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Locating Financialisation

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Abstract
The notion of financialisation as the exploitation or expropriation of workers' wages in the sphere of exchange is taken as a critical point of departure. In this way, financialisation is more deeply rooted in contemporary developments, including the slowdown preceding the current global crisis, and in Marx's own theory of finance. Financialisation is seen to represent the increasing penetration of interest-bearing capital across economic and social reproduction and to be a key defining moment of neoliberalism.

Keywords
financialisation, crisis, Marx

i) Introduction[1]

Literature on the current crisis has been much stronger in charting its origins and course than in identifying deeper causes. Not surprisingly, Marxist and heterodox scholarship and commentary have assumed a more prominent role as orthodoxy has been left floundering. The issue, then, is less to observe than to explain, and to explain requires locating the empirical within a theoretical framework. In particular, three issues need to be confronted. First, the reasons for the slowdown of the past thirty years, particularly – and this cannot be emphasised strongly enough – given conditions that could not on the face of it be more conducive to capital-accumulation: across levels of economic and social wages, weakness of labour and progressive movements at national and international levels, expansion and 'flexibility' of the workforce through Chinese and female participation in the workforce, end of the Cold War, availability of new technologies, and neoliberal hegemony in policy, politics

1. Thanks to Sam Ashman, Jan Toporowski and Alfredo Saad-Filho for comments on parts of an earlier draft, Fine 2009c.

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and ideology. Without an explanation for the slowdown, it is likely to prove impossible to explain why such a financial crisis should have emerged and been so severe, and to specify the nature of the crisis itself beyond its immediate economic parameters.

Second, how to locate the role of class-struggle in these circumstances when it seems both weak and removed from its classic location at the point of production. Of course, one of the mantras of neoliberalism is 'flexibility' in labour-markets, and that flexibility, in practice, is imposed through state-intervention on behalf of capital through legislation and, where possible and necessary, authoritarianism. These have served as complements to the declining strength of working-class organisation and activism, whilst the presence and interests of organised labour in social reproduction have also been considerably weakened through depoliticisation, privatisation and so on. This all poses both an analytical and a strategic challenge and, well before the crisis, these have been variously addressed in terms of the emergence and salience of new social movements and the demise of the traditional working class under capitalism.

Third, one must unravel the significance of financialisation and its relationship to the real accumulation of (productive) capital. Paradoxically, whilst finance and financialisation have drawn extensive attention from Marxist scholars, there has been relatively little by way of attempt to embed finance within Marx's own analysis or even to relate it to the tradition subsequently laid down by and through Hilferding – not least, no doubt, because the notion of finance-capital seems insufficiently attuned to the diversity and extent of today's financialisation that goes far beyond the relations of conflict or co-operation between banks and industry.[2] Despite the understandable draw to Marxist political economy in light of the crisis, much more attention has arguably been focused on Minsky (and his putative 'moment') than Marx when it comes to the role of finance in the crisis.[3]

My own approach to these issues is to deploy and develop, both logically and historically, Marx's theory of accumulation and base this upon the categories of analysis offered throughout the three volumes of *Capital*.[4] In the case of financialisation, I will understand it as the process by which the various forms of capital in exchange (including financial and other assets and markets) have not only expanded in extent and diversity but become increasingly articulated with one another. And, in particular, interest-bearing capital has

2. See Lapavitsas 2009a and 2009b.

3. For the contemporary arrival of the Minsky-moment in the literature see Tavasci and Toporowski 2010.

4. For some account of how this approach emerged and its application with references, see Fine 2008b.

increasingly appropriated activities that were previously the preserve of other forms of productive and commercial capital (or not capital at all, as in unproductive labour engaged in economic and social reproduction). Consequently, economic activity in general has become subject to the logic and imperatives of interest-bearing capital.

More generally, Marx's theory addresses accumulation as the quantitative expansion of productive capital through its restructuring – generally into larger units, variously organised in the modern world through multinational corporations, for example. Crucially, though, the pace and rhythm of the restructuring of capital is dependent upon agencies other than industrial capitalists themselves, and the restructuring of other forms of capital, in markets and finance, as well as through more general restructuring, or reproduction and transformation, of economic and social life. Each of these elements may be more or less conducive to accumulation by restructuring as well as uneven in their effects; their impact is contingent upon configurations of economic, political and ideological interests and conflicts within the bounds set by their location within the system of accumulation as a whole. And, in particular, the role of the state as an agent of restructuring is paramount across all of the constituent factors involved, including the exercise of force and legitimisation through other means, of the dysfunction, inequities and iniquities of contemporary capitalism.

