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A crisis of finance: *financialisation* as a crisis of accumulation of new capitalism

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review of: Marazzi, C. (2010) *The Violence of Financial Capitalism*, trans. K. Lebedeva. New York: Semiotext(e). Intervention Series 2 (PB: pp. 112, £9.95, ISBN: 978-1-58435-083-5).

This global crisis is a new type of crisis, "it is the capitalist way of transferring to the economic order the social and potentially political dimension, the dimension of the resistances ripened during the phase leading up to the cycle" (85). It is the first systemic and global crisis of neo-liberal financial capitalism that began with the crisis of the Fordist model of accumulation and the consequent deregulation of the banking system during the 1970s.

These are some of the arguments of the latest book from the Italian economist Christian Marazzi, one of the main exponents of the Italian Autonomous Marxism coming from the tradition of *Operaismo* (Workerism). This concise but intense book is a brilliant analysis of what Marazzi calls "one of the greatest crisis of history", and a "violent crisis of a violent finance". Marazzi provides new lenses to look at the current economic crisis, propelling an increased consciousness of the problems accumulated trough years of the *financialisation* of the economy. He also suggests looking for new weapons and political strategies in order to overcome the current systemic social, political and economic disarray.

As we know from Braudel, crisis is normal to capitalism and is a part of the history of the capitalist market system. Financialisation is also not a new phenomenon. Furthermore, many of the ideas that constituted neo-liberalism have been around for more than 200 years. In the last 30 years, starting with the neo-liberal turn in the economy and the deregulation of markets, it is possible to count a financial and/or monetary crisis every two and a half years, showing the structural instability of the markets (see also Minsky, 1992).

So what is new about this financial crisis and how to interpret it? The central thesis of Marazzi's book is that the dualism between the real economy (real money for tangible production) and the financial economy (production of money by means of money) no longer exists. Financialisation now has taken over and it encompasses the whole business cycle; what is really at stake in Marazzi's perspective is the very concept of capital accumulation.

This hypothesis presents some differences with other important views coming from the Marxist Left such as the advocates of World Systems Theory. Giovanni Arrighi proposes a brilliant analysis of today's current socioeconomic crisis in a geohistorical perspective, claiming that "systemic cycles of accumulation" are constituted from phases of "financial expansion" that follow phases of "material expansion" (1996). In contrast, Marazzi emphasises the pervasive dynamics of finance today within a totally renewed capitalism that is characterized by the overlapping of the financial economy with the real one. This leads to the argument that it is impossible to distinguish between "material expansion" and "financial expansion". This is, in the author's perspective, a central issue in understanding the current mode of production and its relation to finance through a historical lens – what Marazzi and the Italian Post-Workerists call "cognitive capitalism" (see Marazzi, Negri, Vercellone, Virno and Fumagalli).

This dynamic relation shows that there has been a transformation of valorisation processes so that today the accumulation of surplus value has moved to the sphere of circulation, of exchange, and reproduction, putting the entire life of people to work. It is an "anthropogenetic model" that transforms living beings into fixed capital and extracts added value from the production of forms of life. This is a central contribution to the interpretation of this financial crisis, showing the limits of applying Keynesian solutions, first implemented after the 1929 crisis of a nascent Fordist capitalism, to the fragile and instable financial bio-capitalism of today.

The book comprises five chapters, and a first version was already published in Italian in a book edited by Andrea Fumagalli and Sandro Mezzadra entitled *Crisi delle'economia globale. Mercati finanziari, lotte sociali e nuovi scenari politici* (Ombre Corte, Verona, 2009).

