

FINANCIALIZATION AND AN ERA OF CRISIS ON CAPITALISM

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ABSTRACT

This paper aims to present the different faces of a new crisis era in capitalism through its supreme phenomenon, the financialization. Firstly, an understanding about the concept of financialization is needed, when a numerous of authors have been using different concepts, therefore, a typology for financialization will be present. Then, to symbolize the beginning of an era, the apogee was represented, even for just a fraction, for the 2008 global financial crisis, and consequences symbolize the contemporary forces of finance capital over the economics, socials and politics spheres. A detailed understanding using what Marx introduced, and Rudolph Hilferding improved, presents that finance capital form is potentiated in all economic agents. The reproduction of this new pattern in capitalism consistently predicts a continuous and unleash expansion of financialization, representing an increasingly instable, uncertain and destructive system.

Key words: Financialization; Capitalism; Finance Capital.

JEL classification: E1, B5, P1

INTRODUCTION

Financialization is one of those intellectual categories that is too large to comprehend in just few letters. Consequently, in much research in recent years the concept has been used for a narrow aspect on capitalism, suggesting an insufficient form to comprehend the phenomenon. Since this paper aims to put light on the concept of financialization, starting with a division to better understand the different views of it, also has purpose to contribute to a more profound and totalizing idea, introducing the core thought here: the dynamic of financialized contemporary capitalism in global scale and the emerging of an economics crisis era.

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Since Marx gave to the social science the more complete theory about capitalism dynamics, his thoughts guides research and works along centuries. Therefore, this work uses the basis of Marxian theory of capitalism to develop a deeply understanding about its most advanced concept: financialization. The so called heterodox approach gives to the economic science a necessity to understand the capitalism system from its movement, as Marx considers this system a historical and logical development of human society through the time. Hence, to the exercise of comprehension of contemporary capitalism, the paper treats finance capital, financialization, capitalism and its expression nowadays, as a dynamic movement that have logic and historical forces along the years.

Hilferding in his book 'Finance Capital' (1985), presents the concrete Marxist theory of capital logic development and the formation of a financial structure that enhances the capacity of capital to profit and accumulate (of power and capital). Then, when he introduces the fusion between industrial capital and banking capital, the finance capital *per se*, Hilferding enlarged the comprehension of capitalism dynamics and its economics agents – giving to the political economic theory not only a new perspective, but new concepts.

The wideness of financialization concept is explainable for its complexity and newness. As, from this point of view, the financialization is a movement of capital in its most perfect form; its more original form. It is capital as capital. Then, in this sense, the phenomenon is important for the correct comprehension of capitalist system dynamics, and international political economy framework in nowadays. Therefore, the financialization is a movement, and its expressions and consequences in a global perspective are suggesting the beginning of an extreme instability era; in another word, the era of crisis hypothesis.

Usually defines economic crisis, in tradition of Marx and Hilferding, as a collapse in capital production and circulation, so a quite number of concepts of crisis from that perspective was revisited. However, the attention on this work is into the gathering of conditions on contemporary capitalism that evidence the emergence of a new era, whereas the alternatives, unfortunately, are scarce and unsatisfactory. Then, the hypothesis raised suggests a long stagnation period with serious economic

consequences, moreover with daunting policies; or, on the other hand, a new expansionary period of production and finance prosperity and growth preceding a global great recession, as 2008 global financial crisis. Despite the regulations approaches, this work refuses the capability of regulation under conception of contemporary capitalism and international political economy framework.

At last, the paper presents some data suggesting a unique tripod on capitalist system. Since it has an excess of monetary liquidity, a low-rate of outputs and a wide financial structure representing a unique “stagdeflation” process with capital abundance, as result, also according IMF (2016), financial global instability is expected to increase in short and medium-term. Furthermore, this global framework is already reflecting not only economic challenges, but politics and democracies uncertainties.

This paper is organized as follows: besides introduction, the first part treats the different concepts about financialization defining a more dynamic and totalizing idea from Marx categories, and the importance to understand the financialized capital itself. Then, at the second part, the paper raises the events and hypothesis to suggest a new era on capitalism, which increases not only the uncertainty but the tensions and conflicts in all capitalism relations among economics agents. In the very end, some additional thoughts and prospectations tries to amplify the horizon of field.

What is financialization? Why is it so important to comprehend?

The current investigation has as intellectual basis the critical of political economy from Marx, to then conceptualize financialization. The contemporary thinking of Marx assists the understanding of structure and dynamics of capital, and can be used not only as a method, but as a guide. From his critics of classical economy, Marx gave to an emerging critical thought, an economic, political and social alternative to the mainstream. As result, his theory suggests a dynamic idea about logic of capital that assists to understand contemporary capitalism and its expressions. The centrality of capital and its movement is comprehended here as the main system characteristics, and this study investigates

the financialization phenomenon. Since financialization is the essential phenomenon of contemporary capitalism, its theoretical and empirical analysis is an unavoidable part to comprehend capital itself.

But, in the end, what is financialization? For the current work, it is a logic and historical trend of the capital dynamics precisely conceptualized into the Marxist tradition – hence, financialization is a movement. On the other hand, where Braga (2013) has unfortunately reason, the phenomenon has been surrounded by a kind of “Babel Tower”. Which means that many different authors are simplifying the theme to explain or introduce, a research about some contemporary capitalism manifestation that it is only a factual point, or even inherently system characteristics. The issue here is that financialization it is not only an expression of capitalism, but the apogee of capital moving in its more perfect and complete form. Whereas the interest-bearing capital and fictitious capital that treats Marx are causes of the phenomenon, since its assertive explanation on the circuit of $M - M'$ it is the *“original starting-point of capital (...) money creating more money. It is the primary and general formula of capital...”*, in other words, capital becomes commodities, or *“...capital in itself, as money-capital”* (Marx, 1988). Therefore, this piece of work deals with the capital itself or the capital being capital, hence the more advanced and perfect form of it.