It is against these briefly-presented perspectives that the contributions of dos Santos and Lapavitsas may be judged. Broadly, my assessment is that they go too far in one respect and not far enough in another. They exaggerate the role of appropriation of working-class revenue as an element in the current crisis. They also underestimate how the process which they themselves highlight is variously integrated into financial and productive accumulation, and economic and social reproduction more generally. For, as will be argued in Section (iii), the expansion of finance has been at the expense of the rate of accumulation and the conditions conducive for its efficacy. This is established through critical engagement with the contributions of dos Santos and Lapavitsas, who acknowledge the significance of financialisation but do so primarily by apprehending its role in the exploitation/expropriation of the working class through provision of financial services (credit) as a major point of departure in defining the current period and the contours of the crisis.[5]

5. See dos Santos 2009, Lapavitsas 2009a and Lapavitsas 2009b. The work of dos Santos and Lapavitsas has gone through a rapid process of evolution in wake of the crisis. I have the benefit of having seen earlier versions of their papers and those that remain unpublished. We also engaged in an extensive debate by email which allowed me to clarify my understanding of their position (which appears to remain incomplete) and how it differed from my own. During the

This is significant for bringing class-relations into account, albeit displaced from the sphere of production into the sphere of exchange. But it does so at two very serious and unacceptable costs. The first is an inability to explain either the period of slowdown or, other than as a purely financial phenomenon, the crisis to which it has given rise. For, further to the unprecedented and favourable conditions conducive to capital-accumulation already laid out, we could also add the exploitation of workers by finance in exchange – US and neoliberal hegemony, stagnant real and social wages, a supplementary basis for (financial) exploitation/expropriation, yet capital is stuck in stagnation leading to crisis? The second cost is to neglect, if not overlook, the broader incidence and impact of financialisation across all areas of economic and social life, not least on the general restructuring of capital (including of finance itself) as opposed to narrow attention to the financial exploitation/expropriation of the working class.

In short, as will be shown in respect of both form and content, dos Santos and Lapavitsas have got both financialisation and working-class exploitation wrong. Looking at this from a different angle, their distorted over-reliance upon exploitation/expropriation is a consequence of superficial treatment of the value of labour-power. For them, financial exploitation/expropriation is purely and simply a deduction from a given value of labour-power that is taken out of wage-revenue by the supply of banking services at abnormal profit. But, if this is generally so and has persisted and strengthened over the past thirty years along with financialisation itself, surely the value of labour-power has become pitched at a lower level, rather than a portion being stolen away, as it were? At a deeper level, this raises serious questions about what we mean by the value of labour-power and how we understand it as being determined (its moral and historical elements). I have addressed these issues at length elsewhere by arguing, in part through a 'system-of-provision' approach to (working-class) consumption,[6] that each element in the value of labour-power (housing, clothing, transport, food) is differentially determined in how it is provided *and* that levels of consumption (and modes of delivery) across the working class are also differentiated. In other words, modes and incidence

evolution of their stance, the notion of expropriation has gradually, if not completely, displaced the notion of exploitation in their work in deference to strong objections from Marxist commentators to the location of exploitation within the sphere of exchange, something that appears to remain their intent. For this reason, we deploy the hybrid 'exploitation/expropriation' to indicate both the ambiguity and origins of how they address the financialisation of wage-revenue.

6. See Fine and Leopold 1992 and Fine 2002, 2005 and 2007c. This is complemented by a theory of differentiated labour-markets which is not taken up here. See Fine 1998, 2007b and 2008a.

of provision of working-class consumption are differentiated (and are not simplistically reducible to monetary or labour-time equivalents other than at the most abstract level of confrontation between capital and labour as a whole at the point of production). This is all crucial in taking forward the nature and role of credit in serving working-class consumption and, in particular, implies that it is at least as important to differentiate the impact of credit upon what is provided, how and to whom, rather than confining it to a generalised deduction from wages. This point is briefly illustrated below by reference to housing which, unsurprisingly, occupies a prominent position in the account of exploitation/expropriation.

ii) Financial exploitation/expropriation

For dos Santos and Lapavitsas, the major but not exclusive novelty in the current period of capitalism has been the growing incidence of exploitation or expropriation of workers' wages through banking provision of personal services to them. In particular, a portion of workers' wages and salaries have been extracted directly with the result that banking profits have been abnormally high. Moreover, in the light of stagnant real wages (especially in the United States), and credit-fuelled consumption to compensate for this, the crisis was unavoidable once mortgage-defaults inevitably materialised. In short, for them, banking capital has been able systematically to appropriate, as part of the process of reproduction of the working class under neoliberalism, a portion of wage-revenue at higher than normal profit, and this is presumed to take place more or less independently (both in reality and for the purposes of their argument) of the processes of production and circulation that otherwise generate and distribute surplus-value in the normal course of events.

