Financialisation on the Rebound?[1]

Introduction

At the time this piece was commissioned, a remarkable V-shaped graph came to my attention which revealed how rapidly profitability had been restored to the US financial system. If anything demonstrates the capacity for, and actuality of, neo-liberalism's rebound, this is it. Perversely, it might even serve to confirm to neo-liberalism's most ardent proponents that the crisis, bubble or bubbling, was little more than a self-correcting credit crunch prompted by random shocks and adjustment to them.[2]

Of course, such idealistic fitting of the facts, ranging from the crisis as random-shock-induced credit crunch to real business cycles, is both selective in its choice of evidence and insurmountable in its dogmatic faith in the perfect working of the market and the capacity of microeconomics to rationalise macroeconomic realities to the contrary. For, rebound in financial profits there might have been together with at most the mildest forms of Keynesianism aimed at restoration of the viability of the financial system. On the other hand, the scale of support to sustain the private financial sector has been phenomenal, truly socialism for the bankers and capitalism for the rest of us.

Accordingly, the rebound of finance has been accompanied by, inevitably associated with, the opposite experience as far as the real economy is concerned and the state's role within it. There has been no rebound as far as state expenditure, job creation and working conditions are concerned. Indeed, these have deteriorated, and are set to deteriorate further, in breadth and depth, and to an extent that is remarkable even by comparison with the earlier shock phases of neo-liberalism. In these respects, then, neo-liberalism has also rebound.

But if neo-liberalism has been rebound, to what has it done so; or what exactly is the nature of neo-liberalism; what light does the crisis and rebound shed on such matters; and to what extent has neo-liberalism been transformed or marked by change as much as continuity? Here, an answer is provided in terms of the irreducible relationship between neo-liberalism and financialisation.

Financialisation Is …

Over the past decade, and not before, the notion of financialisation has unsurprisingly and appropriately come to the fore, increasingly rapidly so in the wake of the crisis, Goldstein (2009).[3] My own first contribution, Fine (2007) was made before the concept had reached its own adolescence and drew heavily upon the work of CRESC,[4] Stockhammer (2004 and 2006), Krippner (2005) and Epstein (2005). There can be no doubt the global crisis has driven financialisation precipitously into the stage of puberty with all of the stresses, strains and (self-)importance and exaggerations that this inevitably attracts. Like teenage years themselves, financialisation has generated a number of issues to be addressed and accommodated, if not necessarily overcome, as it drives towards adulthood, and the identity, or identities, that it will adopt as yet remain uncertain.

First and foremost, then, what is financialisation? This is not simply a matter of definition but of the nature of the concept itself. Not surprisingly, it attracts ambiguity in definition given the fluidities of the nature and roles of the monies and assets to which it is attached, and the increasing roles that these have played in economic and social life. Accordingly financialisation can accommodate a wide range of financial transactions, from personal credit through trading in futures markets. This provides for both broad and narrow definitions, depending upon degree and direction of focus. Second, then, on the other hand, is financial an empirical descriptor, at one extreme, or a more general and abstract characterisation of the current period of capitalism? Such ambiguities of definition in scope and intent are, for example, characteristic of neoliberalism and globalisation both of which, of course, are elder siblings conceptually speaking of financialisation in addressing contemporary capitalism. Third, then, what is the relationship between financialisation and neoliberalism and globalisation. Are they overlapping, mutually supportive concepts? And how do they relate to the "new imperialism" and the "new world order". Fourth, what are the effects of financialisation and its causes and consequences, not least in relation both to the current crisis and the period of capitalism that preceded it following the collapse of the post-war boom, and the subsequent three decades of slower and more uneven growth?

And, last, what is the appropriate theory for addressing these issues? Prior to the crisis, orthodoxy offered the efficient market hypothesis, EMH, neatly expressed by Summers and Summers (1989, p. 166):

> The ultimate social functions are spreading risks, guiding investment of scarce capital, and processing and dissemination the information possessed by diverse traders … <u>prices always reflect fundamental values</u> … The logic of efficient markets is compelling.

This has its counterpart in what might be termed the inefficient market hypothesis, IEMH, for which Joe Stiglitz (2008, p. 2) can be taken as leading representative, emphasising how (financial) market imperfections require state intervention to correct them:

> The left now understands markets, and the role they can and should play in the economy … the new left is trying to make markets work.

