FINANCIALIZATION: A REVIEW OF THREE PERSPECTIVES

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"[I]n an era of finance, finance
mostly finances finance."
(Toporowski 2009, 153)

1. Introduction

The discourse on financialization has become quite widespread in recent years, especially after 2007-9 crisis. Yet the topic is not novel; it is a common knowledge that there have been several moments in the history of capitalism that were marked by a noticeable upsurge in financial activities (Arrighi 1994, Hilferding 1981). However, the scope and size of the most recent wave since 1980s has been immense: credit relations permeated into private consumption, financial instruments become diversified, mortgage has grown into the main model for housing, derivative markets have proliferated, non-financial corporations have entered into financial markets as players, investment banking has developed, and so forth. There is no doubt that financial sector has been much more dynamic in comparison with productive sectors of economy. Lapavitsas (2013, 214) shows that financial profits rose from around 16% of the total profits in the US in 1975 to almost 42% in 2005, when it reached its peak two years prior to the crisis. In 2010, it recovered up to 35% again. Consequently, the volume of financialization attained to colossal scales. When the crisis broke out, the volume had already reached to a point that the total global bailout due to the defaults was converging to $20 trillion, which is more than the GDP of US (McNally 2009, 40). Furthermore, Orhangazi (2011, 27) demonstrates that financial assets owned by non-financial corporations in proportion to their tangible assets amounted to a level around 100% in 2000s, which had kept being approximately 40% during 1970s. Such dramatic levels have been the result of a twofold expansion, both into the sphere of daily life and individual consumption, and into the sphere of firms' activities. Nevertheless, financialization has usually been defined broadly and descriptively in the literature, and there is not a clear and generally accepted definition. For instance, Inhgam (2008: 169) has depicted it as "the increasing dominance of financial practices and the fusion of business enterprise with 'financial engineering'." Epstein (2005, 3), on the other hand, simply correlated it to "the increasing role of financial motives, financial markets, financial actors and financial institutions." Loose definitions that accentuate the expansion of quantity and scope coexist with the meanings that change according to the context. Toporowski and Michell (2014, 69) state that the use of the concept with different contents in different contexts "makes it of dubious analytical value." However, defining what makes financialization and how, is not a question to be overlooked. It can be said that it is a "concept in search of a theory" (Bryan *et* al. 2008, 122). But how financialization can be defined? What are the distinctive characteristics of the process? Does it mark a specific stage of capitalism, and if so, in what sense does it transform it? Shall it be defined in regard to a new regime of accumulation, a new form of exploitation, and/or a new relation of production? These questions can be multiplied. This paper aims at

reviewing and collating the arguments of three selected positions on how they respond to such questions and how they define the distinctive features of the process of financialization. Additionally, an array of selected counter-arguments and critiques of these positions are highlighted.

For this purpose, the position of Costas Lapavitsas in regard to financialization debate is examined in the next section, together with his theory in the broader sense. Lapavitsas is affiliated with Marxism and his approach is influenced by a unique interpretation of it known as Japanese Uno School, which has been pursuing to establish a consistent and total theory of money and finance within Marxist political economy. Lapavitsas argues that financialization marks a distinct phase of capitalism, in which the main domain of search for profits has shifted from production to circulation and this has grown to the extent that the reproduction of labour power itself has become a source for profits. He refers to the process as "financial expropriation" (2013, 146-7). In the third section, the arguments developed by Dick Bryan, Mike Rafferty, and Randy Martin are reviewed. Their claim is that the essence of financialization lies in the expanding process of securitization and proliferation of derivatives. According to this, derivatives mark a turn in the history of money and finance, and together with securitization, they transform the essential features of labour and capital. The approach of Jan Toporowski is considered in the fourth section. Based on his 'asset inflation thesis', Toporowski argues that financialization is a process of inflating capital markets. Financial inflation transforms the dynamics of capitalism by altering the behaviours of corporations and individuals, while at the same time over-capitalizing the firms. He concludes that this is an unsustainable process and if the inflation halts, it is to arrive at an end. Finally, a collation and comparison of these definitions and their critiques are made in the fifth section. Additionally, this section comprises an evaluation of the three different positions in regard to how they consider (i) the distinction between 'financial' and 'real', (ii) the debate on the return of the rentier, (iii) changing class relations and power technologies, and (iv) whether financialization mark a definite rupture in capitalism. It should be noted that critiques related to arguments based on 'orthodox' economics such as 'efficient market hypothesis' or sort are excluded. These are only touched upon in so far as how the aforementioned authors criticize them.

2. Financialization as "financial expropriation": Lapavitsas's account

Basically, two core suggestions underlie Lapavitsas's position with regard to the financialization debate. First is the determination that capital in general has been increasingly tending towards carrying out its search for profits in the sphere of circulation rather than production, for almost four decades now. Second is the claim that the household, and so the reproduction of labour power has become subject to a process of direct appropriation of value, by means of both asset trade and interest payments, which Lapavitsas (2009b, 115; 2013, 146) famously refers to as "financial expropriation." For him (2009a, 9-13), both imply profound alterations in the functioning of financial system in capitalism and the driving dynamics should be sought in the sphere of forces- and relations of production. Lapavitsas (2013, 174) demonstrates that although productivity has been rising in developed countries since mid-1970s, it has been far from following a stable trajectory in terms of the rate of growth of productivity, which caused to a somewhat deficient level of growth. On the other hand, technological developments of revolutionary nature, such as ICT, gave way to new financial operations that were not previously possible, leading to a

considerable expansion of the financial markets. What accompanied these developments were the dual deregulations of the neoliberal age. To put it briefly, deregulation of labour resulted in rising rates of unemployment and dissolving of invested rights, resulting in an immense rise of loan usage for consumption, housing, health, and education. Deregulation of financial markets, on the other hand, opened the way for finance capital to steer the private savings into capital markets in the form of pension and insurance funds, equities, derivative assets, etc. Taken together, these developments made wage revenue subject to financial markets. The result was an asymmetry between the spheres of production and circulation in terms of profitability, dynamism and new opportunities. Lapavitsas draws several conclusions from this definition of financialization but in order to better grasp his account on the topic, his approach to the political economy of finance should be examined first. Some keynotes of his theory will be highlighted below.

It can be said that Lapavitsas has a distinctive place among recent scholars in Western academia who follows Marxist tradition, due to his endeavour for building up a comprehensive and total theory of money and finance in Marxist political economy. The uniqueness of Lapavitsas's approach comes from his affinity with Japanese Uno School, a Marxist tradition that approaches to Marxist theory in three distinctive instances. First is the level of "pure theory of capital" (Kincaid 2006, 33), which is distinguished by its focus on the inner logic of capital without referring to any sort of historical-empirical dimension. This is quite relevant to what Harvey (2012, 1) calls "the laws of motion" of capitalism in general. Second level comprises a logical -or ideal- scheme that corresponds to successive stages of development of capitalism. In this level of analysis, there is reference to history to the extent that it provides a general template in explaining transforming dimensions of capitalist mode of production, i.e. from competitive putting-out system to industrial monopoly capital. Lastly, there is the level of historical facts with all its complex manifestations. Consistent with its clear separation of levels, its preference in taking the first level as the starting point of analysis, and its emphasis on Hegelian dialectic for revealing the essential dynamics of the process, this kind of a methodology is uncompromising in grounding the analysis on a substance-form distinction.[1] So, the starting point and basic elements of Lapavitsas's analysis consist of logical concepts taken from Marx's framework.