In the first chapter, "The Becoming of the Crisis", Marazzi writes a synthetic chronicle of the financial crisis that started with a burst real estate and banking bubble, leading to consequent widespread mortgage defaults, then heading to the collapse of many financial institutions. This financial chaos called for the succession of public interventions and rescue plans coordinated by the Obama Administration, attempting to contain the crisis and to save the banking system. The result of this "too big to fail" doctrine has been a socialisation of losses and a privatisation of the benefits that represented a false recovery, criticised by many economists and academics, including the Nobel Laureate in economics, Paul Krugman. According to Marazzi, it is evident that "the 'socialist turn' of liberal governments to sustain the banking, financial, and insurance system by means of recapitalisation and monetary issuances does not seem to be able to avoid chain bankruptcy of all insolvent decentralised banks due to an improbable quantity of toxic assets" (24).

The scenario that Marazzi delineates doesn't leave any space for easy optimism. What he reports, supported by rigorous figures from many different sources, is a catastrophic context with a continuous increase in unemployment worldwide, a generalised reduction in income, a large increase in a comprehensive tax deficit, and a devastating impact on the manufacturing industry and its commerce. Marazzi compares this crisis to other crises in the recent past, such as the Japanese one in the 1990s, and the Argentinean and Brazilian ones. He outlines that this recent crisis has been by far the deepest in the past decades, with the main difference of presenting global and not only regional characteristics. Particularly interesting, in light of the present Greek financial collapse, is the premonitory passage to the possible catastrophe that the crisis could cause in Europe.

One of the main contradictions of financial capitalism is the problem of the realisation of surplus value with recourse to deficit or private spending in the market. That's why in this first chapter, Marazzi emphasises the fact that problems with financing public deficits have been increasing tremendously since December 2008, leading to "an insolvency crisis of the banking system as a whole" (25), one that existing economic and monetary policies are not in a condition to manage effectively. Public national debt is what enabled financial capitalism to expand at a global level. This went hand in hand with the shrinking role of the redistributive function of the Social State and with what Marazzi calls the privatisation of Keynesian deficit spending. This means stimulating additional demand for the expansion of capital by creating private debt, therefore externalising risk to individuals and families.

Marazzi's critique of easy reformist solutions is clear: in this scenario of rising unemployment and cuts in social spending, classical Keynesian policies are not a feasible solution. Talking about a "New Deal" or a "New Bretton Wood" doesn't make sense without considering the global transformations that are occurring at every level, looking at autonomous forms of life and "analysing forms of struggle that can substantiate in a politically innovative way the escape from the crisis" (26).

In the second chapter, "Financial Logics", Marazzi insists on the novel characteristic of this crisis, compared to previous financial crises since the 17^{th} centuries onwards. Where before financial crises were based on the dichotomy between "fictitious capital" (autonomous production of money by means of money) and the real (industrial) economy, today they overlap, so that it is not possible to distinguish industrial profits from financial ones. Today finance is part of our daily life. It spread pervasively across the whole cycle, and the sources of financialisation have multiplied in a way that "finances are consubstantial to the very production of goods and services" (29). In this chapter Marazzi goes in depth into the history of modern financial capitalism, focusing on the transition from the Fordist mode of production to stock managerial capitalism between the 1960s and 1970s, concluding that the Fordist crisis can be explained with the fact that "Fordist capitalism was no longer able to suck surplus-value from living working labour". The result was a continuous process of reduction in the cost of labour, delocalisation of production, casualisation and growing precarity, de-unionisation – and of course financialisation as a process of recuperation of capital's profitability outside immediately productive processes, meaning an "increase in profits not as excess of cost proceeds but as excess of value in the Stock Exchange" (32).

Although Marazzi's analysis of the pervasiveness of financial capital is of course true today, the same holds true throughout the history of the British Empire and the rise of capitalism in Britain and America. It has been argued that capitalism today is closer to pre-industrial capitalism then to the Fordist and social democratic capitalism that emerged from the Great Depression and the Second World War (Braudel, 1979; Wallerstein, 1985; Dockès, 2006, Vercellone, 2006). Nevertheless, Marazzi's tendency is to adopt an historical perspective that focuses mainly on the transition from Fordism to post-Fordism.