A number of factors are offered in support of this position, but they present difficulties even on their own terms. First, for example, the parallel, or even precedent is drawn with usury and trucking, with the financial system having allegedly generalised these socially and on a huge scale. A major problem with this argument by analogy, torn out of analytical and historical context, is that usury and trucking are proto-, even pre-capitalist, highly individualised, not open to generalisation, and the exception rather than the rule. Is it possible that usury and trucking can be *generalised* across workers in the context of *developed* capitalism? And, of course, usury in the past (and consumer-indebtedness in the present) is not confined to the working class. Indeed, for the past at least, there are at least two clichés attached to usury – the impoverished, indebted, even tied worker and the libertine-squanderer of an anticipated inheritance.

Second, appeal is made to the idea that, for the rise of financialisation in the form of direct financial exploitation/expropriation, deeper causal explanations can be found by reference to the forces and relations of production as with classical Marxism. For the forces, reference is made to the significant revolution in information-processing and telecommunications. This is subsequently finessed in terms of slow productivity-growth across both industrial and financial sectors over the period of financialisation. But, apart from an unduly crude flavour of technological determinism, at most tempered by appeals to deregulation (that applies equally to industry over the period concerned), there is no reason why such a shift in technology in and of itself should either lead to a change in the proportion of financial activity (the more productive sector could simply decline in weight) nor in its extension. In addition, in this respect at least, the evolution of industrial and financial sectors is unjustifiably, if not inevitably, treated as independent of one another rather than as symbiotic in mutual reliance upon the production of surplus-value (although, of course, that independence is mooted in terms of financial exploitation/expropriation). In other words, the technology as productive-forces argument is unconvincing (although this is not the same thing as saying that such material developments have no influence or relative impact). To put it metaphorically, it is as if electronic banking had turned us all into proto-serfs and we deduct a part of our wages and hand them over, directly or indirectly, to the banking system to source their super-normal profits. By way of parody, if genetic engineering allows for the generalised breeding of racehorses, that is no reason to believe the working class would be forced to stable them in their backyards at huge personal expense whilst industry proceeds to deploy more advanced forms of transport.[7]

Third, there must be similar reservations over reliance upon transformed relations of production in explaining financial exploitation/expropriation. These are specified in terms of the triumph of neoliberalism and the deregulation of labour- and financial markets, with an additional boost through female labour-market participation. Once again, the problem here is that there is no reason why any of this should be particularly associated either with the expansion of finance or with its particular forms, especially exploitation/expropriation. Industry or other activities are just as likely to benefit.

Fourth, this is all indicative of a substantial asymmetry in the treatment of industry and finance as well as with the working class. This is not to deny the

7. For a more fruitful, if still somewhat mechanical approach, see Perez 2009 and the idea that the new-technology origins of subsequent bubbles doubled up in the case of finance for the current crisis.

presence of such asymmetry, but whether it has been grasped correctly. The disproportionate rise of finance cannot be explained by conditions which are equally favourable to industry. Moreover, the difference between workers and industrialists (who are not, it seems, subject to exploitation/expropriation) is founded less on specification of class-position than on the individualised working-class consumer forced into relations of usury with the banking sector in order to access the credit necessary to fund consumption. Such arguments do not differ much from those that would be offered by the mainstream information-theoretic (market-imperfection) approach to credit-markets. The problem here, though, is that, as an individualised account of asymmetry, the advantage to either side is contingent. And there are plenty of consumers (workers even) who take advantage of the credit-relations on offer rather than being subject to exploitation/expropriation. I count myself as one of them, and suspect dos Santos and Lapavitsas do too. To pursue the pastiche, I do not keep a racehorse but I do own a motor-car. This raises doubts again over the extent to which financial exploitation/expropriation can be generalised insofar as it is understood in terms of deductions from the value of labour-power (see below).

Fifth, though, there is a potential appeal to a deeper understanding of asymmetry in drawing the contrast between the credit-relations by banking with corporations, as opposed to workers. No-one doubts that corporations have a different relationships with banks than with workers, for all sorts of reasons relating to material practices, customary position, networks, and so forth. But why should these leave corporations free of the mercy of disadvantageous credit-relations? Here, an answer is provided in terms of the heavy emphasis stressed by dos Santos and Lapavitsas upon the growing financial independence of the non-financial from financial corporations, not least through corporate self-funding and their own engagement in financial operations. This is stressed throughout their work in order both to place financial exploitation/expropriation in a more prominent position and to liberate the Marxist (and other) traditions, in the spirit of Hilferding, from the false notion of increasing integration of industry and finance under the dominance of finance.

