis for further socialization and therefore the next stepping stone toward socialism. Instead, that further socialization has taken the form of financialization as finance has penetrated intensively and extensively into ever more areas of economic and social reproduction, creating a terrain for the direct or indirect application of IBC. And this is an appropriate way in which to understand what has become the most prominent characterization of the current period of capitalism, *neoliberalism*.

Of course, the nature of neoliberalism is as contested as that of

financialization, if not more so. In addition, as a phase of capitalism, neoliberalism variously combines three highly differentiated elements by time, place, and issue (or context taking these together) according to how ideology, scholarship, and policy are combined in practice (and rarely consistently with one another). A crucial point is that despite its ideology, neoliberalism is not about the withdrawal of state (economic) intervention; it has always been associated with a strong not a weak state, and an authoritarian one as opposed to one that upholds personal liberties. On the contrary, the distinguishing role of the (advanced) neoliberal state has primarily been to promote the interests and internationalization of capital in general and of finance in particular, an important example being the extent that state finance itself has been financialized. Together, such internationalization and the supportive role of the state have major influences on the substance and forms of economic and social restructuring, especially as these are attached to financialization as a lever of ownership and control of productive capital (exchange of fictitious capital not only as a claim on surplus value but also on corporate ownership), as well as of social policy and the like. This is clearly marked, for example, in deregulation (not the absence of regulation) of finance. Indeed, deregulation might be seen as having less to do with increasing competition within the financial sector and more to do with facilitating IBC's access to activity from which it was previously excluded. And the massive state rescues of finance following the crisis, followed by austerity, are indicative of the contradictory hegemony of the material of finance interests over its own neoliberal ideology of free markets without state interference.

In this light, regarding the opening theme offered here (and the issue of how periodization is to be addressed), it can be seen how financialization, embedded within neoliberalism, has affected the restructuring of capital(ism). Observe just how favorable conditions for capitalism have been over the past thirty years or so of neoliberalism, during which there has been a huge range of new technologies; the ideological triumph of (free) market capitalism; the adoption of neoliberal policies; containment of economic and social wages; a decline of liberation movements (due to decolonization); the winning of the Cold War and the entry of China into the global capitalist system; a weakening of trade union movements; and large increases across the globe in the levels and flexibility of labor supply. Yet, not only have we experienced the worst crisis and resistant recession for almost one hundred years, this crisis was preceded by

relatively slow growth by comparison to the post war boom (and current productive potential).

The reason for this is to be located precisely in the ways in which financialization has governed economic and social restructuring, reducing levels and efficacy of investment (other than the fictitious) as well as undermining the broader social conditions within which such accumulation has taken place. This is not to reduce neoliberalism to financialization, although it is financialization's economic core. Rather, financialization itself is highly differentiated in its incidence (with, for example, the United States at the fore in being highly financialized and playing a special role at a global level due to the dollar being the reserve currency and the dominant currency for international transactions). By the same token, whatever the degrees and forms of financialization within and across countries, its effects and responses to them are highly variegated (even if inclined toward neoliberal dogma and practice by default). Accordingly, as long as financialization remains hegemonic, so will be neoliberalism, both of which are founded upon the favorable conditions outlined in the previous paragraph and rely upon them to preclude the emergence of alternative ideological, intellectual, and policy alternatives, as is evidenced by (and despite) the neoliberalism's inability to address its own crisis.

As was put so clearly in the wake of the Great Depression by Sir Josiah Stamp, then the UK's richest man (see Fine 2013b for details):

> Banking was conceived in iniquity and was born in sin. The bankers own the earth. Take it away from them, but leave them the power to create money, and with the flick of the pen they will create enough deposits to buy it back again. However, take it away from them, and all the great fortunes like mine will disappear and they ought to disappear, for this would be a happier and better world to live in. But, if you wish to remain the slaves of bankers and pay the cost of your own slavery, let them continue to create money.

Is this, if in elementary form, an aftertaste of Marx and a foretaste of financialization, and an indication of what must be done before we can even begin to think of more progressive and effective ways to go about economic and social restructuring?

Notes

1. For deeper and broader accounts of the issues involved, see for example Fine (2007, 2010a) and Fine and Saad-Filho (2010). For financialization's relationship

to neoliberalism, see Fine (2010b, 2012a). For financialization and social reproduction, see Bayliss, Fine, and Robertson (2013), Fessud Working Papers, nos. 9–15 (available at http://fessud.eu/?page_id=1836), Fine (2009, 2012b, 2012c, 2013), and Fine and Hall (2012). And, for a case study of South Africa, see Ashman and Fine (2013) and Ashman, Fine, and Newman (2010, 2011, 2013).