Further, the crisis has shot Minskyian theory to the fore, at least for a moment, alongside a wealth of contributions from post-Keynesians and Marxist political economy.

I begin with the issues around which financialisation might be defined. First and most apparent, financialisation has been associated with the phenomenal expansion of financial assets and financial activity relative to the rest of the economy. For reasons that will be clear, measuring this empirically and precisely is plagued by definitional conundrums involving what should count as an asset and how to avoid double counting. However, as Blankenburg and Palma (2009, p. 531) report:

> Some basic figures speak for themselves: According to McKinsey's Mapping Global Financial Markets (October 2008), global financial assets rose from

> US$12 trillion in 1980 to US$196 trillion in 2007. The International Monetary Fund's Global Financial Stability Report … estimate for the latter figure is considerably higher, at US$241 trillion.

In other words, financial assets grew by twenty times over the last thirty years. Taking account of inflation and growth necessarily reduces this dramatic expansion expansion in proportionate terms. Even so, the ratio of financial assets to global GDP has risen threefold from 1.5 to 4.5, Palma (2009). If any other input had risen to such a degree, especially as it contributes nothing as such to output, as with energy or steel, we would have been pointing to massive technological decline!

Second, financialisation has witnessed the proliferation of different types of assets, not least through the expansion of securitisation, derivatives, exchange rate speculation and corresponding futures markets for currencies as well as for many commodities. In 2006, for example, the US Permanent Senate Committee estimated that a third of the then $60 price of a barrel of oil was due to speculative futures trading. And, investment in future commodities more generally had increased by twenty times since 2003, Davidson (2008). Similar considerations apply to the spike in food prices that preceded the financial crisis that began in 2007.

Third, financialisation has been understood in terms not only of the expansion and proliferation of financial assets but that this has occurred at the expense of the real economy in terms of both the levels and efficacy of investment, Stockhammer (2004 and 2006). At one extreme, this is seen in terms of the rise of speculative in place of real investment. At the other, but no less damaging, is the notion that industrial enterprises have been increasingly subject to the maximisation of shareholder value which can lead to corporate policies that diverge from the pursuit of long-term productivity and profitability, Lazonick and O'Sullivan (2000) for an early account and Rossman and Greenfield (2006) for a trade union perspective.[5]

Fourth, financialisation is associated with the relations between finance and industry in a variety of ways, whether drawing upon or departing from Hilferding's classic notion of finance capital for which the two are integrated with one another under the increasing command of finance. For Palma (2009), for example, financialisation has been the result of deeply politically entrenched policies, driven by the imperative to expand the rentier rewards that accrue to finance, Lapavitsas (2009) for a critique. This is associated with an extraordinary reversal of the decline in inequality in the United States that preceded the growing inequality over the last three decades. Over this period, the share in income of the top 1% of earners has increased from under 10% to well over 20% whilst real wage rates have remained stagnant. On the other hand, whatever the rewards to finance (and its bonus culture, however effectively, became a popular target in the immediate wake of the crisis), if industry has become subordinate to finance it has been because of joining rather than being beaten. For, as Krippner (2005) has observed, non-financial corporations in the United States have been heavily reliant upon financial dealings as a major source of profits (and less dependent upon the financial sector for financing their investments).

Fifth, especially as a consequence of the origins of, and the form taken by, the US crisis, financialisation has been perceived to be dependent upon consumer-led booms based on credit in which the housing market in particular has been the basis for a

central speculative asset. As long as the housing bubble could be sustained, so could consumer credit and expenditure. But it all collapsed around the overextension and selling-on of subprime mortgages beyond the ability to repay interest and sustain house price increases.

Sixth, mortgage finance is just one aspect of financialisation, specifically attached to housing, but symbolic as a major representative of the more general penetration of finance into ever more areas of economic and social life such as pensions, education, health, and provision of economic and social infrastructure. This is a matter both of the increasing private provision of such activities at the expense of the public sector and the need for consumers to rely upon credit to be able to afford the corresponding services. For Lapavitsas (2009) and dos Santos (2009), for example, this represents an expropriation of workers' revenue in the form of interest and other payments to a correspondingly unduly profitable banking sector, Fine (2010a) for a critique.[6] What is uncontroversial, though, is the increasing extent to which finance has gained a presence in areas where it had previously been relatively absent, even absented, for many years.