But their own argument fails to move to a more systemic level of understanding (being based on asymmetry between individual agents in circulation) and is beset by two major problems irrespective of the other issues raised above or below and, to a large extent, independent of how they are resolved. On the one hand, how is it possible to explain the persistence, over such a long period as the era of financialisation, of both financial exploitation/expropriation and, whether accepting this specification or not, consequently abnormally high profits within the personal banking sector. To put it bluntly, why has capital not flowed into the sector of personal finance and reduced profitability to normal levels? This is particularly salient in view of the stance taken by dos Santos and Lapavitsas on the relative independence of, and capacity for, not only self-finance but deployment of financial instruments within the corporate sector more generally. Given this, and abnormal profits in personal finance, the way would appear to be open for abnormal profits to be eroded to normal levels by competitive entry of other sources of credit, thereby presumably eliminating financial exploitation/expropriation across the working class, not least as normal profits would be expected across all capitals whether working within production or exchange.

In other words, why have financially independent, self-financing corporations themselves been unable to offer horses, or even more advanced forms of transport than they themselves deploy, to the working class (as, indeed, there has been some degree of competitive entry into consumer-credit markets)? On the other hand, the slowdown itself becomes even more impenetrable. For, apart from the most conducive conditions for capital that anyone could wish for (with financial exploitation/expropriation added to a favourable balance of class-forces, US hegemony, neoliberalism, etc.), industrial corporations are deemed to be financially independent.

I will offer an alternative explanation for these abnormal profits and the slowdown later. But, before doing so, I will now turn to the issue of the value of labour-power. For dos Santos and Lapavitsas, financial exploitation/expropriation has nothing to do with its determination, which is taken as given by other factors, with banking's provision of personal financial services independently and directly appropriating a part of that value of labour-power and in the form of abnormal profits from within the sphere of exchange.[8] Interestingly, even at the most direct empirical level, this appeal to direct exploitation/expropriation is not valid. For some of the exploitation/expropriation attached to (working-class) consumption takes place at the direct expense of retailers, not least those (the majority and/or bulk) who are charged a fee when a sale is made (leading predominantly discount-stores, internet and other traders to charge extra for credit-card as opposed to debit-sales), rather than their customers. This raises the issue of how such credit-

8. The logic of their position, and the rigidity with which it is held, is evident from the total dismissal of the alternative offered in the earlier version of this paper (Fine 2009c). When, subject to their formal (refereeing) review, its arguments are dismissed as 'undeveloped for reasons of structure, empirical content, theoretical analysis *and* relevance', emphasis added.

relations relate to the revenues and profits of retailers and, consequently, producers.

Significantly, though, and paradoxically as will be seen, dos Santos, Lapavitsas and Dymski refer to one another for further elaboration of financial exploitation/expropriation, and it is with Dymski's account that we encounter further difficulties in this respect, at least as a *general* theory of exploitation/expropriation, which he does not provide, as opposed to a very specific (part of) one. For he is concerned with the way in which sub-prime emerged as a result of enforced inclusion of redlined racially-segregated housing into private ownership with corresponding over-selling of unsustainable and dishonest mortgages, their incorporation into sold-on derivatives, and the resultant collapse of the financial system once a combination of falling housing prices and defaulted payments arose, as they inevitably did.

But, for the dos Santos and Lapavitsas story, this raises serious obstacles to its status as a *general* account of financial exploitation/expropriation. This is so for two very transparent reasons. The first is that it is specific to a *particular* section of the *housing* market that was previously excluded from mortgaging by the actions of the lenders themselves. The second is that it is a reflection of systemic racism in this respect. The point is that neither of these is characteristic of the housing market as a whole or the extension of (working-class) credit as a whole. Irrespective of whether the attempt to break down the barriers to private (mortgaged) ownership of housing in previously ghettoised neighbourhoods involves what might be termed financial expropriation or not, it does not serve as an exemplary illustration of the more general argument concerning the extension of credit to the working class as a whole across all items of consumption. Similarly, sub-prime as a whole, whatever its role in causing and triggering the current financial crisis, is unlikely to serve as an ideal example of generalised financial exploitation/expropriation.

As it stands, this however is not a devastating blow to the hypothesis of financial exploitation/expropriation, as it could be seen as both pervasive and differentiated by sector and socio-economic status. Indeed, dos Santos and Lapavitsas argue that the displacement of public by private provision across housing, health, education, pensions and so on, is what has driven financial exploitation/expropriation. This, then, has to be explained in terms of how credit differentially pertains across sectors *and* consumers (always, it seems, treated as undifferentiated members of the working class subject to financial exploitation/expropriation). The (shifting) role of credit-relations in serving working-class consumption will be differentiated from one item of consumption to the next both in terms of its level and the way in which it is present. You do not, for example, buy a house on a credit-card, but, on the other hand, it is very hard to hire a car (and possibly a horse) without one. As a result, the role of credit is not simply the form in which the value of labour-power is realised (or subject to deduction through exploitation/expropriation by finance), it is positively constitutive of the value of labour-power itself, certainly through its so-called 'moral and historical' determination.