Also, Prado (2014) assesses the essential aspect of financialization analyzing the phenomenon as not a randomly creation, but the own capital concept. The financialized form of capital fulfills the inherently fetishism when socializes the private property in its highest level, whereas its expressions on households, companies, State and politics are constitutive parts of total movement of capital. In such context, there isn't any financialization theory, but a contemporary capital theory. Therefore, the exercise to comprehend its faces, forms and dynamics nowadays needs to considers some Marxian categories without rude approaches.

It is undeniable the importance of global financial mass within the economics, politics and social decisions of these days. What much research in recent years call financialization, differs in weight and approach from the theoretical framework of Marxism, nevertheless the majority assess the object as “money creating more money” and comprehend its importance within capitalist system.

However, the current work here observes essentially the different ways as many authors treat the phenomenon, lacking the totalizing rigor that capitalism dynamic demands. As Ferreira (2016) proposes a study developing a typology of different views and concept on financialization, this work presents some of it to confront the established view. For the authors, financialization concept was divided into four groups: structuralist, political-regulationist, contemporaries and logical-historical.

The structuralist address the concept of financialization analyzing two main different structures: production and finance. For those who share this vision, the choices between the two structure from the economic agents are determining the financialization of capitalism. Then, the choices are essential to the upsurge of finance hegemony in the late XX century, and the consequences generate a variety changes in politics and regulations modifying accumulation regime. This vision has been centralized in the split of financial and production structures, a feature unique on them; (Krippner, 2004 and 2005; Epstein, 2005; Palley, 2007; Sawyer, 2014; Fasianos et al., 2016).

The political-regulationist are from the *école regulationiste*, where François Chesnais is the major exponent. Those converges its vision to determine financialization as specific consequence of political decisions dictated by neoliberalism and its deregulation and financial liberalization policies. Consequently, those policies enhanced the movement of financial globalization and the emergence of a finance hegemony after Bretton Woods collapse. For that matter, their work focuses in the regulation capability of States in macro and micro level over finance, which led their research to consider a shifting scenario from finance accumulation regime, to revival of production accumulation regime, (Boyer, 2000; Orleans, 2000; Chesnais 2003 e 2004).

The contemporaries relate financialization with the management of corporate firm money-capital. For those, the phenomenon is linked to choices in the core business management, since much of recent work point to a change of capital circuit towards investment production and innovation, to financial ambience like stock or derivatives markets. There is a transformation on the objective of corporations guiding money-capital from production to finance, and this change in agent behaviors is due to upsurge of financial negotiations environments, which is modifying the world productive

structure. Consequently, the global economy structure has becoming financialized, (Froud et al, 2000; Andersson et al. 2008; Nesvetailova 2013).

The last concept is called logical-historical and treats financialization as result on capitalism dynamics under historical aspects that led to a development of a global financial structure. The system is logically pushing the development of interest-bearing and fictitious capital, while moving away from productive capital and from capital value genesis, the labor (labor-value theory). Consequently, the different forms of capital are expressing its own logic within politics, economics and socials ambiances, reflecting a symptom of capitalism, and not the cause of financialization. Braga (1997) assists the comprehension using the expression: *“financialization is the systemic pattern of wealth”*, while quoting Marx (1988) can assist as well: *“The superficiality of political economy shows itself in the fact that it views the expansion and contraction of credit as the cause of the periodic alterations of the industrial cycle, while it is a mere symptom of them”*.

This current piece of work was influenced by some of this prior views about the concept of financialization resulting in a broad aspect of contemporary capitalism in which the phenomenon is a movement that generates inherently instability. The state of contemporary capitalism urges to a more profound theoretical and empirical analysis, as the consequences could be harmful for the ensemble of economic agents globally. Although the concept has some divergences, Braga (2013) is assertive to point this “Babel Tower”, even though its importance for assessment such complex and new capitalism feature, moreover after the global financial crisis of 2008. Still, the author calls considerably amounts of different concepts as “intellectual mania”, despite the necessity to increase financialization debates.

The financial instability apogee represented by global financial crisis of 2008 (the Subprime crisis) unleashes a new vague of studies about the theme, elevating the research level including theoretical and empirical innovations improving the understanding about capitalism dynamics. For that matter, it roses a refreshing Marxist comprehension about capitalism and some categories, as interest-bearing and fictitious capital. On the other hand, the critique is still important when some

visions insist to consider financialization as a “capitalism disease”, while it is “only” capitalism itself expressing its most perfect form. Foster (2008) collaborates considering financialization as part of capitalism dynamics, refusing the deleterious visions that financialization is causing economic stagnation, as defended by Palley (2007) and Orghanzi (2007). “...*this should not blind us to the fact that real problem lies elsewhere; in the whole system of class exploitation rooted in production. In this sense financialization is merely a way of compensating for the underlying disease affecting capital accumulation itself*” (Foster, 2008).

