Debt, Credit, and Social Domination:

Toward a Political Theory of Contemporary Finance

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Abstracts

English

This thesis presents a rethinking of contemporary financial capitalism as a system of impersonal domination. In particular, it aims to theorize the particular forms of domination that attend the increasing dependence of individuals and households upon financial institutions in order to access basic goods, such as housing, education, and healthcare. The first part of this thesis consists in a reconstruction, and subsequently a critique of, the dominant lens through which finance is conceived in critical social and political theory today, which sees finance as a social relation of intermediation. The second part of this thesis draws upon critical political economy to argue that, rather than playing an intermediary function in capitalist social relations, finance is a precondition of capitalist social relations. I then build on this assumption to examine how financial institutions have become a precondition of social reproduction under contemporary capitalism. Third, this thesis draw upon recent empirical literature on student-loan-asset-backed-securities (SLABs) in the United States as a case study that illustrates the theoretical merits of this account of financial capitalism.

Français

Ce mémoire conçoit le capitalisme financier contemporain en tant que système de domination impersonnelle. En particulier, elle vise à déterminer dans quelle mesure la dépendance générale des individus sur les institutions financières afin d'accéder des biens essentiels, tels que le logement, l'éducation et les soins de santé, représente une forme de domination. La première partie de cette thèse consiste en une reconstruction et une critique de la conception dominante du capitalisme financier dans la théorie sociale et politique d'aujourd'hui, soit une conception de la finance qui la voit comme une relation sociale d'intermédiation. La deuxième partie de cette thèse appuie sur des recherches en politique économique afin d'arguer que, plutôt que jouer une fonction d'intermédiation dans le capitalisme contemporain, la finance est une présupposition de tout système capitaliste. Par la suite, ce mémoire examine cet argument du point de vue du fonctionnement de la reproduction sociale au sein du capitalisme contemporain. Troisièmement, ce mémoire fait fond sur des recherches empiriques portant sur la prolifération des titres adossés à des prêts étudiants aux États-Unis comme étude de cas servant à faire valoir les avantages de cette conception du capitalisme financier.

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It seems strange to begin a thesis that focusses on the corrosive effects of debt on our social and political lives with an acknowledgement of those debts without which this project would not exist.

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i. Introduction

The world of international finance is a dizzying one. According to the Bank of International Settlements (BIS), the global derivatives market was valued at some 600 trillion USD in 2021, six times global GDP for that year.[1] Meanwhile, some 7.5 trillion USD is traded in foreign exchange markets on a *daily* basis.[2] The incomprehensibility of *how much* money circulates in these markets is complemented by an equal complexity with regard to *what* is moving around in these markets. An observer who takes a glance at the Bloomberg Terminal or at the business section of the *Financial Times* will be met with a deluge of different financial products. They will, of course, see equities, bonds, and general market indexes. They will also be met with a wide array of financial products whose very appellations appear to be designed to confuse the layperson: securities, options, puts, calls, derivatives, Bermuda derivatives.

The complexity of these financial products is compounded by the hyper-technical operations by which they are traded. One need only look to the increasingly outsized role that so-called 'algo-traders' play in international financial markets. These 'algo-traders', or high frequency traders, who make profits by moving money around at infinitesimally minute intervals account for some 90% of all U.S. equity trading, and are deployed not only by marauding hedge funds, but also more and more by 'whale investors' like mutual funds and large asset managers.[3] For these reasons—the sums of money; the proliferation of complex and complexity of financial products; and the hyper-technical nature of trading—international financial markets appear to be

[1] "Derivatives statistics," Bank of International Settlements, June 2022, https://www.bis.org/statistics/about_derivatives_stats.htm.
[2] "OTC foreign exchange turnover in April 2022," Bank of International Settlements, October 27, 2022, https://www.bis.org/statistics/rpfx22_fx.htm.
[3] Robin Wigglesworth, "Volatility: how 'algos' changed the rhythm of the market," *Financial Times*, January 9, 2019, https://www.ft.com/content/fdc1c064-1142-11e9-a581-4ff78404524e.

a sea of volatility, instability, and speculation, which threatens, periodically, to burst from the bounds of the trading floor and thus to spill over into the 'real economy'.

It is unsurprising that such confusion reigns within the literature in social and political theory that thinks critically about the role that international financial markets play in our social lives, particularly in the Marxist and post-Marxist literature on finance. This literature is divided, loosely, into two camps along epistemological lines. One camp holds that the constitution of money (and, by extension, credit and finance) is fundamentally *unknowable*. The other camp maintains that, as Benjamin Braun puts it, a "reasonably precise understanding of the nature, making, and workings of contemporary credit money is possible."[4]

The first approach is exemplified in accounts of financial capitalism that associate the 'financialization' of the economy with the problematic of postmodernity, and the general epistemic whirring and confusion that this condition inaugurates. Not without a certain ambiguity as to the causal channels by which this occurs, the story, here, suggests something to the effect that the confusion and epistemological opacity that characterizes the trading floor is replicated in the structure of contemporary subjectivity. Just as trading in financial markets eludes the conscious apprehension of the agents who actively participate in them, so too does a world governed by finance appear to us as increasingly incomprehensible and unpresentable. Frederic Jameson's analysis is here emblematic: "the results of these lightning-like movements of immense quantities of money around the globe are incalculable, yet already they have clearly produced new kinds of political blockage and also new and *unrepresentable* symptoms in late-capitalist every-day life."[5] Wendy Brown's account of the power of finance examines the implications of the ascendancy of

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[4] Benjamin Braun, "Speaking to the people? Money, trust, and central bank legitimacy in the age of quantitative easing," *Review of International Political Economy* vol. 23, no. 6 (2016): 1067-1068.
[5] Frederic Jameson, "Culture and Finance Capital," *Critical Inquiry* vol. 24, no. 1 (1997): 252.

finance for subjectivity and agents' ability to situate the locus of power and control in contemporary political life. Brown writes: "the vaporous powers of finance, which rule everything, but live nowhere, are akin to a Copernican revolution for subjectivity in relation to the powers making and governing by the world…rule by finance involves a transformation of spatial consciousness that paradoxically hinges on the despatialization of power as such."[6] On Brown's account, a world dominated by finance is a u-topia (*οὐτόπος*), a world without fixed centre or even identifiable nodes of power.

The second approach to the study of finance in political and social theory emphasizes the empirical *knowability* of monetary relations. Where the first camp stresses the diffuseness of financial power, this camp identifies privileged, empirically tractable sites in which, and processes through which, the power of finance produces and reproduces itself. Some accounts of this kind point toward the political machinations of a 'rentier' class that exercises monopoly power over basic goods and resources.[7] Others take a keen sociological interest in the back-door negotiations and secret deals through which the ascendancy of finance is reproduced by state and non-state agents alike.[8]

This project is more sympathetic to the epistemological assumptions about money, credit, and finance held by this latter camp. Indeed, I believe that we can aspire to a reasonably precise empirical understanding of how finance functions, and that these empirical findings can motivate robust and critical social and political theoretical analysis of the functioning of power and domination within financial markets. My issue with the second camp, however, lies in its implicit

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[6] Wendy Brown, *In the Ruins of Neoliberalism: The Rise of Anti-Democratic Politics in the West* (New York: Columbia University Press, 2019), 183.
[7] See, e.g., Brett Christophers, *Rentier Capitalism: Who Owns the Economy, and Who Pays for It?* (New York: Verso Books, 2020).
[8] See, e.g., Adam Tooze, *Crashed: How a Decade of Financial Crises Changed the World* (New York City: Viking Press, 2018).

understanding of the kind of social relation that finance *is*, and in the theoretical implications about the nature of financial power that this camp draws from this basis. To wit, this second camp in the literature adopts the view that financial institutions and actors represent appendages in relation to more significant, fundamental actors in the economy. This is mistaken. Moreover, this mistake precludes theorizing the unique forms of power and domination inherent in finance as a *social relation*.

My project, then, will share the second camp's assumption that we can aspire to a reasonably precise social-theoretical understanding of the nature of finance and of the role that it plays within the contemporary political economy, but it will break with this camp's assumption that finance names, in the first instance, an appendage in relation to foundational economic actors. Rather, this project will argue that finance ought to be conceived as a *necessary precondition* of contemporary capitalist social relations. In particular, I will focus upon the role of finance as a precondition for the *reproduction* of capitalist social relations. In turn, conceiving of finance as a *precondition* of capitalist social relations, rather than an *appendage*, will produce different conclusions concerning the nature of power and domination in finance capitalism.

This project will be divided into three main parts. The first part of this project will consist in a reconstruction, and subsequently a critique of, the dominant lens through which finance is conceived in social and political theory today; that is, the lens that views finance as appendage. I engage primarily with the conceptualization of finance developed by Rudolf Hilferding and V.I. Lenin in the early twentieth century. After reconstructing their approach to the analysis of finance, I point toward the shortcomings of this approach, which continues to inform social-scientific and theoretic work on financial capitalism today, on both an empirical and theoretical footing. I suggest that these shortcomings derive, in the first instance, from a misunderstanding of the role of finance within capitalist production.

The second section presents the primary analytical work of this project, and is split into two primary sub-sections. The first draws upon Marxian value theory in order to determine, at a logical level, the necessity of a financial sector for capitalist *production*. I argue, here, that Hilferding and Lenin's crucial mistake is to have situated the origin of credit money in *circulation* rather than *production*. The second sub-section builds upon this argument to examine how finance has become a precondition not only of capitalist *production*, but also of the *reproduction* of capitalist social relations. This forms the basis of my thinking about the power and domination inherent to contemporary financial capitalism.

The third section of this project consists of a case study that illustrates the theoretical merits of this account of financial capitalism vis-à-vis existing approaches to this problem in the literature. Here, I draw upon recent empirical literature examining a particularly nefarious form of financial domination: the conversion of privately granted student loans in the United States into student-loan-asset-backed-securities (SLABs). I conclude in briefly considering possible future research agendas, pertaining to the role of competition in conditioning financial domination; the relationship of finance vis-à-vis contemporary statecraft; and, finally, the practical political implications that result from this analysis.

ii. A history of finance capital

The terms 'financialization' and 'financial capitalism' have been employed in social-scientific and theoretic circles since the demise of the Bretton Woods system in the early 1970s; the United States' abandonment of the gold standard; and the liberalization of global financial flows.[9] The diagnosis of 'financialization' tends to be founded upon the claim that the basic framework of the capitalist world economy has undergone a *qualitative* transformation since the mid-1970s, and that a key part of this transformation consists of the dominant role that finance plays therein. It is crucial to note that 'finance capital' and 'financialization' find their origins not in the 1970s, but rather in the context of early twentieth century debates in Marxian political economy. Rudolf Hilferding's *Finance Capital*, V.I. Lenin's *Imperialism, the Highest Stage of Capitalism*, and Rosa Luxemburg's *The Accumulation of Capital* are but a few of the paradigmatic products of these debates. Hence Costas Lapavitsas is correct to remark that financialization "has Marxist origins and its birthmarks have remained even when the term has been deployed by different intellectual traditions."[10]

Keeping the descent of the financialization diagnosis from the classical Marxian theories of finance in mind is helpful on two accounts. First, it is helpful for *genealogical* reasons: the analysis of financial capital pioneered by Hilferding, Lenin, and Luxemburg informs many subsequent analyses of the role of finance in the capitalist global economy. This is not to say that a Keynesian who calls for the redirection of investment from speculative assets into productive industrial capacity is a Leninist *in situ*. Rather, examining the classical Marxian analysis of financial capital is useful on *heuristic* grounds. That is to say, this theory of financial capital provides a basic set of coordinates within which the 'ascendancy of finance' has been criticized.[11]

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[9] For a survey of the 'popular history' of finance, see Dick Bryan and Michael Rafferty, *Capitalism with Derivatives: A Political Economy of Financial Derivatives, Capital and Class* (New York: Palgrave Macmillan, 2006), 203-207.

[10] Costas Lapavitsas, *Profiting Without Producing: How Finance Exploits Us All* (New York: Verso Books, 2013), 19.

[11] For instance, although Joseph Schumpeter has a much more rose-tinted view of the role of the financial system within early 20th century capitalism than Hilferding, Lenin, and Luxemburg, there are clear parallels between his distinction between the capitalist who *lends* and the entreperneur who *innovates* and Hilferding's argument that finance capital brings about the functional separation of ownership and management. On this, see Panayotis G. Michaelides and John G. Milios, "The Schumpeter—Hilferding Nexus," Journal of Evolutionary Economics vol. 25, no 1 (2015): 133-145.

In this section, I will accomplish three tasks. First, I will provide a concise reconstruction of the classical Marxian theory of finance capital, primarily drawing upon Lenin and Hilferding. I term this the 'Lenin-Hilferding nexus'[12] Second, I will focus on a few features that inform this theory of finance capital, and I will demonstrate how they have been taken up from a wide range of positions in the literature. Third I will point toward some of the shortcomings of this theory for understanding the role that finance plays within the contemporary political economy, both from a theoretical and an empirical point of view.

ii.a. The Lenin-Hilferding nexus

For Hilferding, and for Lenin in his wake, the ascendancy of 'finance capital' heralds a *qualitative* transformation in the capitalist mode of production; that is to say, a new "phase of capitalist development."[13] According to Hilferding, this new phase of capitalist development is characterized by a transformation of the fundamental logic of capitalism at two levels. First, the emergence of finance capital heralds a transformation at the *organizational* level of capitalist production; that is, *within* capitalist firms. Second, the emergence of finance capital occasions a transformation at the *systemic* level; that is, at the level of the basic rules governing the relations between capitalist firms.