This has particular implications for understanding the role of credit in the housing market, and for the 'financial expropriation' which Dymski examines and upon which dos Santos and Lapavitsas approvingly draw. For, significantly, my own, more general, 'system-of-provision' approach to consumption was inspired to some degree by work on the UK housing system.[9] In this, as is well-known, the role of credit (and mortgages) is heavily linked to the appreciation in house-prices, which is itself then underpinned by inflated land-prices as well as the insertion of intermediaries in the buying and selling of housing, with a corresponding impact on the provisioning of housing whether in new build or repair.

The details of this need not detain us, and they will be different in one location (within and across countries) as opposed to another. But what this means is that the provision of housing is necessarily intimately related, unlike most other commodities, to the role of landed property, by which is meant the terms and conditions of access to land (and the housing located upon it).[10] The economic form taken by such a relationship is usually rent.[11] It is also highly contingent upon how the construction-industry and other agents in the process are integrally related and structured in the social reproduction of housing and the social construction of the built environment (what is redlined and what is not, and why, for example). In case of the pressure upon financial

9. See Ball 1983, Ball 1988 and Fine 2004 for an account of its influence.

10. It is unfortunate that the combination of housing and financial crises has induced radical geographers to shift focus away from the (re)construction of space as the built environment to the reconstruction of financial assets without reference to the corresponding material factors involved in housing supply. This is sharply illustrated by the special June 2009 issue of the *International Journal of Urban and Regional Research*, to which Dymski provides a commentary (Dymski 2009b).

11. Indeed, this would appear to represent a classic application of Marx's theory of landed property with slow increases in productivity complemented by higher prices to allow for (absolute) rent. See Fine 1979. See also the contribution from Wyly et al 2009 in the collection cited in the previous footnote, 'In the subprime market, homeowners are simply paying rent to the new landlord, subprime mortgage capital. In these circumstances, the cultural symbolism of homeownership is nothing more than a deceptive illusion', p. 338. They continue, 'analysis of class-monopoly rent provides a compelling theoretical and strategic alternative that emphasizes the social relations of the rights of property, ownership and profit – against the use values of home, community and security', p. 351, but get no further in examining the production of housing (and why inflated prices do not increase supply).

institutions to grant mortgage-finance to previously redlined areas, as reported in Dymski,[12] this implies a shift in the nature of landed property attached to the corresponding housing, with enhanced access to owner-occupation within redlined areas as opposed to dependence on slum-landlords. Insofar as 'interest' accrues to finance-companies out of arranging those mortgages, it is at least in part and potentially a form of rent that derives from the capital-gains attached to the housing (and can only continue as long as such capital-gains accrue as well as mortgage-repayments).

Two important implications follow from this. First is the potential conflation of economic categories, by reason of which it is necessary to probe a little deeper into the source of forms of revenue other than the way in which they happen to present themselves. As dos Santos and Lapavitsas have correctly emphasised, the proximate source of (some of) banking's profits from the provision of personal finance are deductions from wages. But, as suggested, these may merely be the way in which capital-gains in housing are passed on through intermediary of the wage-earner. Some understanding of this may be offered by way of analogy. The state, for example, differentially taxes each wage-earner according to a number of criteria through deduction from gross wages. Does this mean that the state exploits or appropriates from the wage-earner? The answer is no, for, as argued by Fine and Harris,[13] all taxes are paid out of surplus-value as the value of labour-power is determined by what the wage-earner receives, not by what is not received, although this does make for a change in forms of conflict over real wages as labour seeks to defend or promote them (against taxes and inflation).[14]

The point here is not to make an exaggerated virtue out of false appearances and to look for a deeper reality behind every empirical outcome. But it is important to acknowledge that there is something different about housing markets (or systems) and, correspondingly, the credit-markets to which they are attached. This is to return to the theme of the nature and determinants of the value of labour-power, the differentiation between the systems of provision that underpin working-class consumption to which credit-relations are differentially attached. It is – at least currently, although the same may have been said about such housing in the past right up to the crisis itself – inconceivable that speculation in financialised working-class consumption of

12. Dymski 2009a.
13. Fine and Harris 1979.
14. Similarly, to illustrate the conflation of categories, but not to impose this instance as identical, see Bhaduri 1977 for his classic study of peasants' usurious interest-payments as representing rent in another form (and not expanded possibilities as idealised by orthodox economics).

education or health could have been the trigger to the crisis (or even oil and food, both items of working-class consumption and subject over the most recent period to extremes of speculative volatility).

