### A Marxian Theory of Financialisation of the U.S. Economy

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#### Abstract

We present a Marxian theory of financialisation of the U.S economy as an outgrowth of the autonomisation of capital. We provide a new theory of how financialisation connects to the Marxian economic theory, and we do so by developing the principle of autonomisation. Autonomisation is the tendency that capital and its value forms have to separate from and to undermine their own material bases. Our framework incorporates financialisation through a definition of capital that does not privilege solely financial or productive aspects. We compare our approach to other heterodox theories and demonstrate how our alternative offers a novel theoretical understanding of financialisation and of Marx’s ideas.

**Key-words:** Financialisation; Autonomisation; Marx; Capital; Accumulation

**JEL Classification:** B51, G00, P16

#### Resumo

Neste artigo desenvolvemos uma teoria marxiana sobre a financeirização da economia norte-americana. Propomos uma nova abordagem sobre como a financeirização se relaciona à teoria econômica marxista, e assim fazemos por meio do conceito da autonomização do capital. Autonomização refere-se à tendência que o capital e suas formas de valor têm em distanciar-se de, e de também negar, suas próprias bases materiais. O quadro teórico que desenvolvemos entende a financeirização através de um conceito de capital que não privilegia aspectos somente financeiros ou produtivos. Comparamos nossa abordagem como outras teorias heterodoxas e demonstramos como a nossa alternativa oferece um novo entendimento tanto sobre a financeirização norte-americana quanto sobre as ideias de Marx.

**Palavras-Chave:** Financeirização; Autonomização; Marx; Capital; Acumulação

**Área 1:** Escolas do pensamento econômico, metodologia e economia política.

# 1. Introduction[[1]](#footnote-1)

Financialisation of the U.S. economy is currently a hot topic within the economics profession, yet it is not well understood. The financialisation term genuinely appeared among the economic heterodoxy to denounce the unprecedented expansion and transformation of monetary and financial elements in modern-day capitalism (Arrighi 1994; Harvey 2005; Epstein 2005; Crotty 2003, 2000; Boyer and Saillard 2002; Chesnais 2005). The term is also associated with the empirical findings that financial investments have overtaken real productive investments (Orhangazi 2003, 2006; Stockhammer 2004; Krippner 2005) and that financial liberalization has nurtured a class of international rentiers (Epstein and Jayadev 2005). The challenge that remains open is to theorize its nature and specific mechanisms. As a response, the current paper will develop a Marxian theory of financialisation of the U.S. economy. Distinguishing features of the Marxian vantage point include the explicit account of contradictory dynamics and the conceptualisation of capital as a value form.

The main objective of the paper is to answer the question of what financialisation is. Contrary to current dominant heterodox approaches, we will use Marxian theory to embed finance in a broader framework of analysis. The first reason to do so hinges on the diagnosis that the economic heterodoxy relies excessively on financial aspects, relegating other non-financial elements to secondary or passive roles. When production appears it appears passively: finance made production more short-sighted; shareholder revolution forced managers to care less about long-term profits; finance crowded out real productive investments etc. The heterodox literature on financialisation has proven to be a fruitful one. But its excessive reliance on finance can be a shortcoming.

Our proposal aims, in a first moment, at substituting ‘autonomisation’ for the term ‘financialisation’. The principle of autonomisation that we develop derives from an alternative reading and extension of Marx`s original ideas. Autonomisation refers to the ontological tendency that capital has to separate from and to undermine its own material basis of expansion, namely the production of use-values through labour exploitation. The theory of autonomisation has at its core the understanding that the expansion of value constitutes a contradictory dynamic that has both self-enhancing and self-negating effects.

The concept of autonomisation does not privilege solely financial or productive elements: the autonomisation of capital can occur via changes in production as well as in finance. Our approach consists in theorising financialisation, using proper Marxian categories, as the monetary and financial dimension of capital autonomisation.

The current financialisation of the U.S. economy is not the result of an economic necessity. Neoliberalism and financialisation are both outcomes of a political project to favour the interests of asset owners to the detriment of wage earners (Harvey 2005; Resnick and Wolff 2006). But given the fact that the neoliberal project has won since the 1970s, what explains the new patterns of wealth accumulation that followed suit? There was no economic necessity to liberalize financial markets, but given that it happened, how do we explain that less restrained economic activities produced present paradoxes such as the crowding out of real investment and the rise of rentiers? To answer the latter questions we propose an alternative way of interpreting and expanding Marxian economic theory. We provide an alternative way of explaining why more unrestricted markets in the U.S. created such contradictory patterns for wealth accumulation.