Let us begin with the first part of Hilferding's argument. At an *organizational* level, Hilferding contends that the ascendancy of finance capital is characterized, in the first instance, by the increasing dependence of the activities of industrial firms upon the credit granted them by large

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[12] That Lenin is so critical of Hilferding in his *Imperialism*, going so far as to call him an 'ex-Marxist' and "one of the chief exponents of the bourgeois," is a strange irony in light of Lenin's endorsement of the basic coordinates of Hilferding's theory of finance capitalism. See Vladimir Ilyich Lenin, *Imperialism, the Highest Stage of Capitalism* (London: Pluto Press, 1996), 8.

[13] Rudolf Hilferding, *Finance Capital: A Study of the Latest Phase of Capitalist Development*, trans. Morris Watnick and Sam Gordon (Philadelphia: Routledge, 2006), 21.

banks. To support this claim, Hilferding performs a genealogy of the changing role of credit within capitalist processes of production. On Hilferding's view, at an earlier stage of the development of capitalism, the circulation of credit was arranged *among industrial capitalists themselves* in the form of promissory notes. If, for instance, one capitalist in the business of manufacturing machines decides to borrow iron from another capitalist who runs a refinery the former is confronted with two options. *Either* he can pay the metal manufacturer in *money* (i.e., gold or silver bullion) or, preferring not to part ways with his bullion, he can grant the latter a promissory note that entitles the metal manufacturer to a portion of the surplus-value that he will earn from the sale of his machines in the future. The machine manufacturer is therefore *temporarily* indebted to the metal manufacturer, until such a time when the initial loan, plus interest, can be repaid. Hilferding terms this primitive form of credit, "advanced by productive capitalists to one another," *circulation credit*.[14] Because this form of credit allows productive capitalists to borrow, and so to invest in their productive activities, beyond the means that relying upon their reserves in bullion would allow them, Hilferding contends that circulation credit "extends the scale of production far beyond the capacity of the money capital in the hands of the capitalists."[15]

Gradually, however, the necessity of a sophisticated credit system is felt. This necessity imposes itself for a variety of reasons. For instance, if an indebted capitalist is unable to sell their wares on the market, then he must resort to a third party in order to repay his creditor. Moreover, while circulation credit tends to be devalued in situations of capitalist crisis, this is not the case for bank credit, owing to banks' backing by the state. Hilferding writes: "the credit of a bank note can

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[14] Ibid., 83. Hilferding sees himself as picking up, here, from Marx's sketch of the role of credit money in the money-capital circuit in chapters 25 and 27 of *Capital, Volume 3*, all the while arguing that his analysis of the role of credit in capitalist production "goes considerably beyond that provided by Marx" (114). See Matari Pierre Manigat, "Finance Capital and Financialization: A Comparative Reading of Marx and Hilferding,"*Œconomia* vol. 10, no. 4 (2020): 687-710 for a helpful exposition of the key differences between Marx and Hilferding's respective assessments of the role of credit in capitalist production.
[15] Ibid., 84.

hold its own even during a crisis and, consequently, when the circulation of bills contracts during a crisis, bank notes and cash are used in their place."[16] Such factors tend increasingly toward the concentration of erstwhile circulation credit into banks, and its consequent transformation into 'bank credit'. Accordingly, "once the credit system has attained a certain degree of development, the utilization of credit by the capitalist enterprise becomes a necessity, imposed upon it by the competitive struggle."[17] Because of the increasingly large amount of 'money capital' that pours into banks, banks come to fulfill two functions. First, they are charged with providing firms with liquid, or circulating, capital. Second, as firms seek ever more to edge out their competitors through productive investment, banks begin to provide firms with the credit that they require to invest in *fixed* capital.[18]

For Hilferding, this latter moment of the development of the banking system does not merely betoken a *quantitative* expansion in the operations of large banks. Rather, it heralds a *qualitative* transformation in the relations of power and dependence between banks and productive firms. Indeed, when banks merely provided *circulating* capital, the relationship of dependence of a particular firm upon a particular bank was merely *temporary*. To return to the example adduced above, a machine manufacturer who seeks to buy iron now takes out a loan from the *bank* in order to pay the metal manufacturer. Once his machinery begins to turn a profit, he then liquidates his obligation to the bank. Hilferding writes: "The enterprise could repay the loan at the end of the turnover period, and then look for another source of credit."[19] However, when banks enter the business of providing loans to productive capitalists to invest in *fixed capital*, what was once a relationship of *temporary* dependence of firm upon bank becomes an *enduring* one. This is so

[16] Ibid., 86.
[17] Ibid., 93.
[18] Ibid., 94.
[19] Ibid., 95.

because of the longer turnover time of fixed capital investment: an investment only begins to yield profits, a portion of which is advanced to the bank in the form of *interest*, gradually. According to Hilferding, then, this temporal shift occasioned by banks' growing participation in fixed capital investment engenders a situation in which the continued existence of the firm becomes meaningfully *dependent* upon the credit supplied to it by the bank. He writes: "The Bank enjoys an…advantage [vis-à-vis the firm] by virtue of the fact that its capital is relatively independent of the outcome of any single transaction, whereas the fate of the entire enterprise may depend entirely upon a single transaction."[20]

At a systemic level, on the other hand, Hilferding argues that the dependence of productive activity upon the credit allocated to firms by large banks leads to a situation in which the dynamic of *competition* that erstwhile governed relations among industrial capitals is supplanted by the stasis of *centralization*. Hilferding's argument, in this regard, is as follows. As seen above, industrial firms are compelled by the logic of competition to take out loans from large banks in order to invest further in fixed capital. This, in turn, leads to a situation in which banks take a *direct interest* in the profitability of the vast number of enterprises to which they have issued loans. At this point, the interests of industrial firms and those of the banking sector diverge decisively. Indeed, where industrial firms are motivated by the drive to out-compete other firms and so to maximize their own profit, the big banks are interested solely in recuperating their loans. Accordingly, Hilferding contends that the "bank has an overriding interest in eliminating competition among the firms in which it participates."[21] It does so, Hilferding argues, by establishing *monopolies*. Competition among industrial capitals thus generates its own dialectical inversion, as it were, in the form of monopolies. As Lenin puts it, at this "very high stage of [the

[20] Ibid., 95.
[21] Ibid., 191.

development of capitalism], certain of its fundamental characteristics [begin] to change into their opposites."[22] Thus emerges *finance capital*, properly speaking. Hilferding describes this process as follows: "The power of the banks increases and they become founders and eventually rulers of industry, whose profits they seize as themselves as *finance capital*."[23]

The 'new phase of capitalist development' analyzed by Hilferding emerges as a *generalized system of dependence of productive activity upon the power of large banks*, in which the surplus-value generated in the former is appropriated by the latter. This system of dependence has as its corollary the abolition of free competition between enterprises, and its consequent replacement by the proliferation of industrial monopolies. This replacement of free competition with a system of monopolies has significant *political* consequences, on Hilferding's view. These political consequences, according to Hilferding, derive from the tendency of monopolistic firms, abetted by the large banks upon which they are dependent, to push for the imposition of protective tariffs. This is so for two reasons. First, protective tariffs allow monopolistic firms to artificially out-compete technologically and economically superior foreign firms, which ensures their continued survival in the face of possible competition. Second, they allow monopolistic firms to "sell its product on a domestic market an extra profit," which derives from the difference between "the domestic price and the price on the world market."[24]

Two political implications of the generalization of protection tariffs in industry are worth noting. First, at an international level, the generalized imposition of protective tariffs conduces to the segmentation of the capitalist world market along imperialist lines.[25] Second, at a domestic level, Hilferding argues that the disjunction between the natural price of goods on the world market

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[22] Lenin, *Imperialism, the Highest Stage of Capitalism*, 66.
[23] Hilferding, *Finance Capital*, 226.
[24] Ibid., 308.
[25] Ibid., 314.

and the artificially inflated price of goods occasioned by the imposition of protective tariffs represents a form of *political extraction of surplus* from domestic consumers. Hilferding writes: "This extra profit no longer originates in the surplus value produced by the workers employed by the cartels…It is a tribute exacted from the entire body of domestic consumers, and its incidence on the various state of consumers…[depends] upon the real power relations and upon the nature of the article which is made more expensive by the cartel tariff."[26] At both the domestic and the international level, then, Hilferding reasons that the tendency of finance capital to eradicate competition amongst industrial firms leads to the increasing reliance of profit generation upon *extra-economic* means.

It is in Lenin's *Imperialism, the Highest Stage of Capitalism* that the broader political implications of Hilferding's analysis are developed. Following Hilferding, Lenin sees a deep tension between the nature of capitalist monopoly and the free competition that characterizes earlier forms of capitalist development. Indeed, he goes so far as to write that monopoly represents a "permanent and insoluble contradiction to…the general environment of capitalism, commodity production and competition."[27] Lenin breaks from Hilferding, however, in suggesting that he has not sufficiently examined the implications of finance capital for two reasons. First, he has not adequately considered the "stagnation and decay" that characterizes finance capital. Indeed, if finance capital is derived, in the first instance, from eradicating competition by artificially propping up prices, "the motive cause of technical and, consequently, of all other progress disappears to a certain extent and, further, the economic possibility arises of deliberately retarding technical progress."[28] Second, on Lenin's view, Hilferding has not fully grasped the implications

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[26] Ibid.
[27] Lenin, *Imperialism*, 75.
[28] Ibid.

of *parasitism*. By this, Lenin refers to the growth of a parasitic *class*, and indeed of parasitic *countries*, who are wholly isolated from production, "who take no part in any enterprise whatever, whose profession is idleness."[29] Indeed, because of the tendency of monopoly firms to export capital described by Hilferding above, certain countries that are well endowed with money capital are able to live "by exploiting the labour of several overseas countries and colonies."[30]

Now that I have reconstructed the basic parameters of the Hilferding-Lenin conception of finance capital, it is worth unpacking the foregoing analysis. What is salient, for the purposes of this project, is not so much the *empirical* accuracy of the political-economic claims that inform Hilferding and Lenin's study of finance capital, but rather the broader theoretical implications about the nature of finance that may be drawn from these claims. In particular, I am interested in the implicit understanding of the *power* of finance capital that animates these analyses. Hilferding and Lenin's analysis points toward five salient theoretical features of the power of finance capital. First, finance capital refers to a situation in which *the continuation of productive activity is dependent upon the enduring indebtedness of firms to finance capitalists*, namely banks. Second, finance capital exists only where monopolistic firms, and therefore the *eradication of free competition among capitals*, obtains. Third, because of the hostility of monopolistic firms to free competition, finance capital resorts to *extra-economic* means, such as changing legislation, artificially inflating prices, or relying upon military support in the colonies, to turn a profit. Fourth, because monopoly is inimical to the technical innovation and progress that results from competition, finance capital *leads to capitalist decline and decay*. Fifth, and finally, finance capital is *parasitic*: it produces a rentier class whose income, and accordingly, whose interests, are detached from the fortunes of productive capitalists. Let us sum up the theoretical implications

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29 Ibid.
30 Ibid.

about finance capital contained in the Hilferding-Lenin critique as follows. Finance capital is a *deviation from productive capitalism, understood as a system of free competition among capitals, in which priority is accorded to profit accumulation through extra-economic means in such a way that weakens the integrity of the productive side of the capitalist economy as a whole*.[31]

ii.b. The classical theory of finance today

More than a century intervenes between our contemporary moment and the epoch of high European imperialism. Nonetheless, the theoretical implications of the Hilferding-Lenin nexus continue to inform a great deal of work on finance and 'financialization' in the mainstream and critical social sciences today. Focussing on the afterlives of even one particular aspect of the Hilferding-Lenin diagnosis of financialization yields a literature unto itself. For one, the opposition between finance capital, on the one hand, and a base 'productive capital', on the other, that animates Hilferding's analysis of the development of capitalist banking motivates much of the literature on financialization in sociology and heterodox political economy.[32] If one wishes to focus on the increasingly influential role that Lenin's rentier class plays within contemporary capitalism, one need only turn to the postulate of a new twenty-first century rentierism, or even a neo- or techno-feudalism, that circulates among the critical commentariat.[33] Finally, for those who

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[31] It is worth noting that Hilferding and Lenin's analysis parallels contemporaneous debates in liberalism, in particular in the works of Joseph Schumpeter and J.A. Hobson, the latter of which Lenin's analysis draws on extensively. Where, for Hobson, finance and monopoly capital led to the jingoism and war-making that characterized high European imperialism, for Schumpeter, finance and monopoly capital were a *consequence* of nationalist and imperial aggression. For more on this debate, see Daniel H. Kruger, "Hobson, Lenin, and Schumpter on Imperialism," *Journal of the History of Ideas* vol. 16, no. 2 (1955): 252-259.

[32] See, e.g., Greta R. Krippner, "The Financialization of the American Economy," *Socio-Economic Review* vol. 3, no. 2 (2005): 173-208; Costas Lapavitsas, *Profiting without Producing: How Finance Exploits Us All* (New York: Verso Books, 2013); and Mariana Mazzucato, *The Value of Everything: Making and Taking in the Global Economy* (New York: Public Affairs, 2018).