According to Lapavitsas (1997, 85), the term interest-bearing (loanable) capital (IBC), i.e. "money capital traded as a commodity and commanding the payment of interest", is the key concept in understanding how credit system essentially works in capitalism. However, the term itself has two resembling but

[1] This is especially relevant to Lapavitsas's theory of money. Simply, Lapavitsas holds that the substance of money is its monopoly over the ability to purchase. It can have different forms, as has been evident throughout the history, such as various commodity forms or fiat money. This feature of money is universal regardless of how it manifests itself. Accordingly, Lapavitsas distinguishes credit and money on this basis, and claims that credit relations are based on money's mentioned monopoly. This position is in contrast with that of Geoffrey Ingham's, who started a polemic on the subject matter. Ingham is slanted towards the state-theory of money that is developed by German historical school of economics and supported by Keynes. His arguments against Lapavitsas that are relevant are simply; (i) historical evidence confutes Marxist theory of commodity-money, (ii) money is essentially a claim on goods, (iii) there are no logical distinctions between money and credit. Later, Dick Bryan and Mike Rafferty drew upon Ingham's views when constructing their theory of derivatives as the new kind of global money. (On the money debate, see Itoh & Lapavitsas 1999, Fine & Lapavitsas 2000, Zelizer 2000, Ingham 2001, Lapavitsas 2003, Lapavitsas 2005, Bryan & Rafferty 2006a, Bryan & Rafferty 2006b).

distinct meanings. On the one hand, Marx uses the term to refer to the capital that is owned by some "moneyed" capitalists who lend it to another "functioning" capitalists with investment projects (Itoh & Lapavitsas 1999, 60). Lapavitsas finds this approach problematic and rejects it since such a distinction is difficult to observe among real capitalists. Moreover, this kind of an approach would imply the existence of a social class based on the revenue in the form of interest, which is inconsistent since theoretically any capitalist with savings can advance money to obtain interest. Also, he reminds that IBC existed in pre-capitalist societies as well and so, such a distinction is of no use in explaining the characteristic features of credit in capitalism. On the other hand, IBC stands for the money capital that is derived from the idle money, which "leaks out" from the circuit of capital during the turnover, and which in turn re-enters to the circuit by means of credit system. This second approach constitutes the central analytical tool of Lapavitsas's explanation. In this approach, IBC systemically occurs from the movement of capital. In Marx's theory, "characteristic movement of industrial capital represents the unity of production and circulation" (Itoh & Lapavitsas 1999, 62), and it is usually expressed as in the following formula.

$$M – C (lp, mp) \ldots P \ldots C' – M' (M + \Delta M)$$

During the turnover, idle money accumulates at every moment of the circuit, constituting "money hoards" in Marx's terms. By turning this idle money into IBC, it becomes possible to reuse it in the circuit, resulting in a reallocation of spare funds and a redistribution of surplus value among capitalists. Note that this approach is quite different than the former since it explains IBC on a structural basis. Leaking of the money out of the circuit and occurrence of the idle money (money hoarding) is itself intrinsic to the process of production. The need to hold reserve funds due to the price fluctuations, the need to keep depreciation funds for the invested fixed capital, the necessary level of accumulation for a reinvestment, and the need to keep funds due to the time differences between the phases of purchase, production and sales inevitably results in the hoarding. Lapavitsas (1997, 93-4) stresses that in terms of its structural explanation, Marx's approach is significantly different than Keynesian liquidity preference, which correlates hoarding money with the personal (psychological) motivations driven by future expectations.

IBC comes into existence as the money hoards out of the circuit transform into a special type of homogenous commodity, the loanable money capital. Yet since this is a special commodity, determination of its price is also special. Lapavitsas agrees with Marx in the claim that the source of all profits is the surplus value. The surplus value produced in the sphere of production is divided among different capitals, including those who do not directly partake in the production process, yet has critical functions in the operation of capitalism in general. Merchants' capital, including commercial capital and money-dealing capital is as such. It operates in the sphere of circulation, lowering the cost of production and enabling the existence of an average rate of profits. As a result, "there are objective grounds for the remuneration of commercial capital out of the total surplus value on the same *pro rata* basis as industrial capital" (Itoh & Lapavitsas 1999, 69-70). However, although the profit obtained by IBC, i.e. interest, is also rooted in the surplus value, it does not have such a role in the determination of the average rate of profits. Accordingly, Lapavitsas adopts Marx's position asserting that the upper limit of average rate of interest is the average rate of profits, while rejecting the notion of "natural interest rate" defended

by neo-classical and Keynesian approaches, which argue that both rates tend to move towards equality. At first glance, such an assertion may seem empirically erroneous, however Lapavitsas provides an explanation based on business cycles that will be mentioned shortly below.

Lapavitsas reminds that IBC *per se* is not distinctively capitalistic and it has roots in pre-capitalist societies. In its ancient form, as usurer's capital, it was not a fundamental element of social reproduction and there were not any structural limitations in the determination of its rate. As it was fully integrated into industrial capitalism, it became a constitutive and necessary part of the reproduction of capital while at the same time retaining "some of the predatory character of primitive usury" (Itoh & Lapavitsas 1999, 73). This means that in a capitalist mode of production, IBC is both subject to the general mechanism of the movement of capital, and relatively autonomous. Taking this into consideration, Lapavitsas attributes a possible disruptive feature to IBC under certain conditions related to business cycles. He draws upon the analysis of business cycles developed by the Japanese Uno School, which is based on a labour shortage theory of crisis. Unlike other crisis theories relying on under-consumption, over-accumulation of capital, or disproportionality between departments of economy; this approach emphasizes the role of over-accumulation of capital relative to the present population of labourers in rising the real wages and thus reducing the profit rates (Itoh & Lapavitsas 1999, 125-138). Consequently, price inflation becomes relatively higher in labour-intensive sectors (lower organic composition of capital). Moreover, rise in the real wages boosts demand in consumer products, thus resulting price rises in commodities critical to production. Inflation causes speculative trading via stockpiling of both commodities and equities in expectation of further rises. Excessive demand for liquidity stemming from speculative euphoria and falling rate of profits due to high real wages decreases the amount of idle money capital. Naturally, demand for bank credit increases and so, a decline in bank reserves relative to liabilities and a rise in interest rates occur. All these chain events result in several disruptions along different moments of capital circuit, especially due to difficulties in repayment of maturing credit obligations under the lack of liquidity. As the interest rates rise and the demand falls, speculatively stockpiled commodities are enforcedly sold in rock bottom prices. Several bankruptcies ignite a chain reaction, creating a pessimistic mood on the expected prices that result in further decreases in effective demand. Consequently, the crisis turns into depression. The specific role of finance in this version of crisis narrative lies in two aspects of money and credit that Lapavitsas stresses in his theory. First, he claims (Itoh & Lapavitsas 1999, 47-51; Lapavitsas 2005) that money is not merely a means of exchange as neo-classical school suggests, but it is also a means of payment. Second, credit relations have extra-economic social foundations, namely trust and power (Lapavitsas 2003, 68-87; Lapavitsas 2007), and regardless of how institutionalized credit system has been, these are still present in credit relations as substantial motives. Within this framework, role of finance in cyclical crisis arises from the scarcity of money (insolvency) while there is an abundance of capital. When difficulties in settling the debts become widespread, "trust" is eventually damaged, boosting further the rate of interest. This is the particular moment of business cycle when rate of interest exceeds the rate of profits.

