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THE REFLECTIONS OF HETERODOX ECONOMICS ON THE CURRENT FINANCIAL CRISIS

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ABSTRACT

The current financial crisis of 2008 has caused to the emergence of different analyses in the context of the reasons of crisis both in mainstream economics and heterodox economics. This study focuses on various arguments in heterodox economics and tries to analyze them as a whole. It is worth-stressing to argue that there is no consensus on the causes and reasons of the crisis. It is hard to reach a comprehensive analysis both as theoretically and practically. Therefore in this study we will put together these different kind of arguments in order to solve this difficulty.

Keywords: Heterodox Economics, Financial Crisis, Neoliberalism, Financialization

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INTRODUCTION

The final crisis of the capitalist system have brought about the emergence of different perspectives and reflections among the Heterodox facet. Common point of these perspectives was to focus on the reasons of the emergence of the crisis, basically to focus on these reasons by depending to the inner contradictions of capitalism. Although there were different points, the main argument was indicating that this recent crisis was inherent to the capitalist system. In this sense, a system which was acting towards profit-maximization, therefore it was natural for problems to arise in that system. On the other hand, despite that common point, the causes that led to crisis did not meet into a common argument by these Heterodox facet. For example, when you compare the arguments around the 1973 crisis, it was formed in much more common structure. In general, the main reason behind the crisis was being interpreted as a falling rate of profit. Although the crisis was defined as a cause of high inflation in the mainstream discourse, the falling rate of profit was the main indicator behind the crisis for the Heterodox facet. Also, the seeds of problems was being shaped just after the post World War II. Nevertheless the problems was growing around different segments of the system, this period was defined as the *Golden Age* of the capitalist system in the literature. However, the economy politics of the “Golden Age” was totally different from the economy politics of the post-1980 “Neoliberal” period.

On the one hand, some of the major features of this Golden Age period can be ranged as follows; (i) highly regulated financial system, (ii) heavy infrastructural investment, (iii) welfare state, (iv) redistributive taxation, (v) regulation of business, (vi) active state involvement in key industries and provision of public goods by the state together with strong trade unions, (vii) oligopolistic market structure coupled with weak foreign competition, (viii) strong bargaining power of labour, (ix) increasing employment level and level of wages (Orhangazi, 2011).

On the other hand, the post-1980 neoliberal period can be examined in two different categories: (1) 1983-2005: *the expansionary period of the capital with different kind of crises in different regions*, (2) 2005-2014: *the slowdown of the growth of capital accumulation and the beginning of the Third Depression*. Different from the characteristics of the Golden Age period, the neoliberal structure can be analyzed by the following features; (i) the rise of finance in line with the deregulated financial system, (ii) breaking up of the labour's power due to anti-labour policies, (iii) relocation of the production to low-cost areas, (iv) the rise of the institutional investors, liberalization of the trade regime, inactive state control over the economy and the privatization of the public goods, (v) increasing after-tax profitability through tax cuts, (vi) declining of the job security, (vii) flexibility of the labour market and decreasing of the wage level, (viii) increasing household indebtedness, (ix) financialized household consumption due to decreasing or stagnant wage levels and (x) emergence of the speculative asset bubbles (Orhangazi, 2011).

In this paper, we will try to examine the reasons and the causes of the recent crisis around the above mentioned features of the Neoliberal period by focusing on different schools of thought in the Heterodox facet. These perspectives can be ranged as (i) the stagnation stance of the Monthly Review, (ii) the imperial power of US and its oppression towards the world economic system, (iii) the functioning of global system and the world markets, (iv) New Left Review and their arguments about the financialization and the Subprime Mortgages, (v) the arguments towards the Minskian approach, (vi) the effects of the falling rate of profits, and (vii) the Greek case for the role of endogeneity of money and the financialized capitalism under direct exploitation.

