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July 2011

**WORKINGPAPER SERIES**

Number 262

**POLITICAL ECONOMY  
RESEARCH INSTITUTE**

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# FINANCIALIZATION AS A THEORY OF CRISIS IN A HISTORICAL PERSPECTIVE: NOTHING NEW UNDER THE SUN

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## ABSTRACT

This document carries out a conceptualization of the so-called group of “financialization” approaches for the crisis phenomena. It succinctly defines the meaning of the theories of crisis in relation to the limits of the reproduction of the capitalist system. The crisis can be considered certain, as a necessary moment of the accumulation process, or just a mere possibility. In this latter case, it is considered that the free operation of the market tends to equilibrium, or alternatively, that an appropriate management of economic policy is able to avoid the crisis. One way or another, these approaches share the idea that, under certain conditions, the capitalism can reproduce itself indefinitely, so the hypotheses of this article will be that the approaches of financialization support *a theory of possibility of the crisis*.

**JEL:** B5, E20, G01

**Keywords:** financialization, economic theory, accumulation, crisis

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## INTRODUCTION

Financialization is one of the most popular terms within the heterodoxy to characterize the current phase of capitalism, alongside other terms such as neoliberalism or globalization. It appears obvious that it is a term in fashion. Although in the mid sixties of last century, H. Magdoff already made reference to the growing weight of finances, and in fact, it seems to be considered that the stream linked to the *Monthly Review* (MR), to which he belongs, was the precursor of the financialization thesis (Foster and Magdoff, 2009), the utilization of the financialization concept only acquired notoriety in the 1990's through the hands of *Boiling Point*, by Kevin Phillips (Ibid.:148n). This popularization of the term led to a current amalgam of analysis from authors of diverse theoretical background, and as a result, a commonly accepted definition of such term does not exist (Epstein, 2005:3). Therefore, neither exists a theory for the crisis, making it difficult its conceptualization. Nevertheless, the characterization of the accumulation model based on finances gives certain elements to “extract” a conception of the crisis, provided it states what at times is hidden. This happens because any explanation of the form of reproduction of the capitalism is at the same time, implicitly or explicitly, an answer to the question of how and why the rupture of the reproduction occurs, the crisis (Shaikh, 1978).

It is one of a few innovative ideas to come out of radical political economy in recent years. For one thing, it seems capable of relating the unusual features of the crisis to the secular growth of finance. For another, it gives insight into the structural transformation of capitalist economies with its attendant social implications. To be sure the concept is still raw and undeveloped. (Lapavitsas, 2010:4)

In fact, we highlight three aspects: i) financialization connects the crisis with the finances, ii) it alludes to a specific phase of the capitalist development, but iii) it is still a term conceptually imprecise. Normally the definition by Epstein (2005:3) is often mentioned as a starting point to whom “financialization means the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies”. This growing protagonist is reflected in a “pattern of accumulation in which profit making occurs increasingly through financial channels rather than through trade and commodity production” (Krippner 2005:174). Such systemic reproduction mode assumes that it has been

established with “the growing economic and political importance of the financial faction of the capital and, consequently, their greater ability to impose their interests,” although it is clarified that this logic is not qualitatively different from any other under the capitalism, as “rather some inherent traits in the logic of capital are exacerbated in an extreme way” (Medialdea, 2009:117), like the risk, the instability, the drive for profitability, etc. This requires an attempt to characterize the protagonist subject.

The financial capital should be considered in two dimensions. On one hand, the resources that preserve the form of money and that are valued in the form of money – this way, converting it in capital – taking the shape of credits (loans, bonds), property rights (shares) or of multiples combinations of one or another. On the other hand, the financial capital also refers to the entities (banks, insurance companies, pension funds, investment funds, etc.), whose mission is to centralize the money in the form of credits or property rights to generate profit, as well as the institutions (the stock exchange and the rest of the financial markets). (Serfati, 2003:59)

Financialization responds as such to the important role of an income flow, the interests perceived by creditors and the dividends captured by shareholders, all embodied in the so-called renter, the entities that carry out such activities, as well as the institutions or “places” where the financial dynamic occurs. Therefore, they will be the elements of the crisis’s theory.

The purpose of this document consists in carrying out a conceptualization of the explanations that the collection of approaches grouped under the umbrella of the so-called “financialization” offers to the crisis phenomena. When talking about the thesis of financialization, it is not intended to establish a classification of the different schools of thought that use this term, or to do it so by presenting the most significant authors. On the contrary, certain aspects related to the diagnostic of the crisis will be rescued, regardless of their origin, to be added to a series of existing principles to demonstrate the historical tradition in which they belong. Thus, it is not intended to exhaust all possible explanations of the authors who claim to belong to this line of thought, but to show some, and indeed decisive, ways to characterize the economic crisis that make explicit certain perspectives or principles of this heterodox line of thought.

In order to conceptually frame the content and implications of financialization theory, we succinctly define the meaning of the theories of crisis, which ultimately depend on the limits of the reproduction of the capitalist system. Essentially, first the crisis can be considered as a necessary moment of the accumulation process in virtue of its

inevitability and indispensability (Gill, 1996), therefore the limits of the capital would be endogenous to the system. This would be the Marxist theory of crisis, elaborated from the internal nature of production, based on the valorisation of capital. Secondly, one can speak of the theories of the possibility of crisis. According to these, the crisis may arise from an interference with the free operation of the market, which initially tends to the equilibrium, by an exogenous element like the State, the Unions or the climate, fundamentally, what characterizes the neoclassical approach. Or, alternatively, if one considers that with an appropriate management of economic policy is possible to avoid the tendency towards the crisis derived from the free market, as in the Keynesian tradition, introducing an external source of demand (certain agents or areas), as in the underconsumptionist vision linked to the Keynesianism and other currents of the radical economics. One way or another, these approaches share the idea that, under certain conditions, the capitalism can reproduce itself indefinitely, and thus, avoid the crisis. One of the hypotheses of this article will be to show that the approaches of financialization support *a theory of possibility of the crisis*.

To demonstrate the starting hypothesis, the consideration of the crisis as merely a probable moment of the capitalist economy, in the first part the paper begins inquiring about the explanation of the crisis from the perspective of the role of finance in respect of accumulation and the rate of profit. It refers first to the theories of sectoral imbalance as the basis of financial expansion, to then highlight the disparity between production and demand and the squeeze of profits, which highlights the parallels with existing explanations. In the second part the document will reveal some analytical aspects present in the thesis of financialization: the concept of capital, the microeconomic perspective and the subjectivism, which are linked to a number of aspects as the role of the rentier, the monopoly and its imperialist correlation, as well as neoliberal policies.