[33] See, e.g., Brett Christopher, *Rentier Capitalism: Who Owns the Economy, and Who Pays for It?* (New York: Verso Books, 2020); David Harvey, *Seventeen Contradictions and the End of Capitalism* (Oxford: Oxford

see in financialization a harbinger of capitalist decline, one need only turn to those theories of finance that emerge from world-systems theory.[34]

It is beyond the scope of this project to provide an exhaustive treatment of the afterlives of the Lenin-Hilferding nexus, but is worth examining one recent case that is emblematic of the grasp that this framework for understanding financial capitalism continues to exert on the radical imagination.[35] This case comes in the form of a recent intervention by Dylan Riley and Robert Brenner in *New Left Review*, entitled "Seven Theses on American Politics." While the article is primarily intended to survey the political landscape of a United States ravaged by the after-effects of the coronavirus pandemic, decades-high inflationary pressures, and generalized contempt of the norms of liberal democracy, Riley and Brenner nonetheless make clear that the pathologies that increasingly characterize American politics are "linked to deep structural transformations in the regime of accumulation."[36] It is this latter claim—that 'deep structural transformations' have occurred in American capitalism—which is of interest here. In Riley and Brenner's view, the proximate cause of these epochal transformations in American capitalism is the decline of *growth* in American industry (we might call this the *secular stagnation thesis*). Indeed, for Riley and Brenner, the Keynesian class compromise that existed until the mid-1970s cannot have existed but

University Press, 2014); Nick Srnicek, *Platform Capitalism* (Boston: Polity, 2016); Mackenzie Wark, *Capital Is Dead: Is This Something Worse?* (New York: Verso Books, 2021). For an illuminating critique of this tendency to see rent, rather than exploitation, as the primary source of profit in contemporary capitalism, see Evgeny Morozov, "Critique of Techno-Feudal Reason," *New Left Review* vol. 133 (2022).

34 See Giovanni Arrighi, *The Long Twentieth Century: Money, Power and the Origins of Our Times* (New York: Verso Books, 2020); and Fernand Braudel, *Civilization and Capitalism, 15th-18th Century*, trans. Siân Reynold (Berkeley: University of California Press, 1992). For applications of this framework in the context of the aftermath of the 2008 Global Financial Crisis, see François Chesnais, *Finance Capital Today: Corporations and Banks in the Lasting Global Slump* (Boston: Brill, 2016); Joshua Clover, *Riot. Strike. Riot: The New Era of Uprisings* (New York: Verso Books, 2019) and Cédric Durand, *Fictitious Capital: How Finance is Appropriating Our Future*, trans. David Broder (New York: Verso Books, 2017).

35 While it is difficult to make the case that Riley and Brenner's account is directly inspired by what I have termed the 'Lenin-Hilferding nexus', there are enough family resemblances (e.g., the postulate of extra-economic forms of accumulation; the notion that finance is synonymous with a decaying capitalism) between the two theories of finance to analyze them in continuity with one another.

36 Dylan Riley and Robert Brenner, "Seven Theses on American Politics," *New Left Review* vol. 138 (2022): 5.

in conditions of high profitability for American industry. In conditions where high profitability in industry no longer obtains, a politics of redistribution from capital to labour is no longer possible.

Riley and Brenner argue that the decline of profitability in the manufacturing sector has led capitalist firms to engage in accumulation *outside of the productive process*. Where private industry could once hope to turn a profit by investing directly in productive capacities, they now direct their attention to non-productive investments, such as speculative assets or the housing market. In other words, American industry is no longer in the business of *producing* surplus-value by exploiting labour, but rather of *extracting* surplus-value wherever they can find it. Riley and Brenner dub this 'new regime of accumulation' *political capitalism*—as distinct from, one imagines, an *economic capitalism.* They define 'political capitalism' as a form of capitalism in which "raw political power, rather than productive investment, is the key determinant of the rate of return."[37] In the institutional arena, this new political form of capitalism manifests itself in a "series of novel mechanisms of 'politically constituted [rip-offs]'."[38] The form that these mechanisms take are myriad: they include massive tax breaks for corporations; the privatization of erstwhile public assets at low prices; quantitative easing and rock-bottom—even negative—interest rates; and state subsidies for private industry.

In another intervention in *NLR*, Brenner makes clear that, while 'non-financial corporations' have profited from this new regime of accumulation, it is actually society's creditors, or 'financiers', who have benefited most decisively from 'political capitalism'. Indeed, on Brenner's view, it is not simply the case that the ultra-low interest rates, as well as the corporate buy-back program, that the Federal Reserve initiated at the outbreak of the Coronavirus pandemic in March 2020 was meant to reinvigorate American industry. Rather, Brenner contends that this

[37] Ibid., 6.
[38] Ibid.

project was intended to safeguard the assets of society's financiers from massive losses: "Lenders to these non-financial corporations…would then have faced significant losses in the bankruptcy process…[instead] the Fed's revival of the bond market bailed out lenders and protected their assets."[39] For Brenner, that the Fed's bailout of non-financial firms was conducted primarily with an eye to reassuring the financier class offers a decisive single of the "extent to which money making has been de-linked from profitable production."[40] Elsewhere, he provides a more trenchant formulation: "predation as a condition for production."[41]

This brief engagement with Riley and Brenner's intervention demonstrates the extent to which the Hilferding-Lenin nexus continues to provide the basic theoretical coordinates for today's critique of the role that finance plays in contemporary capitalism. Indeed, almost, if not all, of the theoretical elements that I derived above from Hilferding and Lenin are present here. Like Hilferding and Lenin, Riley and Brenner see financial capitalism as synonymous with the rule of a class of rentiers whose interests are distinct from, and often at odds with, the interests of productive capitalists. Like Hilferding and Lenin, Riley and Brenner see financial capital as a distinctive regime of accumulation, in which extra-economic means of accumulation are the primary source of the generation of profit. Finally, like Hilferding and Lenin, the ascendancy of finance signals to Riley and Brenner that—at least American—capitalism has entered a phase of decline and decay.[42]The first thing that the many structural similarities between the Hilferding-Lenin critique of finance and Riley and Brenner's analysis of 'political capitalism' should alert us to is to guard ourselves against insisting upon seeing in the ascendancy of finance since the 1970s

[39] Robert Brenner, "Escalating Plunder," *New Left Review* vol. 123 (2020): 16.
[40] Ibid., 20.
[41] Ibid., 21.
[42]The throughline between Hilferding and Lenin's analysis of finance capital and Riley and Brenner's analysis of the structural transformations of the American political economy seems to be Giovanni Arrighi*, The Long Twenteth Century: Money, Power and the Origin of Our Times* (New York: Verso Books, 1994), in particular chapter 4. Many thanks to William Clare Roberts for raising this point.

a fundamental epochal transformation in capitalism. Of course, the *Direktion der Disconto-Gesellschaft* of Berlin is not BlackRock; Rudolf Havenstein of the Reichsbank is not Jerome Powell; and the genocidal colonization of German South West Africa is nothing close to the Fed's implementation of quantitative easing and negative interest rates. Nonetheless, that the critique of finance continues to take so many cues from this theory rooted in the era of high European imperialism should give one pause. It is with an eye to pointing toward some of the more apparent inadequacies of this framework that I will now turn.

iii.c. The shortcomings of the classical theory

My objective, here, is not so much to dispute the empirical or historical veracity of the claims that underpin the Hilferding-Lenin analysis of finance so much as it is to trouble the continued theoretical relevance of some of its key presuppositions. I argue that there are three main shortcomings of this thesis. All the while, I will demonstrate how many of these shortcomings continue to inform the contemporary social-scientific and theoretic literature on 'financialization'. The key shortcomings that I identify are as follows. First, I take issue with the postulate of a distinct *creditor* (or rentier, or financier) class that dominates the manifold debtors in society. Second, I am unconvinced by the emphasis that abounds in the literature on financialization on the 'extra-economic', or 'political', nature of the power wielded over debtors by this class of financiers. Third, I dispute the claim that there exists a neat division between 'productive' or 'industrial' firms and 'non-productive' or 'financial' firms on empirical grounds, and in light of the political implications that are often drawn from this claim. This section will deal with each of these objections in turn, and these objections will go on to form the basis of a refurbished theory of the power of finance capital that will be elaborated later in this project.

Finance as a relation of domination between debtors and creditors

First, I take issue with the postulate of a parasitic 'rentier' class. In the contemporary literature, this claim often comes in the form of an argument that financial capitalism is synonymous with the domination of *debtors* by *creditors*.[43] This form of debtor domination has generally been conceived in two ways. On the one hand, the domination of debtors by creditors can be conceived in *personal* terms. Rebecca Carson, for instance, argues that because the dependence of the debtor upon the creditor is secured by a *legal contract* rather than "the dynamics of capital accumulation premised on the value-form," the predominance of 'fictitious capital' has resulted in the "re-emergence of directly personal forms of domination."[44] On the other hand, the domination of debtors by creditors can be conceived in somewhat more *impersonal* or *abstract* terms. On this account, creditors do not *directly* dominate debtors. Rather, they wield their power over debtors only indirectly; for instance, by unilaterally setting the terms on which loans or investments may be secured. Cédric Durand's analysis of finance capital sums this up well. For Durand, because financial profits originate in claims to wealth that has *yet to be produced*, the domination of the interests of financiers means that societies abdicate their capacity to deliberate upon their plans for the future. He thus writes: "societies abandon mastery over time to the impersonal mechanisms of finance. The latter thus gains a disciplinary power to which both public and private economic agents have to submit."[45] At face value, the claim that contemporary

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[43] The literature is vast. See, e.g., Ivan Ascher, *Portfolio Society: On the Capitalist Mode of Prediction* (Princeton: Princeton University Press, 2016); Michael Feher, *Rated Agency: Investee Politics in a Speculative Age*, trans. Gregory Elliott (New York: Zone Books, 2018); Maurizio Lazzaretto, *Governing by Debt*, trans. Joshua David Jordan (Los Angeles: Semiotext(e), 2015); Wolfgang Streeck, "The Politics of Public Debt: Neoliberalism, Capitalist Development, and the Restructuring of the State," *Max-Planck-Institut für Gesellschaftsforschung Discussion Paper* vol. 13, no. 7 (2013): 5-24.

[44] Rebecca Carson, "Fictitious Capital and the Reemergence of Personal Forms of Domination," *Continental Thought and Theory* vol.1, no. 4 (2017): 568; 573.

[45] Cédric Durand, *Fictitious Capital: How Finance is Appropriating Our Future*, trans. David Border (New York: Verso Books, 2017), 151.

capitalism is characterized by the prevalence of the interests of a creditor class is intuitive. Relations of indebtedness have become ever more salient in the wake of the widespread availability of consumer credit, and the secular stagnation of wage growth, since the mid-1970s.[46] There are two reasons, however, for thinking this postulate of a fundamental antagonism between creditors and debtors needs revision.

The first reason that I think that this antagonism does not hold up to critical scrutiny resides in the fact that to posit a simple creditor-debtor dyad tells us nothing of the internal differentiation between *different kinds of debtors*. Indeed, to see the contemporary political-economic landscape as riven between, on the one hand, *creditors* who disproportionately dispose of capital; and, on the other hand, *debtors* who cannot but seek capital, does not shed a great deal of light about the *ends for which* different kinds of debtors seek capital, and the *terms under which* they may be granted access to said capital. For instance, in what meaningful sense is an indebted first-generation university student who is balancing tuition payments with rent and an increasingly high cost of living subject to the same *kind* of creditor domination as, say, a wealthy family who is indebted to the bank for a mortgage on a second home? Likewise, to what extent is the sovereign indebtedness of Ghana, and its subjection to creditor power, similar in kind to the sovereign indebtedness of the United States or Canada? While one may well retort that a simple creditor—domination distinction is a mere abstraction whose use consists in contouring relations of dependency, for the reasons above, it does not appear for all that to be a particularly useful abstraction. I am reminded of Walter Benjamin's pithy critique of Saint-Simonianism in *The Arcades Project*: "[Saint-Simon] fixes the

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[46] On this, see Colin Crouch, "Privatized Keynesianism: An Unacknowledged Policy Regime," *The British Journal of Politics and International Relations* vol. 11 (2009): 382-399.

number of exploited as high as possible, reckoning among them even the entrepreneur because he pays interest to his creditors."[47]

The second reason for which the creditor-debtor dyad does not stand up to critical scrutiny issues from more empirical concerns, in particular the transformations that social relations of indebtedness have undergone in the century that intervenes between our times and Hilferding's. Recall that, for Hilferding, the basic logic of the creditor—debtor relationship is that it is mediated by *interest*. A bank offers a loan to a productive enterprise, which is to be repaid over a certain period of time, and, if all goes well, the former re-secures its interest and its principal. On this account, interest is the predominant means by which creditors generate profits. Accordingly, for Hilferding, there is a strong sense in which all bank capital is *interest-bearing capital*. He writes, thus: "The convertibility of industrial into fictitious capital depends solely upon the quantity of loan capital available which, while retaining the form of interest-bearing capital, is ready to be converted into productive capital."[48] There is a clear *strategic* implication to this dependence of creditors' income upon interest payments. To wit, if interest is the primary means by which creditors generate income, their activities will be oriented toward the final settlements of the loans that they extend to debtors. There is thus a rigidly defined internal *temporal* structure to this form of the creditor–debtor relationship. The *telos* of debt consists in its extinguishment. Hilferding writes thus: "credit money requires special institutions where obligations can be cancelled out and the residual balances settled…This work becomes one of the most important functions of any developed banking system."[49] Banks' orientation toward the settlement of debts may manifest

[47] Walter Benjamin, *The Arcades Project*, trans. Howard Eiland and Kevin McLaughlin (Cambridge: Harvard University Press, 2002), 578.
[48] Hilferding, *Finance Capital*, 174.
[49] Ibid., 66.

itself in various practices. They may, for instance, only extend loans to firms or individuals who can credibly, and readily, demonstrate their capacity to repay.