Another significant aspect of Lapavitsas's theory is his adoption of Hilferding's thesis. He agrees (2011, 619) with Hilferding in his treatment to "financialization as a systemic transformation of the capitalist economy." This means that financialization is not merely a matter of policy making or institutional

alterations, but rather a fundamental transformation in "relations of accumulation" (Lapavitsas 2009a, 7). Basically, Hilferding argues that; (i) there is an increasing tendency towards monopolization of industrial capital, (ii) there is an amalgamation between banking capital and industrial capital which gives way to rise of the "finance capital," (iii) banks or financial factions have the upper hand in the process, and (iv) monopolization and financialization will result in increasing export of capital, in territorial empires with trade barriers and in militarism (Itoh & Lapavitsas 1999, 105-7). Lapavitsas disagrees with some of these statements, as they historically proved wrong. For instance, "there is no fusion of banks with industry; banks are certainly not dominant over industry; and there are no exclusive trading zones closely related to territorial empires" (Lapavitsas 2009a, 8). On the other hand, domination of multinational corporations, financial ascendency and hegemony of imperialism are contemporarily borne out. Nevertheless, what seems to be more important for Lapavitsas is the analytical value of Hilferding's work rather than its concrete historical determinations. One of Hilferding's unique contributions is his analysis of a novel form of profit in his age stemming from joint-stock capital markets, which he refers to as "founder's profit" (Itoh & Lapavitsas 1999, 111-6). The term basically refers to the profit that stems from the difference between the share price and the capital invested in real accumulation per share. It occurs because the in stock markets, dividends are part of future profits and the expected dividend yield is discounted in the market rate of interest. Since the rate of interest tend to be below the average rate of profit except for crisis, and rate of profit are generated by the actually invested capital, the differential profit accrues to share issuers and banks get a cut out of it as well.

Lapavitsas's perspective in defining (2009b, 141) latest process of financialization as a "systemic transformation of the capitalist economy pivoting on the financial system" is based upon such a framework. His two core propositions in explaining the process, i.e. the shift of focus in the search of profits and the expansion of finance into the sphere of social reproduction ground on his theory regarding political economy of money and finance. According to Lapavitsas (2009b, 124-5), these two aspects of financialization is the result of three profound changes in economy since mid-1970s. First one is about productivity-growth problems, especially between mid-1970s and mid-1990s. Although there was a brief pick up in the US economy after 1995, Lapavitsas states that it lasted short and productivity slowed down again after 2001. Secondly, the transformation of labour process was significant. Implications of this process are relatively high levels of unemployment, entry of women into labour-force, invasion of private time by work, and intensification of labour. Finally, multinational companies started dominating global production and trade, and giant mergers marked the period. The weight center of production shifted from the West toward developing countries and foreign direct investment was the other side of the coin in the process. Eventually, there has been a shift toward finance, especially in the US and the UK. Consequently, these alterations led to the observable facts that financial sector has grown immensely with regards to employment, profits, size of institutions and markets.

Productivity growth problems, together with the successive deregulation of finance, opened the way for non-financial corporations tend towards open financial markets.[2] There were two favourable conditions for such a development. First, the

[2] The process of financial deregulation comprises a vast scope of government legislations that untightened or removed the restrictions on the activities of financial corporations. E.g. the abolition of Glass-Steagall Act in the US in 1999, which had been forbidding commercial banks to formally carry

need of giant industrial corporations for banking credit was relatively low and they were able to fund the investments relying on the profits (Lapavitsas 2009b, 127). Second, a proliferation of multiple new financial instruments occurred. Besides equities and bonds, a huge variety of securities and derivative assets came into play. Hence, as productivity growth was inconsistent, accumulated capital including those of non-financial corporations flowed in the deregulated financial markets in order to be valuated as IBC. This development is consonant with Lapavitsas's argument that interest should not be held as revenue basis of a distinct social class. His emphasis on the second meaning of IBC in Marx's analysis makes it possible to think IBC as something that crosscuts different factions of the capitalist class. Nonetheless, as a result of expansion and deregulation of financial markets, banks have undergone a radical transformation. They have restructured themselves by turning toward "financial market mediation to earn fees, commissions and profits from trading, i.e. toward investment banking" and/or by turning toward "households and individuals as sources of profit" (Lapavitsas 2011, 620).

The logic and activities of investment-banks are substantially different from commercial banks. They are "financial market mediators that mobilise short-term funds to invest in securities" (Lapavitsas 2009b, 133). Unlike commercial banks, they do not accept small deposits. In terms of liabilities, they work differently and they are not subject to regulations of commercial banking such as capital-adequacy. What they do actually is mobilising IBC through open financial markets, which includes several financial instruments. Some of these may include stock shares, which have an underlying capital asset or bonds that have a determined interest rate, whereas others may include derivatives that may or may not be backed by some underlying asset. Such variation of financial instruments and integration of global financial markets makes it harder to determine the source of profit of investment-banks. Lapavitsas (2009b, 134) states that Hilfreding's notion of 'founder's profit' needs to be rethought under such conditions. So, he thinks that fees and commissions have become the main source of revenue for such banks, which means that they hold a privileged position in terms of access to financial markets. This implies an income of rent type, which will be discussed through the end of this paper. Nevertheless, as the financialization made progress, investment banking became one of the main activities of banks. Commercial banks took the turn too, thanks to the deregulatory arrangements by governments.

The other critical aspect has been the financialization of households and worker revenues. The scope of the process is twofold. One the one hand, there has been a rise in the level of borrowing, including purposes such as housing, education, health and general consumption. On the other hand, proliferating financial assets incorporated pension funds, insurances, mortgages, credits, so on and so forth. This has been made possible by the gradual retreat of the public provision from such sectors. In a nutshell, activities and sectors that are substantial for the reproduction of working class in general have become subject to finance capital (Lapavitsas 2011, 620). The most important conclusion Lapavitsas (2009b, 117) deduces from this is that it is a new kind of seisin of surplus value, namely the financial expropriation. The term indicates the process in which financial profits are extracted directly from vague revenue instead of profits of productive sectors. This means that beside the process of exploitation (appropriation of surplus value created by labour and its division among the factions of capital), value created by labour in order to subsist (variable capital)

out investment-banking activities since 1930s. Another example is the regulation of 401K in the USA in 1978 that turned pension-funds into stock-market instruments. Similar examples have occurred elsewhere since 1970s.

itself is 'expropriated'. This is consistent with Lapavitsas's argument that even in capitalism, IBC carries a usurious feature with it, which can be disruptive to the economy as a whole. For it is evident that a wealth effect created by becoming indebted to the future under the condition of relatively stagnant real wages is far from being sustainable. It is the usurious character of finance capital, and its relatively autonomy that makes it possible to colonize the sphere of reproduction.