## **1. ACCUMULATION, PROFITABILITY AND FINANCES**

Continuing, a possible classification of the approaches about the crisis from the perspective of the relation between profitability and investment is shown. While there is some consensus in explaining the economic crisis through the stoppage or slowdown of investment, the problem arises when it is time to support the reasons for the latter. In this sense, one of the fundamentals of financialization lies in the dissociation between

profit and the level of capital accumulation (see Duménil and Levy, 2004), whose divergence may even be an indicator of the degree of financialization (Husson, 2008a:2).

### **1.1. Expansion of the financial sphere and the disproportion of sectors**

We begin the analysis through the more general aspect that, to some extent, serves to support the set of explanatory proposals. We expose the characterization of the current capitalism as a qualitatively new phase from the acquired importance of the financial sphere, and then the theory of the crisis that is logically derived from this.

Firstly, it is currently said, amongst other definitions, of an *accumulation regimen guided by the finances* (Chesnais, 2003b) as the objective form of financialization. But we equally find in history other conceptions of certain stages of the same economic system, elaborated from the more dynamic sphere according to the considered variable: the growing weight of the services sector, the post-industrialization thesis, the information economy, the new economy, etc. (see Krippner, 2005:175-176). In this sense, the characterization of the crisis is not made by the systemic features based on the mode of production, but in relation to the most significant contextual features (nowadays the finances), then it may ultimately reach the economic policy, as long as it is attributed to the deregulatory decisions of the governments the entire responsibility for boosting the financial sector. This happens in the absence of a reasoning that sustains the inevitability of the relative expansion of finances as a result of the continuing process of accumulation and the development of the production forces. In particular, if it doesn't start to relate the commodity-form with finances.

Financialization understood as an expansion of the financial ramifications that one way or the other impair the growth of the productive sectors, and thus the entire economy, places this theory within the theories that explain the crisis from a sectoral imbalance. This oversizing of the dimensions may be reflected in their growing participation in corporate profits, employment, the valued added or gross production output, the invested capital etc.<sup>2</sup> In any case, it supposes the consideration that its bigger role is not

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<sup>2</sup> Nevertheless, at not being a labour-intensive sector, and as the result of its activity doesn't appear in a clear manner in the statistics, the choice between one indicator or another may lead to different conclusions, as is explained by Krippner (2005).

neutral with respect to the other sectors nor, by extension, with respect to the macroeconomic behaviour, which contributes to the emergence of the crisis.

The theoretical consequence is that this vision should be placed in a discussion with a long history. In effect, in the decades after the publication of Volume II of Marx's *Capital*, which exposes the schemes of reproduction, the debate around his theory of the crisis had as protagonists the interpretations based on the disproportionality between sectors, whose biggest exponents would be the followers of R. Hilferding y R. Luxemburg.<sup>3</sup> The debate is focused initially in Russia, with authors such as N. Danielsón and V. Vorontsov amongst the group of narodniki or "populists", which reintroduced the ideas by S. de Sismondi; and the so-called "legal Marxists", such as S. Bulgákov, M. Tugán-Baranowsky and P. von Struve, to which were joined in the first decades of the twentieth century by certain theorists linked to the II International, including R. Hilferding, O. Bauer and K. Kautsky. This last group, characterized as "neo-harmonistic", sustained the possibility of an unlimited capitalist expansion as long as there was a good administration that conciliated the appropriate inter-sector proportions. As well pointed out by Gill (1996:351) "if the populists returned to the analysis of Sismondi in regards to the realization of the social product in its entirety, Bulgákov and Tugán-Baranowsky are incorporated in this connection to the "harmonic" view of Ricardo and Say, according to which there would be no difficulties in selling the products as 'supply created its own demand'."

To this group belong also the many authors of the so-called "Regulation school."<sup>4</sup> In Aglietta (1976), perhaps its greatest exponent, we find a mixture of causes for the crisis depending on which accumulation regime is analyzed, allowing to link it with the perspective of multiple causes for the crisis alongside authors such as Mandel (1962,I), as they group the decrease in profitability, under-consumption and disproportion as

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<sup>3</sup> Following Gill (1996:350-352). It will later be shown how the financialization approach reproduces the elements of debate that are exposed in this paragraph.

<sup>4</sup> Although Paul Boccara was the first to develop the concept of "regulation", we refer above all to the authors associated with the *Centre d'Études Prospectives d'Économie Mathématique Appliquée à la Planification* (CEPREMAP) and to the *Grenoble University II*, although its influence has expanded enormously. It could also allude to the theory of Social Structure of Accumulation (SSA) (see Kotz, 2006).

partners in the interruption of growth.<sup>5</sup> But more specifically, this aggregation of elements actually states that "the source of the crisis is the tendency to over-accumulation of the department I", thus "Aglietta's theory is essentially a theory of disproportionality" (Clarke, 1988b: 80). The relationship between sectors I and II and the resulting sectoral disproportionality historically evolved, giving rise to different production systems, extensive and intensive. From this line of thought, it comes to favour the sub consumption or the wage pressure derived from the indirect salary, characteristic of the welfare state, respectively, as explanations for the crisis of the 1920s or the crisis of the seventies of last century. For this author, the essential aspect lies in the area of income distribution, as the key category of the accumulation process is the rate of surplus value, which allows the expansion of sectoral relations between the two departments (Ibid.:139-145).<sup>6</sup>

It can be affirmed that this thesis attributes the crisis to a technical aspect and not a social one. Therefore, the explanation of the crisis has as an explicative limitation the temporality of this phase that contains such disproportion; consequently it foregoes a general explanation, and thus, a comprehensive theory for the crisis. It means to attribute to the capitalist economic system the ability to have an unlimited expansion, with the condition of a responsible behaviour by the agents, or more plausibly, an appropriate economic policy. Consequently, it supposes to deny the necessity of the crisis in capitalism. Moreover, these explanations share a context on the analysis of the crisis to the extent that the disproportionality is an inherent feature of any economic system based on commodity production, and therefore lacks a conscious regulation (planned). The crisis would have a temporary nature, so strictly speaking it would result in imbalances, recession cycles, growth slowdowns, rather than structural crisis. Such partial imbalances or misalignments could be overcome by a movement of capital that

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<sup>5</sup> As it is carried out by the authors of financialization that, like Onaran (2010:4), consider the existence of the profit-squeeze and over-accumulation crisis of the 1970s, and from 2007, the one of the lack of demand, due to the neoliberal model.