We theorise contemporary financialisation through a Marxian economic theory that contains elements not currently found in the heterodox literature. Additionally, the theory provides a way to connect present-day financialisation with the general discourse that Marx inaugurated. The main objective is to develop a new critical framework of analysis that expands on Marx`s ideas and that explains current events in the U.S. economy.

# 2. Autonomisation and Financialisation

The important status of financialisation represents an urgent entry point for understanding the contemporary dynamics of U.S. capitalism. The theory that we propose is a new way to conceptualize what financialisation is, its ontological nature, and how it operates beyond pure financial aspects. The principle of autonomisation demonstrates how financialisation contributes to a more general trend in the development of the capital form.

The general trend that we emphasize is the tendency that capital has to expand while separating from and undermining its own material basis, namely the production of new use-values through labour exploitation. ‘Separation’ means the introduction of layers of mediation between the forms of value and their respective material supports. We develop an alternative interpretation and expansion of Marx`s seminal contributions, supported by passages from his own writings, to demonstrate that the autonomisation of capital and of its value forms is central to a Marxian theory of value accumulation. The objective is to show how Marx ontologically conceived of capital not only as self-expanding value but also as value expansion that separates from and undermines the material conditions for value creation.

Each value form in the Marxist system – commodity, exchange-value, general equivalent, coin, money, capital, continuous capital accumulation, interest-bearing capital, rent-bearing capital, and fictitious capital – is a momentum in the general process of autonomisation. The derivation of the value forms in the theoretical system is the result of a unique method that Marx, with significant Hegelian inspiration, developed in *Capital* and the *Grundrisse*. His method consists of showing that capital can never solve its contradictions. What capital does is to set its contradictions to higher and more generalized levels when attempting to solve them (Fausto 1997, 1987a, 1987b; Paulani 2009, Dussel 1991; Harvey 2006).

The standard definition of capital as self-expanding value misses the basic idea of capital as a value form that has the tendency to expel its own content. Surplus value expansion both depends on and expels labour exploitation. Capitalism has the impulse to produce revenues dispensing with labour exploitation, surplus generation, and use-value creation. Autonomisation is the characteristic that capital has to engage in a contradictory valorisation without value creation.

The autonomisations of the different forms of value do not take place equally. Each value form tries to autonomize itself from its specific material support. Depending on the specific support, the autonomisation of the forms of value occurs through distinct manners. Marx begins his ontological explanation of capitalism with the commodity form as the stem cell of all other value forms in the system. What characterises the commodity form is the contradiction between its two constituents: value and use-value. The origin of the contradiction between value and use-value lies in the contradiction between abstract and concrete labours, itself a contradiction created by the historical opposition between privatised relations of production and socialised forces of production. The contradiction that begins as the paradoxical relationship between value and use-value unfolds into more developed forms of value, for which the contradiction becomes the one between forms of capital valorisation and their respective supports, such as the production of new value or use-values via labour exploitation (Teixeira 2007; Paulani 2009).

Each development of the successive forms of value is a step towards the increasing autonomisation of capital from labour exploitation. We can synthesize capital’s ontological formation with a simplified scheme: labour (abstract vs. concrete) 🡪 commodity (value vs. use-value) 🡪 exchange-value 🡪 general equivalent 🡪 coin 🡪 money 🡪 capital 🡪 productive capital 🡪 continuous accumulation of capital 🡪 interest-bearing capital 🡪 rent-bearing capital 🡪 fictitious capital. Money, capital, accumulation of capital, interest-bearing capital and fictitious capital are all higher forms of the core tendency of autonomisation:

“All contradictions of the monetary system ... are the development of the relation of products as exchange values, of their definitions as exchange value or as value pure and simple” (Marx, 1973, p.152).

The key to understand autonomisation is to first understand the dialectics. For the dialectics, becoming, and not merely being is the truth: “For the real issue is not exhausted by stating it as an aim, but by carrying it out, nor is the result the actual whole, but rather the result together with the process through which it came about” (Hegel, 2002, pp.26-27, §3). Lukács also understood the same point: “reality is by no means identical with empirical existence. This reality is not, it becomes. [...] In this Becoming, in this tendency, in this process the true nature of the object is revealed" (Lukács, 1922, p.203). The dynamics of becoming is central to the Marxian dialectics as it is central to the Marxian concept of autonomisation that we propose in this article. Truth is reality being developed. Autonomisation is the truth of capital: it is capital’s way to develop and unfold itself.

