CHAPTER 1

Introduction

Since the controls on the reproduction and circulation of fictitious capital (Marx 1988)[1] (the establishment of which began in the 1930s as part of the response to the structural crisis of the capitalist system that occurred in 1929) started gradually being dismantled in the 1970s, a set of structural changes in the world economy have become more established and consolidated as a result.

Widely discussed in literature (Guttmann 1999, Serfati 1999, Stockhammer 2000, Epstein 2002, Giffin 2007, Langley 2008, Eckhard and Treeck 2008, Braga 2009, Foster 2009, Mollo 2011, Guillèn 2014), the financialization of the economy,[2] resulting from the freeing of hindrances on the reproduction and circulation of financial capital on a global scale, has found in the globalization of production, circulation and consumption of commodities, assets, services and information, a fertile ground for advancement, producing effects in the most diverse areas of social life.

This process of globalization, advanced thanks to an intense advance in technology, cannot, however, be seen as the material antecedent that produced the conditions for the financialization of the global economy, since neither, based upon the theoretical framework that we have assumed, can exist as such, unless they are dialectically related, as integral parts of the same systemic process. As Chesnais (1996, p. 11) states, "the financial sphere represents the spearhead of the movement of globalization of the economy".

If, as we intend to demonstrate, in its operating dimension and logic, the financialization of the economy, as such, anchored in the hegemony of speculation – or in other words, in the process in which decisions on the purchase and

1 For a definition of fictitious capital see Chapter 2, Section 2.

2 Understood here, primarily based upon the formulations of François Chesnais (1996, 2005, 2014), as being a general logical reordering of the accumulation of capital in favor of financial accumulation, or in other words, submission of the productive process as a whole to its own objectives and modes of operation. This process can be explained in contemporary terms by: (i) the autonomization of the financial sphere in relation to the sphere of production and to the state control; (ii) the fetishism of the forms of valorization of financial capital (due to its highly abstract and fictitious character); and (iii) the growing power of the "financial operators" to trace the contours and directions of the economy as a whole, and to decide which agents, from which countries, and which types of transaction can enter into the financial globalization and those which cannot.

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sale of stocks driven by the expectation of resale/repurchase with profits in secondary markets of stocks, properties, currencies, credits, commodities and various other assets (Bastos 2013) – is a phenomenon that has developed more forcefully since the 1970s and 1980s, then the gains of autonomy and influence of fictitious capital on the group of capitalist economies as a whole date from long before. In *Capital,* written in the 19th century, Karl Marx noted the oppositional nature of "bank capital" or "money capital" in relation to "real capital" – the latter being submitted to the first; and in 1917, Lenin (2011) presented his thesis on imperialism, describing the function of financial capital as being to create profits under imperial colonialism.

This process of separation of the "real" economy and the financial economy, as an expression of the autonomization of financial capital in relation to real capital, however, assumes profiles that are considerably different over the different phases of development of the capitalist system; presenting extremely particular characteristics during the last quarter of the 20th century. As Chesnais (2014) explains:

> Every Marxist and indeed heterodox economist is obliged to propose a definition of "financialization". I see it as an epoch in the history of capitalist development starting in the mid-1980s, inextricably linked to the globalization of capital in its industrial, financial and commodity capital forms, in which the traits of "interest-bearing capital" taken *in toto* have pervaded the process of capital-extended reproduction and accumulation in its entirety (verbal information[3]).

These economic changes, in line with an increase in quality, volume and intensity in the exchange and circulation of goods, people and information, enhanced by an intense process of scientific-technical development, that activates and is activated by these economic transformations, allows a countless number of alterations, new configurations and possibilities in contemporary societies, influenced by new political, institutional, cultural and identity dynamics.

To conceptually describe and organize the changes which societies undergo at the end of the 20th century and beginning of the 21st, various authors

3 Information provided by François Chesnais during a discussion held at the IIRE Economy Seminar 2014, in Amsterdam, Holland, on February 14, 2014. Hosted by: IIRE – International Institute of Research and Education. Available at: <http://www.4edu.info/index.php/IIRE_Economy_Seminar_2014>. Accessed on Nov 24, 2017.