This paper collaborates to the vision on contemporary capitalist system agreeing that financialization is an expression of a logical movement of capital; reaching its more perfect form, the capital as commodities. On the real movement, the capital is within ambiances of accumulation and distribution channels of wealth in even more deep and global sphere. The development of global finance, in the context of Chesnais (1994), is part of this logic motion of capital, as it appropriates the whole assemble wealth socially produced in society, to then accumulate in capital *per se* basis. In this context, the contemporary capitalism financialized is more original system nearby its perfect form, at the same time, exacerbates its owns contradictions, such as Marx value-theory. The tendency of capital to abstract its owns valuation determinations, as its “contradiction process” logic (Mazzuchelli, 1985), is also enhanced with much more power in a financialized ambience like nowadays. The capital trend abstracting itself of living labor is part of capitalism dynamic, since interest-bearing and fictitious capital (M-M’) movement is generated from a real basis of valuation within a financial structure sustained exclusively by the concrete/real movement of capital concurrence. For that matter, capital movement appropriates surplus-value from the ensemble of economic agents when amplifies its basis of circulation and money liquidity needed to maintain, constantly, this appropriation from de present, past and future. Finally, financialization is a phenomenon of capital expansion in its own motion to appropriate the surplus-value socially created, which is in a way very coherent.

Some other studies about the capital movement expression don't differ from previous studies about overproduction, imperialism or finance capital dated from early XX century. The issue here is that contemporary capitalism is under finance order, setting new actors, institutions and consequences under the same dynamic of capital from Marxist tradition. Therefrom the importance to treat the theme as dynamic instead stationary, and the effort to comprehend the essence beyond appearance of capital. For this purpose, some research platforms such FESSUD (Financialisation, Economy, Society and Sustainable Development) studying the phenomenon consequences and trends are very important to amplify the knowledge, even though lacks some theoretical ground about the concept and dynamics of capitalism – like others.

Why is it so important to comprehend? Nowadays, there are numerous impacts of financialization on households, companies, banking and State all over the capitalism world. The comprehension of phenomenon motion and its impacts assists to understand the negative effects on contemporary society. From Marxism point of view, only the overcoming of this living social organization is capable to solve this question, however it is possible to improve the understanding. Thus, this work seeks to contribute even with a small fraction to improve the field, yet with more questions than answers.

The theoretical hypothesis of this work leads to a motion determinism. In another word, the trend of contemporary capitalism under finance order turns the system more prone-crisis. The financialization turns capitalism more perfect and original, at the same time, more unstable and indomitable. The amplifications of contradictions on labor theory value within core of capitalism allows to comprehend this motion determinism in nowadays. In theory, this subordination of labor to capital is contradictory based on labor-value theory, while it is explicit on productive/industrial through formal exploitation, on the other hand in financialization it raises a fetish (subtle veil), amplifying the subordination capability further. Therefore, with financialization it has an increase of subordination in the relation of capital with land, State, labor and with capital itself.

The era of crisis hypothesis on capitalism results from capital movement led by financialization since 1970. Baran and Sweezy, in 1966, with their book “monopoly capital”, showed the amplification of a specific capital emerging through monopolized gains 40 years ago (Foster, 2008). Here for that matter, the amplification of gains generated for concentrated capital in productive activities during the golden age (Bretton Woods period), had formed the ground for emerging finance ambiances to appropriate the surplus-value socially created, since the Eurodollar to the Global Shadow System spaces. The instability apogee of this movement was the global financial crisis of 2008, where the real-estate ambience was “only” one propitious place for the financial innovations and liquidity excess development, heading to amplification of interest-bearing and fictitious capital.

In the sequence, this article aims to move forward as comprehend that financialization phenomenon hold capitalist dynamic more prone-crisis for some reasons: its amplify the profitability channels of finance capital; strengthen the finance globalization imposing obstacles to regulatory actions from the States; enhance inherent speculations of capitalism introducing new and more complex financial innovations; increases the finance culture in households, medium and small companies; centralize and concentrate the banking sector; empowers finance agents through development of communications and internet. Summarizing, the contemporary capitalism gathers some variables and features that compose the hypothesis of a crisis era.

In a sense, the hypothesis is also presented in Foster (2008) focused in Subprime crisis, meaning a prone unstable system. Hence, here explores the crisis era not only as an uncontrollable period of capitalism, such as Foster, but apart from that, as a period of long and sustainable low-growth, moreover due the different form of capital in generating value. Therefore, if stagnation generated financialization from Bretton Woods, as Foster, Baran, Sweezy and others advocate, now one of the results of financialization is stagnation. In an order this is very interesting because after Subprime crisis of 2008 the data for financial assets globally indicates a rapid recovery of gains, despite the struggle of others economic indicators such as: investments, employments, income and output production. The data from the last Global Financial Stability Report from International

Monetary Fund (IMF, 2016) demonstrates a path towards a generalized stagnation in world economy, regardless the recovery of finance assets since 2008. On the other hand, the stagnation cannot be necessarily true following some observations along the research regarding the capitalism dynamics. Since a new propitious ambiance for amplification and exploitation of finance capital (regarding future surplus-value), might emerge to a new round of expansion led by finance (finance-led growth), nevertheless in a crisis era this dynamic is more and more unstable and uncontrollable; Foster (2007) collaborates resuming: *“The financialization of capitalism has resulted in a more uncontrollable system”*.

On the next part, the paper explores some features and data to sustain the emergence of a crisis era, since reflects the financialized dynamics of capitalism and its owns contradictions.

Why the beginning of an era of crisis?

