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Towards a Marxist theory of financialised capitalism

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Abstract

In the rapid growth of the literature on financialisation, the term risks becoming meaningless ('take x, add finance'). This contribution first reviews this literature, highlighting characteristic empirical features at the macroeconomic level and their variegation across different institutional contexts, then turning to meso- and micro-level multidisciplinary studies of how processes of financialisation have manifest in the transformed behaviour of firms, states and households, as well as in the changing mode of provision of public services and the appropriation of the commons. Marxist attempts to theorize the essences of financialisation are examined and found wanting. Two proposals are made in the spirit of advancing this project. First, financialisation as cyclical process must be disentangled from financialised capitalism as secular stage. Second, it is argued that the emergence of financialised capitalism as a new stage within mature capitalism is linked with the central role played by finance in the internationalisation of the circuit of production.

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Introduction

The objective in this paper is to deepen a Marxist understanding of financialisation[1] by bridging three strands of analysis: more (but, by no means exclusively) economic work which has privileged analysis of macroeconomic impact and, to a lesser extent, causality; sociological work which has examined the relationship of the phenomenon with shifting relations of production; and the work from a number of disciplines (including but not limited to) radical geography, critical accounting and cultural studies, in placing particular instances of financialisation under the microscope.

This will begin by reviewing those aspects of a historical materialist methodology which should inform and render distinctive a Marxist approach to financialisation. Taking its cue from this framework, the subsequent discussion will first highlight the appearances of financialisation that emerge from the literature. The third section will turn to the analysis of the underlying drivers and propagating mechanisms of financialisation, the essences of the phenomenon. In the fourth section, a theory of financialised capitalism as a secular stage within the capitalist mode of production, distinct from cyclical processes of financialisation, will be elaborated. The emergence of financialised capitalism is linked with the central role of finance in the internationalisation of production. This marks a distinctively Marxist approach to both the understanding of financialisation and to the question of its sustainability or, indeed, the likelihood of de-financialisation. The final section will offer some concluding thoughts and point towards an agenda for future work.

1. Financialisation and historical materialism

Marxist investigation of financialisation has the considerable advantage of having a coherent methodology with which to approach the subject. A historical materialist approaches financialisation as necessarily rooted in a particular temporal, spatial and institutional context, not a transhistorical accident or mistaken policy project. While no investigation can be exhaustive, Marxist work must be attuned to factors such as: shifting class configurations within and across borders; shifts in the size, demography and distribution of the global labour pool; and revolutions in the application of technology and the organization of work, to name a few. In such contexts, causal explanations must consider the possibilities of both overdetermination and contingency, which should make us skeptical of any monolithic arguments.

A dialectical understanding should be embraced, rather than being rejected as a kind of intellectual prevarication. Of particular relevance to financialisation, is the need to see finance (financial agents, institutions and finance capital broadly understood) as, at once, functional and dysfunctional for capitalist accumulation. This represents a sharp break with Keynesian exhortations to the 'euthanasia of the *rentier*', and avoids conflating moral judgments with assessments of the instrumental value of finance to capitalist accumulation. Dialectics also opens up our analysis to the importance of emergence, that is, the recognition that quantitative change in a pre-existing relation may, at some point, emerge as systemic qualitative change.

Like ships passing in the night, much confusion and disagreement in the literature on financialisation relates to the levels of abstraction on which the analysis operates. Most work on

[1] The treatment herein privileges analyses emanating from Marxist traditions, but does not hesitate to draw insight from other schools of thought that can enrich a Marxist understanding.

financialisation focuses on the least abstract level, that is the influence of particular individuals / organizations / structures on concrete conjunctural relations. Famously Marx ([1867] 2004) in volume one of *Capital* focuses on the most abstract level, a pure theory of capitalism beginning from the commodity. Important to consider however is the level which mediates the two, that is what is general to a phenomenon at the meso- or institutional level, so-called middle range theory. This also points to the importance of differentiating and linking appearance and essence, whereas non-Marxist scholarship often limits itself, knowingly or otherwise, to the former.

Last, but certainly not least, Marxist scholarship necessarily emphasises the role of changing class (and class faction) configurations and struggle. This is notably absent from much of the Marxist macroeconomic work, but is central, for example, to sociological studies of changes in productive relations. It should go without saying that this implies a class-based understanding of the state, another feature which should differentiate Marxist scholarship from other schools which, explicitly or implicitly, posit a state as neutral arbiter. Marxist scholars should view capitalism as a totality, a global social relation, but often succumb to fetishism of the nation state. This is reflected in the fact that there is as yet no coherent *global* theory of financialisation, Marxist or otherwise.

2. Appearances of financialisation

In this section, that work which captures the appearances of financialisation is first outlined (whether it is understood as such or not). In the subsequent section, the focus will turn to explicit attempts to reveal the essences of the phenomenon.