<sup>6</sup> Moreover, as a variant of this approach of disproportion it may be referred to the explanation of H. Minsky and its followers such as Wray (2007) or recently Moseley (2008), who characterize the crisis from the inherently speculative and destabilizing running of the financial sector, incorporating many of the elements listed herein. The structure of expenditure and revenue flows would generate a tendency toward instability that can lead to the crisis. This proposal analytically starts from the process of capital accumulation, and in this sense an endogenous element is attributed to the nature of the crisis, but also alludes to the increase in interest rates and economic policy decisions, the behaviour of agents (indebtedness) together with "technical" aspects of edge, speculative and ponzi structures.

would restore the sectoral balance, the restructuring of declining wages through unemployment or deregulation, or, generally speaking, any other decision of economic policy that contributes to the restoration of conditions of proportionality

## **1.2. Other imbalances: production, demand and underconsumption**

Some authors like Duménil and Levy (2004) or Husson (2008b) argue that since the 1980s, a time of financial hegemony, the level of corporate profitability has been restored. In terms of productivity, it would mean the recovery of production capacity to generate surplus. Paradoxically, however, this recovery would not have boosted investment, at least productive, leading to a mismatch between the scale of production and consumption and investment demand. Therefore, it is presented in this section, the approach that considers, explicitly or not, that there is an imbalance between production and demand.<sup>7</sup>

From the financialization perspectives there are two explanatory varieties. Financialization can be analyzed as a *result* of this imbalance, more or less functional (Foster and Magdoff, 2009), or it may be considered that financialization itself *originates* this asymmetry by constraining the expansion of the aggregate demand, in this case usually linked to neoliberalism as an expression of financial hegemony (Crotty, 2005; Kotz, 2008; Onaran, Stockhammer and Grafl, 2009; Onaran, 2010). As shown, financialization can both cause the demand gap through a regressive income distribution, as help close the gap acting as an absorbent element of either consumption or investment. Thus, the causality would go from the financial to the productive or vice versa.

This disproportion supposes going back to the under consumption theory, with a long historical tradition. S. Sismondi can be considered its precursor, followed later by writers like TR Malthus, J.A. Hobson, K. Kautsky, R. Luxemburg, F. Sternberg, J. Steindl and even J.M. Keynes, going through Post Keynesian tradition and M. Kalecki.<sup>8</sup> The historical trends of this approach take relevance again with financialization. First,

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<sup>7</sup> In the opinion of Sweezy (1942:204), the subconsumption is a special case of disproportionality.

<sup>8</sup> In terms of the investment theory, Foster and Magdoff (2009:15) themselves explicitly ascribed to the tradition of Keynes, Kalecki, Hansen and Robinson, noting that “this argument was rooted in the theoretical framework provided by Paul Baran and Paul Sweezy’s *Monopoly Capital* (1966), which was inspired by the work of economists Michal Kalecki and Josef Steindl—and going further back by Karl Marx and Rosa Luxemburg, “ (Ibid.:2009:79) although we do not share the reference to Marx.

the legacy of Sismondi highlights the income distribution in itself as the cause of the crisis (Bleaney, 1977:7). To the extent that reported the low wages, it had more acceptance in the ranks of the left wing (Astarita, 2010). In this way, financialization is associated in the field of distribution, in an interclass's manner, emphasizing the wage reduction, which limits the consumption demand (Palley, 2007), more than the investment, which it is derived from the consumption's dynamic.<sup>9</sup> According to Blackburn (2009:129) the ultimate cause for the crisis lies in the extension of poverty. The regressive distribution of income would have fatally sabotaged the accumulation process, by generating an insufficient level of demand from the workers derived from the "super exploitation". Logically, this author specifically states what constitutes the essential corollary to solve the economic crisis: the need for workers (in their case, the Chinese) to have received a greater portion of revenue and thus have formed a more powerful market.<sup>10</sup> Within these same parameters, Lapavitsas (2009b:11) develops his argument, noting that the current crisis, emerged in 2007, is a crisis of the financialized capitalism, meaning, "[it] did not emerge because of over-accumulation of capital (...). Rather, this is an unusual crisis related to workers' income, borrowing and consumption as well as to the transformation of finance in recent decades." For this author, the essential feature of the current phase is the financialization of the workers income.

Therefore, the crisis would constitute a failure of the model of profit-led accumulation according to the terminology of Bhaduri and Marglin (1990), or of the liberal version of the conception of the Social Structure of Accumulation (Wolfson and Kotz, 2009), for productive investment is limited partly by insufficient workers' consumption demand, which requires to boost borrowing (the so-called "wealth effect"), and financial transactions, along with lower demand from the public sector derived from the neoliberal turn and, partly, by flight or appropriation of surplus by rentiers (Stockhammer, Onara and Grafl, 2009). It is at this point where it comes into play the economic policy of financial deregulation and, in general, the neoliberal practice, whose

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<sup>9</sup> For Husson (2008b), the stagnation of wages is one of the elements that, together with the slowdown in investment, are at the base of financialization.

<sup>10</sup> Interestingly, this explanation is consistent with the IMF's analysis regarding the decoupling of the global economy or the realignment of exchange rates or economic policies of different countries as a solution to the imbalances. While it is true that the solution of the crisis in Blackburn distances from the IMF, as he proposes to solve the crisis with these redistributive measures, not to the liking of the multilateral institutions.

peculiarity lies in changing the distribution pattern carried out to solve a crisis of wage pressure in the 1970s, but that it would have led to a crisis of realization nowadays, that is, a crisis of distribution, generally associated with the neoliberal economic policy.<sup>11</sup> Note that this analysis, by taking as basis the distribution pattern instead of the recovery cycle, “poses a priori a problem of realization: if the share of wages drops and if investment stagnates, who will buy what is produced? (...) There is only one possible answer: consumption resulting from non-wage incomes must compensate for the stagnation of wage consumption. And this is indeed what is happening.” (Husson, 2008b). The issue of increasing debt and the subsequent financial proliferation is analyzed from the perspective of this necessity to close the demand gap, which can be generalized and leads to the tradition of the underconsumptionist approach.

Indeed, and secondly, another trend is related to T.R. Malthus, who stressed the problem posed by excess savings and insufficient capitalist consumption demand, thus justifying the existential needs of the landowner as a consumer. But also other options would be to include, in some sense, "exogenous" factors, whether be the hegemony of a superpower with a high propensity to consume-import (USA), the unproductive spending (military), the conquest of new territories (imperialism), etc. Essentially, these proposals address the problem of the sources of a sustained expansion in a context of asymmetry or disproportion between production and consumption. This way, the finances would be functional in this type of accumulation since they allow to solve this imbalance without having to go to wage increases, thus the consumption from the rentiers would maintain and balance the dynamics of accumulation (Husson, 2009:82).