The crisis in capitalism, according some authors, is a structural phenomenon of the own logic of capitalism dynamic; in another word, capitalism was made to generate crisis. Marxism tradition gave some theories to comprehend crisis on capitalism that are divided in four kinds: over-accumulation, reproduction, sub-consumption and concurrence/credit (Cipolla, 2016). The emergence of an era presumes an amplification on capitalism capability in its owns dynamics and structure, to then generate basis for the crisis; also, these theories helps the understanding of crisis not only from dynamics, but the forms and periods too. Hence, the aim in this part is to collect evidences sustaining our hypothesis theoretically and empirically; for then elaborates some thoughts on “low-interest rate era” and global stagnation emerging a new dilemma beyond economy.

Hilferding, in his book “Finance Capital”, raises some interesting crises theories about capital dynamics in a finance ambiance. According him, *“It is an empirical law that capitalist production passes through a cycle of prosperity and depression. The transition from one phase of the cycle to another is marked by a crisis”* (Hilferding, 1985), this part of his book is called “The general conditions of crises”. Consequently, the author raises some attention to the possibility of crisis emerge

just from the development of commodities as money (double nature of commodities – commodities-fetish in Marx), whereas the interruption of productive circuit of buy and sell, can generate a ripple effect. Then, the money as medium of payment starts to serve not only this circuit, but many others circuits as “means of circulation or payment in many other transactions” (ibid. 1985). For that matter, it is possible to see the importance of money to capitalism, which raises great contradictions to the system. This money concept is also in the core of others heterodox approaches such Keynes and Minsky traditions. According Hilferding, there are another two conditions to generate crises, one is linked to the anarchy of capitalist production caused by private economic households as independent units; and the second caused by separating production from consumption. Still, the emergence of commodities as money represents the emergence of capitalism itself, therefrom the prone crisis dynamics of capitalism is presumably sustained. Examining the theoretical framework of Hilferding from financialization point of view assists to faces the capital real movement towards ambiances increasingly distant from “Calvary” productive circuit as a symptom. For that purpose, the article of Foster (2007) raises important suggestions of the real movement since 1960 and 1970 enlarging financial capacity system all over the globe.

The global financial crisis of 2008 is the apogee of financialization phenomenon, as result of the own capitalism dynamic on finance hegemony – the Subprime crisis triggered the new era. Beyond the technical and complex details of 2008 crisis process, the subsequent researches revealed not only its power, but also its force to destabilize the global economy for several years. Hence, the development of distribution and amplification of finance wealth were decisive to the contagion-effect. In this context, Paulani (2016) and Harvey (2006) put lights on financialization dynamics within territory in which increases the comprehension of Subprime crisis dynamics. The financialized dynamic of real-estate valuation process verified at the financial and productive exploitation of urban territories, enhanced the capability of the system to generate “*debt pyramids*” (Harvey, 2006), resulting on the real-estate bubble burst. The exploitation fact over territory to gain profit through appropriation of surplus-value in interest-rates form, considered capital outside process, and surplus-

value in yield form, considered capital inside the process, is a mechanism of financialization of capitalism. Thus, the intensity in which the outside process capital took over Subprime crisis, including the amplify reproduction of capital, was determinant to the global scale impact. In another word, the crisis was only possible because there was a necessity of finance capital to, but not only, gain profits (surplus-value) from territory, but also to maintain a financial structure supported by fictitious assets circulating and appropriating the global surplus-value generated. Consequently, when a hilferdinian kind of collapse between buy and sells of fictitious assets linked to ground-rent happened, the trigger was pulled and the catastrophe was inevitable. This same exercise has been seen within the public-debts dynamics on Euro Zone, when the capital appropriation from a propitious ambience supporting fictitious assets prices, inside the debt-services of European States, triggered the debt-crisis.

In sequence, this work sees that a hypothesis of crisis era is plausible, because this financial structure seen in Subprime crisis is enlarging globally, creating new conflicts and contradictions basis inherent for a new crisis. If before global financialization, conflicts and contradictions within finance had been seen in a more restrict ambiances such as stock markets, bond markets or funds; nowadays it is within all economic agent ambiances (Ferreira, 2016). For that matter, the economic crisis of 90s, in developing countries, were resulted by impacts at specific ambience of fictitious valuation reflecting the financialized dynamics of contemporary capitalism. Thus, the development of distribution and circulation channels of financial assets amplified capital capacity to extract surplus-value from anywhere (including the future); what happened with real-estate sector in US, might happen to transports sector, telecommunications, knowledge or environmental, in China, Brazil or US, again.

On the other hand, the regulation framework to mitigate the impacts of real movement on capitalism, despite it noble efforts, might generate even larger tension on world economy. In this context, Foster (2008) says: *“...to re-regulate finance are likely to fail in their main objectives, since any serious attempt to reign in the financial system risks destabilizing the whole regime of*

accumulation, which constantly needs financialization to soar to ever higher levels”. Therefore, the financial accumulation regime already moved from developing stage, to the pattern, as putted by Braga (1997). In this context, the “re-regulation” could be more a destabilizing shock than financialization movement itself, generating a larger impact than Subprime crisis. What if this analysis is correct rejecting the re-regulation as Foster did, the next thoughts goes towards the constitutive diverse variables of the crisis era, also towards possibilities to upsurge another trigger to a severe instability in world capitalism.