However, this depiction no longer seems to wholly capture the terms on which financial firms lend in our present moment, and this, on two grounds. First, the empirical literature on the transformations that the banking sector has undergone in recent decades demonstrates that banks, as well as other major financial institutions, no longer derive their income primarily from interest payments. Rather, the profits of major financial institutions increasingly rely upon non-interest income, such as returns from investments or service fees.[50] This means that financial institutions trade no longer exclusively, even *primarily*, in the business of 'clipping coupons', as Lenin would have it. Relatedly, because of this development, it is more and more the case that many of contemporary capitalism's most predominant so-called 'creditors'—such as asset managers, commercial and investment banks, and hedge funds—are, in fact, *debtors themselves*. Indeed, if financial firms have in recent decades shifted away from generating income primarily through interest payments, they have also increasingly financed their activities through *debt*. This has two clear implications for how we should think about the relationship between 'creditors' and 'debtors'. First, if financial firms are *themselves debtors*, then we must think of other grounds to evaluate the domination of debtors than the mere fact of indebtedness. Second, relatedly, if financial firms are *themselves debtors*, then the question of identifying a 'net creditor' that is oriented toward the final settlement of debts, as in Hilferding's scheme, becomes quite a complicated task. Stefano Sgambati puts this latter challenge well: "far from operating on a solid ground of credit, the biggest banks on earth are today the most heavily indebted and financially

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[50] See Ismail Erturk and Stefano Solari, "Banks as Continuous Reinvention," *New Political Economy* vol. 12, no. 3 (2007): 369-388; and Mario Seccareccia, "Financialization and the transformation of commercial banking: understanding the recent Canadian experience before and during the international financial crisis," *Journal of Post Keynesian Economics* vol. 35, no. 2 (2012): 277-300.

endangering agents of the global political economy."[51] In Sgambati's view, this situation raises the question: "who are the actual creditors that should rightfully be paid off."[52] These problems will be addressed in greater detail below.

Finance as political, rather than economic

I am also unconvinced by the claim that the power of financial capital operates chiefly through *extra-economic*, that is to say *political*, means. In addition to underpinning Riley and Brenner's argument about the emergence of 'political capitalism' as a new regime of accumulation, this claim also informs the diagnosis of an emerging 'neo-feudalism' or 'techno-feudalism' that has become quite popular as of late in the literature. Evgeny Morozov sums up the basic parameters of the 'neo-feudalist' critique thus: "[this view] suggests that certain features of the current capitalist system—prolonged stagnation, politically driven upward redistribution of wealth, ostentatious consumption by the elites combined with increasing immiseration of the masses—recall aspects of its feudal predecessor, even if capitalism still very much rules the day."[53] Whatever the particular differences between both of these accounts, they tend to emphasize how contemporary capital seems to be operate chiefly through the *extraction of value that has already been valourized* rather than the *accumulation of surplus-value through the exploitation of workers*, and how this trend signifies something of a break from the 'pure' logic of capital. I find this argument objectionable on two grounds.

First, it is unclear in what sense the 'extra-economic' mechanisms of surplus extraction that critics of a rising 'political capitalism' or 'neo-feudalism' identify as central to the

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[51] Stefano Sgambati, "Rethinking Banking: Debt Discounting and the Making of Modern Money as Liquidity," *New Political Economy* vol. 21, no. 3 (2016): 275.
[52] Ibid., 275.
[53] Evgeny Morozov, "Critique of Techno-Feudal Reason," *New Left Review* vol. 133 (2022): 91.

contemporary political economy constitute a significant enough departure from the mechanisms of surplus extraction that characterized earlier forms of capitalism to warrant this periodizing diagnosis. The problem, as I see it, is as follows: to envision a distinctively *political* capitalism means that one posits, as an actually existent historical model or a mere theoretical counterfactual, a distinctively *economic* capitalism. Political capitalism only makes sense as a contrast to a preceding form of capitalism in which surplus extraction operated primarily through *economic* means; or, in Riley and Brenner's verbiage, a capitalism in which profits depended on something besides "politically engineered redistribution." [54] However, if the 'political' in 'political capitalism'—or the 'feudal' in 'neo-feudalism'—indicates capitalists' recourse to the strong arm of the state to secure the upward redistribution of wealth, it seems that capitalism is *always already political capitalism*. Is primitive accumulation political capitalism? Was the forceful opening of foreign markets to cheap exports a form of 'political capitalism'? Were massive states subsidies directed at private industry in the post-war U.S. political capitalism? If the answers to all these questions is yes, then the diagnosis of political capitalism is true, but trivial.[55] If the answer to these questions is no, then the critics of political capitalism do not provide sufficient grounds to identify why the preceding cases are not *political*, and in what sense the mechanisms of surplus extraction that characterize capitalism in twenty-first century Global North are. My concern, here, is not to dismiss the significance of different relations between capital and the state over history, but rather to take issue with this insistence that a reliance upon state mechanisms to prop up surplus extraction is sufficiently historically novel to lead us to conclude that we face a 'new form' of capitalism.

[54] Riley and Brenner, "Seven Theses on American Politics," 26.
[55] For a more sustained critique of Riley and Brenner's framework of 'political capitalism' on these very grounds, see Tim Barker, "Some Questions About Political Capitalism," *New Left Review*, vol. 140/141 (2023): 35-52.

Second, in conceiving the accumulation of profits by financial enterprises as operating through political, or extra-economic means, this strand of the literature tends to treat financial enterprises as operating through different mechanisms of surplus accumulation than other 'non-financial' firms. As will be explored below, this relies upon an implicit assumption about the supposedly non-productive nature of financial firms. This presupposition neglects one of the features that is *distinct* about capitalist power: namely, that it operates through *impersonal* means. This has particularly significant consequences when it comes to how such accounts explain the persistence of financial capital, in particular in the aftermath of the 2008 Global Financial Crisis. It is important to recall that, for Hilferding and Lenin, the ascendancy of financial capital is accompanied by a substitution of the dynamics of competition for the stasis of monopoly. Accordingly, the activities of financial capitalists are no longer moulded by the logic of free competition among capitals, and they therefore vie for control over the state. The explanation for the persistence of financial capital therefore consists in the grasp that it exerts over the state, in particular the force of law. Søren Mau criticizes this tendency found in Lenin and Hilferding : "the power of capital [is] assumed to one equivalent to the *personal power of financial oligarchs*."[56]

It is worth noting that the two objections that I raise here—i.e., that the conventional critique of finance neglects that capitalism has always operated through *political*, or *personal*, means and that this account neglects that the power of capital is primary *economic*, or *impersonal*, sit in somewhat uneasy tension with one another. This tension between conceiving capitalism as dependent upon state power for its perpetuation and as possessing a structural logic of its own that is more or less autonomous from the state has a storied pedigree and has been a point of contention in Marxian circles ever since, at least, the Dobb-Sweezy debate regarding the transition from

[56] Ibid., 53.

feudalism to capitalism.[57] I cannot provide a satisfactory response to this problem here. Suffice it to say that my objections to the account of financial power outlined above are sympathetic to Ellen Meiksins Wood's position that sees the economic mechanisms of surplus extraction and appropriation as proceeding through non-political, or economic, means, even as the differentiation of the economic from the political sphere rests upon "the legal forms, the coercive apparatus, [and] the policing function of the state."[58]

Finance as hostile to productive activity

My third objection to the basic framework outlined above is its postulate that financial activities are in some sense less 'real' than other forms of economic activity. This postulate is particularly dominant in the post-Keynesian and heterodox literature on financialization, and tends to inform, at the political level, calls for a return to prioritizing *productive*, as opposed to *speculative*, investment. This is exemplified, for instance, in Mariana Mazzucato's *The Value of Everything: Making and Taking in the Global Economy*, a sprawling post-Keynesian overview of the contemporary domination of finance over the productive economy, and which concludes in a call to "decide how to shape our economic activities, thereby moving activities that fulfill these goals inside the production boundary…we can also [reduce] activities that are purely about rent-seeking and calibrating rewards more closely with truly productive activity."[59] This call for a reorientation of contemporary economies around production, rather than financial or speculative

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[57] Briefly put, where Dobbs insisted upon the role of the feudal ruling class in adopting measures that facilitated the direct exploitation of the labouring class in leading to the transition from feudalism to capitalism, Sweezy argued that the transition to capitalism owed to the increasing significance of trade in Western Europe and the imperative to produce for the market rather than for direct use. See Paul M. Sweezy and Maurice Dobb, "The Transition from Feudalism to Capitalism," *Science & Society* vol. 14, no. 2 (1950): 134-167.
[58] Ellen Meiksins Wood, "The Separation of the Economic and the Political in Capitalism," *New Left Review* vol. 127, no. 1 (1981): 81.
[59] Mariana Mazzucato, *The Value of Everything: Making and Taking in the Global Economy* (New York: Public Affairs, 2018), 256.

investment, has also gained traction in the midst of the brief revival of social-democratic politics, exemplified by Sanders in the U.S.A. and Corbyn in the U.K. While these objectives are certainly desirable, there are, as I see it, two key problems with the opposition between a 'financial' and a 'real' economy upon which this rests.

First, the lines of demarcation between 'productive' and 'financial' activities and enterprises and, accordingly, the 'financial' and the 'real' economy, have become increasingly blurred in recent decades. Indeed, there is a strong sense in which even those firms that are taken as paragons of 'productive capitalism'—that is, those firms that actually *make* things—whether that be the automobile industry titans of yesteryear like GM and Ford or today's Silicon Valley darlings like Apple, operate increasingly as *financial* firms. In other words, the fortunes of so-called 'productive enterprises' rely more and more upon active participation in financial markets. One concrete example of this consists in the process of *disintermediation*, whereby so-called 'non-financial corporations' increasingly finance their activities by raising funds in bond markets, rather than in borrowing from banks.[60] These developments, in turn, has made of these so-called 'productive firms' some of the most influential players in financial markets. One might consider, for instance, the increasing popularity of the practice of debt-financed stock buybacks on the part of large 'productive' firms; a practice whereby firms used borrowed funds in order to buy shares back from equity holders in order to prop of the value of its stocks.[61] This is a development that

[60] On this, see Özgür Orhangazi, "Financial" vs. "Real": An Overview of the Contradictory Role of Finance," Political Economy Research Institute Working Paper 274, University of Massachusetts, Amherst, MA.
[61] For a brief (critical) overview of the basic logic behind this practice, see William Lazonick, Mustafa Erdem Sakinc, and Matt Hopkins, "Why Stock Buybacks Are Dangerous for the Economy," *Harvard Business Review*, January 7, 2020, https://hbr.org/2020/01/why-stock-buybacks-are-dangerous-for-the-economy.

points toward the increasing indistinguishability between the activities that are supposed to characterize ‘financial’ and ‘non-financial’ firms.[62]

The second problem in this account resides in its political implications. As mentioned above, the postulate of a neat division between a speculative and volatile financial sector, on the one hand; and a sound productive sector, on the other, motivates a call to redirect investment priorities from the former sector to the latter, as though all were needed to remedy our twenty-first century woes were to resuscitate the post-war halcyon days of productive capitalism. This call is particularly problematic not only in light of the increasing indistinguishability between the activities of productive and financial firms, but also on the grounds that it is blind to the fact that financial capital, in the twenty-first century, is not solely, nor even primarily, characterized by the increasing dependence of productive firms upon access to financial markets. Rather—and this is something that has changed markedly since Hilferding’s —contemporary finance is also characterized by the increasing dependence of *individuals* and *households* upon financial markets. In particular, as I will argue below, contemporary financial capitalism is characterized by individuals’ and households’ increasing dependence upon credit and debt that is mediated through financial markets in order secure basic goods and resources: education, housing, and so forth. Hence, even if a return to a sound ‘productive’ capitalism were possible, this alone would not suffice to resolve the fact of widespread dependence upon financial markets on the part of individuals and households to secure fundamental goods. Donatella Alessandrini puts this point well, arguing that technical responses to the 2008 Global Financial Crisis which call for the “[elimination] of financial excesses and [the return to] a ‘healthy’ productive system” tend to

[62] Adam Hanieh puts this point well, writing: “Much of the literature on commodity financialization tends to adopt a dualistic approach to financial markets and non-financial activities are assumed to be externally-related and counterposed to one another.” See Adam Hanieh, “The Commodities Fetish? Financialisation and Finance Capital in the U.S. Oil Industry,” *Historical Materialism* vol. 29, no. 4 (2021): 70-113.

neglect the important ways in which "the financial speculation that led to the crisis grew out of financialization processes that have been re-shaping the nexus between reproduction and accumulation for the past half century."[63]

iii. Rethinking finance

Let us review the argument. I have presented an overview of the Hilferding-Lenin theory of finance; I have examined its theoretical afterlives in the contemporary literature on financialization; and, finally, I have pointed toward some of the major shortcomings of these theoretical principles for understand the role of finance within contemporary capitalism. These shortcomings are as follows. First, a focus on the creditor-debtor antagonism as the primary form that finance assumes as a social relation tells us nothing of the internal differentiation between different kinds of debtors. Second, an emphasis on the 'extra-economic' nature of financial power is obfuscating. It leads us to a false understanding of both the continuity between contemporary capitalism and previous forms of capitalism. It also neglects the role of competitive pressures in determining financial exploitation. Third, and finally, the presupposed division between productive and non-productive—or financial—enterprises and institutions neglects the 'financialization' of productive enterprises, as well as the role that of financial firms in mediating the access of individuals and households to basic goods. In other words, it ignores the relation of finance to *the conditions of social reproduction*.