Yet, with dos Santos and Lapavitsas, these are all rounded up into the same undifferentiated category of financial exploitation/expropriation. Consider credit-card (ab)use. Here, once again, there is an enormous difference, both within the working class and among consumers more generally, as has long been recognised by those who have campaigned against usurious interest-rate exploitation of a minority (and there is a simple failure of many of those at the extremes of exploitation to manage their financial affairs efficiently in some sense).[15] An interesting dynamic has been involved in this around the formal/informal structural division between those who are creditworthy and those who are not, in that informal lines of credit which are far more expensive (i.e. usurious) occupy the space left by their formal counterpart. But such informal lines of credit are increasingly integrated with, and even absorbed within, the formal, and are contingent upon (and calculated as) a balance between higher charges and higher defaults. We, who use credit responsibly, pay in overheads for the defaults of others who are, nonetheless, even more penalised than we are. So, if there are abnormal profits in the (consumer)-credit sector, it is because of this systemic structure and dynamic in which there is some averaging of gains and losses taken as a whole, albeit with differential performance across individual agencies on both sides of the market. This still leaves open, however, how abnormal profits can persist in banking and the provision of financial services, and the broader significance of this in addressing the crisis.

This has broader relevance for understanding the nature of contemporary capitalism, and my position would appear to differ from that of dos Santos and Lapavitsas (although I suspect these differences do not necessarily depend on those drawn over financial exploittion/expropriation). As argued elsewhere in some detail, the relationship between neoliberalism and financialisation is direct and integral, with the latter underpinning the persistence of the former (and not vice-versa) through different phases and reflecting a relationship of contradiction and tension between rhetoric, scholarship, policy in practice and the representation of reality.[16] In other words, financialisation is, in a sense, (shorthand for) neoliberalism, and not merely one of its consequences.

15. See, for example, Manning 2000. Note that my own (analytical) exposure to contemporary exploitative credit-relations derives from consumer-studies where the emphasis is upon a minority of those who suffer credit-abuse whether by necessity, disposition or 'irrationality'. See also Montgomerie 2009 for an account of the differentiated (mis)fortunes of the US middle classes in terms of their use and dependence upon credit-relations.

16. Fine 2009a and 2009b.

This does, however, require that financialisation be understood as also incorporating the shifting appropriation of activity across and within different fractions of (industrial and financial) capital, in contrast to the view that it is primarily a shift in the balance between production and circulation, as suggested by the forces-and-relations of production argument that putatively underpins the explanation for financial exploitation/expropriation. Further, nor is it simply that financialisation is a *reflection* of continuing difficulties in production. On the contrary, as I have argued elsewhere,[17] financialisation is itself the major causal factor in low levels of real accumulation and in undermining conditions of economic and social reproduction conducive to such accumulation. Thus, by deploying the erroneous notion of exploitation/expropriation to signal, correctly, the financialisation of the value of labour-power (and economic and social reproduction more generally), dos Santos and Lapavitsas mis-specify the nature of financialisation itself and its broader location within contemporary capitalism. But, this is to anticipate the following section.

iii) Towards an alternative

Irrespective, then, of the role of working-class credit and abnormal banking profits in the determination of the value of labour-power, as already emphasised dos Santos and Lapavitsas offer no explanation as to why such credit should command abnormal as opposed to normal profits and why the crisis should have been preceded by a slowdown. And this is not simply a matter of the status of the notion of financial exploitation/expropriation, but how this relates more fundamentally to the Marxist theory of finance. Dos Santos and Lapavitsas do take some trouble to locate themselves in this respect, not least with regard to a favourable view of Hilferding, even if his characterisation and influence are perceived to be outdated in view of the current relative independence and lack of subordination of industry to finance, whatever their past significance. But what is strikingly absent is the grounding of their analysis in the theory of finance, and the corresponding concepts offered by Marx himself.

In particular, I would put forward the following propositions concerning Marx's theory of finance, each to be found elaborated and justified in more detail in earlier work (see my bibliography for the appropriate references). First, Marx divides the capital functioning within exchange into two sorts, merchant-capital and interest-bearing capital. It is easiest to begin with

17. Fine 2007a.

merchant-capital as it typically involves trading, such as retailing and wholesaling (or commercial capital), and, apart from its location within the sphere of exchange, is *logically* defined by its not producing (surplus-) value whilst being subject to competitive entry and exit in the same way as industrial capital. As a consequence, it is subject to a tendency to equalised profitability. Further, such merchant-capital is not confined simply to buying and selling but also involves a variety of credit and other monetary relations and functions which, nonetheless, tend to attract equal profitability. For convenience, I refer, to some extent in parallel with Marx, to such non-trading merchant-capital as money-dealing capital. Once again, it is a logical category defined by the necessity of circulation for economic reproduction but in which the corresponding activities are undertaken by what is possibly a specialised capital dedicated to that purpose.