To the continuity of work is considered four variables as basis to era of crisis:

- 1) The increases of monetary liquidity and fluidity worldwide through profitability channels of interest-bearing and fictitious capital emerged by the development of derivatives markets from the Global Shadow System (Farhi and Cintra, 2010); the expansionary monetary policies along the lasts 25 years (intensified after Subprime crisis) were measures that collaborates to upsurge this monetary excess, elevating global economy to a unique “stagdeflation” with capital abundance – era of low rates (IMF, 2016).
- 2) The actual financial structure globally increases a crescent complexity to establish limits to capital from States, since their role faces not only rigid democratic structures of each nation, but also the physical and digital boarders in each market. Still, it understands that dynamic of capital is faster than any capacity of State responses towards regulation and limitation. In this sense, Sawaya (2016) has an interest point of view from FDIs (Foreign Direct Investments).
- 3) The concurrence inter-capitalist in stagnation ambience has tendency to foster even more the capital towards its capacity to create profit conditions in more financial basis. The world financial mass, in its great movements, could foster the appropriation ambiances of surplus-value and profit, creating new bubble assets as real-estate in 2008. Among some hypothesis from colleagues, the ecological capitalism could be one of these unexplored ambiances starting a new round of expansionary movements amplifying production and

profit, regardless the consequences in environmental. Also, there is the called knowledge-based economy with the development of companies that monopolize the access to knowledge through digital channels. In the end, anywhere can be served as a propitious ambience for a financialization expansionary movement, creating new basis for instability and crisis.

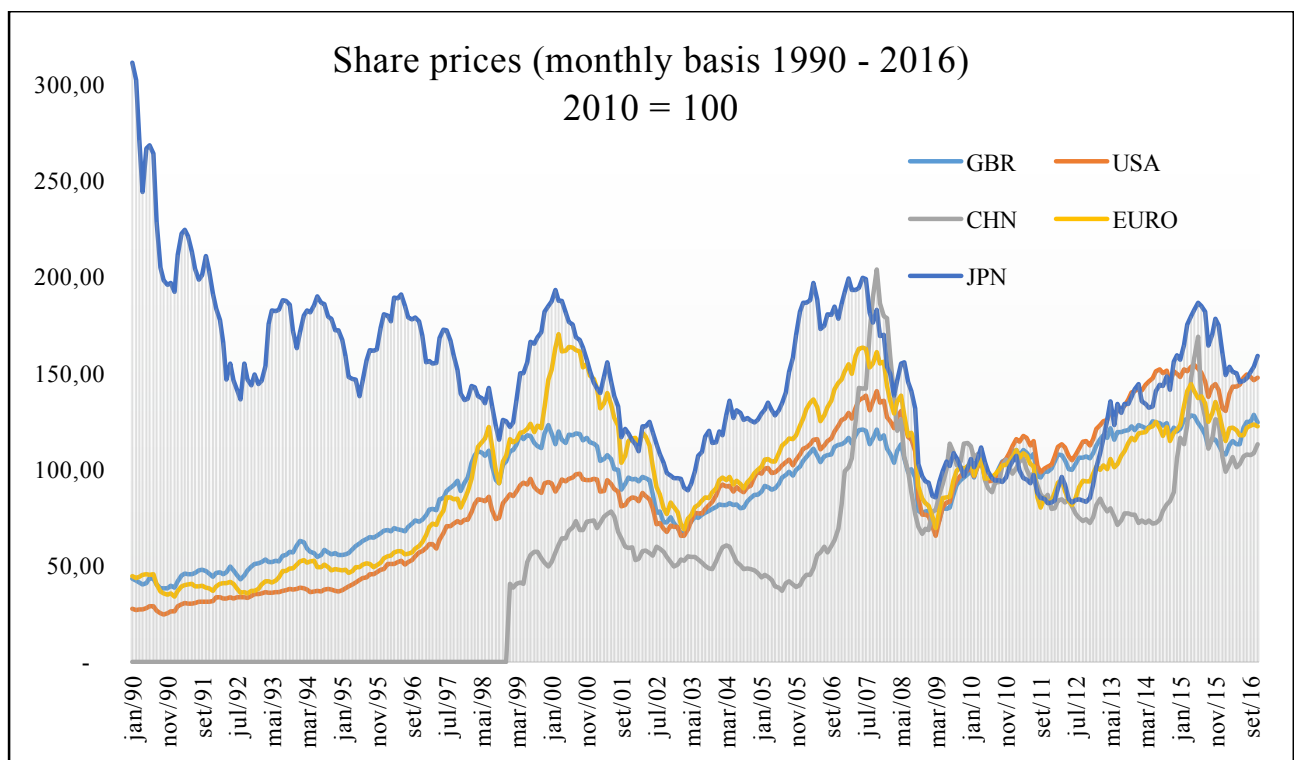
- 4) The connection between digital era, internet of Things and financialization is a feedback system. The movement of financialized capital appropriates profit generated by digital era and its huge capacity to develop tools that amplifies the financial operations in unexplored ambiences. Companies such UBER and AIRBNB are symptoms of this capital capacity linked by digital era that enhances the profit capacity of capital, only limited by physical and mental human means. In the very end, the capacity of surplus-value appropriation from capital is indeed limited only for the human capacity – hypothesis written in Capital book of Marx as a formal possibility of crisis.

Those variables ensemble sustain the hypothesis of crisis era here, since there isn't possibility return to the ancient accumulation regime, and the actual dynamics enhance the inherently contradictions of capitalism. Thus, the next questions would be under the assumptions of new round of instability and crisis promoting new challenges for all economic agents globally.