The objective of the present section is to put into conversation recent research in the political-economic and political-theoretical literature on financial capitalism in order to contour a *political* theory of finance capable of addressing the objections that I raised, in the previous section,

[63] Donatella Allesandrini, "Financial Regulation and Social Reproduction," *Law and Political Economy Project*, May 17, 2019, https://lpeproject.org/blog/financial-regulation-and-social-reproduction/.

to the Hilferding-Lenin conception of finance and its theoretical afterlives. When I say a *political* theory of finance, here, I mean that I seek to put forward an empirically sensitive understanding of the way in which *power* and *domination* are embedded in the functioning of financial markets. Methodologically, I take cues from Konings and Adkins' provocation to social theorists that suggests that critical social theorists would do well to take seriously the empirical literature on economics and finance.[64] My analysis, here, is also inspired by Raymond Geuss' contention that political-theoretical inquiry ought to orient itself toward the theorization of historically aggregated structures and forms of power. In broadening my focus of political-theoretical inquiry to such domains as private money creation and the allocation of credit, I thus follow Geuss' assertion that "there is no reason to be narrow-minded about what counts as power."[65]

This section is composed of three parts, each of which focusses on one element that will cohere into the basis of a theory of the power of finance capital. First, I turn to recent re-evaluations of Marx's theory of money and credit in order to make the case that financial relations are more tightly bound up with the process of capitalist *production* than is commonly recognized in the literature. Second, I extrapolate from this analysis of the necessity of credit and finance for capitalist production to examine how dependence upon financial markets has become a necessity for the *social reproduction* under contemporary capitalism. If my first claim was logical, then this second part of my argument is *historical-structural.* The third part of this section consists in contouring how financial power functions on the basis of this structural-historical claim.

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[64] Martijn Konings and Lisa Adkins, "Re-thinking the Liquid Core of Capitalism with Hyman Minsky," *Theory, Culture & Society* vol. 18, no. 1 (2022): 3.
[65] Raymond Geuss, *Philosophy and Real Politics* (Princeton: Princeton University Press, 2008), 96.

iii.a. What is finance?

A political theory of contemporary financial capitalism ought to take as its point of departure the fact that, against the tendency to regard finance as a parasitic *deviation* from capitalist social relations, finance represents a necessary *precondition* of capitalist social relations. I am not alone in this assertion. Sotriopoulos, Milios, and Lapatsiroas argue that this view of finance as an aberration from, or an appendage to, capitalist social relations is common to Veblen, Keynes, Schumpeter, Minsky, and Hilferding alike, and that, in the Marxian tradition, this view finds its origin in a 'Ricardian' reading of Marx's theory of value.[66] This 'parasitic' view of finance, I argue, rests upon a tacit misunderstanding of what kind of social relation finance *is.* Simply put, the conception of the social relation of finance that runs throughout the theories mentioned above assigns to finance an unnecessary, parasitic role vis-à-vis the 'real economy'. Recall how a bank functions, on Hilferding's account. On this view, the basic function of a bank is to assemble vast pools of loanable capital from depositors, and then to lend them to borrowers. The bank's profit is derived from the *spread*—the discrepancy between—two interest rates: the one that it pays to savers; and the other that it charges to lenders. In economic theory, this function is called *intermediation*: the bank's role is as an *intermediary* between savers and borrowers. To be sure, this view of finance as *intermediation* is not unique to Hilferding, nor even to the radical tradition broadly understood. Here it is in the 2022 Nobel Prize in Economic Sciences award presentation: "Financial intermediaries such as traditional banks and other bank-like institutions facilitate loans between lenders and borrowers, and thereby play a key role for the allocation of capital. They

[66] By a 'Ricardian' reading of Marx's theory of value, here, the authors refer to a widespread conviction that Marx's theory of value represents a mere radicalization of the labour theory of value found in classical political economy. On 'Ricardian Marxism', see Dimitris P. Sotriopoulos, John Milios, and Spyros Lapatsiroas*, A Political Economy of Contemporary Capitalism and its Crisis: Demystifying Finance* (New York: Routledge, 2013), 30-41.

enable households to get a mortgage to buy a home, farms to get a loan to buy a harvesting machine, and firms to get a loan to build a new factory."[67]

What I will propose in the following section is that financial institutions do not merely function as unessential *intermediaries* between different kinds of agents in a capitalist economy. Rather, I will argue that a functioning financial sector is a necessary precondition of the process of capitalist production. Finance, then, is not a mere appendage that intercede between more fundamental 'productive' agents in a capitalist economy. Rather, I contend that finance represents a precondition of any kind of capitalist production whatsoever. While there exists ample historical evidence for this argument, I will defend it here in a *general* and *logical* sense.[68] I will argue that, if we regard Marx's theory of value as a *monetary* theory of value—that is to say, if we take Marx as arguing that value cannot but be expressed in monetary terms, then the very existence of capitalist social relations rests upon the presence of a financial sector that is capable of advancing credit money to purchasers of labour-power.[69] In other words, access to credit, granted by financial institutions, is a precondition for the wage labour relation that sets in train the process of capitalist production.

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[67] *The Royal Swedish Academy in Sciences, "Scientific Background on the Sveriges Riskbank Prize in Economic Sciences in Memory of Alfred Nobel 2022,"*

[68] For some historical overviews of the role of banking institutions in facilitating the early development of capitalist production, see Giovanni Arrighi, *The Long Twentieth Century,* 163-246; David McNally, *Political Economy and the Rise of Capitalism: A Reinterpretation* (Berkeley: University of California Press, 1988).

[69] I follow Michael Heinrich in this assertion, who argues that Marx's value theory is, at bottom, a *monetary theory of value.* By this, Heinrich means that only the money-form permits the commensuration of commodities with one another as values. Accordingly, he concludes, "Money is in no way merely a helpful means of simplifying exchange on the practical level and an appendage of value theory on the theoretical level." See Michael Heinrich, *Introduction to the Three Volumes of Karl Marx's Capital*, trans. Alexander Locascio (London: Monthly Review Press, 2012), 63-4.

iii.b. The necessity of finance for capitalist production

As I have argued above, according to the conventional account of financial capitalism, finance is *parasitic*: financial institutions are *parasitic* upon baser social relations between depositors and borrowers. If Michael Heinrich is correct to suggest that, "within traditional Marxism [there prevailed] a conception of credit that that reduced it to a mere appendage that was unnecessary for the *existence* of capital, and unnecessary for an *understanding* of capital," then this owes, at least in part, to the fact that finance, as *parasitic*, is conceived as unnecessary for the process capitalist production.[70] According to this thesis, financial institutions are useful to the extent that they play a *coordinating* function in harmonizing the disparate activities of depositors and borrowers, and of effectively directing investment to places where it is needed.[71] Financial institutions may also, as Hilferding argues, serve a vital function in helping firms to expand their productive capacities. Nonetheless, on this account, the existence of credit-granting financial institutions is not a *logical* precondition of the process of capitalist production. The case of Hilferding is, once again, emblematic. Recall that Hilferding statutes the origin of credit money in *circulation*: "that is, in purchases and sales by capitalists."[72] In particular, Hilferding sees credit money as originating in the *exchanges that capitalists make among themselves*. Although Hilferding acknowledges elsewhere that "circulation is both a *precondition* and an *outcome* of capitalist production," he does not, for all that, argue that *credit* is a precondition of capitalist production. Rather, credit comes into being merely as a shorthand for money understood in

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[70] Michael Heinrich, *Introduction to the Three Volumes of Karl Marx's Capital*, 165.
[71] In this, my argument follows criticisms of the commodity theory of money, according to which money emerges as a means of solving coordination problems in a barter economy. For an influential and representative example of this theory, see Karl Menger, "On the Origin of Money," *The Economic Journal* vol. 2, no. 6 (1892): 239-255.
[72] Hilferding, *Finance Capital*, 64.

substantial terms; that is to say, as gold: "credit money makes gold unnecessary as a medium of circulation."[73]

Hilferding is mistaken to collapse the function of credit in capitalist production into the function of money. The main problem with this assumption, as I see it, is that there is nothing distinctively *capitalist* about this view of credit money. If capitalist credit money originates, in the first instance, from promissory notes exchanged among *producers*, then we must admit that we are in the presence of capitalist social relations whenever, for instance, paper money makes its entry on the historical stage.[74] Taken to its extreme, this view tends to collapse capitalist social relations of production into commercial relations of exchange writ large. Augusto Graziani criticizes this view well, writing:

> Authors who describe the appearance of money as a historical process of selection in which…the market elected on that is better suited than any other to perform the functions of money…are essentially describing the evolution of money in the phase of commodity circulation, or, if you will, the emergence of money in a simple society.[75]

The problem, then, is that it is mistaken to situate the origin of *capitalist* credit money in circulation, because the exchange of credit money among producers can obtain in any commercial society. If credit money merely emerges as a more convenient shorthand for gold, as Hilferding has it, then of course it can be regarded as, in Heinrich's words, an 'unnecessary appendage'.[76] In order to rectify this error, one must turn to the distinctive role that credit money plays in societies

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[73] Ibid.
[74] One could press this point further to argue that the logical extension of this argument regarding the origin of capitalist credit money is to see the presence of any exchange of personal credit between producers whatsoever as indicative of capitalist social relations, i.e., even in a non-monetary, 'gift' economy. On this, see David Graeber, *Debt: The First 5000 Years* (Brooklyn: Melville House, 2011), in particular chaps. 2 and 3.
[75] Augusto Graziani and Michel Vale, "The Marxist Theory of Money," *International Journal of Political Economy* vol. 27, no. 2 (1997): 32.
[76] Heinrich, *Introduction to the Three Volumes of Marx's Capital*, 165.

oriented toward generalized commodity production; that is to say, in the process of capitalist production.

It is, regrettably, beyond the scope of this project to give a full overview of the intricacies of Marx's monetary theory. It shall suffice, here, to examine the basic features of the role that credit plays in Marx's monetary theory.[77] Augusto Graziani offers a crucial conceptual distinction for understanding the difference between two distinct forms of money and, by extension, two distinct forms of *credit* in Marx's monetary theory. According to Graziani, Marx's monetary theory is characterized by a foundational distinction between two different forms of social relations of exchange. These two different social relations of exchange accord with Brenner's distinction between *horizontal* social relations among units of production, on the one hand; and *vertical* relations between the *purchasers* and *sellers* of labour[78] On Graziani's view, one must speak of, on the one hand, one kind of *horizontal* money that arises in, and pertains to, the social relations of exchange between capitalists. As he puts it, this form of money functions to facilitate the "exchanges by which capitalists…circulate the commodities produced among themselves.[79] This, I contend, is the form of money that Hilferding has in mind when he theorizes the emergence of capitalist money. On Hilferding's account, this *horizontal* money originates as promissory notes exchanged between producers, and then goes to function as bank-capital. On the other hand, Graziani identifies another kind of *vertical* money that originates in the social relations of exchange between purchasers and sellers of labour-power; that is, between capitalists and workers. Graziani argues that the distinction between these two forms of money is a crucial one for

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[77] On Marx's monetary theory, see Suzanne de Brunhoff, *Marx on Money* (New York: Verso Books, 2015); Samuel A. Chambers, *There's No Such Thing as "The Economy": Essays on Capitalist Value* (Santa Barbara: Punctum Books, 2018); William Clare Roberts, *Marx's Inferno: The Political Theory of Capital* (Princeton: Princeton University Press, 2018), in particular chapter 3.
[78] Mau, *Mute Compulsion*, 211.
[79] Graziani and Vale, "The Marxist Theory of Money," 26.

understanding the role of money, credit, and finance within capitalist production; and, in fact, the analysis of the role that *vertical* money plays within the process of capitalist production must take logical precedence over that of *horizontal* money. He thus writes: "the distinction that will prove significant is the one that separates the *initial exchange* between money-capital and labour-power…from the exchanges by which capitalists, once production has begun, circulate the commodities produced among themselves.[80]

Graziani thus turns his attention to the nature of this initial (vertical) exchange between money-capital and labour-power. His basic argument about the nature of this exchange is as follows. Capitalist A, interested in establishing a productive enterprise, seeks to purchase labour-power from worker B on the market. A problem arises, however, because A has not yet produced any commodities. This means that A has not yet sold any commodities either and, accordingly, does not dispose of the funds required to advance a wage to B. Graziani sums up this problem thus: "At the ideal moment in which the production phase begins, since no commodity yet exists, commodity money also cannot exist."[81] Accordingly, if A wants to buy B's labour-power, then the only means available at A's disposal is to *promise* B that he will receive a wage *post hoc*; that is to say, once the enterprise has begun to turn a profit. Accordingly, wages, in the first instance, are paid by *credit* money, which the capitalist receives from the "banking system which provides enterprises with liquid funds in exchange for the payment of interest."[82] Graziani sums up the nature of this originary form of finance as follows:

> Money is created at the moment when an enterprise that has obtained a credit line from a bank decides to make use of it by making a payment. At this moment, in a single act, the enterprise

[80] Ibid.
[81] Ibid., 32.
[82] Ibid.