1. Monthly Review: The Role of Financialization and the Stagnation in Crisis

Monthly Review is one of an important facet in explaining and making arguments for the process led to the recent economic crisis. Therefore, we begin our examination with their arguments. There are two important people in this school of thought who are Paul Sweezy and Paul Baran, respectively. They are also labeled as the founder and the most important economists of that school. Their famous book which is named as “Monopoly Capital” (yıl) presents the most important stances of this school and also it presents the rationale of their thoughts in detail. However, one deficiency of this book was the written period which was correponded to just before the 1973 crisis. Hence, in connection with the crisis of the 2008, it did not include the developments in the capitalist organization in the world system. For instance, we can't find any comprehensive analyses or arguments for the rise in financial relations. In other words, the book does not deal with the financialization issue but mainly with the stagnation process of the capitalist framework. However, its importance can be found on its foundations on their arguments (mainly, stagnation tendency in the law of capitalism and the ways of absorption of the surplus-value) proposed in this book and these arguments have provided the basics of the other arguments which would have organized around the financialization and the financialized relations of the social framework.

Accordingly, Sweezy (1991) was published an article which was "Monopoly Capital After 25 Years" in order to close the missing gap in terms of financialization. This article has an important role for other fellows following almost the same ideas in the case of the analyses of our recent crisis. According to Sweezy (1991, quoted in Foster 2006), the arguments in Monopoly Capital is "on the whole I think it holds up pretty well when judged in the light of all the developments and changes that have taken place in this eventful quarter-century." However, he also adds that the related arguments presented in Monopoly Capital has important deficiencies such as in the analysis of an ever expanding and an increasing role of finance in the socio-economic relations (Foster, 2006). According to Sweezy (1991, quoted in Foster 2006), "...this development in turn has reacted back in important ways on the structure and functioning of the corporation-dominated 'real' economy". In this framework, he went on to depict three characteristics of this financialization of the economy that changed and weakened important arguments of the Monopoly Capital. *First*, in Monopoly Capital, it was assumed that the firm structure of corporate capitalism was more or less stable. However, the rise of finance was caused to collapse of this argument. The structure of giant firms was exposed to serious effects as a result of hostile takeovers of financial entrepreneurs (Foster, 2006). *Second*, "...its failure to anticipate the explosion of finance in the 1970s and '80s, which was to have far-reaching effects on the laws of motion of monopoly capital" (Foster, 2006). *Third*, the arguments advanced in Monopoly Capital "...did not foresee a shift that was to occur in the overall direction of investment" (Foster, 2006).

Basically, Monthly Review has explained the process which was led to the recent crisis of the capitalist system by dependng to the concept of financialization in detail. After the death of Sweezy, Monthly Review has been used his arguments advanced in "Monopoly Capital After 25 Years" for the explanation of this crisis. One of the most important reform was the transformation of term of Monoply Capital into Monopoly-Finance Capital. This renewed term of capitalism has three crucial aspects:

> [First], the stagnation of the underlying economy meant that capitalists were increasingly

> dependent on the growth of finance to preserve and enlarge their money capital. [Second], the financial superstructure of the capitalist economy could not expand entirely independently of its base in the underlying productive economy—hence the bursting of speculative bubbles was a recurrent and growing problem. [Third], financialization, no matter how far it extended, could never overcome stagnation within production (Foster, 2007).

Moreover, it is possible to analyze the financialization of socio-economic relations by five different indicators: (i) the rise of financial profits as a portion of total profits; (ii) increase in the debt level in GDP ratio; (iii) increase in the share of finance, insurance and real estate (FIRE) sectors in national income; (iv) increase in the financial instruments; (v) increasing role of financial bubbles (Foster, 2007).

In this case, further question is related to the reasons behind the rise of finance and the reasons that led to economic crisis. According to Magdoff and Yates (2009), the rise of finance and therefore the financial sector were the result of an increase in the accumulation of liquid assets in their deposits which were planned to use for investment opportunities in the future. This was depended to the following processes:

> [First], financial firms loaned increasing amounts of money to the public (mainly for homes, cars and credit card debt)... [Second], financial firms speculated and developed and peddled increasingly complex financial gimmicks as a primary means of making money... [Third], financial firms look on huge amounts of debt in order to make more money on their own “investments”... [Fourth], financial companies encouraged deregulation and often engaged in fraud or at least lax business practices (Magdoff and Yates, 2009: 60-71).