An early (non-Marxist) definition of financialisation as the "... increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and the international economies" (Epstein 2005:3) is broadly cited in the literature. The appeal of such a descriptive definition is that it avoids the controversy of linking the appearances to underlying causal mechanisms. Krippner's pioneering work, inspired in part by both the *Annales* and Regulationist schools, though not itself explicitly Marxist, zeroes in on the rise of financial profits in the USA, defining financialisation as "… a pattern of accumulation in which profits accrue primarily through financial channels rather than through trade and commodity production." (2005:174) She highlights the rising share of portfolio income in the revenue of non-financial firms, and the growing share of profits generated in the financial relative to the non-financial sector.

Attempts to summarise the manifestations of financialisation permeate more explicitly Marxist scholarship. At the end of his participation in the five-year, multi-disciplinary project on financialisation known as FESSUD [2] (Financialisation, Economy, Society and Sustainable Development), Ben Fine (2017), offered eight defining characteristics:

1. The expansion of financial markets, institutions and instruments;
2. Financial deregulation and liberalisation;
3. Growth in financial 'innovation';
4. Increasing dominance of finance over manufacturing;

[2] A rich resource of scholarship is available on the FESSUD website (fessud.eu) with over 200 working papers gradually making their way into journals.

5. Increasing reliance of governments, firms and households on market coordination mechanisms;
6. The use of capital gains in housing for collateral;
7. Penetration of finance into a widening range of social spheres; and
8. A culture of reliance upon the market.

At the macroeconomic level, the 'balance sheet view', that is the view that agents – from financial firms to industrial firms, households and governments – come to see themselves as a collection of assets and liabilities from which profits are maximised, has been empirically investigated using a range of indicators. Brown et al. (2017), surveying Europe, examine the growth of financial securities to GDP, the rising share of employment in FIRE (financial intermediation, insurance and real estate), and the increasing contribution to GDP of the financial versus the manufacturing sector. In an earlier exercise, examining a range of OECD countries, Lapavitsas and Powell (2013) examined sectoral transformations, assessing the changing modes of financing and investment of banks, firms and households. In general, banks had become increasingly reliant on wholesale funding markets, and were earning increasing revenues from fee-based activity and lending to the household sector; large international non-financial firms had turned towards market-based finance, and were increasingly active themselves in financial markets; and households' engagement with finance had risen as an increasing range of activities essential to social reproduction are brought into the sphere of capital accumulation. The conclusion of these studies is that, while they share underlying essences, the specific forms taken by financialisation vary according to historical, institutional and political relations and norms.

Beyond the countries of the OECD, increasing attention is being paid to the emergence of financialisation in middle- and even low-income countries (Bonizzi 2013). The concept of subordinate financialisation (Powell 2013) has been developed to capture the experience of financialisation as shaped by imperial relations and a peripheral location both in the world market and in relation to world money. In some cases, this has yielded transformations similar in nature to those in OECD countries, such as rapid relative growth in the profits of financial corporations; however, distinctive to emerging capitalist economies has been, for example, a greater reliance on international rather than domestic money and capital markets. Hanieh (2016) highlights the dangers of fetishizing the nation-state, revealing how financialised tendencies are emerging in the Arab world on a regional scale, emanating from capital groups based in the Gulf Cooperation Council.

Turning now to examine the picture of the firm in more detail, financialisation involves a turn towards market-based financing and increased engagement in financial strategies of accumulation, through, for example, buybacks of firms' own shares (Lazonick 2012), securitization of assets (Baud and Durand 2012), financial intermediation, or investment in external securities. This has translated into the growth of market capitalization ahead of both GDP growth and earning capacity (Andersson et al. 2014). The ensuing asset inflation allows holding gains to be extracted that can then form the basis for additional collateral and further leverage. Competitive pressures ensure that such strategies are not optional for firms. A corollary of this process of asset inflation has been the rapid growth in so-called intangible assets (Bryan, Rafferty, and Wigan 2017; Willmott 2010), a catch-all category capturing the difference between market and book value that emerges during processes of mergers and acquisitions.

A large Post-Keynesian literature has argued that the firm's turn to an increasing array of financial activities has 'crowded out' investment in fixed assets (Hein and Van Treeck 2010;

Stockhammer 2004). Empirical evidence of the adverse effect of financial incomes and payments on physical investment has been presented for the USA (Orhangazi 2007), Western Europe (Tori and Onaran 2017) and even some developing countries (Demir 2007). In Post-Keynesian models, declining fixed investment negatively impacts on capacity utilization, profits and capital accumulation. The relative impact of these effects is weighed against the positive impact of rising financial profits to determine whether an accumulation regime is 'finance-led', or simply 'finance-dominated' (Cordonnier and Van de Velde 2015; Hein 2010; Stockhammer 2010). Against the 'crowding out' thesis is work which has argued that estimations of rising net financial payments have not sufficiently considered rising non-financial assets held internationally; profits have not been adjusted for foreign earnings; and falling investment by international multinational corporations (MNCs) in high-income countries may be the counterpart of rising investment in emerging economies spread across global production networks (Christophers 2015; Durand 2017; Fiebiger 2016).

