Monopoly Capitalism in the 21st Century

Neoliberalism, Monetarism, and the Pervasion of Finance

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The following is the third part of a multi-part series, "Applying Poulantzas," which analyzes the work of Greek Marxist political sociologist, Nicos Poulantzas, and applies it to the unique political and economic structures found under neoliberalism and post-industrial capitalism.

With industrial or "competitive capitalism," it was the "separation and dispossession of the direct producers (the working class) from their means of production" which created this multi-layered, class-based societal structure. [1] Globalization has resulted in a massive shift of national economies. Former industrialized nations are now considered "post-industrial" due to the ability of large production-based manufacturers to move their operations into "cheaper" labor markets. International and regional trade agreements have facilitated this shift. With post-industrial capitalism and the widespread destruction of "productive labor," or labor that produces a tangible product and is thus exploited through the creation of surplus value, it is the complete reliance on a service economy which produces no tangible value that allows for strict control through wage manipulation. The ways in which the working class interacts with the owning class has changed significantly, if only in regards to their physical worlds. In the US, financialization has replaced industrialization as the main economic driver. Alongside this shift, monopoly capitalism has effectively replaced "competitive capitalism," and globalization has ushered in the neoliberal era. These developments have rearranged the superstructure and forced capitalist states to develop new methods in maintaining a societal equilibrium that is constantly being pushed to the brink of unrest at the hands of a capitalist system that breeds concentrations in wealth and power, while simultaneously driving the working-class majority towards a state of functional serfdom.

The emergence of monopoly capitalism was inevitable. "The battle of competition is fought by cheapening of commodities," explained Karl Marx. "The cheapness of commodities depends, ceteris paribus, on the productiveness of labor, and this again on the scale of production. Therefore the larger capitals beat the smaller."[2] Whether we are referring to technology and automation, the relation of finance and the varying degrees of access to capital, or merely the all-encompassing process of "cheapening commodities" which Marx refers to above, it all works in tandem to create a funneling effect whereas capital becomes concentrated. And with this concentration of capital comes the concentration of wealth, which in turn inevitably breeds concentrations of other forms of power, i.e. political. In this sense, what many have come to refer to as "corporatism" is more correctly viewed as a mature stage of capitalism, rather than a differentiation from capitalism. The "marriage of corporation and state" that Benito Mussolini once referred to is merely a byproduct of capitalist advancement - the natural consequence of concentrated interests relying on the state apparatus to both facilitate its progression and protect its assets.

The consequent development of financialization could also be seen as an inevitable late stage of capitalism. As Paul Sweezy explains, while paraphrasing Marx, "Further, the credit system which 'begins as a modest helper of accumulation' soon

'becomes a new and formidable weapon in the competition in the competitive struggle, and finally it transforms itself into an immense social mechanism for the centralization of capitals.'"[3]

In the US, the creation of the Federal Reserve and the use of government-approved, macroeconomic policy-making has been a crucial tool in maintaining the equilibrium that is a central theme of Nicos Poulantzas' work. It has, in a sense, represented a Captain's wheel on a chaotic ship rolling over rough seas. The Keynesian model that dominated the American landscape from the late-1930s until the late-1970s relied on fiscal policy to supplement private sector instability, mainly by stimulating and supplementing this sector through infusions of money.

A shift to monetarism in the late-1970s paralleled the arrival of the neoliberal era, an intensification of privatization, and deregulation. While the all-encompassing policy-direction found under neoliberalism extended into the geopolitical realm to include "free trade" agreements and far-reaching international policies directed by the IMF and World Bank, it was this newfound reliance on monetary policy that created more ground between the standard operations of capitalist economy and the development of a "corporate-fascistic model." In other words, it allowed for greater returns on corporate profit in spite of wage stagnation, an overall degeneration of employment, increased poverty, and a consequent decline in expendable (consumer) income from within the working class. With regards to the equilibrium, direct manipulation of the money supply has allowed for a tightly-controlled mechanism that safeguards this extension and intensification of systemic inequities. Neoliberal economist Milton Friedman echoed the call for monetarism through his analysis of the Great Depression:

"The Fed was largely responsible for converting what might have been a garden-variety recession, although perhaps a fairly severe one, into a major catastrophe. Instead of using its powers to offset the depression, it presided over a decline in the quantity of money by one-third from 1929 to 1933 ... Far from the depression being a failure of the free-enterprise system; it was a tragic failure of government." [4]

Friedman's assessment wasn't critical of the existence of the Fed, or even of the Fed's ability to manipulate the money supply, but rather quite the opposite; it was critical of the Fed's failure to increase the money supply in times of crisis. In this sense, Monetarists did not oppose the Keynesian approach of intervention, but rather the nature of that intervention -fiscal policy (government spending) versus monetary policy (Quantity Theory of Money). The former provides money to the government, which in turn creates public programs and/or increases public spending that directly affects the population. The latter provides money to the financial industry and/or government, which in turn provides money to "power players" (corporate interests, big business, bank bailouts, etc...) in the hopes that such money will make its way through the population, hence "trickle down." Modern monetarism (Post-2008 financial crisis) has intensified through multiple bouts of QE (Quantitative Easing), which has reaped tremendous growth for the financial industry and big business (see the Dow Jones Industrial Average) while having no positive effect on the population, which continues to struggle through stagnation, chronic unemployment, and impoverishment.