It's at this point that Marazzi introduces the concept of the transformation of the production process based on "profits becoming rent" (see Vercellone, 2006; 2009) which he expands in the next chapter. This means that a combination of the restriction of the social State and a kind of privatisation of Keynesian deficit spending allowed capitalism to reproduce itself and expand at a global level. The main example here is the indebtedness of domestic economies and the creation of additional demand by private indebtedness, as in the case of the American mortgage indebtedness, which reached more than 70% of the GDP, fuelling the real estate bubble. Banking deregulation facilitated the creation of new markets in credit derivatives that led to the proliferation of financial instruments that we experience today.

This has created a cynical autonomisation of financial capital from any collective interests, making finance unmanageable and out of control. Finance today is a system where "the access to housing is created on the basis of mathematical models of risk where people's life means absolutely nothing" (40). This is again one of the main concepts behind Marazzi's analysis, arguing that the financial inability to overcome this crisis is based on the "contradiction between social ownership of a good (such as the house) and private ownership rights" (42). Marazzi compares the way in which the financial logic creates artificial scarcity out of common goods (scarcity of financial means, liquidity, rights, desire and power) to the *enclosures* of common lands in the seventeenth century, when peasants were ruined by the process of privatisation of common land that gave birth to the modern proletariat and its *bare life* (see Agamben, 1998). In this process the expansion of capital clashes with the commune produced by free social relations and cooperation.

This part of the book is a passionate critique of the violence of the financial system. Marazzi identifies the responsibility not only of *financiers* and bankers but also of a whole educational system guided by mainstream economists and academics that reinforced the ideological basis of a system that "turns *bare life* into a direct source of profit" (40).

How to overcome the crisis in this scenario? Marazzi rejects the popular arguments about returning to industrial production and returning to "making things". On the contrary, the idea is to radically rethink the distinction between the manufacturing sector and immaterial and cognitive activities.

The most novel contribution of Marazzi's thesis (and more generally of the Italian *Post-Operaismo*) is to be found in chapter three, "On the Rent Becoming Profit", where he discusses the rethinking of the new production models. Marazzi explains financialisation as "the other side of a process of value *production* affirmed since the crisis of the Fordist model", which is the hypothesis of "cognitive capitalism".

The financialisation of the economy has been a process of recuperation of the profitability of capital after the fall in the rate of profit in the 1960s. Finance is a device to capture value external to the entrepreneurial processes of production; a sort of valorisation of rent by means of what Marazzi calls "*cognitive machines*" (branding, property rights, and so on). Financialisation is here seen as the new form of capital accumulation symmetrical with the externalisation of value production typical of immaterial capitalism. We are talking about a real metamorphosis of the production process, based on the management of labour and production through processes of valorisation and capital accumulation that move beyond the factory gates, entering directly into the sphere of circulation of capital, the sphere of reproduction and distribution. Marazzi adds that cognitive and immaterial labour involve a new social composition of labour, based on the transfer of the role of fixed capital to the living body of labour-power. It is this new kind of capitalism that places the game outside of mainstream economists and their econometric models based on the assumption of the perfect efficiency of the market. This is a historically new capitalism marked by the crisis of the measure of value and hence the impossibility to govern by means of structural adjustment.

Marazzi provides a unique and in depth analysis of the relationship between financial capital and cognitive capitalism, developing a theoretical interpretation that contrast with the "immaterial capital" analysis of the *new economy,* mainly as outlined in the Anglo-American managerial and business literature focused on the Silicon Valley business models, one which sees in companies such as Google, IBM and many high technology companies based in Silicon Valley the perfect realisation of the open source business model of creating value from "free stuff".