Increasing attention is being paid to the question of the financialisation of the state. Historically, concern has been over the level of public indebtedness and the question of who holds it, with implications for both fiscal and monetary policy. The rising concentration in ownership of public debt in large FIRE corporations in the US and Western Europe has forced governments to prioritise debt repayment over the provision of social services (Hager 2015). New research relates financialisation to the question of *how* governments are managing sovereign debt (Fastenrath, Schwan, and Trampusch 2017). In OECD countries, the share of marketable debt in total debt, and the share of marketable debt held by non-residents have risen dramatically. The list of market-based techniques employed by debt management offices has grown to include: bond auctions, index-linked bonds, securitized tax receipt bonds, accruals accounting, and derivatives (Lagna 2016; Livne and Yonay 2016; Massó 2016; Pacewicz 2013). Present throughout this literature is the question of whether states are playing markets or *being played by* markets: Davis and Walsh (2016) detail the role of the British government in propelling the decline of industry and rise of finance, while Wang (2015) argues that the Chinese state has become a 'shareholder state'.

Financialisation has become a lens through which to view transformations in a range of areas of everyday life, with the common thread that the increasing penetration of finance has led to financial imperatives dominating considerations of the public good. Early work on the financialisation of land draws from the theoretical foundations of Lefebvre ([1974] 1991) and Harvey ([1982] 2006) which sought to understand the processes of urbanization as 'spatial fixes' to the crises of capitalist accumulation. As land becomes treated as a financial asset, exchange value is substituted for use value in land-use decisions (Haila 1988). This process has drawn in agricultural land across the global North and South (Fairbairn 2014). Reflecting Harvey's characterization of the dialectical relationship between urbanization and crises of accumulation, urbanization is seen as both enabled by and itself enabling financialisation (Moreno 2014). The role of the state within this process is critical; Christophers (2017) highlights the role of the British state in selling the public estate to private investors driven by financial motives, often providing additional support in the form of planning-risk mitigation or even direct pecuniary subsidies.

A growing body of empirical work – from neoclassical to Marxist – has examined the co-movement of various commodity prices with financial indices (Bargawi and Newman 2017; Ederer, Heumesser, and Staritz 2016; for example, Tropeano 2016). The intersection of financial and commodity circuits is driven by the ability of futures to "provide a temporal and credit fix to crisis in capital accumulation" (Field 2016:8). The drivers of financialisation in commodities markets include deregulation of agricultural markets, pressure for higher yields placed on agribusiness, and pressure on workers' wages and time that has led to a prioritization of cheap, fast foods (Fuchs, Meyer-Eppler, and Hamenstadt 2013). Major agribusinesses have themselves become financialised, while financial firms have entered into all stages, including agricultural land investment (Salerno 2014; Williams 2014). The re-shaping of relations along the food chain, creating new opportunities for profit for both financial and non-financial actors, is described by Burch and Lawrence (2009) as a 'third food regime', succeeding that based on industrial agriculture and manufactured food. Meanwhile small farmers become increasingly vulnerable; even the provision of weather derivatives, ostensibly to reduce risk exposure, has instead exposed them to new risks and increased their overall vulnerability (Isakson 2015).

Financialisation of the commons has extended to water, air and nature itself. Water privatisation is argued to be driven by the needs of investors as much as any purported benefits to end users, raising questions about control, distribution and affordability (Ahlers and Merme 2016; Allen and Pryke 2013; Bayliss 2014; March and Purcell 2014). The entry of finance into ecological management is being advanced under the guise of green capitalism. Finance allows the creation, commensuration and pricing of nature as exchangeable products, as made evident in the creation of markets in carbon and biodiversity offsets (Sullivan 2013).

The study of household financialisation has examined the extension of the 'balance sheet worldview' to the individual. Analysis of the macroeconomic effects of household debt has focused on the US, the UK and the Anglo-Saxon countries, but similar trends are argued to exist across a range of high- and middle-income countries. In the face of rising inequality in the US, Barba & Pivetti (2009) argue from a Keynesian under-consumptionist perspective that households have attempted to preserve relative standards of consumption, leading to rising levels of indebtedness as well as recourse to increased working hours. The inherent unsustainability of substituting debt for wages can be counteracted only by expanding the process to a larger share of the population and keeping interest rates below the rate of growth of household disposable income (or the increase in real wages).