Seventh, financialisation – alongside deregulation, privatisation and commercialisation - has projected a particular set of cultures and practices in which the efficacy of markets, beyond those for finance itself, is taken as sacrosanct with a corresponding reliance upon private capital and anti-statism, with the neoliberal ideology of market efficiency and state inefficiency to the fore. For the EMH also had, and has, its counterpart in the so-called "New Public Sector Management" to address the role of the state in provision where the private sector has not penetrated sufficiently. From Iriart et al (2001), if focusing in their contribution on health and social security, we can draw out more general conclusions for the no less idealised role and mode of governance of the public as for the private sector in the era of financialisation: efficiency increases if financing is separated from service delivery, and if competition is generalized across all providers; the market is the best regulator of quality and costs; demand rather than supply should be subsidised; flexible labour relations provide the best mechanism to achieve efficiency, productivity, and quality; private administration is more efficient and less corrupt than public administration; deregulation allows for user freedom of choice; the allocation of rights to individuals as consumer/citizens best assures that these are respected; and quality of service delivery is assured by guaranteeing consumer/citizen satisfaction.

Eighth, the state has played a major role in promoting financialisation. This is both through state finances themselves as well as through policies to promote the processes of financialisation, both directly and indirectly, sharply contradicting the ideology that neo-liberalism is about leaving things freely to the market, Panitch et al (2010).

… As Financialisation Does

As is already evident, understanding of financialisation across these eight aspects draws predominantly upon US experience, even if complemented by that of the UK and other developed economies. This is appropriate given that it has been the world's leading financial power, as has been reflected in the course of the global crisis of 2007 and the responses to it. For financialisation has been associated with the continued role of the US dollar as the foremost currency, or as world money despite, at least in

the current crisis, its severe deficits in trade, capital account, the fiscus, and consumer spending, and the reduction of the interest rate to minimal levels. This is striking in three respects. First, had such policies been adopted in similar circumstances in any other economy, especially when experiencing a crisis, then there would have been a catastrophic outflow of funds and crash in the exchange rate. By contrast, whilst the US dollar remains vulnerable, it has not experienced speculative attacks, and there have been concerted attempts to sustain the value of the dollar by other countries which continue to hold it as a reserve currency.

Second, there have been numerous crises of this sort, if not of this severity, in the past, not least the Asian crisis of 1997/98.[7] In these cases, whilst the crises were contained, the policies adopted in the countries concerned were exactly the opposite of those chosen in response to the US crisis of 2007 which was, admittedly, not contained. Especially if subject to conditionalities imposed by the World Bank and the IMF, policies adopted in other countries were of fiscal austerity, devaluation, and raising of interest rates, together with reinforced efforts to open up the economy to international capital, especially finance. The contrast with the policies deployed, especially in the USA and the UK, could not be sharper, yet another example of what Chang (2002) has described, in the context of kicking away the developmental ladder, as "don't do as we do, do as we say", see also Chang (2007).

Third, as a special case of this divergence of response has been the unprecedented degree of financial support offered to the financial system, with the USA essentially nationalising toxic debt and the UK literally nationalising failing banks. Both the scale and priorities of this support are extremely telling. As reported in Hall (2008), for example, the total value of renationalisations of banks and insurance companies in the USA, UK and the rest of Europe is equivalent to reversing half of all the privatisations in the entire world over the last 30 years, the US rescue of the insurance company AIG is by itself tantamount to reversing all the privatisations within the former communist states of central and eastern Europe since the collapse of communism; and the UK support for the debts of just one British bank, Northern Rock, exceeds the combined value of all the private finance provided for public-private partnerships in the UK and the rest of the EU over the last 17 years. Just to emphasise the point, the scale of the rescue of finance in terms of the costs of making the private sector work appears far to exceed the gains that have been made out of transferring assets to the private sector from the state (and subjecting them to financialisation as well). Further, the scale of the rescue, and its consequences for deficits, when finance is in trouble are indicative of the priorities involved for, fiscal austerity was generally proclaimed in response to progressive demands in the past for higher spending on health, education and welfare in times of less acute economic crisis. Whilst the exact degree of subsidies to banks may be exaggerated in terms of transfer of resources, there can be no doubt of commitment to them, with disastrous consequences for others, in times of crisis, when availability of such commitment to health, education and welfare was denied in more favourable economic circumstances.