Second, and in contrast, interest-bearing capital involves the borrowing and lending of money-capital for the purposes of making an advance in pursuit of the production of surplus-value. It potentially earns interest as a result, with a simple division of surplus-value between such interest and 'profit of enterprise' that is distributed across capital subject to rate of profit-equalisation. Once again, interest-bearing capital is a *logical* category, signifying that the competitive accumulation of capital is mediated by access to money-capital for the purposes of producing surplus-value and the corresponding restructuring of capital. The division between profit and interest is not predetermined by the value-system as such but by the outcome of the accumulation-process, both in terms of how much surplus-value is realised in practice (as the advance of money-capital is a precondition but not a guarantee of successful accumulation) and how it is divided with industrial (and merchant-) capital. This division bears no relation as such to the determination of the rate of interest. Nonetheless, differences between rates of interest in borrowing and lending and fees etc. incurred in circulation are mechanisms through which interest-bearing capital appropriates interest. So, the surplus-value appropriated as interest by interest-bearing capital, as mentioned, is variable and not pre-determined by the value-system just as the surplus-value produced by labour-power is itself variable.

Third, and by the same token, this does not mean that the division is not subject to systematic forces and factors such as the nature and rhythm of the accumulation-process. Logically, the capacity to appropriate surplus-value as interest derives not simply from interest-bearing capital as a logical category but in its role as the lever of competition in capital-accumulation in which interest-bearing capital is differentially situated in relation to itself as opposed to industrial and merchant-capital. A financial institution may be willing to lend to an industrialist to compete with another in the same sector but is less likely to set up another financial institution to do so and thus compete with itself. This does not mean there is no competition within or with the financial sector, only that it is of a different nature than for the rest of the economy. And this is precisely why the interest attached to interest-bearing capital is *not* competed away to the normal rate of profit on capital deployed.

Fourth, because each of the categories discussed is both logically and abstractly derived, their concrete existence must be addressed through closer theoretical and empirical analysis, discovering the reproduction of the real but abstract in thought at more complex levels. For, in practice, the functioning of interest-bearing capital and money-dealing capital (and commercial capital, for that matter) are inextricably integrated with one another (like constant and variable capital, or absolute and relative surplus-value, or the three types of rent) in the sphere of circulation, most notably in the market for loanable money-capital (a category deployed by Marx to signify the co-existence of the two in money-markets) where, in principle, all idle money is placed for the purposes of borrowing and lending irrespective of its origins and destinations.

Fifth, it follows that the real existence of, and distinction between, interest-bearing capital and money-dealing capital are not entirely the consequence of the intentions of those engaged in the corresponding activities, as outcomes are contingent upon the movement of capital as a whole. Historically, financial institutions have emerged to cover the specialised functions associated with the separate categories of capital within exchange. But, and this is crucial, even in a world in which there is absolute regulatory or de facto division between investment- and retail-banking (for want of better terms), concrete outcomes do not correspond to their distinct spheres of operation either individually or in toto. An advance of interest-bearing capital that fails will, nonetheless, expand commercial credit and realise surplus-value for others out of the expenditure of the constant and variable capital advanced. On the other hand, state-expenditure, on pensions for example, or credit extended for personal consumption will potentially realise surplus-value in commodities purchased, underpinning the capacity to sustain surplus-value appropriated by corresponding interest-bearing capital.

Sixth, it follows that what is or is not interest-bearing capital or money-dealing capital is only loosely constrained by the particular functions involved, and depends upon how corresponding capitals are situated within the accumulation and circulation of capital as a whole. Marx himself worried over this in terms of interrogating the relationship between the real and fictitious accumulation of capital, something which cannot be (pre-)determined by the capitals themselves. He also addressed the issue, in the slightly different context, of merchant-capital, of whether transport of commodities is a productive or unproductive activity, something which can only be determined by the way in which such capitals are differentially attached to industrial as opposed to merchant-capital.

Seventh, then, this implies that the issue is not whether interest-bearing capital and money-dealing capital are empirically separate or not to a greater or lesser degree, but rather how they are articulated concretely. In addition, this very much involves the extent to which the different fractions of capital appropriate, or are attached to, activities that might otherwise fall under the command of other fractions of capital or outside capitalist circulation altogether other than as expenditure of revenue. Do industrialists access their own finance, transport, marketing, etc.? Or, at the opposite extreme, are more general activities associated with capital in exchange falling under the command of, or being integrated with, interest-bearing capital?