Dos Santos (2009), from an explicitly Marxist approach, documents the increasing reliance of major international banks on consumer and mortgage lending as well as pension-related saving services. He characterizes this as a form of expropriation in the unequal relationship between a profit-maximizing bank and a satisficing household (see also Lapavitsas 2011, 2013). In subsequent papers (2011, 2014), he formally models this relationship, suggesting that economies that are more reliant on consumption credit experience both lower growth and higher levels of credit risk, and that consumption credit furthermore serves to increase profits relative to wages. That is, in contradiction to the Keynesian work wherein policy-induced inequality forces increases in consumer debt, the capitalists' decision to allocate credit to consumption serves to increase short-term profits and drive rising inequality.

Baragar & Chernomas (2012) argue that in the context of growing household indebtedness in the US and Canada, where households are net borrowers while firms are net lenders, workers' claims on abstract social labour need to be considered *ex-post* of interest payments. This decreased value of labour power means that the rate of surplus value has risen, without alterations in the quantity of value created in the sphere of production. However, surplus value must be realized before it can assume the form of interest or profits. Workers become the conduits through which surplus value is transferred from its place of origin in production to the sphere of circulation. Higher profits for finance then lead to the expansion of the financial sector.

The microeconomic impacts of growing household indebtedness are the focus of a broad multi-disciplinary literature. There has been a massive expansion in the forms of alternative consumer credit that are available to those on low to middle-incomes in advanced capitalist economies (Appleyard, Rowlingson, and Gardner 2016; Dymski 2010). Accompanying this is an explosion in the growth of financial instruments which allow the default risk of consumer debt to be commodified and traded (Langley 2008). The list includes asset-backed securities, credit default swaps and collateralized debt obligations (so-called 'structured' finance), as well as techniques such as securitization, credit scoring and debt consolidation. Foucault's category of governmentality has been invoked to capture the way in which 'investor subjects' are assembled and their behaviour disciplined. Not to miss out the poor from this assemblage, microcredit initiatives have attempted to constitute poor people as financial subjects bringing them into global capital markets (Aitken 2013; Schwittay 2014).

Housing has been used as an absorber of the 'wall of money' of finance but, importantly, has also served as collateral for the rise in household debt (Aalbers 2008; Fernandez and Aalbers 2016). While different national models of housing provision remain, there is a common trajectory in integrating housing finance into global capital markets. Housing access and housing debt, as was argued previously in relation to debt more generally, are used as systems of discipline and control. Poorer neighborhoods are likely to carry higher debt burdens, while incomes in higher-income, low-debt neighborhoods are partially derived from the former (Walks 2014). Once on the 'housing ladder', homeowners have a vested interest in maintaining the upward trajectory of housing prices, locking in conservative voting preferences (Watson 2008). In the global south, various high-level international initiatives attempt to introduce mortgage markets, and draw global capital into the returns to be gained from slum upgrading (Jones 2012).

A number of narratives are captured under the rubric of the financialisation of education (Eaton et al. 2016). Student debt has been securitized in the US and UK and is being traded in financial markets. Active endowment investment has become an increasingly critical part of the funding picture for elite universities, furthering stratification. Equally, universities are both issuing securities and aggressively managing their real estate assets, leading in the Netherlands to a power shift from teaching and research staff to financial professionals (Engelen, Fernandez, and Hendrikse 2014).

The financialisation of pensions describes the process whereby households are increasingly dependent on market outcomes for their retirement income. This involves the increasing participation of asset management firms in the allocation of funds from defined contribution schemes, placing the risk and responsibility with the individual rather than either the capitalist or the state (Dixon and Sorsa 2009; Langley 2004). In some cases, this transition has been embraced by trade unions (Macheda 2012). In turn, this market-based approach has fuelled demand for a range of new financial products. The combination of liability matching techniques which inveigh against (higher-yielding) equities and low yields on government bonds has led fund managers increasingly into hedge funds, private equity funds, commodities, infrastructure and real estate (Bonizzi and Churchill 2017). Life insurers were some of the first institutional investors to invest in real estate, corporate bonds ('junk bonds') and private equity; they have become important sources of demand for a range of debt-backed securities and interest rate swaps. Their contribution to the influx of new funds into the mortgage-backed securities market played a key role in the loosening of underwriting standards that catalyzed the US subprime crisis (Wissoker 2013).

3. Essences of financialisation

In an attempt to delve beneath appearances into the essences of financialisation, skepticism about any monolithic explanations is warranted. In this section, existing Marxist theories of financialisation will be assessed which focus on the so-called 'long cycle', the impact of monopoly, and the rate of profit. This will be followed by a foray into the literature which focuses on the transformation in the structures and relations of production, an area which to date has received scant attention in relation to financialisation.