However, instead of Sweezy's self-criticisim against the arguments advanced in “Monopoly Capital After 25 Years”, Monthly Review has continued to argue that the stagnation tendency is the law of capitalism but by integrating of the financialization concept into this tendency. In very general explanation, financialization was the response to this stagnation tendency of the economic framework of capitalism. For instance, Foster (2010) presents the most important channels of this tendency by focusing on the financialization of accumulation. Importantly, he (2007) also explains that:

> So crucial has the housing bubble been as a counter to stagnation and a basis for financialization, and so closely related is it to the basic well-being of U.S. households, that the current weakness in the housing market could precipitate both a sharp economic downturn and widespread financial disarray (Foster, 2007).

Furthermore, financial investments solve the consumption problems (Foster, 2007). However, it also creates deindustialization because ever increasing motives directed to finance reduces the industrial production. Therefore capitalists become much more depended to the finance so as to expand their money-capital due to stagnation tendency of capitalism.

In this sense, however, Foster (2008) argues that the expansion and development of financial era does not be possible without considering the real side of the economic relations. In many cases, financialization does not solve the stagnation problem which is inherent to productive elements. Foster (2007) notes that "the Federal Reserve and the central banks of other leading capitalist states are prepared to pump liquidity quickly into the system at any sign of a major financial disruption, acting as lenders of last resort." Equivalently, the regulatory restrictions/challenges of financial firms were minimized.

Moreover, financialization tends to the reduction of labour wages in national income in line with the neoliberal policies (Magdoff and Yates, 2009: 47-54). This tendency makes the stagnation problem much more worst. On the other hand, consumption is increasing and this increase in consumption is being possible only by an increase in the household borrowing in line with the financialization (Foster 2006, 2007, 2008 and Magdoff and Yates 2009). Since the production was in stagnation, however, the expansion of financial relations and the increase in the debt ratios create the provisions of crisis.

In general, Monthly Review is referred the results of these processes as "the crisis of financialization". In the earlier periods, the finance was working as a subsidiary to non-financial firms by collecting resources from different channels and was lending them to different agents. However, in the neoliberal era, finance was in a tendency to create speculative bubbles (Foster, 2008). Although the negative effects of finance was temporal in the earliear periods, finance is now growing at a higher rate even if it has a stagnation tendency and it is creating speculative attacks. Foster (2008) points out that:

> From this perspective, capitalism in its monopoly-finance capital phase has become increasingly reliant on the ballooning of the credit-debt system in order to escape the worst aspects of stagnation. Moreover, nothing in the financialization process itself offers a way out of this vicious spiral. Today the bursting of two bubbles within seven years in the center of the capitalist system points to a crisis of financialization, behind which lurks deep stagnation, with no visible way out of the trap at present other than the blowing of further bubbles (Foster, 2008).

All in all, the explanation of Monthly Review for the recent crisis can be summarized as follows: the stagnation tendency is inherent to the capitalist system, therefore, when monopolies or oligopolies do not find any areas for their accumulated profits, they channel this surplus into the financial era. The production side of the economy is inherently stagnant. However, on the other hand, the financial era creates bubble in many areas of the socio-economic structure. Indeed, the exchange money for money (M-M') structure works as a basis in the accumulation process. Hence, the contradictions between real and financial sectors and relations create serious problems in the accumulation process which further lead to more severe economic crisis on the future of capitalist system.

2. The Imperial Power of U.S. in Global Finance

As a second reflection to the crisis, we will focus on three studies. On the one hand, "US Financial Power in Crisis" and the "Myths of Neoliberal Deregulation" which is written by Panitch and Konings (2008, 2009) examine the connections between the neoliberal policies and the state behavior. On the other hand, the last one is a book named as "In and Out of Crisis: The Global Financial Meltdown and Left Alternatives" which is written by Panitch, Gindin and Albo (2010) analyze the role of finance in the capitalist reproduction system and its alternatives instead in a different mode of production.