Eighth, the current era of financialisation is precisely one in which there has been not only a disproportionate expansion of capital in exchange, through extensive and intensive proliferation of financial derivatives but also the extension of finance into ever more areas of economic and social reproduction, of which personal finance is a leading example. But, at this point, I would appear to begin to part company with dos Santos and Lapavitsas. For, in my view, such financialisation is consistent with the application of Marx's method and categories as outlined above, with an understanding based upon acknowledging the increasing shift of capitalist activity along the productive, commercial, money-dealing, interest-bearing continuum, as well as a heavy degree of hybridity across these. In other words, an increasing range of activities has come under the auspices of interest-bearing capital, not least sub-prime itself as mortgages have been sold on. As a result, it does become possible, at least in principle, to explain why abnormal profits should be able to persist in personal finance since this has become increasingly attached to interest-bearing capital as opposed to merchant-capital.[18]

In addition, as hinted earlier, personal finance (as exploitation/expropriation of working-class revenue), does not begin to get to grips with, even precludes, an account of how such provision is integrally attached to the functioning of retailing (or, rather differently, mortgaging) and their own differentiated attachment to other forms of capital in exchange and the productive capital upon which they depend (for surplus-value). Pointing to abnormal profitability

18. Although not addressed in these terms, the account by Treganna 2009 of abnormal profits in US banking as applying both to large and small firms (and hence structurally systemic and not individual market-power specific), would support the stance adopted here.

aside (and spurious notions of forces and relations of production as underpinning them within finance), dos Santos and Lapavitsas offer a limited account of competition within the banking sector (and the restructuring across credit-card providers, for example) and how this is itself integral to financialisation more generally (although they do acknowledge that banking has diversified into a range of services and markets, whilst treating exploitation/expropriation as more or less independent of these).

Ninth, then, and this is crucial to the explanation of the slowdown, the secular expansion of interest-bearing capital is not confined to the abnormal profits arising from the exploitation/expropriation of workers but is generalised across the economy as a whole, including the financial operations of putatively independent industrial corporations. Indeed, as the financialisation-literature has established, these have themselves been engaging in financial-speculative activities as opposed to industrial investment as an increasingly important source of profits. In short, to return to the theme raised in the introduction, financialisation is underpinned by the quantitative expansion of interest-bearing capital and its extension across the economy at the expense of restructuring of industrial capital both directly and indirectly through the broader modes of neoliberal impact upon economic and social reproduction (as with financialisation, public-private partnerships, etc.).

iv) Concluding remarks

For obvious reasons, the notion of financial exploitation/expropriation offers a compelling critique of certain aspects of contemporary capitalism. But it is one that is, in many respects, far from controversial both in substance and strategic implications. That finance has been over-rewarded at our expense and that the remedy is to be found even in terms of nationalisation of banking are already accepted in major part as establishment-views and policy. What remains unaddressed in such perspectives is the systemic effects and the particular and variegated uses to which financialisation has given rise. If it were possible, eliminating financial exploitation/expropriation would scarcely remedy the crisis, let alone the slowdown that preceded it. This is not to suggest that dos Santos and Lapavitsas would draw back from making radical proposals for alternative organisation and use of finance, but these do not follow from their analytical postures, for which elimination of excess financial exploitation/expropriation would appear to suffice, not least because they construe it as being in large part independent with respect to the broader functioning of the financial, let alone the productive, system.

The alternative offered here has two crucial components. The first is both to deny financial exploitation/expropriation as such as a systemic and pervasive aspect of contemporary capitalism, whilst accepting that economic and social reproduction (of the workforce) has become increasingly articulated with the financial system as part and parcel of a broader process of financialisation. Second are the implications for locating class-struggle in the current conjuncture. For, with the general, if not universal, weakness and disorganisation of working-class and progressive movements, despite the de-legitimisation of finance in particular and of neoliberalism in general, the latter has not been matched by the posing of prominent alternatives in practice and through struggle. With the global recession, however, these struggles and alternatives will emerge in response to the shifting of its incidence onto those who are generally recognised to be blameless for its occurrence, whether through 'market-forces' or policy itself (especially in light of obscene levels of support offered to finance). The challenge will be both to further these struggles by extending them from the financial logics to which they are most immediately attached to the processes of production and provisioning that underpin them and to draw such struggles together to build unified and systemic resistances and programmes for change. For these, 'financial exploitation/expropriation' is, at most, a first and fractured pointer with differentiated impact and potential for highlighting change across health, education, housing, standards of living, employment and so on. By contrast, it is necessary to frame the way in which strategic alliances might be formed that strengthen, broaden and transform individualised, often financialised, struggles for more and different modes of provision than those confined to exchange alone.[19]

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19. See Fine 2005 and 2009d for a discussion of the way in which struggles over consumption, for example, are self-limiting both in and of themselves and as they evolve to become transformed into something else (such as for public provision, for decent wages and working conditions, or for attention to the environment).

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