Structural cycles of the '*longue durée*' mark the rise and fall of leading powers (Braudel 1981). The phase of decline, termed the 'autumn' of the hegemon, is associated with an expansion in financial activity (Arrighi 1994, 2007). This expansion allows the transformation of capital from its fixed form into more liquid ones, facilitating its escape from confinement in increasingly less productive activity of the declining hegemon, and allows it to flow into new regions and channels of surplus value creation[3]. The thesis, however, immediately raises concerns about the generalization of phenomena across mercantilist and capitalist modes of production. Furthermore, the current period of the rise of finance in the leading power, the United States, has been accompanied not with an outflow of capital to new centers of power, but an inflow to the US from the rest of the world reinforcing its hegemonic position (Gowan 2003, 2010, Panitch and Gindin 2004, 2012).

Theories of the impact of monopoly on capitalist accumulation have a long history in Marxist (and Marxist-inspired) scholarship. Hilferding ([1910] 1981) advanced the argument that rising scale, capital intensity and centralization would allow the creation of cartels and the suppression of domestic competition. The ensuing problem of surplus absorption could be stabilized, he argued, through expansion to overseas markets with the support of the state. Kalecki (1932) rejected Hilferding's conclusion that cartelization could be stabilizing. He related the degree of monopoly to the forces of concentration, the role of sales promotion, and rising overheads, but argued it was counteracted by trade union strength. Monopoly increases the relative share of profits (over wages) in gross income. Over time however, the fall in wages will lead absolute profit levels to fall even though relative profit (dependent on past investment decisions) remains high. Falling output leads to falling capacity utilization, eventually leading to falling profits and what Kalecki termed 'retarded growth'. Steindl (1952), heavily influenced by Kalecki, argued that monopoly firms are able to prevent the elimination of excess capacity, with higher profits making up for the resulting increase in costs. However, the excess capacity dissuades capitalists from investing, leading to economic stagnation.

Drawing upon both Kalecki and Steindl, Baran and Sweezy (1968), argued that rising monopolization results in an increasing flow of profits, but falling demand for additional investment in ever more tightly controlled markets. The resulting surplus must be absorbed in unproductive consumption. One such method of surplus absorption is for profits to be diverted into financial activities rather than fixed capital formation (Baran and Sweezy 1968; Sweezy 1997; Sweezy and Magdoff 1987). Bellamy Foster (2015; 2011) continues the investigation of monopoly in the current period, compiling evidence of the rising share of a shrinking number of transnational corporations controlling assets, revenues and employment, both directly and indirectly via outsourcing.

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[3] Original credit for this concept should be given to Rosa Luxemburg (2003 [1913]).

Proponents of rising monopoly argue that the degree of monopoly in a given sector is determined by its deviation from the benchmark of perfect competition, that is, characterized by a large number of small, price-taking firms, identical in cost structure and profitability. Shaikh (2016:367–79) has argued that the neoclassical notion of perfect competition should be anathema to a Marxian understanding of competition, where price-setting and cost-cutting are intrinsic features, and new, lower-cost, price-cutting firms may enjoy higher profit rates than established larger firms. In addition to these possible empirical problems with the monopoly thesis, the treatment of finance as residual and speculative unnecessarily dichotomizes the relationship between industry and finance, and fails to account for the growth of finance in accommodating the internationalisation of production and the expansion of accumulation.

Next are theories rooted in Marx's ([1894] 1991) tendency of the rate of profit to fall (TRPF). There is an assumption on the part of critics of Marxist scholarship that everything under the capitalist sun is attributed to falling profits, and that therefore, the origins of financialisation must similarly be argued to lie there. However, the majority of Marxist studies into the TRPF claim a rise in the rate of profit during the neoliberal period (Duménil and Lévy 2004; Maito 2014; Mouatt 2013; Roberts 2015; Shaikh 2016), the latter stages of which coincide with the period associated with financialisation. To be sure however, this conclusion is not without its dissenters (Carchedi 2017; Freeman 2013; Kliman 2011)[4].