2. Such is the position taken by post-Keynesians, who look to financialization for its direct and indirect influences on the levels of demand, thereby reducing restructuring it and its determinants to such a focus at the expense of other factors, themselves differently ordered in relation to one another both for economic restructuring itself and for its relationship to social restructuring. For a critical account, preceding the rise of financialization, see Fine and Murfin (1984a, 1984b).

3. The necessary "hybrid" nature, around the boundaries, of the logical and the theoretical (and the historical/concrete) in considering financialization is not accidentally analogous to the hybrid nature of the forms taken by financialization itself. See below.

4. In Volume III of *Capital* Marx uses the term money-dealing capital to refer to capital in money markets that attracts only the normal rate of profit as opposed to interest.

5. As will be seen, this is crucial for the distinctive understanding of financialization offered here: it does not involve the simple extension of credit (although this is a consequence) but the incorporation of that credit into the circuits of IBC.

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Appendix: The Many Marxisms of Financialization?

It is important to recognize that there are as many different views on financialization within Marxism as there are among non-Marxists. It is apparent, though, that a Marxist approach to financialization of any depth involves considerable complexity. It should not pick and choose selectively across Marxist categories but bring them together systematically and systemically. In short, it needs to range over the logical, theoretical, and historical; to incorporate the systemic (and global) nature of capitalism including its individual parts, as comprising structures, agents, relations, and processes; and, in these terms, comprehend and build upon Marx's categories of money as money, as capital, as interest bearing capital, as fictitious capital, and so on in forging the application of such categories to the contemporary phenomena that have become dubbed financialization. The distinctive take on these issues here is to define financialization as the increasing incorporation of IBC into the circuits of capital, in a much wider range of hybrid forms than previously and with the increasing reach across economic and social restructuring that accompanies the accumulation of capital; and to attach such financialization to the current phase of capitalism, namely neoliberalism in which the world economy is variegated in national forms in relation to financialization itself, its incidence, and the responses to it.

The intention here is not to review other Marxist contributions to the understanding of financialization, especially as the primary purpose of the contributions to this symposium is to lay out their authors' own views rather than to assess others. However, in this appendix, I do contrast to some degree my approach to that of my colleague at the University of London's School of Oriental and African Studies (SOAS), Costas Lapavitsas, in part because of the potential value in highlighting our differences but also in order to clarify my own position (and possibly his).[1] First, though, observe that what we seem to share in common is the imperative

for a Marxist approach to put together the elements laid out at the end of the previous paragraph, especially within the penultimate sentence. In addition, we have adopted a common, even joint, approach in the critique of others, even if it does not bear directly on financialization as such.[2] Nonetheless (and this is an indication of the vitality of Marxism), Lapavitsas relatively rarely fails to incorporate all of these elements[3] yet comes to conclusions very different from my own on a Marxist approach to financialization (see, e.g., Lapavitsas 2013a). It is worthwhile, then, to seek to clarify and contest where we diverge from one another.

As things stand, this is not as simple as it might be. This is partly because his take on my work appears to be flawed and, despite close study, I remain unsure of the exact status of the various Marxist categories and elements, and their application, within his own work. More specifically, for example, in apparently rejecting my approach to IBC, Lapavitsas (2013a: 116, n. 21) suggests I "reworked" a contribution of Laurence Harris (which, I should know, I did not as I both wrote the article concerned and was close collaborator with Harris at the time) (Harris 1976). Yet, Lapavitsas comes to an identical conclusion to me on the secondary role of intentions, among other things, in defining IBC. (What matters is whether surplus value is produced systemically or not, rather than whether this was the purpose in the borrowing or lending, although the two may be related—fraud rarely leads to the production of surplus value.) Perversely, he seems to see this common conclusion as a rationale for peremptory dismissal of Harris' (my?) approach as "a dead end." Thus, he concludes: "Much of present-day lending is for unproductive purposes, including mortgages; if interest-bearing capital does not *directly* relate to such lending, Marxist theory has little to say about contemporary finance" (emphasis added).