Finance is what is used to effect this compensation, and to do so it follows it three main routes. The first is the consumption of shareholders: part of the non-accumulated surplus value is distributed to the holders of financial revenues, who consume it. This is an important point: reproduction is possible only if the consumption of shareholders comes to support the consumption of wage-earners, in order to provide sufficient outlets, and the increase in inequalities is thus consubstantial with this model.” (Husson, 2008b)

In the neo-Marxist arena, the underconsumptionist view that postulates this financial function is linked in recent decades to the theory of monopolistic capitalism and the

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<sup>11</sup> See Stockhammer (2010) and Onaran (2010) and the explanation of Garzón (2010:14).

authors of the magazine *Monthly Review*,<sup>12</sup> which requires a more detailed view of the elements incorporated.

The three most important underlying trends in the recent history of capitalism, the period beginning with the recession of 1974-75: (1) the slowing down of the overall rate of growth, (2) the worldwide proliferation of monopolistic (or oligopolistic) multinational corporations, and (3) what may be called the financialization of the capital accumulation process. (Sweezy, 1997)

If the elements of this triangle, that mentions Sweezy, are sorted, we see that starting from the tendency to enterprise monopolization, which generates an expansion trend of the surplus, originates an imbalance that leads to a growth below potential or the tendency to stagnation. Methodologically, unlike other explanations for financialization, in his analysis it starts from the production process to explain financialization, specifically the growing surplus generated by these macro corporations, which constitutes a new law of capitalist development, “the law of rising surplus”.<sup>13</sup> But this extraordinary productive capacity faces an insufficient demand. In the absence of productive investment projects with the expectation of obtaining returns, which causality is based on the impossibility of selling the products, capital is directed to the financial sector. The inflow of capital leads to an upward trend in the prices of financial assets, that provide higher returns than other sectors, endogenously explaining the reason that speculative bubbles arise periodically (financial explosions). Financialization would therefore be a consequence of the obstacles to the process of “real” accumulation, serving as a force counteracting the tendency towards stagnation in the absence of which would have been deeper, because of its favourable impact over aggregate demand (Magdoff and Sweezy, 1987). In the words of Foster and Magdoff (2009:19) “the largest of the countervailing forces during the last three decades is financialization –so much so that we can speak today of ‘monopoly-finance capital’.” Therefore, it must be clarified for the purposes of this article that financialization would

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<sup>12</sup> We should highlight P.M. Sweezy and P. Baran, and contemporary followers of its line of thought such as J.B. Foster, H. Magdoff y H. Szlajfer, amongst others.

<sup>13</sup> Opposed to the law of the tendency of the falling rate of profit advocated by Marx, and which inevitably also affects the law of value. According to Sweezy (1942:297,197) is impossible to elaborate a theory of quantitative determination of price levels, given that they do not depend on the values or prices of production. But he assures that the possibility of under-consumption is implicit in the theory of value, as if there is too much production prices decrease, and with it, profit. This situation creates a disincentive for investment, so that the stagnation of production, in the sense of utilization of productive resources below their capacity, must be considered the normal state of affairs under the conditions of capitalism.

not, solely speaking, be the cause of the crisis, but the form that adopts the attempt to counteract the emergency.

However, it progressively occurs that “rather than being a modest helper to the capital accumulation process, it gradually turned into a driving force” (Foster and Magdoff, 2009:18), which leads to “the economy could not live without financialization (along with other props to the system such as military spending) and it could not in the end live with it” (Ibid.:19). These authors consider that the financial explosion is symptomatic of the underlying stagnation, whose last fundamentals are explained from the accumulation pattern under monopoly-finance capital (Ibid.:20). Interestingly, in this approach the financial expansion does not mean an obstacle, as it doesn’t grow at the expenses of the real economy, like it happens in the financial puncture that is exposed in the following section.

There is no reason whatever to assume that if you could deflate the financial structure, the talent and energy now employed there would move into productive pursuits. They would simply become unemployed and add to the country’s already huge reservoir of idle human and material resources. Is the casino society a significant drag on economic growth? Again, absolutely not. What growth the economy has experienced in recent years, apart from that attributable to an unprecedented peacetime military build-up, has been almost entirely due to the financial explosion. (Magdoff and Sweezy, 1987:149)

Similar to the previous underconsumptionist current, financialization would manifest as an expansion of debt relative to GDP (Foster and Magdoff, 2009:19), emphasizing how the households growing indebtedness allows to sustain consumption while the real wages stagnates or even regress. This is because the capitalist economy is implicitly considered a productive structure of consumer goods, vertically integrated, that incorporates the department I in first instance as a source of inputs for the department II (Shaikh, 1978).<sup>14</sup> For this reason the technical change *à la Marx* leads to sectoral disproportion and insufficient demand as it generates monopolies, but it does not limit the ability to create value for workers.

Summarizing, the characterization of the crises in these currents of underconsumptionist roots is associated to the area of distribution, but in the school of MR is linked to the growing corporate monopolization, and in this sense, the production area, while in

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<sup>14</sup> However, this view holds the financial sector as an exogenous element to the accumulation of capital as long as they are not directly derived from the commodity form, the turnover of capital or the technical change.

others the distribution pattern wouldn't be so much a consequence of an intrinsic tendency of capitalism as a result of economic policy decisions, therefore the causality regarding financialization acquires conflicting forms, from being the responsible for the crisis, to being, in a way, a functional consequence.

### **1.3. The squeeze of finances**

This thesis on the crisis affirms that, while the profit rate is restored to the levels before the economic crisis, in general making reference to years prior to the crisis of the 1970s, it happens that a disproportionately wide part has been appropriated by the finances. Then, what would really have been recovered would be the expression of the gross profit rate, meaning, what incorporates the gross surplus, net taxes of subsidies, interests, dividends, etc. But once we quantify the net profit rate, understood as the level of profitability that remains to the company once deducted the parts of the gross surplus that appear to the individual entrepreneur as costs, and what would determine the investment decisions, is seen that it has not recovered, leading to the cessation of investments and the emergence of the crisis.<sup>15</sup> This duality implies that profits distributed as interests and dividends do not return to non-financial investment (Duménil and Lévy, 2004; 2010). On the topic, M. Husson (2008a:2) sustains that the best exponent of the financialization process lies in the part of the benefits appropriated by financial rentiers, as “the growing mass of non invested earnings has been mainly distributed under the form of financial income, and therein lies the source of the financialization process”. Therefore, the essential causal relationship is the puncture that finances incur on corporate profits, which is detrimental to productive investment and modifies the incentives of corporate management in relation to the investment decisions (Palazuelos, 1998; Chesnais, 2003a; Serfati, 2003; Duménil and Lévy, 2004; Epstein, 2005; etc.)