The world economic conjuncture nowadays is symptomatic. According IMF the world economy is entering a “low-interest rate era” (or even negatives interest rates), regardless their incapacity to foresee this consequence through financialization phenomenon. Magdoff and Sweezy in 1983 sustained this vision in their work “Production and finance”, whereby the stagnation on the 70s was motive for finance development all over the world. The responses of policy makers of lasts decades represented this dynamic, when they not only amplified the world capacity to become financial, but assist capitalism toward a new complex finance era.

The graphic analysis below shows the relative stock prices of the major financial markets of the world since 1990 –China, Europe, Great Britain, Japan and USA. According data, is interesting to notice that right after each large financial crisis in the last 25 years, it had a rapid recovery of stock prices, regardless their unstable trajectory. For that matter, the stock prices are sustained by a fictitious finance structure of “value” that does not reflect the productive and distributive dynamics on the same period. Also, is remarkable the path of Japanese stock prices, since it had an early sharp increase in comparison the others, to then return for world levels in early 2000. Still, the graphics shows that in 90s crises, dotcom bubble in 2001, Subprime crisis in 2008 and debt crisis in Europe 2010 the stock prices were sensitive, but right after the prices returned to the previous price levels before crisis shock. These data are important tools to assess the phenomenon as a broad aspect, whereby has a liquidity excess promoted by expansionary monetary regime during decades, assisting the financial assets prices.

Graphic 1: Share prices since 1990



Source: OCDE (2016)

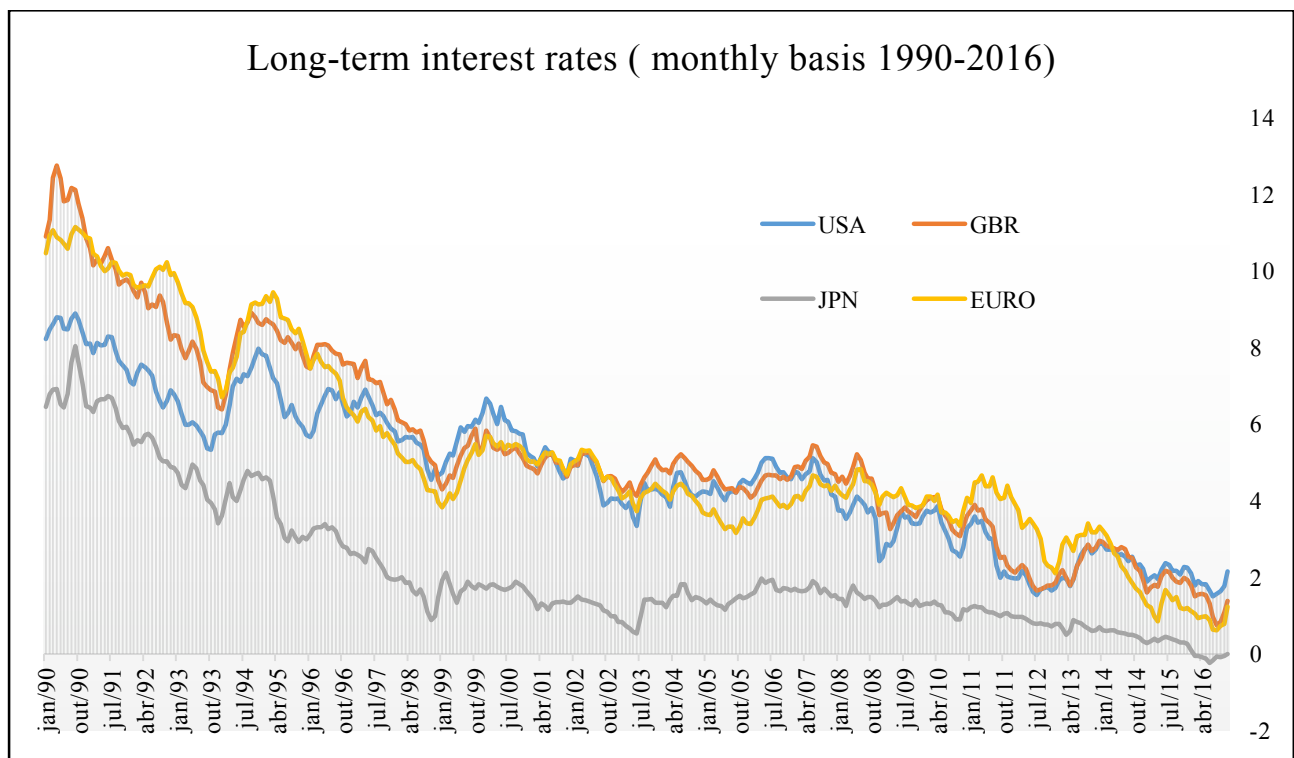
The last Global Financial Stability Report (GFSR) starts with a question about the relationship between economic stagnation and liquidity excess promoted by permanent fall of international interest-rates. The title is: “Is the Global Financial System Moving Closer to Financial and Economic Stagnation?”, which generates a debate over the structural exit for a recovery on economic growth through foster financial mass. The problem faced is on capital abundance, and not scarcity, in which raises a quite numerous of new challenges for politicians. Consequently, the changing in capitalism dynamic should aim a form to create growth, prosperity and income. On the other hand, on the financialized world economy, the drift is finance, rather than production, in which only the financial dynamic can elevate system capacity to create growth, nevertheless according this research hypothesis the consequence will be more instability and crises.