Among several critiques of Lapavitsas's arguments, Ben Fine's objections to the concept of 'financial expropriation' are especially noteworthy. From a Marxist point of view, Fine (2010, 99) argues that Lapavitsas not only "exaggerate[s] the role of appropriation of working-class revenue as an element in the current crisis" but also misunderstands financialization process and the exploitation of the working-class. According to Fine, Lapavitsas's fault is over-simplifying the processes that determine the value of labour-power by correlating it with a reduced understanding of working class reproduction. Lapavitsas's concept of 'financial expropriation' is also deficient since he deduces it from a "given value of labour-power that is taken out of wage-revenue by the supply of banking services" (Fine 2010, 100). Fine concludes that such a basic framework has serious problems in explaining the persistence of the system. In other words, reproduction of working class has detailed concrete features that should not be reduced to money or labour-time equivalents unless in the highest level of abstraction. Instead, he suggests a 'system-of-provision' approach, which scrutinizes each element of the reproduction of working class (housing, nutrition, health, transport etc.) and thus provides a more complex method for understanding how the value of labour-power is determined and differentiated across the sub-segments of the class. When the specific aspects of reproduction are overlooked, a general term such as 'financial expropriation' lacks explanatory value, because for instance, credit-cards and mortgages has not only different scopes of purchase, they also affect the economy differently. Fine's objection is also related to his understanding of IBC, which differs from Lapavitsas's. Fine seems to be likeminded with Lapavitsas in attributing IBC a systemic feature, mechanisms of which is prior to the intentions of the actors. Yet, unlike Lapavitsas, he (2010, 111) attaches importance to the category of 'loanable money-capital', since it has an explanatory value especially for concrete articulations, under the conditions where the functioning of "logical" concepts such as IBC and money-dealing-capital are "inextricably integrated with one another." This disagreement on the concept of 'loanable money-capital' (whether to drop or keep using it) lets Fine (2014, 63) to criticize Lapavitsas for mixing up IBC with mortgage lending and deducing significant consequences from it.

Furthermore, Fine attacks on Lapavitsas's argument, and accuses it with inconsistency, since it cannot explain the preserved high levels of profitability in the financial sector in contrast to the industry. Because, as Fine (2010, 104) reminds, capital should have flowed into the sector of finance and helped the profitability converge to the average levels. Another argument that Fine objects is to hold financialization solely as a shift of balance between the spheres of production and circulation. Instead, he understands (2010, 109) financialization as "incorporating the shifting appropriation of activity across and within different fractions of (industrial and financial) capital." This is consistent with his claim (2010, 113) that financialization is not merely about a new, widespread kind of wage expropriation, but it is "generalised across the economy as a whole, including the financial operations of putatively independent industrial corporations." Fine holds

financialization to be an expansion of IBC at the expense of the economy as a whole, including the restructuring of industrial capital as well.

3. Financialization as securitization and the expansion of derivatives: the account of Bryan, Rafferty and Martin

Another radical definition for financialization correlates it with the idea that the essential elements of capitalism, i.e. labour and capital, underwent a substantial transformation. Randy Martin, Dick Bryan, and Mike Rafferty are for this position. Their emphasis is on the intensifying and transformative role of the process of securitization and proliferation of financial derivatives, which converted monetary processes into commodity relations by the commodification of finance during last two decades (Bryan & Rafferty 2006b, 274). To put it roughly, the argument is as follows: (i) due to the process of securitization and proliferation of financial derivatives, the distinction between money and capital is blurred. Moreover, it became possible and widespread to blend small 'bits' of different capitals together and represent them in tradable assets. Thus, they now can act as 'commodity-capitals'. (ii) This process gave capital a fluidity of dramatic levels, which on the one hand intensified and further globalized the competition, and on the other hand led to the commodification of risk. (iii) Fluidity, increased competition, and commoditised risk brought with them a competitive discipline into class relations, and the pressure of efficiency and productivity on labour grew significantly. Consequently, variable capital is under the same competitive imperatives as constant capital.

The core idea behind the argument is that money, capital and labour has changed and gained new features. According to Bryan, Rafferty, and Martin, financialization is not merely a question regarding how financial sector is over-expanded in comparison with the 'real' economy. In this sense, their position in the debate differs radically from certain Marxist and post-Keynesian authors who put more stress on the speculative aspects of finance or address the phenomenon with regard to equilibrium issues.[3] Instead, they claim that the transformation is deep and essential, and that "financialization is not simply shifting the balance of power between classes and generating economic volatility, but [it is] also re-constituting our understanding of class (as a formal economic category) and class relations" (Bryan *et* al. 2009, 459). The authors highlight two dimensions of financialization. First, it re-constitutes labour as a form of capital, which requires a reconsideration of the classical Marxist distinction on variable capital and constant capital. Second, it provides capital a fluidity to the extent that abstract-concrete dichotomy that is referred to when analysing capital should be revised, since with securities and derivatives, capital is now becoming a 'lived-abstraction.' In order to better understand what these statements mean, the analysis of securities and derivatives from the perspective of Bryan and Rafferty should be examined first.

As a matter of fact, securities and derivatives were not absent in the earlier periods of capitalism, albeit they were not dominating the financial world. However, with the process of deregulation of financial markets, they have become the dominant form of risk management for last two decades. It must be noted that the term 'securities' loosely denotes any sort of tradable financial assets, which can be a debt security with interest income (bonds, certificates of deposits, etc.), an equity security with capital ownership and profit income (stock shares, etc.) or an assed-backed

[3] See the final section of this paper.

security (ABS) that is underpinned by a fixed income based on a loan interest. Derivatives can also be thought as securities but they have a different logic of operation than aforementioned instruments. Since the way they work is quite complex and full of details in financial and legal terms, they will be briefly explained.

Basically, ABSs are financial instruments based on an income from a loan interest. They have evolved out of mortgage-backed securities (MBSs). When banks or companies (sellers) generate loans for mortgage, they sell these loans to a third party (issuer) capable of pooling them together to issue securities. These third parties are generally investment-banks or special-purpose vehicles (SPVs) that are founded by banks for such businesses (Lapavitsas 2009b, 135-6). While MBSs were based merely on mortgages, ABSs expanded toward other sorts of non-mortgage assets such as credit cart receivables, student loans, equipment leases, and so on. A more complex kind of ABS is collateralized debt obligation (CDO), which securitizes an array of different loans such as mortgages, consumer credits, regular bonds, and even MBSs themselves. ABSs and MBSs provided banks the opportunity to remove them from the balance sheets, thus replacing old ways of portfolio diversification. This led to the unleashing of leverage ratio that generally had not exceeded a certain value for classical commercial banks until then. Thus, as financialization intensified, liabilities of banks changed dramatically.