The first hypothesis developed was that high financial profit opportunities lead to higher financial investment and result in a decline in real investment. Second, increased financial payments can decrease the funds available for real capital accumulation while the need to increase financial payments can decrease the amount of available funds, shorten the managerial planning horizon and increase uncertainty. Hence, the second hypothesis developed was that the demand for increased financial payout ratios leaves firms with fewer funds to invest, as well as

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<sup>15</sup> In this sense, this approach relates to the underconsumptionist's, providing an explanation for the apparent disproportion.

a shortening of the planning horizon of its management and increasing uncertainty, which leads to lower levels of investment. (Orhangazi, 2008:882-883)

Note that, unlike what was expressed by the underconsumptionist school of MR, here the financial operates as cause, not as consequence. In this sense, the approach implicitly supports the idea of savings as “leakage” of income flows in the essence of the orthodox problem between savings and investment (see Astarita, 2005). Such leakage may occur in terms of sectors, because it is destined to speculation, or because creditors or shareholders (and continuing, the workers, the State, etc.) appropriate an income that is not intended for accumulation.

In this explanation there are two variants in regards to the type of agent who appropriates the surplus, that being the lenders in virtue of high interests or the shareholders that keep the dividends. The modification of the distributional pattern would reflect a shift in the balance of power between agents due to the change in business organization, its short-term perspective and increased risk taking.

However, although referred to the confiscation carried out by the exposed agents, its methodological focus does not exclude that other punctures may be considered, particularly as many elements are part of the benefits, or why not, the value of total production, insofar as they are perceived by the industrial capitalist as deductions from their potential gain. In this manner, we somehow return to the Ricardian view of value of the total production, as the relevant aspect is that this causal perspective implies the fixed consideration of a given magnitude, that being the total benefit or product, from which the increase of one of its constituent parts means inevitably the reduction of the others. In other words, it would be a zero sum game. In these terms, this approach connects with different theories for the crisis.

i) The problematic nature of the financial expansion involves considering this brand or activity as unproductive, especially evident in the post-Keynesian current, i.e. as a burden for the accumulation process even when it could be more or less necessary. This analysis is also an *integral causality*, in other words, it would not even allow to say that as part unproductive or even as portion of the surplus, it would reflect an activity indirectly unproductive. This would be the case if we considered the contradictory effects over the profit rate, which reduces statically and improves dynamically. To

sustain that the unproductive activities suppose an obstacle to growth “means to argue that unproductive expenditure works as an independent and autonomous variable in the functioning of the economy,” (García *et al*, 1999:250-251) and that reflects the static nature of this type of argument. It is this characteristic that explains that the causal relationships are located within a comparative framework that does not consider the dynamics of technical change and its consequences. Given an extension of the activity, value added, investments or perceptions in the financial field, it immediately considers them as causes. These authors did not however overlook the debate of productive and unproductive work, monopolized by the Marxist current. In this sense, it is heir, or it should be said that it would fit, in the group of theories focused in the extension of the activities considered as unproductive, that generally bring together trade, monitoring, etc., in addition to the financial, in explaining the decline in the profitability of the capital, epitomized by Moseley (1991).<sup>16</sup>

ii) From the perspective of the dichotomy between production and circulation, coincides with the analysis of Lebowitz (1976), who also alluded to unproductive spending, arguing that “the time of circulation, the barrier to capital, necessarily has a critical effect on the rate of profit” (Ibíd.:246), that is to say, “it is the increase in circulation time which leads to the crisis.” (Ibíd.:247). Following these terms, Lapavistas (2009a:4) considers as the most relevant aspect that the supporting authors of this thesis share the idea of associating financialization with a change in the balance between production and circulation, for what financialization would imply a quest for profits in the sphere of circulation.

iii) The methodological focus also justifies that this view is equated with the set of proposals that have explained the decline in the net business profit from the pressure of some of the different portions of total income. Firstly, we must refer to the famous theory of *profit squeeze*. If the incomes of finance can squeeze the net profit (reinvestable), is not it equivalent to an increase in wages? In this case, when you enter an interclass’s dimension against what are fractions of the overall surplus, one could argue a radical conceptual difference between one income and other. But also, to the

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<sup>16</sup> While it mentions the significant increases in the composition of capital, it concludes that the crucial factor is the growth of the costs of unproductive activities, composed in 95% of the wages of unproductive workers (Moseley 1991:111-113). However, it characterizes the current crisis in terms of Minsky, through the own traits of the financial field (Moseley, 2008).

extent that the focus of financialization establishes causality in the opposing movements of corporate profits and the interests/dividends, from the general perspective of product value it may result equivalent to consider that are the wages that may reduce corporate profit, as it also entails costs for the individual entrepreneur. Also, in the case of dividends the shareholder can also be considered like an employee.

This approach has found a growing popularity in the context of the economic crisis since the seventies, although it finds its origins in authors such as D. Ricardo<sup>17</sup> and others like F. Bastiat and H. Carey, specially. Moreover, these ideas would be defended by Tugán-Baranowsky, Von Bortkiewicz, Von Charasoff or J. Robinson, alongside representative authors from the United States *Radical Economics* current, the British *New Left*, and more recently from the so-called "analytical Marxism" or "rational choice". Additionally, from the ranks of heterodoxy it has been linked to both the hypothetic monopolistic phase of capitalism (Dobb, 1937) and to its competitive phase (Sweezy, 1942; Sweezy and Baran, 1966). Subsequently, a series of analysis came to light in the heat of the capitalist economic crisis of the seventies that gave prominence to the growing militancy of the labour movement and their wages demand, thus placing the class struggle in the center of the debate. One of the classics of the theory of restricted profits through wages pressure is the one by Glyn and Sutcliffe (1972), about the British economy, said approach would be continued later on to the United States by Boddy and Crotty (1975), amongst others.<sup>18</sup>

iv) Other punctures may also be considered, like the ones put in place by the state in the form of taxes. An excessive taxation could also be the cause of the crisis as it impacts negatively on earnings (or on wages, according to the Keynesian perspective), whose ultimate cause may be social spending, and more generally the welfare state. The imbalance between State expenditures and revenues create the so-called fiscal crisis (O'Connor, 1973).<sup>19</sup>

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<sup>17</sup> See Marx (G,II:291; TSV,II:403).