First of all, according to Panitch and Konings (2008), the main component of the crisis which also caused to the spread of problems to the global era, is the hegemony of American finance. They (2008: 3) argue that about this hegemony, "…financial globalization is not best understood as the re-emergence of international finance but, rather, as a process through which the expansionary dynamics of American finance took on global dimensions". The global finance shapes under the guidance of American finance and also by its institutions and practices. In their analysis, therefore, the role and the place of an American finance is distinctive in many areas. Finance in general and its subcomponents as financial institutions and policies provide the spread of American imperial power and ideas around the global era. Crises and the economic instabilities are the results of this imperial politics of America in which it depends on the financial relations. In this sense, they criticize mainstream economists and politicians due to their lack of ideas about the misperceptions of the hegemony of American finance. They state that:

> The most important questions that should occupy critical political economists therefore have to do with what appear to be external challenges to US financial power...but, rather, relate to the ways in which the imperial network of intricate, complex and often opaque institutional linkages between

> the US state and global finance is managed and reproduced (Panitch and Konings, 2008: 3).

In general, Panitch and Konings align the typical features of 2008 financial crisis to its degree of the previous crises. They examine the causes that led to financial crisis under the guidance of neoliberal agenda after a quick search on the development of linages of US financial power, its effects on the great depression and major features in New Deal era. One of the most important point about the current crisis is its characteristic which has a different formation compare to the previous crises such as Mexican, Asian, Russian and Argentinean (Panitch and Konings, 2008: 4). Basically, this current crisis has emerged from the heart of American empire. Other crises in America, like Long-Term Capital Management (LTCM), ended up at the highest stages of finance. However, the typical characteristic of this financial crisis was not mainly related to this highest stage. Instead, it was evolved in conjunction within the components of home ownership and financial expansion and innovations. The reason behind that was the American neoliberal system originating from the creation of virtual money and paper-debt. This was exacerbating the financial engineering and speculative practices that might led to the emergence of crisis and it (2008: 4-5) "…appear so disproportionate in relation to the wealth-generating capacity and manufacturing competitiveness of the US economy". Robin Blackburn (2008) is also mentioned about the same issue in New Left Review.

As we mentioned that Panitch and Konings (2008) tried to point out the finance based American imperial power. American hegemony works under the dialectical process of the financial relations and imperial politics. In this point, US military interventions has an important role in practice. As they (2008: 5) state that "US military interventions…draw attention to imperial nature of the American state". Starting from this point of view, they adds:

> …US power is embedded in and operates through the structures of global finance, and the central role it has played in the expansion of international financial markets and in managing the economic crises that emanate from them (Panitch and Konings, 2008: 5).

In other words, US financial power is protected by military power and it formalizes the global financial relations. They (2008: 5) argue that "…international financial system has become a key pillar of modern-day American empire…". According to Panitch and Konings (2008), the American hegemony and US financial power work together and they can affect each other simultaneously.

While these two cases unfold the imperial power around the global system, it has a different development path than the development of the European capitalist relations in the historical process. However, even if the capitalism in Europe has a different development path, they try to argue that the Americanization of the global finance has almost a same path with the expansion of American hegemony. This expansion plays an important role in the global economic relations.

Therefore it provides the continuity of the periods as well as the differences between 1920's American economy and the 1930's New Deal, between Keynesian 1970s and the neoliberal 1980s and between Bill Clinton and George W.Bush. As they notes that:

> Just as George W. Bush had criticized the Clinton administration during the 2000 election campaign for its proclivity for military interventions in far-flung parts of the world, in places of which he had never heard, so did the new Treasury Secretary appointed after the election, Paul O'Neill, openly criticised his predecessor's interventions during the 1997-98 Asian financial crisis (Panitch and Konings, 2008: 5-6).

For instance, many different kinds of state and economic interventions on financial turmoil imposed by U.S. as well as in the political era as the U.S. military interventions on different countries in Middle East were occured in front of the world media. They try to undermine the interventions of Bush administration in 2001 Turkey and Argentenian crises even coercively International Monetary Fund (IMF), especially within the frame of Rubin's speeches. The real reason behind the aid was not originating from Turkey but rather from the order of the American presidency to IMF. All of these interventions used as a tools of American finance hegemony in the neoliberal era.