According the crisis era hypothesis, the data here reinforce a unique moment to world economy sustaining an uncertainty period ahead. Hence, the next graphic shows long-term interest rates among largest world economies since 1990, whereby the excess of liquidity is represented clearly by the graphic, sustaining the financial wealth and structure mentioned before. There are numerous of studies starting to debate over the sustainability of such low levels rates in the medium and long terms, in addition have some understanding about the difficulties on banking, pension funds and life insurances solvency in the long run (and the debt issue of non-financial corporations). From this point of view, the excess of monetary liquidity, low interest-rates and enlargement of finance profitability and accumulation channels might produce a dynamic pressure for new financial innovations, in addition might generate a new expansionary round to new appropriation ambiances of fictitious surplus-value creation. This movement will promote a new economic cycle of expansion and recession. For that matter, there isn't another way out to the financial and economic stagnation better than finance exploitation of a productive ambience that will produce profit inside and outside process.

Since 1990 the long-term interest rates on developed countries never ceased to decline. The Japan, as in stock prices graphic, starts from a lower interest rates in 90s, and now they are in negative

interest rates situation, while Europe, Great Britain and Europe started from 8-12% to less than 2% in 25 years. This trend of liquidity is consequence of monetary expansion from Central Banks and its counter party is public debt – raising another important issue. These policies were resulted by financialized dynamics, since its generate economic stagnation, in which the attempt to amplifying the supply of monetary capital to foster productive expansion, collaborate to a giant financial structure formed by fictitious assets. Therefore, any important shock that would express a changing in interest-rates trend could imply in unstable cycle magnified by financialization and its variables. In the end, financialization is the new pattern of this accumulation regime, so any attempt to reject it, could means a trigger.

Graphic 2: Long-term interest rates since 1990



Source: OCDE (2016)

This turning point that reaches capitalism isn't randomly. In other words, or capitalism faces a transformation of its own way to obtain value, if there exist one; or it faces another round of financial and economic expansion starting a new cycle of increases in financial structure, creating even more fragility on the system, generating another global financial crisis.

Foreseeing a new financial crisis? Yes, according to this context of international political economy, even more when decision of great financial mass is on a minor number of hands, while controls the destiny of many. The stagnation cannot be a way out, because capitalism lives of economic expansions that creates income, job and prosperity, and crises generating poverty, war and inequality. For that matter, the speculating financial mass becoming dominant generates even more fragility into the system. This incapacity of contemporary capitalism to generate an upsurge last since the global financial crisis, and this economic crisis started to collect its political consequences on Brexit and Trump. In this context, the short-term agenda reinforces this trend.

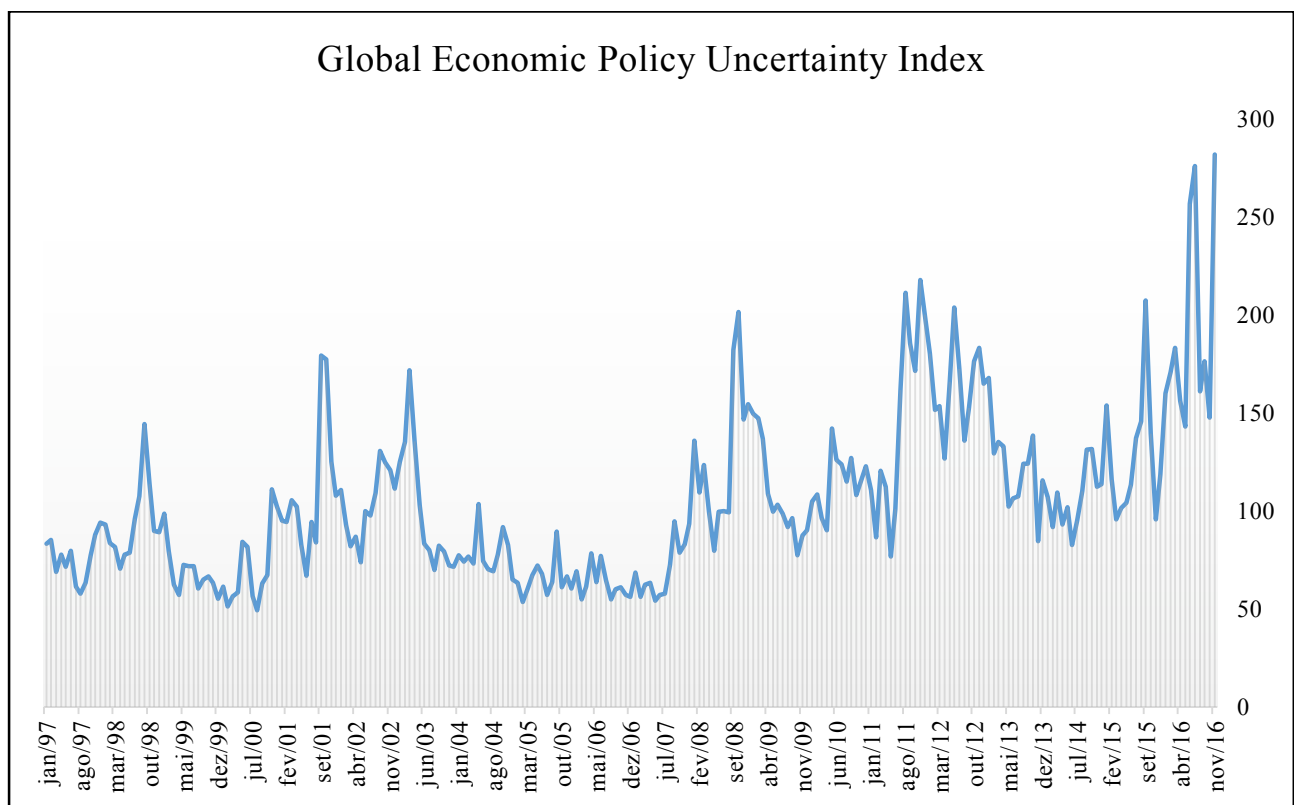
The GFSR defends that a hypothetical raise on FED interest-rates can trigger a shock for a new financial crisis; and that medium-term risks of banks, pension funds and insurances is increasing in a more unstable ambience. This is due to the liquidity excess and the movement of even lower interest-rates recently, and for the financial and economic stagnation extension. As results, defended in these pages, the whole recent events together regarding world economy created a conjuncture of stagnation, liquidity and deflation – resulting a unique “stagdeflation” with capital abundance. Finally, capitalism is facing a unique moment that marks a new era.