<sup>18</sup> Another author with a similar characterization is Itoh (1978), who nevertheless performs a more sophisticated theoretical elaboration, as it introduces the demand for money and the lack of means of circulation, while Laibman (1982) focuses on the choice of technique.

<sup>19</sup> It would implicitly explain the economic crisis from the economic policy, as poor management would be the essence of the problem, moving the causality toward the outwards of the economic sphere, though it is considered, as in the case of the said J. O'Connor, the influence of monopolies.

v) Complementary to the foregoing, it should be noted that approaches closer to the Keynesian rescue the inverse relationship between real interest rates and savings, reducing the potential investment, as opposed to the orthodox analysis (Plihon, 2001:142; Palazuelos 1998:205), considering that high real interest rates are one of the elements of the current phase of capitalism.<sup>20</sup>

Up to this point we have looked at the different theories for the crisis from the perspective of capital accumulation and profitability. This analysis can be synthesized from the characterization performed by Palley (2007:14): “the era of financialization has been marked by (1) a slight shift in income toward capital, (2) a change in the composition of payments to capital that has increased the interest share, and (3) an increase in the financial sector’s share of total profits,” along with the effects over the consumption of the rentier’s enrichment (and of the housing and financial market bubbles) and the shareholder value orientation (Onaran, Stockhammer and Grafl, 2009).<sup>21</sup> Consequently, the analytical aspect to note is the development of an explanation of the crisis originated in the pattern of income distribution, not on production value and technical change: between social classes, reducing the income of workers, and within segments of the capital, promoting non-productive absorption, and altering the basis of the reproduction process, which evidences all of the quantitative and qualitative dimensions of this diagnosis.

## **2. ANALYTICAL ASPECTS**

### **2.1. The concept of capital and the unilateral perspective**

The financialization thesis expresses a contradiction between two segments of the capital, the productive and the financial (Plihon, 2001; Duménil and Levy, 2004, etc.). There would be an hegemony of the finance capital, that comes to characterize even as a dictatorship of creditors (Chesnais, 1996). The finances would be able to make the economic policy measures to be implemented according to their interests, which should

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<sup>20</sup> However, to the extent that a crucial role is provided to savings as the foundation of the accumulation, yes they are connected to the orthodox approach.

<sup>21</sup> In the words of Martínez González-Tablas (2007:337), “financialization favours the creation of surplus at the expense of labour, but in the distribution of surplus it favours the fictitious capital at the expense of productive capital, distorting the operation of the ECS [Economic Capitalist System] and, indirectly, damaging labour.”

not coincide entirely with the productive capital. In particular, the restrictive policies that raise interest rates benefit the finances but are detrimental to economic growth, which would be interesting for the industrial capital. In fact, for the post-Keynesian current (Crotty, 2005; Epstein, 2005) this contraposition would explain the relationship between real economic stagnation and expansion of finance, recovering the concept of the emergence of the rentier as a parasitic agent by Keynes (1936, chap. 24, II). Such capability requires certain autonomy of the financial capital in respect of the industrial capital, which will be one of the main substantial axis of the financialization argument (Chesnais and Plihon, 2003:17).

On the one hand, there is a growing autonomy of financial capital with respect to economic dynamics. This process, as a financial "isolation", assumes that the application and profits take out in the financial markets reaches a certain independence in relation to productive activity. Finances stop exerting a functional role in the service of productive investment, and acquire a substantive role, becoming a final activity. (Medialdea, 2009:132)

The inter-capitalist contradiction between finance and productive capital is opposed to a consideration of the concept of capital as a whole (capital-in-general) that precedes its constituent parts. The capital as a social relationship would be the result of the aggregation of its parts, which demand internal autonomy and, eventually, are in contradiction to a higher level of analysis. Although the emphasis in the financial capital justifies its attribution of substantial entity. In any event, these fractions are not discussed as moments or ways in which transforms the capital-form. The funding view, then, implicitly introduces from the outside the segments of capital not as moments or phases of the capital cycle, that is, ways in which transforms the shape-of-the-capital, understood holistically as a whole, but as self-existing and self-supporting elements.<sup>22</sup>

Consequently, it supposes an antagonist and/or capital fractional approach (Clarke, 1978) that involves a microeconomic or unilateral perspective, and inevitably leads to the emergence of various hegemonies under specific historical conditions. Thus, the imposition of certain monetary, fiscal and deregulatory policies would result from the triumph of finance capital over industrial capital (Clarke, 1988a). This analysis also connects with the characterization of the State from the 'hegemonic fraction "within"

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<sup>22</sup> We refer to Clarke (1978:39-56) and Mateo and Lima (2010).

the “power block” that Clarke (1978) links to N. Poulantzas. Similarly, different fractions can be established based on national criteria, sector, character, etc.

In these texts it is not clear whether or not this denomination arises as a result of a trend that emerges with the development of capitalist production, although it seems to be suggested that it is based on aspects of conjuncture, such as the type of monetary system, deregulatory measures, etc.<sup>23</sup> The point is that this limited perspective brings as a consequence the absence of a general theory for the crisis. Indeed, these views agree on the lack of a conception of crisis containing abstract elements from which to develop the concrete meaning and manifestation of the crisis. In other words, there is an absence of an analysis that differentiates between the capitalist economies in the abstract, in the sense of a historically determined mode of production with respect to the particular economic formations that shapes its constituent parts. This aspect is particularly important from the perspective of the dichotomy between the causes (deep or essential) and consequences (superficial or visible), and that deserve to inquire into the reasons for the heightened dependence of certain economies for international finance. For example, from the perspective of a given economy, indeed one can speak of financialization insofar as it shows a high degree of dependence on international financial markets, and that this determines the type of economic policies to be implemented, that a massive volume of capital movement is observed, or there is a capital outflow threat in the country in question, with the objective to influence certain decisions on economic policy. Ultimately, it is plausible in these terms to consider a crisis of a given economy from the financial perspective, but it can also occur from the commercial perspective such as a reduction in demand that prevents selling, or alternatively a rise in the cost of imports, as happened in the seventies with the rise in oil prices.<sup>24</sup> A country can have a healthy macroeconomic performance and suddenly suffer an outflow of funds because of a financial panic resulted from problems in another geographic area, or be affected by

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<sup>23</sup> It results curious that Sweezy (1942, chap. XIV, sect. 5) considered at the time that in the long run the economic power of the banking institutions tends to weaken, by which the banking capital would return to its position of subsidiary of the industrial capital. Now the analysis is focused on the specific situation, leaving aside the study of trends in capitalism as a mode of production. Thus, from a conjecture perspective, Caputo (2010) speaks of an hegemony of productive capital since the nineties thanks to falling interest rates, but essentially maintaining a "fractional" focus of capital.