This does, though, allow for a major difference between us to be highlighted. For Lapavitsas, financialization (contemporary finance?) seems to involve a *direct connection* between IBC and mortgage lending, whereas for me, IBC involves the selling of mortgages, not mortgage lending itself (with mortgages as such falling within the category of loanable money capital). Perhaps this explains why mortgages (and credit card loans, payday loans, etc.) should be seen as exploitative of "all of us" from his perspective (see below), although if this direct application to mortgages for IBC is so, the difference between IBC and loanable (money) capital and the need for the distinction are unclear. If,

as Lapavitsas indicates, IBC is directly involved in purely credit relations, then why is it needed as a category at all? It is simply subsumed under, not a part and more abstract form of, loanable money capital. In contrast, IBC is vital in my own account of financialization (as its core element in the extensive and intensive expansion of finance, in part and necessarily in the hybrid and complex forms attached to loanable money capital). This difference might explain why Lapavitsas explicitly proceeds from national to world economy and from individual agents (the "molecular") to social categories such as IBC in discussing financialization instead of the other way around. His approach thus runs against the holistic grain of the Marxist method.[4]

Lapavitsas (2013a: 127, footnote 45) also claims, referring to an article of mine published almost thirty years before his, that my arguments are wrong because they depend upon the false assumption that banks do not lend to one another. As is clear in this early article of mine, and in all subsequent work, this is not my claim at all (Fine 1985/86). Rather, it is that competition within finance is tempered by the extent to which it is unlikely that financial institutions will lend to others *outside* the sector to facilitate their *entry into* the sector as potential rivals. This has nothing to do with placing restrictions, or not, on lending *between* those who are already within the sector. Such lending is necessary for day-to-day financial operations and joint ventures, let alone to stave off or respond to crises—often with government support, persuasion, or coercion—although this too is part of the competitive process *within* the financial sector, and it has its own peculiar characteristics. In addition, there may be some confusion around the use of the term "banking (capital)" to refer to a particular form of capital *within* finance (something I tend to avoid), as opposed to banking serving as a synonym for finance taken as a whole.

However, a major and recognized difference between us is over Lapavitsas's, and others', claim of financial exploitation, expropriation, or appropriation of household or wage revenues (or even "of us all," part of the subtitle of his book [Lapavitsas 2013a], initially published as Lapavitsas ([2009]). My critique Fine (2010a), published in the same journal, remains unanswered, both in that journal and in Lapavitsas's later work (Lapavitsas 2013a). I will not rehearse my arguments here other than to observe that his position creates difficulties in sustaining the distinctiveness of IBC, treats financialization in part and often explicitly

as if it were systemic, pre-capitalist usury, misunderstands the nature of the value of labor power, and stumbles over whether profitability is or is not equalized across money and financial markets and other applications of capital.

In addition, this leads him, if not to oversimplify, to propose state ownership of finance in order to allow for alternative industrial and social policies to be adopted (in a sense, a mirror image of the pure neoliberal position of deregulation of finance and all else to allow both to prosper). As argued elsewhere at great length in a related debate over the nature and determination of the value of labor power and its relation to supposed financial exploitation (Fine 2013c), this is to misunderstand the variegated ways in which financialization is attached to economic and social outcomes, each of which is provision-specific for economic and social restructuring, as well as to the levels and distribution of provision. In other words, health and housing are different in and of themselves, in how they are financed, and in how they are integral to one another so that, to the extent that credit is involved in provision, it is not a matter of eliminating financial exploitation in provision but of how financing and access to provision mutually condition one another and must both be transformed. Thus, for example, financialization's relationship to housing provision (through mortgages) and its relationship to water provision (through privatization in the UK) are very different from one another and are both finance- and sector-specific in their own unique ways. And this needs to be acknowledged both analytically and programmatically (i.e., politically), rather than calling for reform of finance plus sector policies in an undifferentiated way.[5]

Notes to the Appendix

1. Only with theoretical issues are of concern here, not their application in Lapavitsas's empirical work.

2. As in the critique of Brenner and the "new solution" to the transformation problem in Fine, Lapavitsas, and Milonakis (1999) and Fine, Lapavitsas, and Saad-Filho (2004), respectively.

3. This is apparent from his review of the literature.

4. This molecular approach borders on the atomism of mainstream economics, not least when supplemented by the idea that financialization arises spontaneously out of the actions of a troika of agents—non-financial and financial firms and households—in which each plays a determining role even though they are not identically situated. See also Lapavitsas (2013b) and Lapavitsas and Powell (2013).

5. See the references on social reproduction note 1 above, and also Fine (2013a)

for a different approach than normal on the so-called financialization of everyday life. Paradoxically, of course, if from a different perspective, the notion of financialization as both spontaneous and molecular ought to lead to the same conclusion: that it needs to be addressed in the context of how it is differentially attached to economic and social reproduction.