> becomes a debtor of the bank and another subject, presumably a wage labourer, becomes the owner of a deposit, and hence a creditor of the bank itself.[83]

On Graziani's view, then, the process of any kind of capitalist production whatsoever presupposes the existence of a financial sector with which firms possess credit lines. It is worth noting, moreover, that Graziani's argument that *vertical* capitalist money is logically prior to *horizontal* capitalist money accords with Mau's argument that competition among capitalists presupposes the separation between capitalists and labourers; otherwise put, "the separation between the units of production presupposes the separation between the immediate producers and the means of production, or, the horizontal relations presuppose the vertical relations."[84] This is an important point to which I will soon return. While, for Graziani, the existence of credit money—and, by extension, financial institutions like banks that distribute credit to producers—is a *logical* precondition of capitalist production, one can imagine certain instances in which capitalist production can proceed without access to credit money. For instance, a firm may well sell common stock to capitalists in order to secure the fixed and variable capital that is necessary to initiate productive operations. Accordingly, I propose that Graziani's account must be nuanced somewhat, to argue that the existence of financial instruments more broadly are a logical precondition of capitalist production.

Although Graziani's focus, here, is the role of finance and credit within *Marxian* monetary theory, it is worth pointing out that the basic coordinates of his account are not uniquely relevant to Marxists. Indeed, at its core, what Graziani presents here is what economic theory describes as an *endogenous*, as opposed to an *exogenous* theory of money creation. As Lucarelli puts it, Graziani's analysis demonstrates that "the creation of money does not necessarily depend upon the

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[83] Ibid., 44.
[84] Mau, *Mute Compulsion*, 204.

previous accumulation of savings deposits. Financiers are endowed with the unique ability to issue unlimited bank money as a debt against themselves…This creation is *ex nihilo* because it does not presuppose the existence of a disposable monetary base."[85] On the latter view, banks' lending activities are fully dependent upon the reserves granted them by an exogenous actor (usually, the central bank); on the former view, money is *created* through banks' lending activities themselves.[86]

In any case, there are three primary theoretical implications worth drawing from this analysis. First, if we draw our attention to the logical priority of *vertical* over *horizontal* capitalist credit money, then we are led to conclude that the existence of a financial sector does not merely play a *coordinating* or *intensifying* function in capitalist production, but rather that it is a precondition of that very form of production itself. Second, if Graziani is correct in suggesting that capitalist production—and, in particular, the exploitation of wage labour—cannot proceed without firms' access to investment capital or credit from financial institutions, then the claim, which persists in the literature, that firms are dominated by their creditors, becomes challenging. Recall Graziani's formulation: "enterprise becomes a debtor of the bank and another subject, presumably a wage labourer, becomes the owner of a deposit, and hence a creditor of the bank itself."[87] This sets up a strange situation, which is directly counterposed to the account, explored above, that conceives of finance as an antagonism between creditors and debtors. Indeed, here, it is the *firm*

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[85] Bill Lucarelli, "Marxian theories of money, credit and crisis," *Capital & Class* vol. 32, no. 2 (2010): 205.

[86] The exogenous theory of money creation is a mainstay of monetarism, as exemplified in the work of Milton Friedman, whereas the endogenous theory of money creation is associated with post-Keynesian monetary theory. For a brief (critical) overview of the exogenous— Arkadiusz Sieroń, "Endogenous versus exogenous money: Does the debate really matter?" *Research in Economics* vol. 73 (2019): 329-338. For a lucid application of the post-Keynesian endogenous approach to monetary economics in the context of contemporary financial capitalism, see Aaron Sahr, *Keystroke Capitalism: How Banks Create Money for the Few*, trans. Sharon Howe (New York: Verso Books, 2022).

[87] Graziani and Vale, "The Marxist Theory of Money," 44.

that is indebted, and the *worker* who is a *creditor* of the firm.[88] Yet the worker remains exploited, and the firm the exploiter. These problems suggest that the conventional creditor—debtor distinction ought to be rethought. Third, and finally, if the reproduction of capitalist social relations depends on the metamorphosis of the monetary circuit (M-C-M'), it thus follows that financial relations are a precondition not only of capitalist production, but also, as will be further explored below, the *reproduction of capitalist social relations.* Sotriopoulos, Milios, and Lapatsiroas put this point well: "the big secret of finance is that the valuation process does not have to do with some competitive determination of the security price alone; it also plays an active part in the reproduction of capitalist power relations in their specific mode of operation."[89]

iv. Finance and social reproduction

The foregoing analysis has been concerned with establishing, at a *logical* level—and at a very high level of abstraction at that—the necessity of a credit-granting financial sector in order for the preconditions of capitalist production to obtain. Again, because productive firms, when hiring workers, do not yet possess the funds they need to pay them, the initial financing for the process of capitalist production proceeds by way of the financial sector. This emphasis on this 'initial moment' of the financing of production puts to rest the argument that finance ought merely to be regarded as playing a parasitic role in capitalist production. A corollary of this is that capitalist firms, until they have sold their wares on the market, are *necessarily* indebted, and that, to the

[88] Marx puts this point well in *Capital Volume 1*, writing: "In all cases, therefore, the worker advances the use-value of his labour-power to the capitalist. He lets the buyer consume it before he receives payment of the price. Everywhere the worker allows credit to the capitalist [*überall kreditiert daher Der Arbeiter dem Kapitalisten*]. That this credit is no mere fiction is shown not only by the occasional loss of the wages the worker has already advanced, when a capitalist goes bankrupt, but also by a series of more long-lasting consequences." See Karl Marx, *Capital Volume 1*, trans. Ben Fowkes (New York: Penguin, 1990), 278; Marx, *Das Kapital: Kritik der Politischen Ökonomie, Erster Band* (Berlin: Dietz Verlag, 1989), 189.
[89] Sotripoulos, Milios, and Lapatsiroas*, A Political Economy of Contemporary Capitalism*, 156.

extent that the firm's indebtedness is a precondition for the exploitation of the labourer, social relations of *indebtedness* need not necessarily entail social relations of *domination*.

This insight—that is to say, that there does not exist a necessary correspondence between social relations of *indebtedness* and social relations of *domination*—may well seem self-evident, but its implications have not been fully integrated in the political-theoretical literature on financial capitalism. Far more emblematic of the state of the literature is Maurizio Lazzarato's declaration that, in the neoliberal era, "everyone is a "debtor," accountable to and guilty before capital," and that, within the creditor—debtor antagonism, "no distinction exists between workers and the unemployed, consumers and producers, working and non-working populations, retirees and welfare recipients."[90] The attraction of this correspondence between indebtedness and domination is understandable. Indebtedness is, after all, one of the most persistent forms of social domination; one which has readily lent itself to radical political contestation from the early Roman republic right down to the present moment. However, lest the mere fact of indebtedness become a night in which all cows are black, I follow Silvia Federici in arguing that one would be mistaken to conceive of debt and indebtedness as a "sort of political universal."[91] We must, accordingly, ask: "What is *specific* about the *new* use of debt, considering that debt is the oldest means of exploitation?"[92]

To the extent that the mere fact of indebtedness does not translate into a diagnosis of domination, I argue that one must seek an alternative framework in order to determine, on the one hand, the historical particularity of contemporary social relations of indebtedness; and, on the

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[90] Lazzarato, *The Indebted Subject*, 7. For similar outlooks, see also David Graeber, *Debt: The First 5000 Years* (Brooklyn: Melville House, 2011); Andrew Ross, *Creditocracy and the Case of Debt Refusal* (New York: Or Books, 2014).
[91] Silvia Federici, "From Communing to Debt: Financialization, Microcredit, and the Changing Architecture of Capital Accumulation," *The South Atlantic Quarterly* vol. 113, no. 2 (2014): 233.
[92] Ibid.

other, the ways in which power and domination are exercised in, and articulated through, social relations of indebtedness in contemporary financial capitalism. I argue that such an alternative framework is to be found in the concept of *social reproduction*, in particular in examining the ways in which access to the conditions of social reproduction in contemporary capitalism is dependent upon one's participation in financial markets. The extent to which an agent who is dependent upon financial markets in order to access the conditions of social reproduction is aware of this fact varies. One imagines, indeed, that a soon-to-be retiree who closely monitors the performance of their pension funds is more aware of the fact that the successes of their future projects are bound up with the performance of financial markets than is a credit card user whose outstanding credit card debt has been packaged into a credit card asset-backed security, and sold off to private investors. In any case, I propose that what is *politically salient* about contemporary financial capitalism is not merely, nor even primarily, the fact that indebtedness, at the levels of individuals and households, has become increasingly deeper and more widespread than in previous epochs—because this is true of almost all agents in the capitalist economy—but rather that individuals' and households' access to the conditions of social reproduction is increasingly dependent upon their participation in financial markets. As will be made clearer below, this focus on social reproduction affords quite a few clear advantages over the creditor—debtor framework for understanding the particular forms of power and domination inherent to the workings of contemporary financial capitalism. To make my case, I will first elaborate on my understanding of the concept of *social reproduction.* Here, I draw upon Søren Mau's discussion of the relationship between the conditions of social reproduction and the *possibility* of economic power. Second, building upon this, I will determine in what sense individuals' and households' increasing dependence upon financial markets for access to their conditions of life is to be conceived of a form of *domination*.

iv.a. Social reproduction and economic power

Broadly, I take 'the means of social reproduction' to refer to all those means whereby human beings reproduce themselves in a given socio-historical context. This encompasses, of course, unpaid domestic labour and care work performed along gendered lines, "without which there could be no culture, no economy, no political organization."[93] On my understanding, it also comprises the means of subsistence that workers require to survive—such as food, clothing, transportation, and housing —as well as the socio-historical means that workers require to become "labour-power of a special kind": education, training, and so forth.[94] In a word, then, the means of social reproduction refers to the means whereby human beings "gain access to the necessary conditions of their life."[95]

On this conception, social reproduction *in general* is in no way a practice that is unique to capitalist societies. Søren Mau's reconstruction of the concept of social reproduction on the basis of a social ontology is helpful in illustrating this point. On Mau's view, there can be no question of an *immediate* relationship between human beings and their access to the conditions of subsistence. Rather, Mau argues that human beings' access to their conditions of life is *necessarily* dependent upon two forms of mediation: "the mediation of tools and the mediation of social relations."[96] Human beings are *dependent* upon tools, Mau suggests, insofar as tool use structures the "corporeal organization of the human being,"; and they are *dependent* upon social relations to the extent that the tools that are part and parcel of their corporeal organization are mediated by

[93] Nancy Fraser, "Contradictions of Capital and Care," *New Left Review* vol. 100 (2016): 99.
[94] Marx, *Capital Volume 1*, 275.
[95] Søren Mau, *Mute Compulsion*, 112.
[96] Ibid., 101.

social relations.[97] What is salient, for the purposes of this project, is Mau's conceptualization of human beings' necessary reliance upon the mediation of tools and the mediation of social relations as a *pharmakon* of sorts: just as this 'double mediation' affords human beings with the possibility of "[producing] more than what is necessary for their own survival," so too does it give rise to the threadbare *possibility* of class society, and the forms of domination that is inherent to it.[98] Of particular interest is Mau's argument that it is this precisely this 'double mediation' that lays the basis for what he calls *economic power*; that is to say, a form of power, unlike violence and ideology, which operates by "[weaving] itself into the very fabric of the human metabolism," and this, by altering people's material environment.[99] Economic power, in other words, exercises itself through its control over the *material conditions of reproduction* that human beings are necessarily dependent upon in order to secure their means of subsistence.[100]

Shortly after establishing the socio-ontological conditions of possibility of economic power, Mau elaborates an account of the 'transcendental indebtedness' of the worker-subject. According to Mau, the fact of transcendental indebtedness follows necessarily from the peculiar nature of proletarian life. Because, on his view, proletarians lead a form of life that is, by its very nature, *separated from the conditions of existence*, the mere fact of being born a proletarian comes with an obligation to sell labour-power to capital: "The worker is not merely a *nothing*, but in a sense, they are *less than nothing*: not only are they excluded from the conditions of their existence (they are absolutely poor); they also *owe their future* to capital."[101] Because of capital's total claim upon the futurity of the worker, Mau argues that, far from being a novelty of the neoliberal era,

[97] Ibid., 95; 100.
[98] Ibid., 114.
[99] Ibid., 115; 239.
[100] Ibid., 133.
[101] Ibid., 134.

proletarian indebtedness is, in fact, "part of the necessary conditions of possibility for social reproduction in a society ruled by the logic of capital."[102] Later, Mau goes so far as to conceive of surplus-labour as a "kind of interest the worker has to pay in order to live."[103]

Mau's discussion of the 'transcendental indebtedness of the worker-subject' provides one possible point of departure for thinking through the relationship between financial markets and social reproduction under contemporary capitalism. It is salient to note that, when Mau speaks of debt, here, he does not refer to any *particular* forms of debt that the 'worker-subject' incurs in the course of his or her lifetime; rather, the debt with which he is concerned is *transcendental.* Indeed, because workers cannot access the conditions of their existence but by selling their labour-power, the sale of labour-power is the unique condition of possibility for proletarians to live *at all*. I think that Mau is mistaken in conceiving the proletarian condition as one of 'permanent indebtedness' for two reasons. First, this transcendentalization of indebtedness resembles closely Maurizio Lazzarato's assessment of the indebted subject with which I took issue above: there is no particular *content* to this form of indebtedness, and to the extent that indebtedness represents a form of domination, here, it is collapsible to the impersonal class domination that the worker faces in the labour market. Second, as Graziani's analysis demonstrated, workers can very well occupy a position as *creditor*—to a firm, for instance—without for all that no longer being in a position of social subordination or domination.