What Marazzi and the Italian *Post-Autonomists* call "cognitive capitalism" is therefore an attempt to conceptualise the ways in which life and social relations are "put to work". This is what in managerial terms is called the "externalisation of production", which includes processes of the co-creation of value together with users and costumers, or the phenomena of *open innovation* (exploiting sources of knowledge that are located outside the boundaries of the firm) and *crowdsourcing* (using the crowd to solve difficult problems or to access sticky knowledge). Integrating users into the innovation process, and putting the consumer to work as co-producer of what he consumes is a strategy that lies at the core of knowledge-based service-driven capitalism enabled by digital technologies and flexible global networks. A perfect example of this production process is the so called web 2.0 or the "Google model" that Marazzi identifies as paradigmatic of the mode of producing goods and services in the age of *cognitive capitalism*. In this model it is the "*relationship* between the production and circulation spheres, between the production and consumption, that shapes the modalities of producing goods and services" (57).

The production of forms of life is becoming the basis of added value and it is what Paolo Virno calls "the exploitation of a mass intellectuality", referring to the dominant form in which the general intellect is manifest today, and the way in which financial markets try to valorise capital by exploiting social cooperation and the rent of the general intellect. The exploitation of "the commons" is therefore realised in the Silicon

Valley and Washington models as financial rent, and in this sense we are witnessing a becoming-rent of profit and wages.

In the chapter on "A Crisis of Global Governance", Marazzi talks about the macro geopolitical scenario with its power struggles and struggles for resources, and with the multiplicity of wars that are constantly reconfiguring global politics. Here he talks about the impossibility of an institutional governance of the current system. From the end of the 1990s until 2008, the big corporations reported high increases in non-reinvested profits, an accumulation of liquidity due to private indebtedness. Marazzi traces the problem back to the neo-liberal turn in the economy at the beginning of the 1980s, which gave rise to the deregulation of the markets, resulting in the crisis of the Welfare State and the privatisation of the deficit spending, turning consumption and private indebtedness into the fuel of this system. But in Marazzi's view this crisis goes well beyond the world diffusion of toxic assets, and its specificity consists of the crisis of governance of American monetary authorities and other political institutions. This also shows that the autonomy of politics in respect to financial capital is very low and that the crisis of governance is a political crisis – a crisis of legitimacy of this governance system. The mechanisms that we have seen until now – such as the governments' rescue plans, the G8 and G20 summits and the Copenhagen Summit – showed the failures of global regulatory attempts that proved on the contrary to further strengthen the processes of financialisation.

In the last chapter, "Geomonetary Scenarios", Marazzi traces possible political scenarios and strategies to come out of this economic collapse, all based on the "decline of the *empire without credit*": the paradox of the US superpower that is at the same time the strongest economy and the largest global debtor (86). The problem here is again the one of multilateral global governance, in this moment of crisis of political legitimacy. All hypotheses delineated by Marazzi are political rather than economical. He critically evaluates various hypotheses to reform the international monetary system, in order to avoid reproducing global imbalances such as creating a "new Bretton Woods" with the objective to create a supranational exchange currency in the place of the dollar, as suggested from the Chinese monetary authorities; or even the institution of a real supranational currency as proposed by Keynes at Bretton Woods in 1944.

Marazzi is partially optimistic about some of the actions of the New Deal proposed by President Obama in the health care and the housing market. For example, according to the author, the provision of mortgage refinance funds for American families is a historic plan because it shows the need to reform the monetary system starting from the base. The central issue is to recognise the question of *the right to social ownership of a common good* or in other words a *social rent*, as opposed to the only right recognised today, which is the right to private ownership. This plan is also recombining a "*local* intervention" with a "*global* dimension", and with a long-term investment in the future, beyond the anxiety of immediate profit, putting human wellbeing at the centre.

To sum up, one of the main ideas that we can synthesise from this book is that the current financial crisis is a systemic crisis of the entire capitalistic system, which is today a "cognitive capitalism", based on interconnected global financial markets. This is a fundamental shift that represents the *financialisation* of the reproductive sphere of life itself. Furthermore, Marazzi emphasises that in cognitive capitalism the frontiers between rent and profit begin to disintegrate. As argued by Vercellone, "the role of rent not only is a mode of collecting the wealth generated by labour, but also constitutes a mechanism of de-socialisation of the common and of political, spatial and socio-economic segmentations of labour power inextricably" (2008).