This is all indicative of the extent to which financialisation is uneven across its various dimensions. As is readily apparent, its incidence and impact (and the responses to crisis) are different between developed and developing countries but the same applies within each ensemble of developed and developing countries. This

reflects both the overall weight and composition of the multifarious financial sectors and activities themselves and the way in which the financial sector is integrated into economic and social reproduction more generally. In other words, like neo-liberalism itself, financialisation is not an analytical tool from which outcomes can be readily and simply read off. It is a process that interacts with others that need to be identified in the context of specific economies. Indeed, as will be argued, financialisation is to be associated with uneven outcomes as opposed to the homogenising prospect that is often posed by neo-liberal as well as radical approaches to globalisation even if welcoming or deploring, respectively.[8]

Nonetheless, there are general, if not uniform, consequences of financialisation that can be identified. First, as most markedly reflected in the slowdown in growth of global economic activity over the past thirty years, have been reductions in overall levels and efficacy of real investment as financial instruments and activities expand at its expense even if excessive investment does take place in particular sectors at particular times (as with the dotcom bubble of a decade ago, for example). Finance has long been crucial in the processes of capital accumulation and restructuring (usually into larger, and commonly internationally organised productive enterprises) through the levering of acquisitions and mergers and funding of new investments. Such economic restructuring has, however, been tempered as much as promoted by the global expansion finance.[9] For, as already indicated, financialisation has been associated with the prioritising of shareholder value, or financial worth, over other economic and social values including the pursuit of productivity and growth within the enterprise unless conforming towards that end. More generally, financialisation has subordinated policy, that is state intervention, towards conservatism and commercialisation in all respects, extending its influence more broadly, both directly and indirectly, over economic <u>and</u> social policy at the expense of the economic and social restructuring associated with the post-war boom in which the state took a much more active role in restructuring industry and in promoting health, education and welfare. This has also had the effect, revealed by the crisis of 2007, of placing more aspects of economic and social life at the risk of volatility from financial instability and, conversely, places the economy and social life at risk of crisis from triggers within particular markets (as with the food and energy crises that preceded the financial crisis).

Whilst, then, financialisation is but a single word, it is attached to a wide mix of different forms and effects albeit with the USA and the UK to the fore. For this reason, it is appropriate to talk of varieties of financialisation, both across particular (financial) markets and particular economies.[10] There is, after all, something special that has been revealed as far as mortgage finance concerned, and this itself differs from one country to another both by virtue of differences in financial systems themselves (even if attached to global finance)[11] and the provision of housing to which they are attached (something that has tended to be overlooked in the understandable focus upon the crises within mortgage finance itself, Fine (2010a)).

<u>Financialisation and Theory</u>

This does leave open, however, how financialisation is to be understood theoretically although the previous discussion has already suggestively drawn out its changing role, if primarily by means of guilt of economic and social dysfunction by association.

Even if confined to its heterodox origins, the theory of financialisation has been addressed in a number of different ways not least because of its variety of pervasive effects. Especially within economics, the literature tends to be divided into two parts – the theory of money associated with macroeconomics,[12] and the theory of finance associated with microeconomics.[13] Equally, the orthodoxy has taken a balance between stability and inflation as central to the first, and the extent of efficiency of financial markets in smoothing risk and mobilising and allocating savings for the second.[14] With some exceptions, even heterodox approaches within economics at most take these dualities as points of departure, although the revival of interest in Minsky is significant for his emphasis on how the management of the financial balances of firms can induce a crisis.[15]

My own understanding of financialisation draws upon Marx's theory of finance which, in orthodox terms, is both micro and macro simultaneously, but is primarily based upon locating finance in terms of the accumulation of capital as a whole, and across all of its various functions and forms. This theory is far too complex to allow for a simple or short presentation, and what follows is at most a drastic and assertive summary designed more to be able to specify the nature of contemporary capitalism than to elaborate the approach as such.[16]

Finance has a symbiotic relationship with the processes of capital accumulation in which it performs vital functions whilst, at the same time, being driven by its own imperatives in appropriating the surplus that the economy yields whilst generating none directly itself. Broadly, there are two functions associated with financial markets – borrowing and lending for the purposes of buying and selling goods, and borrowing and lending for the purposes of expanding economic activity. Access to finance for the latter is crucial not only for overall growth but also for individual competitive survival. And, because finance governs access to capital for expansion, it is able to command a return in the form of what might be generically termed interest (variously accruing as dividends, capital gains and so on, with corresponding assets subject to speculative trading).