Nevertheless, Mau's basic insight—that is to say, that indebtedness is a "part of the necessary conditions of possibility for social reproduction"—is worth holding on to in the context of contemporary financial capitalism.[104] We might historicize this insight somewhat, and argue

[102] Ibid., 135.
[103] Ibid.
[104] Mau, 135.

that dependence upon *financial markets is part of the necessary conditions for social reproduction in contemporary capitalism*.[105] A quick glance at the data attests to the veracity of this intuition: contemporary social relations of indebtedness operate at an unprecedented *scale*, particularly at the level of individuals and households. In Canada, for instance, the ratio of household debt to total net income almost *doubled* between 1990 and 2023, soaring from 108.3 to 185.2 percent. Similar trends are to be observed in most other major OECD economies.[106] While mortgage loans account for some two thirds of total credit market debt in Canada, the other third of this consists of non-mortgage loans, such as student loans and consumer credit.[107] As I suggested above, moreover, it is important to keep in mind that it is inaccurate to equate the mere fact of indebtedness with dependence upon the financial system. In the Canadian context, one may consider, in this regard, the shift of large public pension funds from a non-financialized 'pay-as-you-go' model to a financialized model, on the basis of which the economic fortunes of future retirees—who are *creditors* rather than *debtors* vis-à-vis these funds—are directly bound up with the returns accrued from pension funds' investments in financial assets.[108]

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[105] My empirical data, here, derives primarily from OECD countries, particularly Canada and the U.S. Accordingly, the findings of this project are limited in global applicability. However, I think a focus on OECD countries is justified to the extent that it is here that a number of the financial innovations of interest in this project first come into being. I can only gesture toward the rich and vast literature on the distinctive ways in which the financialization of social reproduction proceeds in the Global South. On this see, Rodrigo Fernandez and Manuel B Aalbers, "Housing Financialization in the Global South: In Search of a Comparative Framework," *Housing Policy Debate* vol. 30, no. 4 (2020): 680-701; Kai Koddenbrock, Ingrid Harold Kvangraven, and Ndongo Samba Sylla, "Beyond financialisation: the *longue durée* of finance and production in the Global South," *Cambridge Journal of Economics* vol. 46, no. 4 (2022): 703-733; and Adrienne Roberts and Ghazal Zulfiqar, "Social reproduction, finance and the gendered dimensions of pawnbroking," *Capital & Class* vol. 43, no. 4 (2020): 581-597.

[106] "Household debt indicator," OECD, accessed on March 29, 2023, https://data.oecd.org/hha/household-debt.htm.

[107] "Debt service indicators of households, national balance sheet accounts," Statistics Canada, March 13, 2023, https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110006501.

[108] On the financialization of Canadian public pension funds, see Kevin Skerett, "Pension funds, privatization, and the limits to "Workers Capital," *Studies in Political Economy* vol. 99, no. 1 (2018): 20-41. For a broader overview of the political-economic implications of the financialization of pension funds, see Benjamin Braun, "Feeling financialization: The economic consequences of funded pensions," *New Labor Form* vol. 31, no. 1 (2022): 70-79.

Although these empirical observations clearly echo the applicability of Mau's insights concerning the split between life and its conditions that characterizes social reproduction under contemporary financial capitalism, we have not yet figured out the domination side of things. In other words, one cannot jump straightforwardly from an observation that financial markets increasingly intervene in the gap between individuals and the conditions of their existence to a claim that this dependence on financial markets names a situation of domination. What remains, then, is to provide some content for this: one must determine *how* this form of domination functions.

iv.b. Derivatives as horizontal money

As mentioned above, the increasing dependence of individuals and households upon financial markets in order to secure their access to the conditions of social reproduction, establishes the *conditions of possibility* for the functioning of power and domination in financial markets. However, it does not yet tell us whether social relations of domination obtain nor, if so, in what these social relations of domination consist. The objective of this section, then, is to contour the *particular* forms of power and domination that are made possible on the basis of the intervention of financial markets in the gap between life and its conditions. I argue that the key to solving this problem consists in applying the framework elaborated above—which distinguishes between *horizontal* money, on the one hand; and *vertical* money, on the other—to one of the particular forms that capitalist money takes in financial markets, the *derivative*. This is by no means to say that derivatives are the unique form in which financial capitalism is expressed; rather, I contend that understanding the derivative is an invaluable heuristic device, and this on two grounds. The derivative-form points toward what is *distinctive* about contemporary financial capitalism—as opposed to the financial capitalism theorized by Hilferding et al. First, generalized derivative exchange is a creature of the post-Bretton Woods world. Second, the uniqueness of the derivative-form consists, ostensibly, in the fact that it dissolves all distinctions between different forms of capital (e.g., between debt and equity).[109]

Bryan and Rafferty provide one of the most sustained critical treatments of the proliferation of derivatives since, roughly, the mid-1970s. On their account, although the derivative-form has existed since the nineteenth century, large-scale derivative trading has only become generalized since the abandonment of the Bretton Woods system and the regime of fixed exchange rates that it enshrined. The derivative, on their account, supplants the erstwhile anchoring role played by the gold standard in the international monetary system: "the system of myriad financial contracts is playing the role of a monetary anchor — not a rigid, fixed anchor like gold, but a flexible, floating anchor."[110] On Bryan and Rafferty's view, derivatives perform two crucial functions in the contemporary international economy. First, they play a *binding* role insofar as they bind the price of future assets to the price of assets in the present. This is the role played by a soybean future, for instance, which directly expresses the future price of a particular commodity (soybeans) at a particular time in the future. Second, derivatives play a *blending* role in the global economy to the extent that they commensurate "different forms of capital into a single unit of measure."[111] In other words, derivatives have the unique function of allowing *qualitatively* different types of assets to be traded against one another.

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[109] Bryan and Rafferty, *Capitalism with Derivatives*, 112-117; 176; Cédric Durand, *Fictitious Capital*, 65-73; Randy Martin, *Knowledge LTD: Toward a Social Logic of the Derivative* (Philadelphia: Temple University Press, 2015), 60.
[110] Bryan and Rafferty, *Capitalism with Derivatives*, 105.
[111] Ibid., 12.

Bryan and Rafferty derive a few crucial implications from their analysis of the two roles of derivatives in contemporary financial markets. First, owing to the *binding* and *blending* roles of derivatives, they contend that derivatives function as a sort of 'meta-capital'. That is to say, because they permit the conversion of "any form of asset into any other form of asset," they allow for a wholesale *integration* of capital.[112] Second, and significantly for the purposes of my argument, Bryan and Rafferty contend that the function of derivatives as 'meta-capital'—that is to say, as a form of capital that dissolves all distinctions between particular forms of capital—derivatives also function as a *form of money.*[113] In particular, Bryan and Rafferty characterize derivatives as a form of commodity-money. By commodity-money, here, Bryan and Rafferty mean that derivatives are "a production process within a circulation process."[114] The production process that Bryan and Rafferty refer to, here, consists in the production of derivatives as contracts that are "offered on the market as products of the *labour of financial institutions and operatives that stitch up the deals*."[115] To be sure, Bryan and Rafferty are not suggesting that the full value of a derivative is a product of the labour of financial institutions. The value of a derivative does not consist in the value of the underlying asset—e.g., the soybeans that are yet to exist that are the basis of a soybean future—rather, the value created by the derivative refers to the "commodified role of commensuration that derivatives perform."[116]

Crucially, by distinguishing between the commodity-form of the derivative and the commodity-form of the underlying asset, Bryan and Rafferty emphasize the role of the derivative within the circuit of *circulation among capitalists*. They write, accordingly: "The essential

[112] Ibid., 13.
[113] Ibid.
[114] Ibid., 153.
[115] Ibid.
[116] Ibid., 154

characteristic of derivatives as commodities is that they are products of circulation, not significantly of labour, and accordingly their value is defined in exchange and not in consumption."[117] Although they take great pains to note that the *blending* role of derivatives implies that distinctions between 'productive' and 'unproductive' forms of capital are difficult to defend, Bryan and Rafferty nonetheless provide a similar story about the emergence of derivatives as commodity-money to that offered by Hilferding regarding the origins of bank-capital. Just as, on Hilferding's account, credit originates in the circulation process as promissory notes among individual capitals, so too do financial derivatives, on Bryan and Rafferty's view, emerge in order for individual capitals to commensurate different types of assets with one another.[118] They write, accordingly: "Financial derivatives, on the other hand, as advances beyond promissory notes and bills of exchanges—contracts that are man-made and having no 'natural relationship' to the products from which they derive—appear as a highly advanced form of money."[119]

What emerges, here is a similar priority accorded to *horizontal* over *vertical* money as outlined in section iii.b. To illustrate this point, it is worth attending to the function of commensuration that Bryan and Rafferty see the derivative as performing. Unlike conventional capitalist money, derivatives do not exist merely to commensurate the values of different commodities in exchange; rather, on Bryan and Rafferty's account, derivatives perform the function of commensuration between qualitatively different forms of *risk.* Indeed, by means of a derivative contract, a firm is able to hedge against exposure to a wide array of risks: "derivatives provide insurance against…interest rate and exchange rate changes, but also there are derivatives

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[117] Ibid., 154.
[118] Sotriopoulos, Milios and Lapatsiroas see a similar relation to the role accorded by Hilferding to capitalist credit money in the process of capitalist circulation to that which Bryan and Rafferty assign to derivates in the process of financial circulation. See Sotriopoulos, Milios, and Lapatsiroas*, A Political Economy of Contemporary Capitalism and its Crisis* (New York: Routledge, 2013), 177-8.
[119] Bryan and Rafferty, *Capitalism with Derivatives*, 160.

that insure against anything from the weather…to the celebrated future price of pork bellies, to the threat of terrorism."[120] I propose that a similar analysis as offered by Graziani regarding the distinction between *horizontal* money exchanged among capitalists, on the one hand; and *vertical* money, originating in the initial exchange between capital and labour, is applicable here.[121] This analysis must be stretched somewhat, however: the 'initial exchange' will be reformulated as that between financial markets, on the one hand; and that between those who are dependent upon them for access to the conditions of social reproduction, on the other. In order to make my case, I will examine the proliferation of one particularly unpopular form of financial device that has proliferated in recent years: student loan asset backed securities.

iv.c. Student loan asset backed securities: derivatives as vertical money

In the United States, recent decades have witnessed the proliferation of student loan asset backed securities (SLABs). Although most student loans, in the U.S. context, continue to be originated by the federal government, the private student loan industry has grown markedly over the past several decades, largely owing to increased student demand, the secular stagnation of wages, and rapidly rising tuition fees.[122] The growth of the private student loan industry in the U.S. has, in turn, given rise to a lucrative secondary market for SLABs. The basic structure of a SLAB is not dissimilar from that of the mortgage-backed securities (MBS) that were widespread before the 2008 GFC. A SLAB consists of a bundle of student loans—either originated by the federal

[120] Ibid., 1-2.
[121] Adam Hanieh traces this analytical separation between *capital exchanged among capitalists*, on the one hand, and *capital derived from the sphere of production* to a "mistaken acceptance of the fetish character of interest-bearing capital" that sees "the exchange of loanable sums of capital [as] a relationship between money-capitalists rather than a relationship to the moment of production" (72). See Adam Hanieh, "The Commodities Fetish? Financialisation and Finance Capital in the US Oil Industry," *Historical Materialism* vol. 29, no. 4 (2021): 70-113.
[122] Susanne Soederberg, "Student Loans, Debtcare and the Commodification of Debt: The Politics of Securitization and the Displacement of Risk," *Critical Sociology* vol. 40, no. 5 (2014): 691.

government or by private lenders—that are packaged by a lender into a security. Like MBS, these securities are divided into *tranches*, whereby loans with similar risk profiles (e.g.., credit ratings, maturity, interest rates) are pooled together, and assigned different credit scores and interest yields.[123] Significantly, moreover, most student borrowers are unaware that, in taking out a student loan, they are implicitly consenting to the securitization of their loans, and their sale to third-party investors.[124]

Although, in the immediate aftermath of the COVID-19 pandemic, the market for SLABs has dried up somewhat, before 2020, the demand for SLABs far outstripped their supply on the market. In 2017, the founder and CEO of ReliaMax, a firm that provides private student loan insurance services, testified to this phenomenon: "We have a billion dollars more in demand than we have supply right now…I've got investors who want to buy private student loans and I don't have enough loans to sell them."[125] The attractiveness of these securities for private investors is somewhat puzzling, however. Indeed, student loans in the U.S., particularly private student loans, have particularly significant delinquency and default rates; and, because student loans are unsecured debts, that is to say, they are loans that are *not backed* by collateral, investors in SLABs are not guaranteed collateral from the borrower in the case of default.[126] As Buchanan puts it:

[123] Bonnie G. Buchanan, *Securitization of the Global Economy: History and Prospects for the Future* (New York: Palgrave Macmillan, 2017), 88.
[124] Eli J. Campbell, "Wall Street has been gambling with student loan debt for decades," *OpenDemocracy*, October 24, 2019, https://www.opendemocracy.net/en/oureconomy/wall-street-has-been-gambling-student-loan-debt-decades/.
[125] Samantha L. Bailey and Christopher J. Ryan Jr., "The Next "Big Short": COVID-19, Student Loan Discharge in Bankruptcy, and the SLABs Market," *SMU Law Review*, vol. 73 (2020): 839.
[126] While it is true that part of the attractiveness of SLABs is that, in the United States, student loans are, uniquely, not dischargeable in bankruptcy and are guaranteed by the federal government, this condition only applies to student loans originated by the federal government; not to loans issued by private lenders. As Bailey and Ryan point out, then, the 'non-dischargeability' assumption regarding SLABs has been called into question in recent years.