Capital as M-C...P...C’-M’ can abbreviate to M-M’ exactly because the motive of capitalist production is not the expansion of the production of commodities as use-values but rather the valorisation of value. Capital tries as possible to disencumber from labour exploitation while still contradictorily attempting to self-expand as value. Autonomisation can then appear as economic agents, be them financial or non-financial, trying to generate revenues without the actual production of new use-values or values through surplus labour extraction.

Autonomisation, as we understand it, takes place as capital tries to solve its unsolvable contradictions. What capital does, then, is setting the contradictions to higher stages by gradually distancing the expansion of value away from labour exploitation. If fictitious capital is the most autonomous form of capital it is so because as fictitious capital the value form is separated from its material basis by several mediations. The higher the stage of autonomisation the greater are the layers of mediation that separate the value form from its support. Autonomisation is contradictory because it is, firstly, the expression of capital playing around with its own unsolvable paradoxes and, secondly, because capital attempts to valorise itself while undermining what really creates value.

Financialisation is just a higher stage and a historical outgrowth of autonomisation: it is a contemporary stage and one dimension - even though not the sole - through which the expansion of capital contradictorily tries to disentangle itself from labour exploitation. Financialisation, in our Marxian framework, represents the monetary and financial dimension of the general process of capital autonomisation. Financialisation is the autonomisation of capital occurring through financial and monetary forms of value.

The theory of autonomisation, contrary to the dominant heterodox approaches, focuses on how capital develops its own value forms and how each value form both enhances as well as undermines value creation.

# 3. Stages of Autonomisation: Re-Reading *Capital*

In the current section we develop an alternative interpretation and expansion of Marx’s ideas that allows us to relate financialisation and autonomisation to the Marxian economic theory. We explicitly demonstrate how a proper reading of *Capital* and the *Grundrisse* reveals the autonomisation principle. The ontological development of capital, as we shall see, is its own autonomisation.

## 3.1 Logical and Historical Discourses

Marx proceeds stepwise in his theoretical system. The ontological starting point of autonomisation is the commodity form, as presented in the very first chapter of *Capital I*. The commodity form is the starting point as it is the stem cell of the contradictions of capital. The contradictions of capital find their initial source in the relationship between the two constituents of the commodity form: value and use-value. The dialectics of value and use-value is a key aspect of the formation of capital and of its initial autonomisation.

From *Capital’*s volume 1 to volume 3, and also in the *Grundrisse*, Marx presents capital as a form of value with the inherent tendency to become autonomized in relation to its own basis. Each logical step derived from the very beginning of *Capital I* is a stage in the progressive autonomisation of value forms. The first two value forms that appear in Marx’s system are commodity and money. Commodity and money have as their constituents the seeds of capital autonomisation:

1. Exchange-value is autonomized value;
2. The general equivalent is autonomized exchange-value;
3. Money is autonomized general equivalent;
4. ‘Money as a sign’ and ‘money as money’ are autonomisations proper to the money form;
5. Capital is autonomized money;
6. Interest-bearing capital and rent-bearing capital are forms of autonomized capital;
7. Fictitious capital is autonomized interest- and rent-bearing capitals.

In the following subsections we divide the stages of autonomisation in the Marxist system into three phases:

1. Autonomisation of value in relation to use-value, and the emergence of the money form;
2. Autonomisation of money in relation to circulation through the de-materialization of money and through money becoming an end it itself;
3. Autonomisation of capital in relation to labour exploitation through technological progress, monopoly capital, interest-bearing capital, rent-bearing capital, and fictitious capital.