For those who argue that the rate of profit is falling, financialisation serves as a countervailing tendency. Faced with falling profitability in the productive sphere, capital shifts to higher profitability in the financial sphere. The increase in interest-bearing capital plays a functional role, providing: credit to families to mitigate the consequences of lower wages; credit to firms deferring an overproduction crisis; and allowing valorization through speculation, at least for a time (Giacché 2011). Freeman's finding of a monotonically falling rate of profit in the US and the UK is precisely because of his inclusion of financial assets in the denominator (along with the usual fixed capital stock)[5]. He argues that if capitalists had not invested in financial instruments, "… there is no reason to suppose the profit rate [without the inclusion of financial assets] could thus recover." (2013:178)

But even if such empirical arguments are accepted, why do the symptoms of financialisation (such as financial profits as a share of total profits) only accelerate after the 1990s? Falling profitability can, at best, be a contributing but far from a driving factor of financialisation. Indeed, the overriding concern of the TRPF advocates themselves, seems less to be about asserting that falling profits cause financialisation, than to argue *against* the diametrically opposed Post-Keynesian narrative that financialisation causes falling profits. Kliman (2014:89) surmises "whether financialisation has played a causal role vis-à-vis the rest of the economy is less clear. "

For Marxists who conclude that the rate of profit has stabilized or even rebounded during the neoliberal era, the roots of financialisation must lie elsewhere. Some authors argue that *rising*

[4] Though it is beyond the scope of this chapter to enter this debate in any detail, empirical disagreements include, but are not limited to, questions such as: should the unit of analysis be strictly non-financial corporations or both non-financial and financial corporations? Indeed, should so-called unproductive industries be excluded altogether financial or otherwise? Should capital stock be valued at historic or current cost? Should financial assets be included in the denominator, or financial incomes/expenses in the numerator? Should profits of corporations from production abroad be included? See Basu & Vasudevan (2013) for a good summary of the literature.

[5] See also Bakir (2015), who argues that the inclusion of financial incomes and expenses in the numerator leads to a falling 'enhanced' rate of profit.

profits have played a role in the emergence of financialisation. Ivanova (2017:2–3) contends that "rising corporate profits created an overhang of idle money, eager to lend itself to speculative ventures". Shaikh (2011) has argued that the attack on labour that was necessary to stem declining profitability in the post-war era, combined with low interest rates and financial innovation, has played a central role in the surge in consumer borrowing associated with financialisation.

Turning now to scholarship which introduces changes in the relations of production to our understanding of financialisation. Considering the Marxist focus on labour, class and workplace relations, it is surprising that this facet of the discussion has not received more attention. Labour process theory (LPT) examines the mechanisms of control, consent and resistance that exist in the transformation of the capacity to work into actual work. The disjuncture between the study of these 'shop floor' dynamics and structural political economy analysis, termed the 'connectivity problem', has led LPT theorists to engage with literatures on both financialisation and global value chain analysis.

Initial work by LPT scholars on financialisation took the appearances of the phenomenon as the given context in which changes to labour processes were to be understood. This transformation, documented in a rich diversity of case studies, involves an increasing squeeze on labour, increased work insecurity and intensification, strengthened punitive performance regimes, and reinforced market discipline and attitudes (Cushen and Thompson 2016). However, in terms of financialisation theory, it is the other side of the labour process-financialisation dialectic that is of particular interest, that is, what do changes in labour processes tell us about the emergence of financialisation? This has begun to be addressed in recent LPT engagement with global value chain (GVC) analysis[6].

Milberg and Winkler (2008; 2010, 2013) were the first to explicitly introduce this lens into an analysis of financialisation. They argued that US firms have generated an increasing share of their profits from high mark-ups[7] facilitated by their powerful position within global supply chains. A key component of corporate strategy has been to manage global production networks, through complex combinations of subsidiaries, outsourced partners and offshore tax structures, in order to capture rents from oligopolistic power. Rather than re-investing these profits in core activities, Milberg and Winkler contend that firms pay higher dividends, buyback shares to drive up stock prices, and pursue mergers and acquisitions[8].

[6] While GVC studies have been criticized for a lack of understanding of the role of labour in the creation, capture and distribution of value (Newsome et al. 2015), Marxist-influenced global production network (GPN) analysis has an explicit focus on questions of value creation and power (Coe and Yeung 2015).

[7] This is based on Kaleckian ([1965] 2009) markup pricing theory which holds that the markup is a function of the degree of monopoly determined by such factors as industrial concentration, sales promotion, trade union strength and technology.

[8] Milberg and Winkler's econometric evidence (2013:229) linking financialisation (proxied by dividend payments, share buybacks and net interest payments of publicly listed companies in the US) with offshoring (services and materials offshoring intensity by sector) is mixed. Auvray & Rabinovich (2017) find that US non-financial firms belonging to sectors with high levels of offshoring in non-core activities are more likely to be financialised, with the assumption that the higher profit levels resulting from entry into GVCs have funded a 'downsize and distribute' strategy. Durand and Gueuder (2016), find that what they call the 'globalisation narrative', proxied by imports from developing countries as a share of GDP, has the most explanatory power over falling investment as a share of profit in a group of OECD countries. Case studies providing micro- or sectoral evidence are, to date, limited (Baud and Durand 2012; Montalban and Sakinç 2013).