In the basis of the crisis, there is a collaboration between finance power and American administration. There is no public opinions in this case. Financial elites and the state elites promulgate the American hegemony around the globe. Evaluation of the global crisis is secret in the analysis of an imperial expansion politics of America. All of the American symbols and practices were spread to the world. Hence, any problems that would occur in the finance would penetrate economics of the world. In such a case, the crisis was inevitable. Therefore, according to Panitch and Konings (2008: 32), "to change this would require a far more radical programme, informed by a far more penetrating analysis of imperial finance, than has so far appeared on the political agenda".

Furthermore, another work of Panitch and Konings (2009) has a complementary qualification for the previous work (2008). The previous one discusses the state and financial era on the basis of politics. However, this work also discusses the individuals in politics as a whole. It exemplifies the continuity between state and the Wall Street. As the headline of the work which is named as the Myths of Neoliberal Deregulation, suggests that the critical point for Panitch and Konings is the deregulation process of the neoliberal structure around the world economic system. They criticize either the opinion columns of the financial press or left-wing commentators due to their one-way looking to the crisis. This way is the deregulation. They (2009: 67) criticize them as argue that “if deregulation allowed markets to get out of control, then we must look to re-regulation as the way out”.

The main reason behind the crisis is not only the deregulation, but also the solution for crisis is not the re-regulation of the financial markets. Actually, the main cause of the crisis is the US financial hegemony over the global economies protected by American state and the Wall Street. They (2009: 68) note that the main failure is “…the tendency to analyze the financial dynamics of the past decades within the terms of that era’s hegemonic self-representation”.

Additionally, providing of this by the key tenets of neoliberal ideology exacerbate the problems. The issue is not the retreat of public institutions from social and economic era and the return to a pre-Keynesian era of non-intervention. Actually, the problem is neoliberalism by itself. According to Panitch and Konings (2009: 68), “neoliberal *practices* did not entail institutional retreat so much as the expansion and consolidation of the networks of institutional linkages that sustained the imperial power of American finance”.
From this point of view, neoliberalism and financial expansion does not remove the market from the social context, instead, they embed financial forms and practices more strictly into the fabric of American societal context (Panitch and Konings, 2009: 68). Therefore the factors that led to crisis and the processes related to crisis should be considered in the context of financialized class relations (Panitch and Konings, 2009: 68). Hence, implementation of the deregulation creates the roots that lead to the crisis and it brings about the denial of class dynamics and ideological factors. Likewise, introduction of the re-regulation in a financialized class relations as a solution to crisis will not provide any dimension.

Indeed, the American economy is under a persistent intervention both as economically and politically even if it seems that the deregulation is totally proceeds in the every aspects of the capitalist relations. Mainly, they (2009) undermine the proactive interventions of the American authorities to the markets in the neoliberal era. They note that:

> Washington's highly pro-active role in containing domestic and international financial crises from the 1980s on was perhaps the most concrete demonstration that the alleged withdrawal of states from markets was an ideological illusion (Panitch and Konings, 2009: 72).

They (2009) try to prove this argument with different examples from political and from economic cases. For instance, they (2009) explain the process of transformation of the Commodity Futures Trading Commission (CFTC) into a kind of political tool used by the Treasury of US and used by the Wall Street linked high-level bureaucrats. In fact, the CFTC has been established to regulate the derivatives market in 1974 (Panitch and Koning, 2009: 69). They (2009) try to show how derivative markets were precluded before the LTCM scandal by Rubin, Greenspan, Summers and Phil Gramm. Actually, this situation was warned by the CFTC chairwoman, Brooksley Born. Panitch and Konings (2009: 70) quote this warning as follows: "this episode should serve as a wake-up call about the unknown risks that the over-the-counter derivatives market may pose to the US economy and to financial stability around the world". Equivalently, in 1999 Report of the President's Working Group on Financial Markets, Larry Summers says that "...to start regulating over-the-counter derivative swaps now could spark a crisis, due to the 'legal uncertainty', this would create regarding the trillions of dollars in contracts involved..." (Panitch and Konings, 2009: 71). All of these are the pro-active regulatory actions in the myths of deregulation. American state is in interventionist position in behalf of financial sector and it manages markets in line with these interests. The primary motive is the continuity of the financial expansion.