Marx wrote *Capital* in a logical order, not in a historical order. The Marxist system presents the forms of value as derived progressively one from the other, and the presentation of the theoretical system does not follow how capitalist value forms have appeared in history. It is central to our theory of autonomisation that we differentiate between the historical and the logical discourses. Money, usury capital and fictitious capital all chronologically preceded the dominance of the commodity form. But they do not precede commodity in the logical presentation. Marx is very clear about this point:

“Reflection on the forms of human life, hence also scientific analysis of those forms, takes a course directly opposite to their real development. […] man seeks to give an account, not of their historical character, for in his eyes they are immutable, but of their content and meaning” (Marx, 1990, p.168)

“It would therefore be unfeasible and wrong to let the economic categories follow one another in the same sequence as that in which they were historically decisive. Their sequence is determined, rather, by their relation to one another in modern bourgeois society, which is precisely the opposite of that which seems to be their natural order or which corresponds to historical development” (Marx, 1973, p.107)

The transition from one form of value to a more developed one occurs as the contradiction constituent of the first form unfolds into a more generalized one. The initial contradiction is not solved; it is transformed when elevated to higher layers in the system. In its totality, capital develops different contradictions at different stratums of abstraction. The dynamics of contradiction is, therefore, at the core of the Marxist system of value expansion.

## 3.2 Autonomisation of Value from Use-Value

The first stage of autonomisation results from the contradiction between the two constituents of the commodity form. The first constituent is use-value. Use-value is the concrete qualitative basis and support for value in capitalism. Use-value represents the particular qualitative dimension of commodities, be it tangible or not, without which the system could not expand in terms of production and consumption. Accumulation cannot proceed if values being produced are not useful.

The second constituent of commodity is value. Value is the general quantitative dimension, whose quantum is determined by the socially necessary labour time to reproduce the commodity. Value is inherently a relational property, as it is determined by social conditions of production and consumption.

Value and use-value are, at the same time, both complementary and antagonistic dimensions to each other. While value refers to the social generality, use-value refers to the concrete particularity. Use-value is created by concrete labour. It is the individual qualitative dimension. Value, on the other hand, is created by abstract labour. It is the social quantitative dimension. Concrete and abstract labours are the two inseparable and co-existing dimensions of labour. One is the flip side of the other.

But the individual use-value can only be validated socially in the market as a value. The commodity therefore experiences an inherent contradiction: it is a privately produced good or service that only acquires ex post validation socially when exchanged for other commodities or for money. The particular commodity needs to be socially accepted by the market. The particular use-value cannot be a particular use-value unless it becomes socially a value through trading. Vice-versa, a value in the market cannot be an amount of value if it is not a particularly useful use-value for private individuals. The contradiction between value and use-value is a contradiction between the social form and its own material basis, and it is also the very first logical source of endogenous capitalist business cycles. The social validation occurs *a posteriori*, after the commodity is produced. If market validation does not occur, the individual capitalist faces a problem. If non-validation becomes systemic then capitalism faces a crisis. Only in capitalism concrete and abstract labour contradict each other.

The contradiction that constitutes the commodity form cannot be solved by the market. When a commodity is exchanged, the other circulating commodities also face the same paradox. As Marx develops along the lines of chapters 1 and 2 of *Capital I*, the value of one commodity finds its validity in the use-value of another. At this point in the logical presentation money does not yet exist, so Marx is still referring to barter exchanges. The expansion of trade, however, makes bartering more of an obstacle then of a solution. Money then finds its place. The crucial point is what constitutes the logical origin of money. In a very illuminating passage on the emergence of money, the principle of autonomisation starts to take shape:

“Money necessarily crystallizes out of the process of exchange, in which different products of labour are in fact equated with each other, and thus converted into commodities. The historical broadening and deepening of the phenomenon of exchange develops the opposition between use-value and value which is latent in the nature of the commodity. The need to give an external expression to this opposition for the purposes of commercial intercourse produces the drive towards an independent form of value, which neither finds rest nor peace until an independent form has been achieved by the differentiation of commodities into commodities and money. At the same rate, then, as the transformation of the products of labour into commodities is accomplished, one particular commodity is transformed into money” (Marx, 1990, p.181)

The first independent form of value that Marx refers to is the exchange-value, the embryo of money. The ratio at which commodities are traded is called exchange-value. When bartering ceases to exist the exchange-value, which is a relational property, becomes itself an object with an independent existence in relation to the particular commodities. The independent exchange-value is what Marx calls the ‘general equivalent’. The general equivalent is, therefore, autonomized exchange-value. It is a relational property that becomes itself an independent object. It is a social relationship that begins to exist as a particular object, like grains, salt, gold and silver:

“it is in fact necessary that value, as opposed to the multifarious objects of the world of commodities, should develop into this form, a material and non-material one, but also a purely social form” (Marx, 1990, p.195)

The general equivalent is a form of manifestation of the value of commodities and, as such, is the first step of the autonomisation of value in relation to use-value. The general equivalent is autonomized value in relation to the specific use-values of commodities. The money form then appears when the general equivalent completes its autonomisation by becoming a pure formal use-value: a commodity whose use-value is its social ability to be an independent form of value. The use-value of money is purely formal. While commodities circulate because of their particular use-values, money circulates because it is objectified value. Money is value that autonomized from use-value. Money is, therefore, a commodity that functions only as value.