However, in financial markets in practice, the roles of finance in buying and selling and in expanding the economy are not systemically distinct from one another (credit may be extended to buy consumer or producer goods, for example). Nor, with deregulation of the financial sector are separate financial institutions confined to specific (types of) tasks (trade as opposed to investment let alone speculative finance for example). As a result, the relationship between the expansion of finance in promoting overall levels of demand for goods and services, for overall levels of investment, and overall asset prices is complex but, and this is crucial, ultimately dependent upon the levels and composition of investments that are induced.

This is a general account of financial relations under capitalism, and it depends analytically upon two sets of distinctions: of finance to promote trade and finance to promote investment; and finance that promotes investment that yields a surplus and that which does not (potentially fuelling asset price inflation instead). For the latter, not only does investment fail to materialise but, paradoxically, surplus is appropriated out of, at the expense of, those investments that have generated surplus.

There are, then, a complex set of balances across financial markets and capital accumulation incorporating pace and rhythm of investment and speculative activity and rewards, and this is further complicated by the state as an agent itself in accumulation, provision and governance of financial assets, and in setting the broader conditions of economic and social reproduction. For financialisation, in particular, these balances have increasingly taken the extreme form of subordinating and incorporating processes of investment, and of buying and selling, and state finance into the realm of speculative finance, whether this be securitisation, derivative trading, futures markets, currency speculation, carbon trading, mortgage finance, or the financial operations and shareholder-value imperatives of non-financial enterprises.

Neoliberalism - It's Financialisation, Stupid

It is appropriate, then, to devote considerable attention to financialisation since it sheds light on the causes of the slowdown of the last thirty years as well as the crisis that erupted from 2007. These are both remarkable in one crucial respect: they have occurred despite what might be thought to be uniquely favourable conditions for capitalism on a global scale. These include: the collapse of the Soviet bloc and the emergence of the US as leading hegemonic power; the decline in strength and organisation of trade unionism, especially with "deindustrialisation" in the developed world; the corresponding weakness of other progressive movements, especially those attached to national liberation and decolonisation; the transition to capitalism within China,[17] and the significant growth in the global labour force as a result, together with the wage labour provided through increased female labour market participation; extraordinary developments in new technologies with the corresponding capacity for productivity increase; and the triumph of neo-liberal policymaking containing the growth of both economic and "social" wages. These features signal the extent to which the failings of global capitalism, both slowdown and pattern and rhythm of crises, cannot be attributed to undue working class strength, and that the causes must be sought within intra-class relations for which financialisation and its impact upon the economy is paramount. Indeed, one of the most striking aspects of the crisis, possibly uniquely so in modern times, is the extent to which the working class is not being blamed by virtue of its undue demands for wages, welfare provision or resistance to introduction of new technology – even if it is deemed necessary for working people to take the "hits" emanating from the crisis in terms of higher unemployment and lower standards of living as budget deficits, resulting from support to the financial system and recession, are clawed back in order to pay the same financial system for the money borrowed from it in order to rescue it from itself!

Thus, the thrust of our argument is that financialisation has been at the heart of the three decades of neo-liberalism, not so much reducing the latter's trajectory in any, let alone all, respects to its imperatives as influencing the content of that trajectory. Financialisation has set a major part of the global and systemic context within which economic and social reproduction has occurred, including (as with combined and uneven development) where there are exceptions and resistances to its progress. And, just as the outcomes associated with financialisation are expected to be uneven in terms of its own incidence and effects, so the same must be so of neo-liberalism itself. In other words, the idea that neo-liberalism is an illegitimate category of analysis and descriptor because of variegated outcomes, see above, is to misunderstand the nature of neo-liberalism (and, indeed, to tend to accept the mystification attached to neo-

liberal projection of itself as homogenising all before it through the pressure of global market forces).