"Determining the quality of the student loan is difficult at best because of the lack of collateral and uncertain future earnings."[127]

The high incidence of default and delinquency among student borrowers in the United States poses something of a challenge for the private agencies that engage in student loan securitization. Navient, the largest such agency, acknowledges as much in its 2022 earnings report: "Delinquencies are an important indicator of the potential future credit performance for Private Education loans."[128] Indeed, because the operations of these agencies consist in forwarding a portion of the interest paid by student borrowers on to the private investors who purchased securities from them, agencies like Navient face a strong incentive to take whatever means that are available to ensure investors that their bonds will perform reliably.

The legal arrangements surrounding student lending in the United States mean that one of the major perils faced by prospective investors in SLABs is foreclosed from the start, as it were: according to U.S. law, the majority of student loans are guaranteed by the Federal Government in the case of default: "FFELP loans are guaranteed by state or not-for-profit agencies and are protected by contractual rights to recovery from the United States."[129] This explains some of the attractiveness of SLABs to investors: as Susanne Soederberg puts it, the fact that most SLABs are guaranteed by the Federal Government "reduces financial risk for private lenders, whilst relocating the social dimensions of risk onto student debtors."[130] Not all of the loans that Navient packages into SLABs are originated by the Federal Government, however: 30% of Navient's total portfolio consists in *privately-originated* student loans, which "bear the full credit risk of the consumer."[131]

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[127] Buchanan, *Securitization of the Global Economy*, 88.
[128] Navient, Inc., FY22 Form 10-K for the Period Ending December 31, 2022 (filed January 31, 2023), p. 55, https://navientcorporation.gcs-web.com/static-files/0f6d6dd0-0777-4f46-b7bc-79a6cdac7a51.
[129] Ibid., 7.
[130] Soederberg, "Student Loans, Debtfare and the Commodification of Risk," 698.
[131] Navient, Inc., 23.

Although officially reported default rates for privately-originated student loans remain somewhat more elevated than for federally-backed student loans, Navient purports to adequately hedge against the risk of student borrower default by assiduously monitoring the creditworthiness of its lenders, and by allowing for a certain measure of loan losses on its books.[132]

Accordingly, Navient takes pains to assure prospective investors that the SLABs that they sell on the secondary market bear no significant credit risk. They do, however, bear a certain measure of *market risk*, in particular interest and exchange rate risk. As Navient's annual report puts it: "As a result of interest [and exchange] rate fluctuations, hedged assets or liabilities will generally offset the effect of the unrealized appreciation or depreciation for the period the item is being hedged."[133] It is here that the derivative enters the scene. When the annual report speaks of 'hedging' against interest and exchange rate fluctuations, it refers to two forms of derivatives that may be used in order to convince investors of the attractiveness of acquiring SLABs: interest rate swaps and exchange rate swaps.

While an exhaustive treatment of the mechanics of these forms of derivatives cannot be provided here, the basic logic is as follows. Because, on the one hand, the original pool of assets that Navient converts into securities—i.e., student loans—*primarily*, though by no means exclusively, bear interest at a *fixed rate*; and because, on the other hand, Navient pays interest on SLABs at a *floating rate*, there exists the possibility that there is a spread between the interest rate that Navient accrues from student loan payments and the interest rate that Navient is obliged to pay to the holders of SLABs. The possibility of an interest rate 'mismatch' poses a problem for securitization agencies like Navient because, if a bundle of student loans underlying a SLAB bears

[132] Ibid., 29.
[133] Ibid., 38.

interest at a rate of, say, 3%, and lending rates swell to, say, 6%, then private investors will be less attracted to purchasing SLABs owing to their comparatively lower yield.

Accordingly, in order to hedge against this possibility and to maintain the attractiveness of their securities in the midst of interest and exchange rate uncertainty, securitization agencies like Navient enter into swaps with a third party. According to the terms of this contract, Navient effectively exchanges the fixed-rate interest that it is receiving from its underlying student loans for interest at a floating rate, that it can then use to pay out to investors who hold its securities. The rationale behind this practice of 'rate swaps' is made clear in a report issued by the Structured Finance Industry Group (SFIG) to the Federal Reserve, which makes the case for the necessity of allowing securitization agencies, like Navient, to enter interest and exchange rate swaps. Because of interest and exchange rate uncertainty make agency-issued securities more or less risky assets to purchase, the SFIG reasons that "a significant proportion of securitization transactions require swaps to make them viable investments that investors will purchase."[134] The report continues: "Regulations which impede the ability of securitization issuers to continue to use swaps can reduce the availability or increase costs of consumer and commercial funding in core segments of the economy, such as mortgage finance, vehicle finance, equipment finance, student loans, and credit cards."[135]

If the SFIG is to be taken at its word, then what emerges is a somewhat different understanding of the role of derivatives vis-à-vis the 'real economy' than that offered by Bryan and Rafferty. As this example demonstrates, it is not only the case that derivatives, as a form of *horizontal* money exchanged among capitalists, work to facilitate the commensuration of

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[134] Structured Industry Finance Group, *Proposed Rules re: Margin and Capital Requirements for Covered Swap Entities*, November 24, 2014, 5, https://www.federalreserve.gov/SECRS/2015/January/20150130/R-1415/R-1415_121114_129819_559584369834_1.pdf.
[135] Ibid., 6.

qualitatively different types of risk, or even different types of assets. Rather, as the case study of Navient demonstrates, the practice of exchanging derivatives—in particular, interest and exchange rate swaps—only becomes intelligible against the backdrop of the incentives that agencies like Navient face to make the assets underlying its portfolio of student loan asset-backed securities attractive to private investors who can closely monitor international financial markets in search of attractive yields.

There are a few implications of this analysis that are worth noting. First, to the extent that securitization agencies like Navient can only enter into derivatives contracts with counterparties *because* they hold massive amounts of student debt, this example demonstrates the logical priority of an initial *vertical* exchange between financial markets and those who are dependent upon access to financial markets for social reproduction over *horizontal* exchanges that take place among capitalists in financial markets. In other words: the existence of *vertical* financial assets is logically prior to that of *horizontal* financial assets. Second, even as this *vertical* exchange is logically prior to *horizontal* exchange among capitalists, it is nonetheless the case that widespread *horizontal* relations of exchange in financial markets create the conditions under which these *vertical* relations of exchange can become more deeply entrenched: by engaging in interest and exchange rate swaps, Navient is able to avail itself of a broader investor base and, accordingly, can extend loans to an increasing amount of student borrowers.[136]

[136] This logic is what Colin Crouch has in mind when he speaks of the policy regime of 'privatized Keynesianism' that has taken hold in the United States and the United Kingdom since the 1980s. This policy regime is synonymous with the deregulation of the financial sector so as to prop up consumption-driven growth in an era of secular wage stagnation. On the relationship between the growth of derivatives markets and access to consumer credit, he writes: "How can the derivatives markets get to work in supporting high levels of borrowing if they are to be subject to rules that make much of that borrowing more difficult? Meanwhile, low- and medium-wage, insecure workers will not be able to carry on spending unless they can get their hands on unsecured credit, even if at less frenetic levels than had been occurring" (396). See Colin Crouch, "Privatised Keynesianism: An Unacknowledged Policy Regime." *The British Journal of Politics and International Relations* vol. 11 (2009): 382-399.

On the basis of these two points, we might therefore conclude that, when considered from the perspective of social reproduction, the power of finance capital consists of two distinct moments. There is, first, an *originary* split between the means of social reproduction, on the one hand, and individuals' access to the means of social reproduction, on the other. To acquire housing, education, or even vital means of subsistence (through credit card purchases, for instance), individuals must have recourse to the financial sector. Let us call this the *vertical* power of finance. Second, and crucially, the terms under which financial market-dependent agents might acquire access to the conditions of social reproduction is conditioned by the extent to which the financial institutions upon which they are dependent can successfully compete with other like agents in the global economy. A Navient that does not avail itself of a series of sophisticated derivatives positions to ensure the yield on its SLABs would not be able to attract the necessary capital from private investors to continue to extend credit to student borrowers on somewhat propitious terms. This *horizontal* power of finance is distinctive about contemporary financial capitalism: because of the global scale of inter-firm competition that is permitted by the emergence of derivatives, these dynamics of competition inject a radical and thoroughgoing precarity into the vertical split between life and its conditions that, as Mau would have it, is characteristic of the proletarian condition as such.

v. Conclusion and considerations for future research

It is fitting to return to the definition of finance capital that I derived from my engagement with of the Hilferding-Lenin nexus above. For Hilferding and Lenin, and for the critical literature that continues to take its cues from their analysis, finance capital is a *deviation from productive capitalism, understood as a system of free competition among capitals, in which priority is* *accorded to profit accumulation through extra-economic means in such a way that weakens the integrity of the productive side of the capitalist economy as a whole*. By contrast, my analysis yields a somewhat different understanding of contemporary finance capital. On my understanding, finance capital represents a *precondition of capitalist social relations of production and social reproduction, in which the terms according to which agents who are dependent upon financial markets in order to access the conditions of social reproduction are conditioned by the dynamics of competition among firms*.

This points toward a markedly different conception of the nature of the power of finance than that offered by Lenin and Hilferding, and indeed, from that which abounds in much of the literature. First, because the operative determinant of the terms under which market-dependent agents may access financial markets is *competition* among firms, the power of finance, on this account, is not primarily *political* and *personal* but *economic* and *impersonal.* This point stands in direct contrast to Lenin and Hilferding's analysis that sees financial power as deriving from a generalized eradication of competition among firms in the form of monopolies, and emphasizes the significance of competitive pressures in financial transactions between firms and between agents who are dependent upon financial markets to secure the means of subsistence. As the example of Navient demonstrates, competitive pressures play a double function in contemporary financial capitalism. On the one hand, at the level of relations between firms, competitive pressures inform the proliferation of increasingly complex financial products and techniques that are designed to get an edge on other like firms. On the other hand, competitive pressures also govern the terms under which market-dependent agents engage in financial markets.[137]

[137] In this regard, the example of student loans remains instructive. For a individual who disposes only of their labour-power, taking on student debt can be seen as a strategy to increase the value of one's labour-power in relation to other like individuals. Riley and Brenner are perceptive here: "It is always tempting, and often highly rational, for

Second, because, on this understanding, the power of finance reproduces itself primarily by means of competition, rather than through extra-economic means, this conception affords us with the ability to understand the relative autonomy of financial power vis-à-vis the state. If, as many critical political economists have noted, contemporary statecraft consists increasingly of an exercise in 'governing through financial markets' in order to pursue policies that exceed their institutional capacity, it follows that the nexus between finance capital and state power that subtends the Lenin-Hilferding nexus ought to be rethought.[138]

Third, because the crucial criterion of subjection to the power of finance is not mere indebtedness, but rather dependence upon financial markets in order to access the conditions of social reproduction, this conception of financial power averts the dead ends that beset the creditor—debtor antagonism as a means for understanding the functioning of power and domination in financial markets. To the extent that this conception of finance displaces a focus on debt relations to a focus on financial power more broadly, there is a political upshot to this account. In my view, the nexus between finance and social reproduction is an apt means to thread together coalitions between more or less dispersed political struggles, such as tenants' mobilization against institutional landlords, contestation over workers' control of pension funds, and opposition to the privatization of public services.[139]

By way of conclusion, it remains important to note that the power of finance cannot be understood in isolation from the broader moments of the capitalist mode of production of which it is a constituent, though nonetheless important, part. Even if, as I have suggested, finance functions

individuals to withdraw from the class strategy…in an attempt to increase returns on the sale of their unit of labour power." Riley and Brenner, "Seven Theses," 11.

[138] Benjamin Braun, Daniela Gabor, and Marina Hübner, "Governing through financial markets: Towards a critical political economy of Capital Markets Union," *Competition & Change* vol. 22, no. 2 (2018): 101.

[139] On the increasing imbrication of these facets of social reproduction with the activities of financial firms, see Brett Christophers, *Our Lives in Their Portfolios*: *Why Asset Managers Own the World* (New York: Verso, 2023).

as a *precondition* for capitalist production, and for increasingly processes of social reproduction under capitalism, there is a danger of collapsing the power of capital writ large into the power of finance.[140] Indeed, it is important to recall that the extent to which individuals are extended unsecured debt remains more or less dependent upon their future expected earnings as workers: a student loan granted to an individual with no chance of paying it back as part of their future wages would be no asset at all. I therefore concur with Sotriopoulos, Milios, and Lapatsiroas' contention that "a complete analysis of capitalism, and its reproduction, exceeds the limit of finance and presupposes a proper theory of capitalist exploitation, capitalist competition, capitalist ideology and, of course, capitalist state."[141] It is my hope, nonetheless, that setting the critique of finance on a surer theoretical basis can help to contribute to this task.

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[140] In the light of the return to expansionary fiscal policy and industrial policy in the aftermath of the COVID-19 pandemic, several commentators have recently prophesied an imminent demise of 'financial hegemony'. See, e.g., Cédric Durand, "The End of Financial Hegemony?," *New Left Review*, vol. 138, no. 6 (2022): 39-55; Adam Tooze, "We are living through a trillion-dollar rebalancing," *Financial Times*, March 31, 2013, https://www.ft.com/content/4d519cc7-5959-4749-a892-dc8bd5cf1014. Given the centrality of private financial markets in this emerging paradigm of '21st century industrial policy', however, this trend does not so much vitiate as confirm my analysis. On this, see Daniela Gabor, "The Wall Street Consensus," *Development and Change* vol. 52, no. 3 (2021): 429-459.

[141] Sotriopoulos, Milios, and Lapatsiroas, *A Political Economy of Contemporary Capitalism and its Crisis*, 273.

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