In its logical origin as an independent exchange-value, money is autonomized value that now steps aside the multifarious world of commodities as the one general equivalent. What matters to us is the process of autonomisation of value: the logical origin of the money form - not its historical origin - lies in the autonomisation of value and of exchange-value from the particular use-values. Marx is very clear about this crucial point:

“The product becomes a commodity; the commodity becomes exchange value; the exchange value of the commodity is its immanent money-property; this, its money-property, separates itself from it in the form of money, and achieves a general social existence separated from all particular commodities and their natural mode of existence” (Marx, 1973, p.146-147).

“money owes its existence only to the tendency of exchange value to separate itself from the substance of commodities and to take on a pure form” (Marx, 1973, p.160).

In practice, what traders have created was setting the contradiction to a higher stage while trying to solve it. The contradiction between value and use-value, or between abstract and concrete labours, cannot be solved because in capitalism production is validated only *ex post* by the market. Instead of solving the contradiction, which would require social planning, traders and capitalists attempt to overcome it by creating the general equivalent. The general equivalent, which is precisely the logical antecedent of money, allows production and consumption to be more flexible though time and space. But it only does so by extending the social validation problem to a higher and more generalized level. Economic agents enhance consumption and production by separating them across time and space with the new mediation of money. But the introduction of money as a new mediation only generalizes the problem of social validation of the produced commodities.

## 3.3 Autonomisation of Money from Commodity Circulation

The previous subsection showed that the origin of money lies in the autonomisation of the commodity, or in the autonomisation of value from use-value. The next step is to understand the Marxian monetary theory and how money, by turn, faces its own autonomisation. To understand what we mean by autonomisation of money it is first necessary to understand what money is.

Chapter 3 of *Capital I* and the first book of the *Grundrisse* take on the task of developing what money is in capitalism. Marx has a very unique and powerful monetary theory, widely misread even by Marxists. The idea that is crucial to us is what constitutes the proper contradiction of money. Our approach, influenced by the works of Fausto (1987a; 9187b), Paulani (1991), Dussel (2001) and of Rosdolzky (1989), draws attention to the important conceptual distinction between “coin” and “money”. Money as such has three constituents. The first is being a measure of value of commodities. The second is being a means of exchange of commodities. The third is being money as money, both as hoarding (store of value) and as means of payment (commercial credit). The first two functions (measure of value and means of circulation) constitute what Marx calls “coin”, while the last functions (money as hoarding and means of payment) constitute what Marx calls “money as money”.

Coin is money that facilitates the circulation of commodities, and it does so as a simple intermediary, the oil that lubricates the engines. Its cycle is simply C-M-C. Money lies in the middle. The objective of the cycle is to trade the different use-values of commodities. Money is only a passive link connecting the desires of buyers and sellers. It measures the values of commodities and acts as means of exchange. Basically, it does what the Neoclassical economic theory says that it does: merely facilitates the trading of commodities in the market.

Money as coin already engenders the first autonomisation of money, namely its de-materialization. The de-materialization of money is the detachment of money from the substance that bears it. Historically money appeared as a specific commodity like salt, grains, silver and gold, that had some desirable properties: carriable, divisible, durable, and socially accepted. After a long historical period money and silver became the dominant forms of means of exchange. Commodities had their values expressed in gold coins with equal amounts of abstract labour, as gold coins were also commodities produced by human labour. But continued circulation led to their physical deterioration. The face value of a coin, like 1 pound, no longer reflected its gold weight in pounds. Even though currency names were historically derived from weight measures, the face value of currencies began to lose their direct connection with the intrinsic metal weight that it should represent. Traders and governments gradually realised that it was better to finally substitute paper-money for the metal coins to avoid continued physical deterioration of commodity-money.