<sup>24</sup> This is the case of Glyn and Sutcliffe (1972), that taking the perspective of the British economy elaborated an explanation of the crisis based on the increased costs (mainly salaries), that in a context of high international competition could not be transferred to prices by the capitalist class.

economic policy measures taken by another country, etc. Occurrences that from a limited perspective confirm the existence of financialization and that suppose partial explanations for the crisis that ultimately are not related to the capitalist economic system as an abstract mode of production. As a theoretical analytical approach parts from the historically specific manifestation of a particular economic system, it will be limited to describe the manifestation of phenomena, and not to inquire into its essential foundations. Therefore, from the perspective of a given economy is logical to perform a systematization of different types of crisis depending on the form of its trigger, as it can arise because of market factors, financial factors, currency, economic policy, etc.<sup>25</sup>

Similarly, the unilateral perspective of the business agent leads to the same consequences, establishing causal relationships between different types of income or considering what is or not cost from this same perspective. In the case of interest rates, this approach argues that the economic authorities, which reflect the will of finance, have the ability to fix them at will. In this way, the formation of these rates is dissociated from the objective process of capital accumulation, as in another case it would be a consequence of the crisis and not its cause. This opens the way for exogenous concepts of money, and leads to explanations such as the coup d'état of finance made famous by Toussaint (2002).

In short, it implicitly assumes a microeconomic perspective as much as these analysis are riddled with references of financial globalization, so that, strictly speaking, no one could speak of a theory for the crisis, but an *explanation of the manifestation of the crisis at a given moment*. That is, it culminates in a mixture of types of crises each of which require a particular theory, and one of the most recurrent is currently financialization.

## **2.2. Microeconomic perspective and subjectivity**

As just argued, these explanations emphasize the unilateral or microeconomic dimension, in which the subjective dimension of agents' behaviour plays a major role in explaining the crisis. This section reveals aspects derived from the concept of equity

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<sup>25</sup> In this regard, we share the methodological approach of Caputo (2010:15), when he notes that the vision of financialization "confirms the limitations and errors that can lead the theoretical-methodological approach in the economic science that has as the fundamental scenery the national economies," but also the advantages, of course.

derivatives and the approach taken, which incorporate i) the rentier capitalist, which eventually may become ii) monopolistic, linked to imperialism, and iii) the economic policy decisions associated with neoliberalism. We find ourselves with a triangle formed by financialization, neoliberal economic policy and the geopolitical dimension of United States dominance (imperialism).

The rentier capital is usually the subject of critical attention by authors closer to Keynesianism (see Stockhammer, 2004, Crotty, 2005, Orhangazi, 2008), although not exclusively.

Much of the literature on financialization assumes (sometimes tacitly) that the ascendancy of the idle rentier characterises contemporary capitalism (...) This is a heart a Keynesian approach arguing that the rentier slows down the rhythm of accumulation either by depriving the active capitalist of funds, or by raising interest rates.

Analysis of the rentier can be found in Marxist political economy, with the occasional reference coming directly from Marx (...) The strongest impact was made by Lenin's discussion of 'parasitical rentiers' in his classic theory of imperialism. Lenin took the idea from Hobson, the liberal critic of imperialism. (Lapavitsas, 2009b:24)

This primacy given to the rentier capital is manifested in one of the qualitative features that show the incidence of financialization in the crisis, as it is the corporate behaviour. At this stage of capitalism it would favour the maximization of shareholder value, that is, precisely the agent whose income will press on surplus, limiting its availability for productive investment, in which is present the shift towards a short term view, different on the long short term from industrial investment. This speaks of *corporate governance*, reflected in a drift towards the financial business of a group of companies that, in principle, do not belong to this area. These changes lead to a place where the overvaluation of the shares may result in one of the new traits of financialization.<sup>26</sup> In summary, we can say that one of the representing factors of financialization and therefore to some extent partners in the gestation of the crisis, is a qualitative aspect such as the modification of the behaviour (strategy) of the representative agent of capitalism, which in its quest to achieve higher returns assume new and growing risks that would have triggered the so-called "subprime crisis."

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<sup>26</sup> See the list of tables (2007:324) concerning the impact of financialization on corporate behavior: the imposition of a profitability criteria, stock overvaluation, centralization of capital and alteration of productive structures. In short, it can be said that it would have gone from a business model of retain and reinvest to another of reduce and distribute, according to post-Keynesian model of the theory of the firm by Stockhammer (2004). See in this regard Garzón (2010).

On the basis of these aspects and their interaction lays a higher profitability obtained by the finances. In this case there would be a duality of profit rates, which would imply that the financial sector could act as a monopoly to absorb higher levels of investment given their extraordinary profits, which justifies rescuing this traditional view popularized by authors such as R. Hilferding and V. Lenin (Astarita, 2008:9). In fact Mandel (1962, II, cap.12), inspired by J. Steindl, sustained the existence of two levels of profitability, of the competitive and monopolistic sectors. Currently, this differential is explained by the extraordinary power of finance, which can alter government decisions and even the determination at the will of its “selling prices”, the interest rates.

One of the mechanisms lays in the economic policies implemented by governments, especially the one implemented by the dominant power, the U.S. and/or international financial institutions like the World Bank or the International Monetary Fund (Duménil and Levy, 2010; Panitch, 2005). The neoliberalism would essentially assume the recovery of the power of finance for the benefit of the imperialist center of power. Or what is the same: that the strategy of affirming the political supremacy of a nation is founded on the mechanism of financial deregulation. Within these parameters we can say that “this crisis is certainly that of neoliberalism but, to this first characterization, one must add the reference to “U.S. hegemony”” (Duménil and Levy, 2010:1). Another possibility is the case of companies that face no competition and have the ability to set prices at will, increasing their return over the average at the expense of workers and other capital. In the latter case financialization would originate from the economic system itself, and not from an external element such as the government.