In Marxist labour value terms, Chesnais (2016:166) argues that the additional profits emanate from the "trend towards a global homogenisation of productivity levels through the diffusion of equipment, technology and on-site management methods, while the socio-political context is that of strong or very strong national differences in necessary labour time." While GVC analysis implies that additional value is created ('added') and ultimately realized at each step in the chain, both Kaleckian and Marxian analysis highlight the fact that, while nearly all of the value may be created in one location, it may be captured somewhere entirely different. However, while the Kaleckian analysis emphasises core firms monopsony power vis-à-vis other firms in this process, the Marxian analysis identifies the central role of labour exploitation[9].

Labour process theorists further argue that the expansion of GPNs allows lead firms to secure strategic assets including "technology, human resources, forms of production organization, intellectual property, and marketing and design" (Parker, Cox, and Thompson 2018:4). Capture of these assets allows the formation of barriers to entry and the extraction of technological and financial rents (Aguiar de Medeiros and Trebat 2017:401). Lead global firms profit from management fees charged for the trading of intangible services (Serfati 2011), and the use of branding, design and marketing (Froud et al. 2012; Soener 2015). Those countries which host apex firms are able to capture a greater share of overall value-added (Aguiar de Medeiros and Trebat 2017:406). Critical to this story, though greatly complicating its empirical study, is the use by TNCs of tax havens (Zucman 2013). Shifting tax burdens to low-tax regimes, made possible by the use of intra-firm transfer pricing across borders, has incentivized greater engagement by those same firms in financial activities.

4. Towards a Marxist theory of financialised capitalism

At the beginning of this article, it was argued that a Marxist understanding of financialisation should be consistent with historical materialist methodology. It should be mindful of the level of abstraction in analysis, separating appearance and essence. In its attempt to reveal the essences of the phenomenon, it should be able to accommodate overdetermination and contingency. As it tries to theorize these essences, there must be a prominent role for class struggle, and changes in the forces and relations of production. Finally, it must be an understanding that is prepared to embrace dialectics and the concept of emergence.

Some of the confusion around the concept of financialisation emanates from the conflation of distinct but related phenomena. As a cyclical process within the capitalist mode of production, financialisation (broadly understood as an increase in interest-bearing and/or fictitious capital) ebbs and flows. In the twentieth century financialisation has characterized both the inter-bellum up until the Great Depression, and the late neoliberal period. Within and around this longer cycle, there are numerous smaller financial epicycles, whose spatial reach and impact are linked to contextually-specific changes in institutions such as land, housing and securities markets and their regulation. These epi- and metacycle peaks (and valleys) are amplified by the speculative dynamics of the ceaseless attempt by finance to escape the constraints of the production and realization of surplus value, what Rotta and Teixeira (2016) describe as the 'autonomization' of abstract wealth. As these constraints are ultimately inescapable, these processes of

[9] Smith (2011:35) argues that the rate of exploitation of workers in the global south is higher ("super-exploitation") because the value of labour power is depressed to a "small fraction" of that in advanced economies. He argues that financialisation is "to a significant extent a materialization of surplus value extracted from super-exploited workers in low wage countries." (2016:299).

financialisation will *necessarily* be followed by periods of de-financialisation. The decline in household indebtedness in the USA from historically-high levels is only one example of this retreat (Lapavitsas and Mendieta-Munoz 2018).

However, underlying these cyclical processes there has been a secular shift in the role of finance in the period of late neoliberalism. This shift marks the emergence of a new stage of what can be called financialised capitalism, distinct (but intertwined with) processes of financialisation. It is not the place here to engage in a long discussion of Marxist stage theory (for an overview see Mcdonough 1995). Finance has always played a role in capitalist accumulation, so any argument that financialised capitalism represents a distinct stage must answer the question 'what is different now?'. One possible answer to this question builds upon the theory of the internationalisation of the circuits of capital. The breakdown of the post-war model of accumulation was followed by a period of rapid liberalization of trade and financial flows, inaugurating a new period in the development of the world market. Hymer described the evolving interlocking system of world capital and world labour into an integrated worldwide structure as one which "…completely changes the system of national economies that has characterized world capitalism for the past three hundred years." (1972:92) Key in this transformation is the role of MNCs, pulled by opportunities for expanded markets and the prospects of cheaper labour, and pushed by oligopolistic competition. The financing needs of these large enterprises fed the expansion of international banking and the development of international capital markets.

As a result of these changes, it is increasingly the case that the passage of capital through its various forms – from money capital to productive capital to commodity capital, and back again – can not be realized within a single capitalist social formation, or nation-state. As argued by Palloix (1977:20), "… the commodity can only be conceptualized, produced and realized at the level of the world market." Whereas the process of the internationalisation of capital had previously been limited to the circuits of commodity capital and money capital, it now for the first time includes the internationalisation of production.