Therefore, when knowledge becomes immediately a "productive force" the critique of knowledge as a commodity is not different from the critique of political economy. This tightly links Marazzi's book with this journal issue on the Business School and its educational models. If the boundaries between education and production are porous and tend to be more blurred, when we criticised this socio-economic and financial system we are also criticising the educational system and thinking about alternative organisational and pedagogical models that can help us to move beyond this crisis.

To conclude, Marazzi's sharp analysis represents a fundamental contribution for those who are seeking to understand the nature of this crisis and who are looking for new political tools and strategies to face this extremely complex political situation. His analysis clearly shows that this crisis can be used as an opportunity to pursue radical changes and to open new terrains of conflict and sites of struggles, and it is only through struggles that we can identify common perspectives outside and beyond the crisis. This is an invitation to further enquiries into the role of knowledge in the production systems and its relationship with transformations in the capital/labour relation and the collective self-management of common goods.

It is in this attempt at radical change that we have to position the claim for a guaranteed income, or a "rent" attached to social needs that would reverse private debts into social income. The struggle for a *citizens' income* is a struggle generated by the growing awareness of the contradictions of financial capitalism between social needs and the enrichment of social relations on one side, and the private market logic of finance on the other, the contradiction between the *right to social ownership* of a common good and the private right of property. It's within these transformations of contemporary capitalism that, according to Marazzi, social conflict can be articulated. It is in the ability to produce innovation of life forms and autonomous forms of valorisation that financial capitalism will be overcome. If we agree with Marazzi that the weapons for a project of *reappropriation* of the commons, are available today more than ever, it seems to me that the key question that need to be addressed is how to organise it.

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Financialization (or Financialisation in British English) is a term sometimes used to describe the development of financial capitalism during the period from 1980 to present, in which debt-to-equity ratios increased and financial services accounted for an increasing share of national income relative to other sectors. Financialization describes an economic process by which exchange is facilitated through the intermediation of financial instruments. Financialization may permit real goods, services, and But this crisis is a crisis of the entire capitalist system, and as yet it has shown no signs of genuine recovery. In fact, a study of its development shows that the economic conditions of the majority of people are continuing to worsen, while the biggest capitalists themselves are still locked in their worst crisis in forty years. By studying some of the facts of the crisis, this article will attempt to show why it is the system itself which is to be blamed for the crisis, and why, rather than â€œrecovery,â€ it is the dangers of deeper crisis and world war which he on the horizon.Â It reflects the contradiction that lies at the root of capitalismâ€"between social production and private accumulation (or between the majority of people who work and the handful who make the profits). Financialization as a new stage of capitalism. The possibility of crises in the Marxian framework. Though Marx himself never developed a full-fledged crisis theory, he seems to â€œassociate crises with the tendency of the rate of profit to fall, with tendencies to overproduction, underconsumption, disproportionality and overaccumulation with respect to labour â€¦â€. (Clarke 1994: 7).Â Social Structure of Accumulation theory conceptualizes capitalism in consecutive cycles, each lasting about 50 to 60 years. These cycles, or stages, are divided into phases of growth and stagnation. A crisis follows from stagnation; it constitutes the beginning of a new Social Structure of Accumulation (SSA) (McDonough et al. A history of finance in five crises, from 1792 to 1929. What can we learn from previous financial crises, and what can be done to prevent the next one? With interactive graphics, video, animationsâ€"and a lot of charts.Â The response to a crisis follows a familiar pattern. It starts with blame. New parts of the financial system are vilified: a new type of bank, investor or asset is identified as the culprit and is then banned or regulated out of existence. It ends by entrenching public backing for private markets: other parts of finance deemed essential are given more state support. It is an approach that seems sensible and reassuring. Advertisement.