However, in both cases the higher profitability and the underlying power relations inevitably lead to the thesis of imperialism, i.e., the possibility of carrying out extra-economic coercion by the financial capital monopoly from its hegemonic position (Astarita, 2004:136). Note that the reference to the extra-economic is justified by a mechanism alien to the deployment of an objective regulatory mechanism or endogenous to the dynamics of accumulation, as might be the law of value by Marx. In fact, imperialism is traditionally identified with the dominance of monopoly (Ibidem.), hence the link with the classical thesis of R. Hilferding and V. Lenin, as shown in Lapavistas (2009a:6), who notes that its proposed approach to financialization “is based explicitly on the classic Marxist debates on imperialism and financial capital at the

beginning of the twentieth century.” So when the subjective takes such importance, we refer to financial expropriation as a defining feature of the current phase of capitalism (Lapavistas, 2009b). With these proposals, explaining the dynamics of the capitalist system does not require the law of value, but the subjective aspects such as imperialism and financial monopolies that subjugate people (Toussaint, 2002). If in Hilferding and Lenin the centralization of credit in the banks allowed them to be able to control the activity of industry and commerce, today those would be the international financial institutions. A clear example is the focus of Sweezy and his followers, in which the expansion of monopolies is linked to the problem of large surplus, using the category of the *monopoly-finance* capital (see Foster and Magdoff, 2009:92).

Monopolization has contradictory consequences: on the one hand it generates a swelling flow of profits, on the other it reduces the demand for additional investment in increasingly controlled markets: more and more profits, fewer and fewer profitable investment opportunities, a recipe for slowing down capital accumulation and therefore economic growth which is powered by capital accumulation. (Sweezy, 1997)

At the peak of the financial underconsumptionist vision of the school of MR a parallel is drawn with the theory of imperialism, as it plays the same role as the export of capital to the colonies for the authors of the early twentieth century, as a possible solution to absorb excess idle capital. Currently, however, financialization has resulted in an inverted capital export, from outlying areas to the United States (Panceira, 2009), so the manifestation of imperialism has been transformed. Just as decades ago, it was analyzed the stagnation of the third world due to the transfer of surplus derived from the unequal exchange that happened in the trade, which involved locating the source of exploitation and crisis in the C'-M' exchange; now exploitation, while excessive appropriation of income that even leads to the notion of expropriation, lies in the financial relations of M-M transactions. Note that the idea of unequal exchange replaced in their day the idea of colonialism. Similarly, there was also unequal exchange or looting through the transfer of income (including royalties) in foreign direct investment (see Astarita, 2004:147-148).

Thus, either by increasing puncture of finances on overall profitability, or as necessary to implement the growing surplus, the relationship between financialization and imperialism is based objectively, the reference of the law of value disappears, as it is replaced by the relative strength possessed by each company. It would be a subjectivist

theory reflected in the ability of the contenders for pricing determination regardless of the reference targets that ultimately could lead to abstract labour. Also, the reality of exploitation is not located at the production stage, but on financial relations where in the opinion of the authors there is no creation of value, so it can be better characterized as a new version of unequal exchange derived from an asymmetry of power. Therefore, the subjectivity that is emphasized as a specific trait of the analysis prepared by the financialization approach is derived from its concept of capital, and is evidenced by the role assigned to the financial capital as an agent. This is not the personification of certain underlying social relations (Marx), but independent in itself. But this subjectivity does not mean that there are no goal references that support the financial primacy, as is the higher profitability that is attributed, but ultimately this financial prominence is not derived from the process of capital accumulation, but from other special interests.

### **3. CONCLUSIONS**

From the starting proposal for the type of characterization that is made for the economic crisis, the main conclusion reached is that the thesis of financialization is among the approaches of *disproportion*, *circulationist* or the *possibility* of the crisis. This does not exclude the recognition of the absence of an elaborate theory on the crisis, for what our analysis of the relationship of the limits of the accumulation process detects extremely heterogeneous elements. Certainly, this is consistent with the previous fact, as explained, that there is no agreement on the concept of financialization which must base the analysis of expansion and crisis.

This lack of a general theory for the crisis on the capitalist mode of production is derived from a rather "circumstantial" nature of the explanation of the crisis (see McGrew, 2005:224), which arises in a determined historical moment understood as "financial hegemony" and therefore based in the form of external manifestation of the crisis. There is also an absence of a theory of value, properly explained, that serves as argumentative support. In this sense and taking the theoretical elements that characterize these currents, studied in the second part of the article, it appears (or is explained by) the underlying concept of the capital, called "fractional" together with a microeconomic or unilateral perspective that prioritizes the dimension of the subjective processes, that is, emphasizing the subjective contradictions between segments of capital, social classes,

countries and economic policy decisions. In this regard, we have highlighted three aspects that have become especially relevant: i) the role of the economic agent, the rentier, with a specific business behaviour; ii) the recovery of the category of monopoly, and therefore the implications related to profitability and imperialism, and iii) the neoliberal economic policy that has rescued the hegemony of finance.

From the foregoing it is possible to grasp the course developed through the relationship between the process of accumulation and profitability of capital that allows demonstrating another of the conclusions: despite the novelty of some of the elements that explain financialization, methodologically it has an obvious correspondence with many other existing theories of crisis for some time. In other words, there isn't much novelty under the sun.

Firstly, the attribution of responsibility for the crisis to excessive expansion in the financial field resembles to the theories of disproportion that emerged after the publication of book II of *Capital*, whose protagonists were the narodniki and the legal Marxists. Secondly, and as referring to the surplus and investment, some authors blame financialization for causing a drop in consumption and investment demand (a gap of demand), and more specifically, blaming the neoliberal policy. While others, linked to the school of MR, base this situation as characteristic of contemporary capitalism, to conclude that financialization is a consequence of this other disproportion between production and demand, and therefore functional. In any case, both views are consistent with the underconsumptionist tradition, present in different schools of economic thought. And thirdly, financialization could have caused an excessive absorption of surplus in the form of interest and dividends that would have reduced the rate of net profit, i.e., resulting in a crisis due to a constriction of the profits. Similarly, this approach can be placed methodically in a broader set of theories that have explained the crisis through the expansion of unproductive activities, movement, the profit-squeeze and state taxation, aiming to pinpoint the source of the problems in the distribution of surplus, and its negative effects on investment

In short, we see that the thesis of financialization does not consider an inherent tendency of the capitalist system towards crisis. It does not consider the possible need for financial extension from the commodity form, the process of accumulation or the

recovery cycle. Therefore the crisis wouldn't be a necessary and inevitable element of the process of accumulation, but that it could be avoided with proper management that restores the conditions of proportionality between sectors and segments of the capital, as well as a redistributive policy that solves the imbalances of supply and demand. Ultimately, and finally, it may be possible to come to the conclusion that the very Husson explicitly recognizes:

This interpretation contains a part of truth but runs the risk of exonerating the productive capitalism. In short, there would be a "good" capitalism hampered to function properly by the punctures operated by the finances. Such a scheme [grill de lecture] logically implies that the horizon of an alternative project could be limited to the regulation of capitalism: to alleviate this financial pressure from where it comes all the ills, it could be given the means to function normally. (Husson, 2008a: 1)

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