The introduction of paper-money, which is a mere sign of value, was the initial de-materialization and the first autonomisation proper to the money form of value. Nowadays paper-money is even being replaced by electronic money and plastic cards. The initial direct connection between the amount of means of exchange and the values of the circulating commodities fades away through the de-materialization of the means of exchange. Value no longer circulates directly as a material value, as was the case with commodity-money like gold and silver. Value is then represented by mere valueless signs of itself. In the Marxist monetary theory, money is not a symbol, even though it can be replaced by symbols of itself: “The fact that money can, in certain functions, be replaced by mere symbols of itself, gave rise to that other mistaken notion, that it is itself a mere symbol” (Marx, 1990, p.185).

The de-materialization of money as coin via the circulation of valueless signs of itself is the first autonomisation proper to the money form. The second autonomisation of money is the one faced by money as money.

Money as money is money as an end in itself. It is no longer a mere intermediary that facilitates circulation. It becomes instead the objective of circulation. As hoarding and as means of payment, money has a new cycle: M-C-M. It is the start and the end of the cycle. The commodity only has to validate what money is performing, be it for storing value or for repaying advanced commercial credit. Commodities become the intermediaries of the process of money circulation. Basically, money as money does what the post-Keynesian theory says that money does: performs with its speculative and credit functions. Money as money does the opposite of money as coin. Money as money and money as coin contradict each other; they are concomitantly complementary and opposite: “Money is the negation of the medium of circulation as such, of the coin. But it also contains the latter at the same time as an aspect, negatively, since it can always be transformed into coin” (Marx, 1973, p.228). Coin and money as money are two contradictory constituents of money as such. Money is contradictory because it is an intermediary and an end in itself at the same time. It is an object with two opposing cycles occurring juxtaposed.

The crucial point is that of money becoming an end in itself: “Instead of being merely a way of mediating the metabolic process, this change of form becomes an end in itself” (Marx, 1990, p.228). The passage from the C-M-C cycle to the M-C-M cycle constitutes the second autonomisation of money. More logical mediations now separate money circulation from commodity circulation. More logical mediations now separate the circulation of values from the circulation of use-values. Partially independent of consumption and production conditions, money starts to develop its own autonomized cycle: “Money in its third quality, as something which autonomously arises out of and stands against circulation, therefore still negates its character as coin” (Marx, 1973, p.226). Money, not the use-values of commodities, becomes the objective of value circulation.

Autonomisation proceeds even further with monetary forms. In the money as money cycle, M-C-M, the money trader is trading money but she does so with the same quantity of M. She is trading money for money without making a profit. In capitalism this is not rational. The cycle of money then becomes M-C-M’, in which money dealers profit (M’ minus M) from their activities. M-C-M’ is precisely what Marx calls the cycle of capital. The cycle of capital springs logically from the cycle of money as such. When money becomes an end in itself it paves the way for the origin of capital, of money having the ability of making more money out of itself.

Capital emerges, in the logical discourse, out of the contradiction of money. The higher stage is now the cycle of capital. The autonomisation of value forms proceeds as before: value distancing even more from use-values. The distancing is the introduction of new layers of mediation between the circuit of values and its basis, the circuit of use-values. The positing of money as an end in itself allows money to become the aim of circulation, and the use-values of commodities to take on a subordinate role in relation to value. The production of use-values effectively becomes the support of the system of value creation.

## 3.4 Autonomisation of Capital from Labour Exploitation

The emergence of capital from money is evidently not just a matter of pure logic. For capital to effectively exist, and not just exist formally through the positing of money as an end in itself, capital needs the commodity form to incorporate labour power. The commodity labour power allows money to effectively produce more value out of itself, value that self-valorises. Labour power is the *sui generis* commodity that has the use-value of creating more value. The buyer of labour power, as the buyer of any other commodity, is interested in the use-value of the commodity.

The emergence of the cycle of capital, M-C-M’, is an offspring of the cycle of money as an end in itself, M-C-M. But when capital is additionally matched with the doubly-free labour force, capital develops its full cycle: M-C-…P…-C’-M’. The …P… phase represents production or the extraction of surplus value via labour exploitation. The production of new use-values is subjugated to the objective of making money out of money. As any other use-value, labour power will also be subjugated to the expansion of value. M and M’ represent the beginning and the end of the cycle. Production and labour exploitation appear as intermediaries in the general process of value expansion.

Previous to the logical emergence of production and the capital form, autonomisation took place between value and use-value. Autonomisation meant the distancing between, and the subjugation of, the circulation of use-values to the circulation of value. After the logical constitution of capital and the incorporation of the commodity labour power into production, autonomisation starts to occur between the valorisation of value and its material basis, the production of use-values via labour exploitation. In both circulation and production use-values become subjugated to value.