Derivatives, on the other hand, have a different logic. Although the way each distinct type of derivative works may differ significantly, they have a common basic feature, which allows exchanging risk exposure (hedging) and the flow of payments attached to a certain financial asset (be it a bond, stock share, mortgage, credit loan, pension fund, insurance policy, etc.) without exchanging the ownership titles (Sotoriopoulos & Lapatsioras 2014, 90). So, derivatives are actually 'derived' from some other financial asset, and are contracts between parties that comprise specific responsibilities for specific conditions. For instance, these can be swap agreements, in which two parties exchange the flow of payments of different financial assets. A certain type of swaps is a credit default swap (CDS) in which the seller guarantees to compensate the buyer who is creditor to a loan, against a loan default, in exchange for a fee. Another derivative instrument is futures contract. Simply, it is an agreement to set the future conditions (price, quantity, quality, etc.) of an exchange of commodity or asset at the present time. Forward contracts are a sort of future contract, yet since they are non-standardized, they cannot be traded in futures exchange. Another common derivative type is options contract. These provide the buyer the option to buy (call option) or sell (put option) commodities or assets in predetermined conditions, in exchange for an option premium. The benefit of the buyer here is that she has the 'option' to decide whether to do the exchange before the maturity date, if it is more advantageous to do so. As stated above, when derivatives are traded, only flow of payments or risk exposures of relevant assets pass into other hands, whereas ownership remains unchanged. This means that, unlike ABSs and MBSs, there are no underlying assets, which is the source of value to be derived from. This has crucial outcomes for class relations under financialization that will be mentioned later in this section. Nevertheless, the source of cash flow for derivatives can be many things, including interest rates, foreign exchange rates, commodity prices, so on and so forth. This makes derivatives quite a complex set of financial instruments.

According to the general situation that Bryan and Rafferty depict, it can be said that markets for securities and financial derivatives expanded exponentially since mid-1990s. In around 2005, derivatives market reached up to a volume of $196 trillion globally, and on average $2.4 trillion were transacted daily (Bryan & Rafferty

2007, 135). This for sure marks a dramatic development. But it is not merely the quantitative boom that makes Bryan, Rafferty, and Martin assert that derivatives transformed capitalism radically, but their essential features, which reached at such a capability by the help of expansion. In this sense, the authors (2009, 466) stress that derivatives are much more than being merely risk management instruments. According to Bryan and Rafferty (2006b, 274), derivatives play two key and interrelated roles in financial markets that makes them to reshape money, capital and labour: binding and blending. They state that, especially options and futures, 'bind' together prices of "future to the present and one place to another," while swaps 'blend' different assets by establishing "price relationships that readily convert… between different forms of assets." Their claim (2006a, 92) is that as derivative markets grew significantly, these two features became able to radically alter money and capital by making it possible to 'commensurate' different prices and different "bits of capital" across time and space. Bryan and Rafferty (2006a; 2006b; 2007; 2012) conclude that derivatives are distinctively capitalist money unlike previous money (commodity money and fiat money) used in capitalism, and that they are a new kind of anchor of value for global finance as gold was once. Of course derivatives are thought as an aggregate system of derivatives here, rather than as homogenous tokens that are used in exchange. Taken together, they permit the commensuration of all capital that are in distinct times and places and has different modes of existence. This provides an anchor for value, but an anchor of floating type, which suggest in contrast to what commodity theory of money that Marxists uphold or state theory of money that Keynesians favour, that commensurability is the basis of a global money and that the most precise way of measuring value of capital can be attained by a referring to multiple relative values rather than one.

Another effect of derivatives is the blurring of the distinction between money and capital. Not only because they serve as global anchor of value, but also because they annihilate the difference between debt and equity and blend them together. As in the case of convertible bonds that are option contracts with an option to convert to a share, it is evident that:

> "[I]t involves something generally understood as money – a bond (or credit) - and something generally understood as not money, but 'capital' – equity. The blending therefore involves giving money characteristics of 'capital' and 'capital' characteristics of money – effectively breaking down the difference between money and capital." (Bryan & Rafferty 2007, 141).

Furthermore, for Bryan and Rafferty, derivatives are *par excellence* candidates as commodity basis for money. They deduce that theoretically commodity money does not have to be physical, and the role of gold as such has developed historically. So, gold as commodity money represented an 'abstract' feature of money, i.e. commensurability between values of commodities. On the other hand, derivatives are themselves systematically abstracted from "particular commodities" by being separated from the ownership of underlying assets, and their blending capacity "brings abstract money to life (as it were)" (Bryan & Rafferty 2007, 152-3). For Bryan and Rafferty the development of derivatives as such and securitization of assets, constitute together what is called financialization and this has crucial consequences both for capital and for labour.

In terms of capital, first of all, derivatives and securitization transformed capital accumulation "in ways that far transcend Marx's era and Marx's own analysis of finance" (Bryan *et* al. 2009, 459). However, Bryan, Rafferty and Martin state that

Marx's insights and method are still valid since the dynamic of capitalist development is still commodification, which in this case is commodification of risk and finance itself. Second, as mentioned above, this process altered the nature of monetary interactions and blurred the distinction between money and capital. Third, capital itself has undergone an essential alteration. The authors state (2009, 464) that the traditional Marxist dichotomy of abstract and concrete characteristics of capital should be rethought. Conventionally, abstract level, i.e. social relations of value in motion, is related to fluidity and universal competitive calculation of prices, whereas concrete level is related to means of production and relations of ownership. However, they claim that this is a deficient in reflecting contemporary situation of capitalism, where "with securitization the fixity of capital in certain physical forms is made fluid" (Bryan *et* al. 2009, 465). This does not mean that means of production became transmutable, but the capital embodied in fixed assets broke free of illiquidity. Similarly, with derivatives, liquidity of capital expanded, in fact to a much further extent due to the leverage. While these instruments transcended the physical forms of capital by binding and blending functions and bring together different "bits of capital" (Bryan *et* al. 2009, 466), they also increased the turnover rate immensely. Bryan and Rafferty (2006a, 77) compare the significance and impact of this process with what joint-stock markets "did to the nature of ownership" in 19th century. Fourth, derivatives and securitization brought with them an intensification of competition, which is intrinsic to the valorization of capital throughout the circuit. Due to financialization, prices became much more dependent on their "relative efficiency in the accumulation process" (Bryan *et* al. 2009, 467). The imperative of competition, which had determined the productivity and efficiency mediated through the relation of general profitability performance of the corporation with the average rate of profits, grew much fiercer, since many micro attributes of the corporation became important via being valued in derivative markets. As a result, the tendency of profits to equalize has become a concrete attribution of competition rather than an abstraction. As derivatives and securitization made possible to identify profit rates directly with features of capital rather than companies, it would be proper to think the law of tendency in concrete terms rather than on the level of pure abstraction. This is the process that was referred in the beginning of this section to as 'lived abstraction.'