This insight can be taken further by emphasising that neo-liberalism involves a complex and shifting amalgam of scholarship, ideology and policy in practice (quite apart from the diverse material conditions to which they are attached).[18] That this is so is brought sharply to the fore by the response to the crisis of 2007, in which unmistakably neo-liberal policies have been used to rescue the financial system through extensive state intervention, even to the point of massive state ownership of, or guarantees for, toxic assets and failing financial institutions. Nor is it this moment alone that the ideology of neo-liberalism, leave everything to the market, is contradicted by the policy in practice. Throughout its thirty or more years, neo-liberalism has deployed the ideology of non-intervention and efficacy of market forces as a rationale for considerable intervention by the state, especially to promote the interests of private capital in general and of finance (and financialisation) in particular.[19] The scholarship underpinning this was, in the first instance, derived primarily from the Chicago School, with its extraordinarily extreme assumptions concerning the perfect workings of markets, especially those of finance, (so much so that unemployment, business cycles, and crises were defined out of existence), and the ineffectiveness of the state to intervene other than to worsen economic performance. In addition, neo-liberalism has been underpinned by neo-Austrian ideas that are, significantly, totally incompatible in analytical content with the Chicago school because of the former's emphasis upon inventiveness and uncertainty and the spontaneous and dynamic virtues of the market in managing them (whereas the latter is based on static equilibrium).[20]

As already implied in the previous paragraph, the configuration of ideology, scholarship and policy in practice that has accompanied neo-liberalism is inconsistent and varies across time, place and issue. This does not mean there is no connection between these three elements but they do have to be carefully unravelled in relation to one another. Broadly, essential in this task is to recognise that neo-liberalism itself has gone through two phases, with the divide between them roughly delineated by the intellectual watershed identified at the beginning of this chapter with the emergence of globalisation as most prominent concept across the social sciences. Its neo-liberal pretensions have been rudely shattered but this is closely associated with a shift in the nature of neo-liberalism itself. For, in its first phase, aptly described by the term "shock therapy" although neither confined to, nor originating with, transition in the Soviet bloc, the state intervened heavily to promote private capital not least through privatisation, deregulation, commercialisation, fiscal austerity, etc.

The second phase of neo-liberalism, from the early 1990s onwards, involved both sustaining these processes and tempering their worst effects (rising inequality, poverty and instability). Rather than the state withdrawing to allow for the expansion of private capital, it was increasingly required to intervene to promote private capital, most notably symbolised by the displacement of privatisation by public-private partnerships, for example. Within ideology and scholarship, it became a matter of moving away from state versus market and towards the state making the market and globalisation work. Specifically, within economics itself (see above), there was a shift towards an imperfect market paradigm, especially strongly associated with Joe Stiglitz.[21] In practice, the loss of legitimacy of the EMH has only given rise to mild or

bastardised forms of Keynesian, primarily geared towards saving banks and the financial system, with the corresponding imperative of cuts in state expenditure to allow for this.

This is indicative of the deep extent to which neo-liberalism has over the past three decades enriched itself within economic and social reproduction. This has depended upon and underpins the emergence and strengthening of financial elites at national and international levels, Robinson (2010). It corresponds to shifts, not only in scholarship, ideology and policy in practice, but also to the institutions and forms of governance the preclude alternatives before they emerge or undermine them should they do so.

Concluding Remarks

There is surely something paradoxical about the extent to which the financial crisis has created fiscal deficits that are the direct and indirect consequences of dedicating state resources to sustaining and/or rewarding the financial system. And, yet, targeting the financial system for blame and reform has weakened even from the limited basis that emerged in the immediate aftermath of the crisis. Demands to take the financial sector into state-ownership are entirely appropriate if possibly romantic and even pushing against an open door as far as state-ownership and support for finance are concerned as such have already been adopted albeit on terms entirely favourable to finance. Consequently, opposition to financialisation will almost certainly need to be more refined and more patient, if no less determined. As is apparent, across countries, sectors and time, the impact of financialisation is both uneven and differentiated (health # housing # autos # pensions, etc), as will be the nature of the struggles that derive around financialised form of neoliberal economic and social reproduction. The challenge will be to push individual struggles beyond the depoliticised neoliberal forms of governance that have accompanied financialisation and financial imperatives and to forge unity across such struggles in order to ensure, at least as a first step, that finance serves society rather than vice-versa.