Palloix argued that there are two aspects to the internationalisation of capital: a functional one and a structural one. The functional character of internationalisation includes the purchase of cheap labour and means of production from around the globe and the realization of profits on a world level by the multinational firm. But Palloix cautions that the multinational firm is only the *form* that the internationalisation of capital assumes. The structural character of the internationalisation of capital relates to the fact that that these dynamics tend towards both an equalization of the conditions of production and exchange, but at the same time to a differentiation of these same conditions in relation to the aim of the production process, the extraction of surplus value. An important implication of this differentiation is that international value is chaotic, constantly negated and reborn. From this arises the difficulty in standardizing international rates of profit, giving "… free rein to the international differentiation of rates of profit among the more or less hegemonic strata of capital and to their engagement-disengagement in different industrial and financial branches." (1977:24)

The engagement of labour process theorists with global production network analysis has, some four decades later, picked up where Hymer and Palloix left off; shedding light upon precisely the processes by which hegemonic strata of capital have sought to exploit the internationalisation of capital, and the key role played by finance therein. These processes are not trans-historical, or even less teleological, abstract logics of a capitalist world system, but have been driven by and are contingent upon the specific actions of states and their capitalist classes. As summarized in the previous section, LPT theorists have begun to document the specific processes whereby MNCs have structured GPNs in such a way as to exploit differences in necessary labour time, and erect barriers to entry through the capture of strategic assets.

Finance has both supported this process and exploited it. Financial institutions, instruments and processes have supported: the *expansion* of the circuit of capital into new areas of social and economic life (Bellofiore 2011; Huws 2014); the spatial *extension* of the circuit of existing commodified relations; and the *intensification* of exploitation through temporal compression (Jessop 2016:191; Lysandrou 2016; Passarella and Baron 2015). In the context of a global system of complex production networks, price and counterparty risks have proliferated, and non-financial corporations have engaged in an increasing range of financial instruments and processes. While the speculative excesses of finance which have accompanied this transformation abound, the key point here is that those excesses are by their very nature short-lived, while the emergence of a qualitatively different role for finance represents a structural shift emblematic of a new stage. Finance is providing a system of discipline and control necessary for capital accumulation in an era of globalised production networks. There will be no easy way to put this genie back in the bottle.

By way of conclusion

Historical materialism provides the scaffolding upon which Marxist work on financialisation must be built. This encourages an attempt to disentangle appearance and essence, seeks to avoid confusion over the level of abstraction of the analysis, and embraces the dialectical nature of finance. An understanding of labour as the source of value, the importance of class and the relations of production, and the need to understand the place of the particular in the totality flows from this approach.

The literature on financialisation, Marxist and otherwise, has expanded rapidly in recent years. Characteristic empirical features of financialisation at the macroeconomic level, and their variegation across different institutional contexts, have been documented. This work has been complemented by a rich and diverse literature at the meso- and micro-levels examining how processes of financialisation have manifest in the transformed behaviour of firms, states and households, as well as in the changing mode of provision of erstwhile public services and the appropriation of the commons. But in the growing diversity of the literature there comes the risk that financialisation will become a meaningless term ('take x, add finance'), used more to obfuscate than to illuminate.

It was argued that existing Marxist attempts to theorize the essences of the phenomena are unsatisfactory. Two suggestions were made in the spirit of advancing this project. First, financialisation as cyclical process must be disentangled from financialised capitalism as secular stage. Much of the literature on the appearances of the phenomena is focused on the former. Empirical evidence of the retreat of those manifestations does not then invalidate *prima facie* the existence of the latter. Second, it was suggested that the emergence of financialised capitalism as a new stage within mature capitalism, is linked with the central role of finance in the internationalisation of production. While superficially this bears some resemblance to orthodox narratives of financial deepening, it differs importantly in its dialectical understanding of the impact of the expansion, extension, and intensification of capital accumulation. Moreover, unlike conventional narratives which attempt to justify the growth of finance and financial profits by the contribution of finance to value-added, an understanding of financialised capitalism clarifies the role of finance in facilitating the exploitation of labour in global production networks, where value is created, and then realizing this value in the sphere of circulation.

This theory of financialised capitalism suggests a number of avenues for further research. The disentangling of cyclical processes and secular phenomena which have been necessarily conjoined and conflated during the upswing of financialisation requires both theoretical argument and empirical observation. This needs to be carefully disaggregated by sector and within sectors, respecting institutional context and history. The particular contribution of the internationalisation of production requires detailed study of the location and identification of the creation, transfer and appropriation of surplus value in global production networks. The relationship of other appearances of financialisation to this element requires advances in both theory and empirical work. While daunting, such an agenda is necessary if we are to make sense of the proliferation of work that goes under the heading of financialisation; without it the term risks degenerating into incoherence.

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