In terms of labour, most importantly, the household and the process of reproduction of labour become subject to financialization. Financialization penetrated into many aspects of everyday living, which Martin (2002) refers to as "financialization of daily life." In this sense, Bryan, Rafferty and Martin seem to be likeminded with Lapavitsas, but they bring the analysis to a further scope. Their core argument is that financialization restructures labour as a form of capital. There are two sides to this; first, surplus extraction expanded into the sphere of reproduction via credit relations, and second, working class began receiving a share from the total surplus via financial assets. About the first, the authors (2009, 461) state that financialization increasingly brought financial calculation into the household, framing it as a unit to be taken into consideration when calculating risk exposures, etc. Moreover, by reconstituting labour as a form of capital, it altered the structure explained by Marx where the reproduction is abstracted "as a commodity input/output matrix: commodities (labour's means of subsistence) go in and commodities (labour power) come out" (Bryan *et* al. 2009, 463). As financialization permeated through the sphere of reproduction, this changed substantially. Now the circuit of the reproduction of labour power should be thought as if it starts not "with the consumption of commodities, as conventionally posed, but with credit" (Bryan 2010, 5). This implies

that, as the consumption of the household increasingly became subject to credit relations, and the interest payments take part in the determination of the value of labour power. Also, there are new aspects of the process of appropriating surplus value. This argument has similarities to what Lapavitsas's called as financial expropriation. Bryan and Rafferty (2012, 108) also argue that this can be thought as a kind of primitive accumulation. About the second, regarding the period since 1980s, Bryan (2010, 3) writes:

> "Hence, for workers, stagnant and falling living standards (an increase in the cost of reproducing labour power) created a clear massage: the way to increase living standards is not via wage labour, but by claiming part of the surplus – that is, borrowing to purchase assets, and waiting for the asset values to appreciate."

As a matter of fact, this is a dual process. The decline in the living standards of the household is as well a result of pressure on the labour stemming from the increasing competitive conditions, which are again caused by financialization. As the expenses of the household increases, its need to credit increases with it and the living standard becomes dependent on what is left after the interest is subtracted from the wage, i.e. the 'wage residual.' Wage residual can be spent both for consuming, and for investment (buying assets). Thus, the income of workers now consists of wage and profits from financial assets while expenses consist of interest payments and spending for subsistence.

All the mentioned transformations caused by financialization have profound effects on relations of power and class struggle. First of all, Bryan (2010, 2, 7) states that, labour has gained a new kind of "dual freedom" different from which Marx (from physical compulsion to labour and from direct attachment to capital) once indicated: "freedom to accumulate (a 'reattachment' to capital) and free to convert part of their income into surplus (interest payments)." But this ironical dual freedom does not impose its costs only to labour, but also onto capital in the form of insolvency, since the conditions of existence of the labour has increasingly become determined by the rate of interest. "The effect of labor being unable to meet credit commitments manifests not just as a fall in the value of labor power (lower consumption), but also as costs to capital as creditor" (Bryan *et* al. 2009, 464). This implies a new kind of pressure from labour side in the determination of rate of profits other than conventional influence of organized labour Second, as "financial markets –be they credit, security, or derivative markets- impute norms onto accumulation, a competitively-driven intensification of labor is sure to follow" (Bryan *et* al. 2009, 470), which as a result exposes "variable capital… [with] the same competitive imperatives as constant capital" and make it a voluntary participant of the process. According to this, credit relations lock variable capital in its agenda, resulting in a sort of 'closure.' However, it must be remarked that this kind of a 'closure' has its limits as Bryan (2010, 3) reminds that it is the twofold characteristic of labour as both being a commodity (having exchange value as labour power) and not being a commodity (having a use value, which is capable of creating value) that makes it possible to create surplus value and as the sphere of reproduction becomes financialised, risk exposures of the working class transmit to the system as a whole. Third, as mentioned above, securitization and financial derivatives are about valorization of capital throughout the circuit. In this sense, their relation to the accumulation of capital is different than conventional credit, which gets a share out of surplus value created at the end of the circuit. Especially with derivatives, since they have no direct relation to any sort of

underlying asset, a part of total social revenue shifts merely towards the sphere of circulation. For Bryan, Rafferty and Martin (2009, 471), together with the further permeation of logic of competitive calculus that came along financialization, this implies a new period, which transcends Hilferding's 'finance capital' or accounts on monopoly capitalism.

The approach of Bryan, Rafferty, and Martin reflects a worthwhile pursuit of defining what is distinctive and unique about contemporary capitalism. Their arguments are quite radical in the sense that they assert almost every foundational underpinnings of capitalism, be it labour, capital, money, competition, and even value itself has undergone a significant transformation as financialization developed further. However, grounding such a thesis merely on the development of security and derivative markets is disputable and seems to be the weak side of the argument. It is true that derivatives and securitization has reached gargantuan extents, but did they really alter every aspect of capitalism fundamentally? Tony Norfield (2012, 2013) attacks on their thesis by objecting to the core assertion that derivatives constitute the new, distinctively capitalist global money. He claims (2013, 149) that the analysis of Bryan and Rafferty confuses how the derivatives work, and it mixes together an array of derivatives and non-derivatives, which have distinct roles. Norfield (2012, 107) reminds that the way derivatives work and the calculation of their value may differ significantly. Moreover, these are contracts with maturity dates, after which validity of their value expires. He stresses (2013, 153) that Bryan and Rafferty's analysis is mostly "founded on their observation of the foreign exchange forward market, on a misunderstanding of this market and on an attempt to generalise this view to other financial transactions using derivatives" and demonstrates in detail that these are "a special kind of 'derivative'," and thus, neither they, nor a 'system' of derivatives in aggregate levels does not provide a distinctive global money that transcends national currencies. Norfield (2013, 157) also objects to the idea that derivatives provide a store of value, which is one of the critical functions of commodity-money. According to Norfield (2012, 108), Bryan and Rafferty's analysis is also mistaken by asserting that derivatives change the formation of capital accumulation without considering the problems of real accumulation. He holds (2012, 106) securities and derivatives to be related to what Marx called 'fictitious capital', and he reminds (2012, 110-4) that derivatives are, in and on itself, the product of the need of 'hedging', which is the result of inconsistencies of capitalist exchange. Yet as they can also be instruments of economic speculation, there is no limit for them to be used as such under the impact of a long-term falling rate of profits. Norfield (2013, 165-6) also criticizes Bryan and Rafferty's analysis for overlooking the role and interests of global power configurations and imperialism, while claiming that derivative markets bring with them a new kind of transnational phenomenon.

4. Financialization as capital market inflation: Toporowski's account

Toporowski (2009) interprets the process of financialization as an inflation of capital markets in the broad sense, which he calls as "financial inflation." It is described as "the rise in the value of the financial sector of the economy… in relation to the value of the rest of the economy" (2010, 43). Jan Toporowski is a follower of Kaleckian tradition, which developed a genuine analysis of economy in developed capitalism, or a 'middle-class society' in original terms, and he grounds his thesis on the theories of Kalecki and Steindl. It should be noted that in Toporowski's account (2000, 1), "finance is taken to mean capital or securities markets, as opposed to banking." To

put it simply, Toporowski's argument is based on the claim that financial inflation is what lies under financialization. According to this, financial markets necessitate a continuous expansion in order to function effectively. As this inflation reaches to certain levels, it alters the dynamics of real accumulation, the behaviours of economic actors, and the structure of business cycles substantially. In short, it transforms the economy as a whole. In the present day, corporations became over-capitalized due to financial inflation, which led to a decline in the long-term investment trend (2009, 145). Toporowski (2000, 14) believes that financial inflation has an adverse effect on the real investments.