Footnotes

[1] This draws upon a co-authored book in preparation on the South African economy (and how it has been subject to financialisation). It also amends Fine (2011a) and see also Fine (2011b).
[2] See http://www.newyorker.com/online/blogs/johncassidy/2010/01/interview-with-eugene-fama.html
[3] See also Stockhammer (2010) who observes Arrighi's early use of the term. Of course, many discuss financialisation across its various definitions without necessarily using, and possibly even avoiding the term. See Duménil and Lévy (2011) for the latest in series of contributions on the relationship between neoliberalism and finance.
[4] For latest activities, see http://www.cresc.ac.uk/research/cresc2/theme1/research_projects/index.html
[5] See also the special issue of Economy and Society, vol 29, no 1, 2000.
[6] See also Fine (2009c) with the linking of financialisation to a particular understanding of the nature and determinants of the value of labour power.
[7] Significantly, for the IMF, Laeven and Valencia (2008, p. 5) are able to "identify 124 systemic banking crises over the period 1970 to 2007".

[8] For what we designate below as varieties of financialisation, see Konings (2008, p. 269):

> This essay has discussed the travails of financialisation processes from the US to the UK and from there into continental Europe. It has highlighted the specific institutional origins of financialisation and argued that, even if there is much to be said for emphasizing the commonalities of Anglo-American patterns of financialisation, the historical trajectories of these countries have been quite distinct. It then proceeded to argue that financialisation in Europe had an even more distinctive character, and tried to operationalize this by analyzing the interplay between the growth of institutional investors and the intermediary capacity of national financial actors.

See also special issue of Contemporary Politics, vol 14, no 3, 2009.

[9] For this reason, we reject the Brenner (1998 and 2002) investment overhang hypothesis for which conglomerate incumbents both fail to invest and preclude entry of new producers with finance, for Brenner, primarily serving to sustain Keynesian demand, ultimately unsuccessfully. See Fine et al (2005) where the most favourable sector for Brenner, steel, is shown to have gone through major global restructuring over the period of slowdown.

[10] This is not to accept the highly prominent notion of varieties of capitalism which tends to emphasise the variety at the expense of the capitalism and the latter's systemic and global properties. Rather, we prefer the term variegated capitalism, Peck and Theodore (2007) for example, which itself might be explained by varieties of financialisation.

[11] See the special issue of the International Journal of Urban and Regional Research, 33, 2, June 2009

[12] Thus, macroeconomic orthodoxy underpinning policy does not allow for individual bankruptcies, and hence the prospect of collective financial crises of confidence, on which see Fontana (2009).

[13] For an astonishing confession, in the wake of the crisis, of the extremes to which (IMF) macroeconomic theory had been driven, see Blanchard et al (2010) who accept the sins of one target (stable infation); one instrument (the interest rate); limited role for fiscal policy; financial regulation distinct from macroeconomics; and the vanity of having brought major economic fluctuations to an end. But see below, as this scholarship misrepresents policy in practice (highly interventionist to promote financialisation) and is being revised in order to rationalise continuing support to financialisation! Thus, they conclude, p. 16:

> In many ways, the general policy framework should remain the same … the crisis has made clear that policymakers have to watch many targets, including the composition of output, the behavior of asset prices, and the leverage of different agents. It has also made clear that they have potentially many more instruments at their disposal than they used before the crisis.

[14] See quote above from Summers.

[15] See Tavasci and Toporowski (eds) (2010) for example.

[16] Otherwise, see Fine (2007 and 2010a) and Fine and Saad-Filho (2010).

[17] Literature across popular, academic and policy perspectives has tended to focus upon China as source of trade surplus, holder of US debt, provider of cheap goods at

expense of competitors, and dependent upon a massive army of over-exploited workers. Following Lo and Zhang (2010), we take a different view than this (and its associated swing from in part blaming China for the crisis of 2007 to looking to it as a potential saviour). This is to emphasise the growth of domestic demand within China, high productivity, increasing rewards to scarce skilled workers, and a crucial and heavy if shifting role played by the state in economic and social policy.

[18] See Fine (2009a and b and 2010b) for extensive discussion.

[19] See especially Panitch and Konings (2009).

[20] See Denis (2004) for an account and Mirowski (2007) for a telling exposure of how leading (neo-)Austrian, Hayek, shifted his position in the desperate attempt to find any argument that could be popularised and hold back (Keynesian) state intervention as the thin end of the wedge of communism.

[21] See Fine and Milonakis (2009) for this second phase of economics imperialism (based on imperfect as opposed to perfect markets), and Fine and van Waeyenberge (2005) for a critical assessment of Stiglitz in particular.

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