CHAPTER 2

Capitalism at the Beginning of the 21st Century: Globalized Finance

2.1 A Brief Review of the Theories of Financialization

As has been widely discussed in literature, in *Capital*, Karl Marx outlines a strong systematization of the operating dynamic of the mode of capitalist production as a product of the growing reproduction and accumulation of capital. According to his formulations, the fundamental contradictions of this form of production that are anchored, above all, in the relationships of exploitation of human labor in order to obtain surpluses, are recurrent crises of over-production, that contribute to the instability of capitalism, due to its conflicting and contradictory nature, as a means of organizing economic and social life.

If this is true, it is also a fact that history has shown that in every crisis, be it big or small, capitalism has demonstrated, as Marx himself forecast, an incredible capacity to revolutionize in order to reconstruct itself, reestablishing its predominance as such based upon complexification processes, that introduce new forms of exploitation and extraction of surplus value. Far from being set out as some sort of automatism of historical inexorability, guiding this movement are disputes of an economic, political and cultural order, that make up an open field of possibilities in the social universe, even though they are submitted to a hegemonic trend of operation established by means of this relationship.

In this way, capitalism found, above all through the state, but also through the employment of ideological and cultural resources, ways of surviving the serious crises that it went through in the 19th and 20th centuries. For the French Regulation School or the Regulation Theory (Aglietta 1999, Boyer 1990), the capitalist system manages to survive the systemic crises and, as such, continue reproducing, through the creation of a regulatory apparatus that, once established, tends to act anti-cyclically, avoiding or softening them. Such regulatory apparatus, or regimes of accumulation, presuppose certain political and institutional configurations that "organize" productive activity in such a way as to suit the production to the consumption, with the aim of avoiding crises of over-production and other economic problems, such as inflation, for example, with the capitalist means of production remaining upright and fully operational.

These regimes of accumulation are established by means of a set of laws, regulations, social values and customs (forms of regulation) that articulate

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structural elements or forms of integration, in order to produce a context that is favorable to capitalist accumulation, such as: form of adhesion to the international system, a monetary standard, a form of competition, a form of state and salary/labor relations. From the systemic relationship between these structural forms, in a given regime of accumulation, will result a certain form of economic development.

Since the 1970s, and more acutely since the 1980s, a set of changes have been seeking to provide an answer to the crisis of over-accumulation of capital, produced by the post-war "golden years" of Fordism. These transformations, politically established using neoliberal and specific measures in different spheres of social life (political, economic, techno-productive, cultural, etc.) achieved a scale to the point where, for some players, they configured a new regime of accumulation, the "finance-dominated accumulation regime" (Chesnais 1996, 1998, 2005).

The reading put forward by Chesnais, that supports one of the most profitable contemporary theories on the process of financialization of the world economy, combining Marxist, regulationist, post-Keynesian and economic sociology contributions, highlights the fact that, in this current phase of capitalism, financial valorization is not only more important than productive valorization, but imposes itself as a structuring logic for the entire process of capitalist accumulation and reproduction. This is because, being over-accumulated in the productive sphere, and experiencing, as a result, recurrent drops in the general rate of profit, this capital will look for ways of freeing itself from the constraints on accumulation, venturing, to an extent as yet unobserved, into accumulation in the financial sphere, by means of titles, stocks, commercial papers arising from financial innovations, and even speculation with national currencies. This process of releasing capital on a wide scale does not occur automatically or without any resistance, but based upon important political-institutional changes, performed at the heart and on the peripheries of capitalism, with serious consequences for those dependent upon labor.

Within this process, that which Marx (1988) named "fictitious capital" – basically composed of the valorization of stocks and securities in secondary markets – is expanded in unprecedented quantity and quality, seeking to become increasingly autonomous, by means of its own assets, in the face of the real economy; thus achieving growing importance for the economy as a whole (Mollo 2011).

Within the sphere of this discussion, Paulani (2009) offers data (Figure 1) that demonstrates the growth of the global stock of financial assets (fictitious capital) in relation to the real global revenue, as of 1980. In 2008, fictitious wealth (not including the enormous number of derivatives) in financial assets,