> "Capital market inflation results in the over-capitalization of companies… [and] the effect of this inflation is to reduce fixed capital investment. It is safer for over-capitalized companies to hold non-productive liquid assets against long-term liabilities than tie up funds in plant and machinery."

In this sense, he makes a clear distinction between 'speculative' and 'real' sectors of economy. He grounds (2000, 3) this distinction on the accounts of Veblen and Galbraith, who claim that speculative prosperity raises stock prices over "the actual earning capacity of capital" and thus giving way to an eventual collapse. This interpretation had led Toporowski in 2000 to anticipate that the end of financialization was about to come (2000, 133). Later, when he was writing in the midst of financial crisis, he reiterated (2009, 146): "financialised capitalism is over. Its 'facts', where they do not illuminate those structural shifts, are of historical interest only."

Toporowski (2009) explains the mechanisms that brought the end of financialization on the basis of business cycles and asset price inflation. He builds up (2009, 147) his theory of business cycle on Kalecky-Steindl model, in which total savings (S) in a national economy is the sum of gross fixed capital formation (I) of firms, the foreign trade surplus (X - M), and the fiscal deficit (G – T). So, the formula is:

$$S \equiv S_H + S_F \equiv I + (G - T) + (X - M)$$

Note that, savings comprise household saving (S_H) and firms' saving (S_F). They have different saving dynamics. The former saves the residual income that is not consumed, whereas the latter saves the residual profit after the necessary expenditures including dividends are shared. If the accumulation is mainly based on retained profits, than saving of firms is the driving force of economy. Toporowski simplifies this formula by supposing foreign trade surplus and fiscal deficit are equal to zero. Than the formula becomes as follows:

$$S_F \equiv I - S_H$$

According to this formula, household saving is a financial barrier. If household saving is higher than the investment level, than saving of firms is in financial deficit. On the contrary, if household saving converges to zero, than saving of firms converges to total investment. On a macro level, the relation between investment levels and household saving is significant, since if the former lags behind the latter, it means that firms are in chronic financial deficit, which drives them into a position that Kalecki calls as "enforced indebtness" (Toporowski 2009, 149). This results in a successive decline in investments as firms postpone investing due to rising level of debts.

Eventually it turns into a crisis that resolves when public sector enterprises or necessary investments due to depreciation induce a new rising trend. Toporowski claims that financialization altered this mechanism of business cycles as it changed the saving behaviour of households. This will be explained shortly after.

The second mechanism that Toporowski grounds his thesis on is asset price inflation theory. According to him (2009, 149-50), financial markets work differently than commodity markets. In financial markets, if the asset prices rise, demand for those assets, also rises, in contrast to the dynamic of price movements in commodity markets. This leads to an inevitable speculative boom eventually. Yet, this is not the only result. Capital markets function more as a place to valuate the capital that is not or cannot be invested, than as a place to create funds for investment. From 1980s on, non-financial corporations increasingly entered into capital markets, issuing shares that is beyond their need of funds. This has led to over-capitalization of firms and as their need for banking credit decreased, banks tended towards specializing fee-based investment banking operations, or to more risky fields such as consumer credit, housing credit, and so forth. On the other hand, during the same period, the savings of middle-classes have increasingly gravitated to financial markets and total consumption increased due to capital gains from inflating asset markets (Toporowski 2010, 89-90).

In fact, the decrease in the household saving eliminated financial the barrier to firms' saving, since as it became lower than the investment, enforced indebtness of corporations that lead them to suspend further investment disappeared as well. However, Toporowski (2000, 23) highlights that capital markets are usually good for financial exchange rather than real economy, and therefore there is no guarantee for the firms to invest under financialised conditions even if the mentioned threshold is removed.

> "Exchange continues until the liquidity put into the market is taken out or, if the initial transaction was a sale, until the money taken out of the market is replaced by a buyer putting liquidity into the market. Even if the initial Money inflow is eventually taken out by an industrial company, there is no auction mechanism to ensure that the funds obtained are applied to the most profitable projects in the real economy."

Consequently, the structure of business cycles has changed since the problem is not the level of capitalization now. Firms are over capitalized but under the conditions of asset price inflation, they are less eager to invest. It is true that the increased middle-class consumption, which comes with the reduced household saving, boosts aggregate effective demand, yet a significant proportion of this income is dependent on revenues from capital markets. And the issue with asset price inflation in securities markets is that they are "unstable and dependent on continuing inflation… to maintain stability" (Toporowski 2000, 14), and "the occasional outflows of funds cause capital markets to 'crash' or cease functioning" due to the contradictory supply-demand mechanism that is mentioned above. Nevertheless, there are no guarantees to the consistent continuation of this inflation. As Toporowski (2010, 55-6) explains the net excess inflow into the capital market increases prices, yet in a disproportional way due to the difference between maturity dates of loan stocks and also the difference between irredeemable stocks and loan stocks. Eventually this results in disequilibrium and crisis. These mark the novel dynamics stemming merely from financial markets. Capital market inflation has also consequences on the real accumulation process. Toporowski (2000, 13) concludes that as capital markets grow, liabilities of non-

financial firms to capital markets inflate as well, which becomes a new barrier to accumulation through fixed capital investment similar to the enforced indebtness of post-1950 period.

5. In lieu of conclusion: evaluation of the three positions

So far, the three distinct positions on the financialization debate have been analysed. It can be said that these represent different approaches and theoretical backgrounds. Lapavitsas endeavours to develop a genuine Marxist perspective, whereas Toporowski draws upon Kaleckian model. On the other hand, Bryan, Rafferty, and Martin ground their thesis on an interpretation of Keynesian money theory that is adopted by George Ingham as well, and they try to construct a new model critical to both traditional Marxian and post-Keynesian views. It should be noted that financialization is a topic that includes a vast variety of outlooks and as Fine (2014, 62) also implies there are quite some matters that are not agreed upon even within heterodox streams. Among all these debates, four questions/problems are distinguishable, with which almost everyone somehow engages. First, should finance and financialization be held in regard to its effects on the productive sectors and is a clear distinction between the 'financial' and the 'real' valid? Second, has the most recent financialization process brought with it a new type of rentier class whose income is merely based on financial profits? Third, has financialization transformed class and power relations radically, and if so what are its impacts? Fourth, does financialization mark a new stage of capitalism, or any other sort of rupture in capitalism that separates present time from the past? Below are some remarks on different positions with regards to these questions.