By contrast, back to IMF (2016), most banks in advanced economies have stronger balance sheets than in pre-years of global financial crisis, even though caused by QE in USA, Europe and Japan. The ration between equity and assets can be better now than 2007, but the low interest rates, stagnation and liquidity excess put lights on another issue: a financial one; a financial stagnation (Foster 2008). From this point of view, some variables could trigger another financial crisis, even without a new ambience such real estate.

Still, the actual political instability can be a trigger shock to new financial crisis reflecting the dynamics described above. *“The current environment of weak growth and low interest rates, elevated policy and political uncertainty, and growing structural impediments for banks is ushering in a new era of challenges and risks for the global financial system”* (IMF, 2016). For that purpose, the graphic below shows a global economic political uncertainty index, showing that instability of

some 2016 events can supports the idea of trigger from world politics. The uncertainty for 2016 is even bigger of 2008 crisis peak, and European debt-crisis peak of 2010 and 2011. From this graph and work two conclusions are possible: 1) it is unlikely that under such a high political uncertainty, the capitalism faces another economic expansionary cycle through financial markets so easily; and 2) the 2016 political events are consequences of new era. In the end, the increasing of uncertainty collaborates with global economy conjectures above and work’s critique.

Graphic 3: Policy Uncertainty Index



Source: www.policyuncertainty.com (2016).

Summarizing, the ensemble of political uncertainty, stagnation, liquidity, and a strong movement of financial mass globally could generate a new round of financial crisis, affecting even more all economic agents in digital era. This hypothesis leads toward the financial competence for contaminate not only financial sector ambient, but households, firms and State ambiances. Therefore, the question raised here is: what could be the trigger for a movement?

The evolving of economic agents of any kind, mostly the State, increases the level of instability and power of crises in contemporary capitalist system. When instability reaches the

political center of the system, the institutions that serves capital cannot regulate it any longer, generating a large proportion crisis in economic, political and social grounds.

The capitalism could vanish in its perfect cycle system, while tends to its more original and perfect form of capital; capital as itself. The phenomenon of financialization is the consequence of this movement, in which capital leaves its rougher form, to evaluate itself in a more original form. Capital denies his value genesis, the labor, and turns as commodities that has its use-value, the ability of generates exchange-value – real and fictitious. These expressions of contemporary capitalism are the reasons to the work comprehends the emergence of a new era, in which can be face as the last capitalist evolution step.

In the very end, the research draws attention to the global financial movements and its politics determinations reflected by the capital own logic dynamic and by State capacity.

CONCLUSION

Deal to a so complex theme as financialization isn't simple. Even more, when the work critics different views of financialization concept positioning in a more formal way in the end. However, the aim here is just to improves and collaborates to understands contemporary capitalism system, from Marxist perspective. For that matter, Rose of Luxemburg well wrote: *“Marxism is a revolutionary world outlook which must always strive for new discoveries, which more than anything else dislikes formulations valid once and forever, and whose living force is best preserved in the clash of self-criticism and in the lights and thunders of history”*. Hence, this paper searches to be loyal for Marx tradition seeing the determinations of social system of this time with critical eyes, preserving the honesty.

It was presented here a minor fraction of the critical vision of this system regarding its movement and expressions represent by its own dynamics. Since the comprehension of contemporary capitalism under financial order, sees all economics agents, at least in its majority, within the same dynamics. Therefore, the research might generate clues about its futures dilemmas.

Here was considered that events such liquidity excess, the amplification of distributional and circulation wealth capital finance, the impossibility of State or structural regulation and the development of technologies linked do digital era, support a hypothesis in which a new era of capitalism is beginning. In this era, the decision of global financial wealth mass is crucial not only to a productive, income and job expansionary round, but also to construction of new global financial crisis like 2008. So, the questions are two: what will be the next ambient to productive and financial exploitation of surplus-value? and, what will be the next trigger event to a new structural crisis in capitalism?

At last, financialization is very complex movement that contemporary capitalism developed under financialized order, where the movement toward the appropriation of surplus-value did generate a global and financial structure. Thus, any study that analysis the many expressions of this movement is very important to assist this research. For that matter, the work thanks to the great think-tank groups such IIPPE (International Initiative for Promoting Political Economy), FESSUD, Brazilian society of political economy, International relations study center from Unicamp, political economy center from FMU and so many others. All these resources were very important to the ungrateful task.

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