It is no surprise that financialization found a perfect bedfellow in neoliberalism. "The neo-liberal bias towards de-regulation, which widened the space for financialization, was more often linked to an institutional fix that relied (and still relies) on 'unusual deals with political authority', predatory capitalism, and reckless speculation - all of which have fuelled the global financial crisis," explains Bob Jessop. "As the limits to 'more market, less state' emerged, there was growing resort to flanking and supporting measures to keep

the neo-liberal show on the road. This was reflected in the discourse and policies of the 'Third Way,' which maintained the course of neo-liberalization in new circumstances, and is linked to the North Atlantic Financial Crisis (witness its eruption under 'New Labour' in Britain as well as the Bush Administration in the USA)." [5]

While conducted and carried out on different spheres, and for different reasons, financialization and expansionary monetary policy have emerged in parallel to one another. Because of this, they have maintained a loose relationship in the era of neoliberalism, with one (financialization) creating massive rifts and chaotic patterns of accumulation, and the other (monetary policy) attempting to manage the aftermath of this chaos. This has added yet another element to what Poulantzas saw as the inevitable rise of the authoritarian nature of State Monopoly Capitalism (SMC), whereas the capitalist state is forced to become more and more involved in maintaining equilibrium. In the economic realm, this amounts to monetary policy; in the political realm, this amounts to steadying the superstructure (balancing austerity measures with the welfare state); and in the social realm, this amounts to increased militarization of domestic police forces and a gradual erosion of civil liberties, features that become necessary when society's equilibrium is pushed toward a breaking point (civil unrest).

In the era of finance-dominated accumulation, and especially following periodic, systemic crises, governments have extended their reach to deal with unprecedented volatility. This was seen following the financial crisis of 2008-09, as capitalist states the world over scrambled to right their ships which had been steered into a perfect storm of financialized accumulation (many guided by illegal schemes; see the mortgage-backed securities scandal). Since then, it has become commonplace for governments, through monetary policy, to "intervene periodically to underwrite the solvency of banks, to provide extraordinary liquidity and to guarantee the deposits of the public with banks." [6] This is not to suggest that government intervention in the capitalist system is a new phenomenon; only that its methods have changed as capitalism has changed. Poulantzas explains:

"In the competitive capitalist stage, the capitalist state (the liberal state) always played an economic role; the image of the liberal state being simply the gendarme or night watchman of a capitalism that 'worked by itself' is a complete myth… From taxation through to factory legislation, from customs duties to the construction of economic infrastructure such as railways, the liberal state always performed significant economic functions..." [7]

With monopoly capitalism and the onset of financialization, the tendency toward extreme developments in both accumulations of the dominant classes and dispossession of the dominated classes requires higher degrees of state intervention. These interventions inevitably extend far beyond the economic base. Poulantzas contrasts this development with its former stage of 'competitive capitalism':

"If it is possible to speak of a specific non-intervention of this state into the economy, this is only in order to contrast it with the role of the state in the stage of monopoly capitalism, the 'interventionist state' which Lenin already had in mind in his analysis of imperialism. The difference between this and the state of competitive capitalism is not, as we shall see, a mere quantitative one. In the stage of monopoly capitalism, the role of the state in its decisive intervention into the economy is not restricted essentially to the reproduction of what Engels termed the 'general conditions' of the production of surplus-value; the state is also involved in the actual process of the extended reproduction of capital as a social relation." [8]

The emergence of expansionary monetary policy, most notably in the US Federal

Reserve's use of Quantitative Easing, has become the go-to method of addressing the chaotic effects of financialization. This has become a necessary component for embedded capitalist interests that have taken advantage of a system that privatizes gains and publicizes losses. For the working classes, the reliance on consumer credit for not only luxury goods but necessities has illustrated how financialization has penetrated everyday life. To the former industrialized working classes (like that in the US), this is due to the emergence of both globalization and neoliberalism, which "favour exchange- over use-value" and "treat workers as disposable and substitutable factors of production," and "the wage (including the social wage) as a cost of (international) production." [9]

The permeation of this trifecta (Globalization, Neoliberalism, and Financialization) is not lost on the working classes. "Neoliberalism tends to promote financialization, both as a strategic objective and as an inevitable outcome," Jessop writes. "As this process expands and penetrates deeper into the social and natural world, it transforms the micro-, meso- and macro-dynamics of capitalist economies." [10] For the economic base and its power players, the state's use of expansionary monetary policy becomes a lifeboat, providing eternal life to corporate accumulation. For the working-class majority, whose existence is more and more precarious due to declining wages, consumer credit (often predatory) becomes a necessity to satisfy basic needs. Jessop concludes:

"The primary aspect of the wage is its treatment as a cost of (global) production rather than as a source of (domestic) demand; this is linked to re-commodification of social welfare in housing, pensions, higher education, health insurance, and so on. This leads to growing flexibility of wage labour (especially increasing precarization), downward pressure on wages and working conditions, and cuts in the residual social wage. A further result is the financialization of everyday life as the labour force turns to credit (and usury) to maintain its standard of living and to provide for its daily, life-course, and intergenerational reproduction. Combined with the increased returns to profit-producing and interest-bearing capital, this also intensifies income and wealth inequalities in the economies subject to finance-dominated accumulation, which now match or exceed their levels in just before the 1929 Crash (Elsner 2012; Saez 2013)." [11]

Monopoly capitalism in the 21st century has become ever more reliant on capitalist states to serve as facilitators, protectors, and a damage control mechanism. Former industrialized nations have shifted the remnants of "competitive capitalism" to global labor markets (which are also state-supplemented) and replaced them with service-sector economies based in finance schemes that seek to reproduce "fictitious capital" at alarming rates. Capitalist states, in adjusting to this shift, have embraced expansionary monetary policy as a means to address the ensuing chaos by supplementing and protecting financial institutions (the dominant classes in the age of neoliberalism/financialization). Will the volatility created by this shift finally bring capitalism to its breaking point? Will the prospect of automation force governments to develop radically new welfare states that include basic income guarantees? Will highly-exploited, global labor markets radicalize and collectivize, and bring the neoliberal era to its knees? The future brings many questions.

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