The proper contradiction of capital, states Marx in chapter 25 of *Capital I*, is that capital accumulates as value at the same time that it undermines the conditions under which labour creates new value. Capital will feed and also contradictorily try to acquire independence from labour. There are four main ways through which capital attempts to self-valorise by autonomizing from labour exploitation: (i) technological progress; (ii) monopoly capital; (iii) interest- and rent-bearing capital forms; and (iv) fictitious capital.

With technological progress capital accumulates with an increasing organic composition. Increasing organic composition means that competition forces capitalists to invest in fixed capital that uses relatively less variable capital. Using relatively less variable capital implies that accumulation is undermining what creates new surplus value. Capital is able to enhance labour productivity to generate more value out of the same, or even less, labour input. Enhanced labour productivity allows for augmented value creation and circulation to depend relatively less on labour exploitation. So capitalists are achieving two concomitant results: they are undermining the source of new value at the same time that they are generating a greater total amount of value for a given amount of use-value of labour power.

Monopoly capital, engendered by competition and the attempts of capitalists to maximize their individual super-profits, also operates to autonomize capital from both use-value production and labour exploitation. Monopoly capital generates revenues partially irrespective of surplus value creation: the share of the total value generated in the economy that accrues to monopoly capital is greater than its contribution in terms of value creation. And the volume of value that accrues to the monopoly capitalist detaches from the use-values that it creates. Monopoly capital is, therefore, an additional way for individual capitalists to autonomize valorisation from use-value creation and from labour exploitation.

Interest-bearing capital logically appears when money itself becomes a commodity, being bought and sold in credit markets. Interest-bearing capital is money with the *sui generis* use-value of having a claim on more value. The buyer of interest-bearing capital, as the buyer of any other commodity, is not interested in its value but in its use-value. Interests are, therefore, the payment for the use-value of money. What is transferred is the use of money, not its ownership. The full cycle of interest-bearing capital is M-M-C…P…C’-M’-M’ but to the owner of money it is just M-M’. To the owners of money the autonomisation makes one step further as the M-M’ cycle represents an extra level of separation of capital from the production and circulation of use-values and even from new surplus value.

The circulation and expansion of interest-bearing capital does not depend on the actual expansion of use-values and surplus accumulation. Interest-bearing capital, to be considered as such, does not necessarily have to be directed to productive activities. Even though interest payments are a deduction from the total surplus value generated, interests can be charged from any stream of income, be it from workers’ wages, capitalists’ profits, or from the government budget (Itoh and Lapavitsas, 1999, p.61). In the Marxist system, therefore, the cycle of interest-bearing capital M-M’ introduces more layers of mediation in relation to its material basis, the exploitation of labour:

“the circuit M…M’ is inextricably linked with the general circulation of commodities, issue from it and flows into it, forming part of it. On the other hand, it forms for the individual capitalist an independent movement peculiar to his capital value, a movement which proceeds in part within the general circulation of commodities, in part outside it, but which always retains its independent character” (Marx, 1992, p.136)

With interest-bearing capital the autonomisation of the forms of value achieve a higher standing. There are now more mediations that allow value to circulate with unprecedented degrees of freedom vis à vis its material basis. With interest-bearing capital the circulation of values and the expansion of capital are less restricted by the exploitation of labour and the production and circulation of use-values:

“it is the exchange-value, not the use-value, that is the decisive inherent purpose of the movement. It is precisely because the money form of value is its independent and palpable form of appearance that the circulation for M…M’, which starts and finishes with actual money, expresses money-making, the driving motive of capitalist production, most palpably. The production process appears simply as an unavoidable middle term, a necessary evil for the purpose of money-making. (This explains why all nations characterized by the capitalist mode of production are periodically seized by fits of giddiness in which they try to accomplish the money-making without the mediation of the production process.)” (Marx, 1992, p.137)

An analogous interpretation applies to the rent-bearing capital form. Rents accrue to owners of urban and rural land, to monopoly capitalists, and to the owners of privatized knowledge. Value in the form of rent has similar degrees of freedom as interest-bearing capital. Rents are ultimately a cut from the total value generated in the economy, but its circulation has extra layers of mediation in relation to the creation and circulation of use-values and in relation to labour exploitation. Rents, as interest, ultimately accrue from surplus value, but they do not need to be directed towards productive activities.