In terms of the distinction between the 'finance' and the 'real', it seems that the views that favour the idea of a distinction are of majority among both Marxists and post-Keynesians. For instance, Lapavitsas (2011, 613) indicates that there is an "unspoken assumption" among most Marxists under the influence of *Monthly Review* argument that financialization was merely an attempt to escape from the long-term tendency falling rate of profits and to postpone the crisis. Robert Brenner's (2002, 2006) ideas are the most influential in this case. Norfield (2012, 114) seems to adopt this assumption. Ben Fine (2014, 50-1) too, holds finance to be in potential contrast with the real accumulation process, based on Marx's category of 'fictitious capital'. According to him, finance (IBC) is "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 chain of obligations." Although not completely same as post-Keynesian view, a matter of 'equilibrium' can still be noticed here. Orhangazi (2011, 3) accepts the distinction from the outset, although asserting, "the relationship between [the two]… has become increasingly more complicated and contradictory." On the other side, in case of post-Keynesian economists, emphasis on the disruptive effects of financialization on the real economic growth is quite common. Stockhammer (2012, 122) stresses that financialization is a shift of balance between the two to the detriment of the real sectors. Although not a strict follower of post-Keynesian stream, Toporowski too seems to be closer to this sort of a view. He mostly emphasizes (2000, 13; 2009, 151; 2014, 77) on the damaging role of capital market inflation on the investment preferences of firms. In the last analysis, the idea behind his view is that the speculative enlargement of finance results in structural constraints against fixed capital investment. Nevertheless, the approach of Lapavitsas, and the perspectives of Bryan, Rafferty, and Martin differ in the subject matter. From

the angle of Lapavitsas, the role of finance is intrinsic to economy. In fact, the relationship between production and finance is highly mediated and they have reciprocal effects on each other (Itoh & Lapavitsas 1999, ch.4). Hence, he criticizes (2011, 618) the ideas that take financialization to be a direct product of stagnating real accumulation and instead puts emphasis on the complex mediations via which the process has unfolded. Bryan, Rafferty, and Martin (2009, 459), on the other hand, take a step further and rejects the "notion of a financial distortion of some true capitalism", which goes hand in hand with the idea that "current financial situation is about 'speculation' or the growing separation of finance from the 'real' economy." Their radical assertion is that the border between the two has become increasingly vague.

On the question whether financialization created a new class of rentiers, the views are several. Post-Keynesian view tends to correlate financial profits with speculation and rent, since as Toporowski (2010, 56-7) states, Keynes "had thought, capital market inflation causes companies to turn from productive to financial activities and become rentiers in their own right." Therefore, authors like Pollin (2007) have a clear opinion on the rebirth of the rentier under financialization. Epstein (2005, 6) too seems to share the idea. Toporowski (2000, 22) himself grounds his explanation on the theory of Kalecki and Steindl and accordingly draws upon the term rentier in contrast with industrial investors, although not remarking distinctly that financialization resulted in the rise of the rentier. On the other hand, Lapavitsas (2011, 615) rejects the notion of a rentier class defined by interest revenue, based on his interpretation of IBC. According to him (2011, 618), it is "erroneous to conflate the financial system with a rentier section of the capitalist class, i.e. with owners of money capital available or lending" since financial institutions mobilize idle money accumulated along the circuit of capital, as he demonstrates in his analysis. He correlates the rentier class with the notion of 'moneyed capitalist' (that he rejects to be useful) in Marx's writings. He argues (2009b, 142) instead, that there is a new layer of rentiers whose revenue solely stems from the asymmetrical position of actors in reaching to information and other advantageous conditions in financial markets. This is also related to the expanding scale of investment-banks whose profits are mostly based on fees.

In regard to the question whether financialization has transformed class and power relations in general, the position of Bryan, Rafferty, and Martin who claim that the process marks a turn both in terms of intra-class relations and the relations between labour and capital, is the most radical. In summary, they hold that as derivatives have brought further fluidity into markets, intensified competition, and commoditized risk, the competitive pressure on labour for efficiency and productivity has increased. This implies a more strict work discipline. Furthermore, since labour has been reconstituted as a form of capital, they suggest that formal economic category of class and classical Marxist understanding of it is to be rethought. According to this, the sphere of reproduction has become subject to direct exploitation, blurring the distinction between variable capital and surplus value. Consequently, risk exposures of the working class has not only increased, but also become easily transmittable to the system as a whole in the form of insolvency crisis. Norfield (2013, 163) has a critical attitude against such an assertion. He agrees the fact that financial markets and especially derivative markets have grown immensely, and this has influenced class relations to the detriment of working class in general. Yet he remarks that Bryan, Rafferty, and Martin's view overlooks the role of imperialism in the process and how financialization provides advantage to the US and

the UK economies, far from bringing a new kind of 'global competition.' Sotoriopoulos and Lapatsioras (2014) on the other hand, adopt the analysis of Bryan, Rafferty, and Martin, and advance it further by concluding that financialization generates and spreads a new kind of 'governmentality' in the Foucauldian sense. The mediating mechanism here is the "representation and quantifications of different power and social relations in general" (2014, 92). As risk is commoditized and quantified, all the social conflicts, behaviours, and preferences that create the risk affects the commodity prices (including wages) via the mediation of "objective perceptions and quantitative signs within capital markets." This creates fetishism of a certain sort, which results in "individualization" and "normalization" (2014, 94) of risk-profile formations, and thus impacts every member of population. This makes everyone both exposed to risk and a factor of risk, and consequently provides a ground for a new kind of governmentality, which ensures the governing of this new market population via trapping everyone in necessarily attained risk management attitudes. These are quite radical views, which implies a 'rupture' in the way the system works. The position of Lapavitsas regarding the debate is closer to that of Bryan, Rafferty, and Martin's, in the sense that he highlights the financialization of the household, whereas disagrees with the claims of these authors about the extent of transformation came by derivatives. His focus is on financial 'expropriation' in the sphere of reproduction, and he seems to put more emphasis on the expropriation/exploitation of the wage revenue rather than intra-class relations among capitalist factions. Fine criticizes Lapavitsas for his omitting of these relations, and the fact that finance capital expands at the expense of industrial capital as well. Toporowski, too, is close to obtains the view that the expansion of finance is damaging both to the productive capital and to the labour, but differently from Fine, his perspective is related to a problematic of disequilibrium.

About the question whether the process of financialization mark a new stage of capitalism, perspectives vary. Toporowski (Toporowski & Michell 2014, 69) holds financialization to be a natural outcome of routine or fundamental, yet "endogenous" changes in the economy. Since he grounds the process on capital market inflation, he draws the conclusion that it is not a unique process but a periodic occurrence as a result of intrinsic tendencies. Consequently, although he accepts that the process brought new dynamics to capital accumulation and business cycles, he (2009, 146) claims that the "financialised capitalism is over." Arrighi (1994) is likeminded in thinking of financialization to have a cyclical characteristic, which follows a trajectory of long-waves, rising and falling according to the rhythm of production. Bryan, Rafferty, and Martin, on the contrary, assert that, far from arriving at an end, financialization (securitization and derivatives) signals the beginning of a quite unique period, in which for the first time in the history of capitalism, genuine capitalist money occurred. Moreover, it marks a new turn of capitalism by changing capital accumulation process or intensifying competition. They state (2009, 459) that this process had started before the 2007-9 crises and would probably continue long after the crisis is overcome and its effects are forgotten. Lapavitsas, seems to agree with the idea that financialization (dominance of IBC over economy) brought fundamental changes, especially in terms of the search for profits and the value appropriation process, whereas he evaluates it together with neoliberalism, of which he thinks financialization is an integral part.

There is no doubt that financialization consists of a complicated set of phenomena, so the results that are deduced in regard to aforementioned questions vary according to how one defines it. There are a variety of explanations on the underlying

mechanisms, however it seems that the process is far from being over and the developments associated with finance capital will continue to occupy the research agendas. This paper aimed at providing a review and collation on the three of such research perspectives, which are distinguishable with their significant and genuine place in the literature.

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