

Book Review

PROFITING WITHOUT PRODUCING: HOW FINANCE EXPLOITS US ALL.

By Costas Lapavitsas. New York: Verso, 2014.

Amid the continued flowering of financial profitability and with the specter of crisis-induced austerity and record breaking bank bailouts still looming, Lapavitsas' latest book presents a timely analysis of the financial restructuring of contemporary capitalism. Drawing strictly on the conceptual properties handed down by Marx and early theorists of finance and imperialism, Lapavitsas argues that the process of financialization has been driven by the internal tendencies of capitalist accumulation and, in particular, by the post-World War II evolution of money. Thus financialization evolves not as a consequence of declining US hegemony or the ascendance of monied capital, but as an outgrowth of the evolution of pure credit money systems in the 1970s.

The book starts by distinguishing three components of capitalist financialization: (1) the movement of nonfinancial firms into financial patterns of accumulation; (2) the modification of commercial banking operations away from corporate lending and towards financial trading; and (3) the increasing financial invasion of households. Nonetheless, Lapavitsas is careful to show that financialization has to be understood contextually. One of the great strengths of the book is that it invites understanding of the important patterns of differentiation that

persist within the hegemony of neoliberalism. In Chapter 8 Lapavitsas penetrates his understanding of financialization with rich institutional detail, showing that the global extension of financial rationalities has been mediated at the national level by different historically informed patterns of rule.

If financialization has provoked a transition, although not a flattening, of capitalist social organization, it has also led to new irrevocable complications. As the book turns to the contradictions attending financialization, its originality comes fully into light. Instead of viewing financial profitability as a general crisis of underconsumption or overproduction, the book focuses on the specific fault lines stenciled into the operation of financial capitalism. As the accumulation system increasingly accommodates financial rationalities, the very texture of capitalist organization shifts: merchant and commercial banks take more risks, financial institutions increasingly participate in 'predatory practices' and new patterns of regulation designed only to manage financial crises become increasingly dominant (p. 167). What's more, the nature of financialization can be seen in the ascendance of non-democratic central banks and the growing precariousness and vulnerability of money value. It is in this respect that the book probes the

2008 subprime crisis and the US Federal Reserve's historic management of financial vulnerability, before exploring the ongoing crisis in the European Union and the European Central Bank's more precarious response. These twin crises relate especially to the failure of banking institutions to properly collect financial knowledge and the triumph of 'market-conforming regulation' (p. 306). For these reasons, Lapavitsas concludes his analysis by arguing not just for the development of new capital controls but for the nationalization of banking operations as part of a new socialist strategy.

Thus as the book demonstrates the form and limitations of contemporary capitalism, it spends considerable time exploring the very basic properties of the financial system, including, perhaps most importantly, the relationship between financial and productive accumulation. For Lapavitsas, the profit 'generated out of the process of circulation' in financial markets originates, ultimately, "in the flows of surplus value" created through the expropriation of unpaid labour time in the productive sphere (p. 168). In this sense, Lapavitsas resists identifying "a quantitative division among capitalists" (p. 165) – for him financial profit is grounded in the loanable funds deposited by productive enterprises (p. 118). The financial system simply functions to mobilize idle hoards of money for use in the eventual production of surplus value (p. 164).

This "hoards approach" to financial restructuring is key to understanding both the direction and content of the book as it diverts attention from the class and social relations underlying financialization (p. 118). The analysis rests on a relatively unified and non-differentiated interpretation of the capitalist power bloc. More importantly, it dedicates little attention to the contradictory relationships between capital and labour which help to inform not only the development of financialization but also its ongoing evolution. Accordingly the book misses on the connection between contemporary political struggle and the contradictions underlying the Bretton Woods system and takes the reader away from the social conflicts and patterns of power that inform and continuously shape institutional differentiation. Rather than explain how institutional properties are

constituted by and reflect class struggle, Lapavitsas therefore tends to reify institutions and deny their basis in human agency and political conflict.

As the book avoids a substantive discussion of the class contradictions ranging across the postwar period, so it overextends the separation between public policy and financialization. While acknowledging the political conditions which led to the expansion of financial relations, Lapavitsas contends that financialization is a "transformation of mature capitalism" and "is not the outcome of policy" (p. 323). This is to occlude the complex ways in which the state apparatus supports and facilitates the renovation of capitalist social relations and is itself transformed in the process. In this respect, Lapavitsas' distinction between neoliberalism and financialization, with the former being more political and the latter more economic, reflects a far too abrupt reading of Marxian state theory (Poulantzas 2008; Jessop 2013; Panitch 1981). The book's treatment of state management, moreover, makes it very difficult to tease out the historical complexities underwriting the hegemony of financialization. Lapavitsas recognizes the US Federal Reserve's unique role in managing financial capitalism, yet he never really accounts for why the US state takes on the 'burden' of this responsibility (Panitch and Gindin 2012). Instead of engaging with the literature on US informal empire, the book simply concludes that the imperial capacity of the US state declined in the neoliberal period alongside the breakdown of the Bretton Woods financial system.

A further conflict concerns the intricate inspection of contemporary financial markets and the intellectual framework developed to address these patterns of rule. While Lapavitsas acknowledges the rise of a pure credit money system following the collapse of Bretton Woods in 1971, his hoards approach inhibits recognition of the complex ways in which financial institutions, including central banks, influence the money supply chain within pure credit money systems. In understanding the genesis of financial profit, for example, it is very important that new hoards of money have been recently created not by the extraction of surplus value in the productive sphere, but by the activism of the Federal Reserve and other monetary authorities. Along the same lines,

it is not clear that the book's strict application of the labour theory of value adequately accounts for the contemporary process of commodity *production* (see pages 152-167). The point here is that financial instruments and products such as securitized debt obligations and credit default swaps can, in many respects, be viewed as commodities, even if their value cannot be satisfactorily measured in terms of labour input. Lapavistas' desire to restate Marx's insights holds him back, it seems, from engaging in a more comprehensive discussion of value theory in its relationship to financialized accumulation.

Overall, *Profiting Without Producing* presents an original analysis of financialized capitalism grounded in a doctrinaire understanding of Marxian political economy. But as the book accents important frames of understanding and offers great detail on the institutional dimensions of contemporary finance, its tapered application of Marxist theory leaves plenty of space for additional treatment.

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