The overall dynamics of value autonomisation finally reaches its most advanced stage with the formation of fictitious values. Marx introduced the concept of fictitious capital in *Capital III* to demonstrate how capitalists are able to operate a system of assets whose creation and circulation bear little connection to the underlying creation and circulation of values and use-values. Through fictitious values, capital is able to autonomize not only from labour exploitation and produced use-values but even from surplus value itself.

The central element that characterizes fictitious values is the capitalization of expected future streams of income: “The formation of a fictitious capital is called capitalization” (Marx, 1994, chap.29). The capitalization of value applies to any asset whose price is determined by expectations of future profitability. Marx knew that the price of assets was not determined as the price of commodities. In a perfect competition model market prices would gravitate around production prices, but no such mechanism exists for the price of assets. The price of securities, for example, is determined in secondary markets, independently of productive activities that they should represent. Asset prices depend on expectations of future profitability and on the interest rate. Marx anticipated long before the issue that Keynes and Minsky would raise in the twentieth century through the idea of the two-price system:

“The independent movement of the value of these titles of ownership, not only of government bonds but also of stocks, adds weight to the illusion that they constitute real capital alongside of the capital or claim to which they may have title. For they become commodities, whose price has its own characteristic movements and is established in its own way. Their market-value is determined differently from their nominal value, without any change in the value (even though the expansion may change) of the actual capital” (Marx, 1994, chap.29).

In the case of fictitious values capital can achieve an unprecedented degree of autonomisation from labour exploitation, from use-value circulation, and even from surplus value creation, exactly because the system of fictitious values operates on the basis of capitalizations of expected future flows of income. Fictitious capital does not even have the limitations that interest- and rent-bearing capitals have. The extra levels of mediation that it introduces allow asset prices to generate profits merely based on discount rates and on expectations about future conditions for surplus value creation.

The fictitious form of capital closes the logical system that began with the commodity form. With fictitious values capital achieves the ultimate separation of the value form from its material support. In the beginning, the value form was closely tied to its material basis. But the development of the value forms in capitalism increasingly contributed to autonomize them from their supports. What drives the development of the forms of value is the unsolvable contradiction of capital, that between value and use-value or that between abstract and concrete labours. But because capital subjugates use-value to value, the system will tend to undermine the particularities (use-values) while favouring the generality (value).

# 4. Conclusion: The Meaning of Financialisation

The Marxian economic system - represented by the commodity, exchange-value, general equivalent, coin, money, capital, accumulation of capital, interest-bearing capital, rent-bearing capital, and fictitious capital forms – should be theorized under the principle of autonomisation of the forms of value. The meaning of each value form is given by its function in the system. Each logical stage should be understood as a momentum in the general trend of increasing the layers of mediation between the value forms and their material bases. In certain cases the separation is also accompanied by a contradiction that makes the value form undermine its own support.

The financialisation of the American economy is a contemporary historical manifestation of the general trend of capital autonomizing its forms of value. Financialisation is the monetary and financial dimension of capital autonomisation. Autonomisation, according to our theory, is a general process that privileges neither financial nor productive activities. Both production and finance are affected by the tendency of capital to autonomize from its material basis. Financialisation is a specific way through which capitalism contradictorily tries to accumulate value by separating value expansion from labour exploitation and use-value circulation. The separation can enhance value accumulation as well as undermine it. Financialisation can be understood, therefore, as an unfolding proper to the development of capital and of its value forms.

There was no necessity for financialisation and market deregulations to take place after the 1970s in the United States. The neoliberal project was a political decision that carried no economic necessity (Harvey 2005; Resnick and Wolff 2006). But once liberalized the capitalist system started to push its forms of value toward higher levels of autonomisation. The logical possibility of financialisation became historically effective after the transformations of the world economy in the post-1970. Among such transformations we should emphasize the end of the gold-dollar standard, the less regulated international monetary arrangement, and the rise of secondary and derivatives markets. The transformations set the value forms free in their pursuit of autonomized forms of valorisation.

Our alternative Marxian theory demonstrates that the meaning of the American episode of financialisation in the post 1970s is given by a broader perspective of the development of capital as a system of autonomising value forms. Our framework answers the question of what financialisation is by embedding it into the broader movement of capital autonomisation. The tendency toward autonomisation is what underlies present-day financialisation of the U.S. economy.

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