According to Panitch and Konings (2009), financialization has caused to an increase in the role of the American state. For instance, the development of securized markets and the internationalization of American finance provided risk-insurance (Panitch and Konings, 2009: 71). These two cases then provided the continuity of the capital accumulation. Moreover, the American dominance of finance in global economy helped to mobilize cheap international credit for the American economy (Panitch and Konings, 2009: 71-72). Thus, US maintained its flows of the capital in the form of FDI and military expenditures (Panitch and Konings, 2009: 72). Furthermore, they (2009: 72) add that "the dollar served as the key store of value and medium of exchange, while US Treasury bonds became the standard for the calculation of value in the world economy at large". In other words, as related to the previous work (2008), American imperial power secured and expanded with the financialization. As Panitch and Konings (2009: 71) state that "financialization functioned in a number of different ways to drive forward the American-imperial expansionism of the 1990s and early 2000s".

Finally, in their work which is titled as "In and Out of Crisis: The Global Financial Meltdown and Left Alternatives", Panitch, Albo and Gindin (2010) discuss these arguments in detail. Their arguments should be evaluated in the context of above mentioned things. Instead of going into every points, we will point out their ten results which are related with the process that leads to the financial crisis. These arguments, in another sense, also present some kind of summary of the above mentioned ideas:

> [First] the financial meltdown of 2007-08 has to be understood in terms of the historical dynamics and contradictions of capitalist finance in the second half of the 20th century...[Second] the spatial expansion and social deepening of capitalism in the last quarter century could not have occurred without innovations in finance... [Third] the competitive volatility of global finance produced a series of financial crises whose containment required repeated state interventions... [Fourth] the close linkages between finance and the state was central both to the making of the U.S. housing bubble and to its profound global impact when it burst... [Fifth] the crisis revealed the centrality of the American state in the global capitalist economy while multiplying the difficulties entailed in managing it...[Sixth] the crisis vividly demonstrated on of Marx's great insights in *The Communist Manifesto*: while capitalism is international in substance, its reproduction remains national in form... [Seventh] looking for alternatives in a return to the good-old pre-neoliberal days misunderstands the connection between then and now, and ignores the extent to which the working classes have been integrated into financial markets... [Eighth] alternatives must begin with people's immediate material needs, but must at the same time be oriented to strengthening popular capacities to act independently of the logic of capitalism... [Ninth] since democracy is not just a form of government but also a kind of society, then the economy-so fundamental to shaping our lives-will eventually have to be democratized... [Tenth] the severity of the global economic crisis once again exposed how states are enveloped I capitalism's irrationalities and the need for building new movements and parties to transcend capitalist markets and states (Panitch et al., 2010: 122-129).

3. The Functioning of Global System and the World Markets

Robert Brenner is known about his studies on functioning of global capitalism and the world markets. Many of his arguments are presented in his (2006) book which is named "The Economics of Global Turbulance". Before coming to this book, he also made important contributions on the modern capitalism for the post period of World War II. One of the most important of them is the "New Boom of the Bubble? A Trajectory of the US Economy" (Brenner, 2004).

Basicaly, his main proposition about the capitalist system begins with the evaluation process of the capitalism. For instance, he (1978) focuses on the dynamics of transition from feudalism to capitalism. He analyzes the peasantry class and he points out the importance of classes and the production in transaction period from feudalism to capitalism. In his work which is called “the Origins of Capitalist Development: a Critique of Neo-Smithian Marxism”, he (1977) tries to include the main arguments about this topic. He criticizes the theories of Paul Sweezy about his views on world market and the trade. As he presented in the title, he entitles Sweezy's arguments as “Neo-Smithian Marxism”.

His comprehensive examination of the boom and bust cycles of the capitalist system starts with his article which is “the World Economy at the turn of the Millenium Toward Boom or Crisis?” (Brenner, 2001). Although he focuses on the US economy, he also analyzes the conditions of East Asia and Germany. Brenner notes that:

> ...it finds the sources of the current boom in the US in a recovery of manufacturing profitability between 1985 and 1995. But, because the US recovery came heavily at the expense of profitability and economic dynamism elsewhere, leaving the underlying problem of international over-capacity and over-production unresolved, it raises the question of the boom's sustainability, especially in light of the fact that the beginnings of manufacturing recovery in Japan and Germany after 1995 led to the East Asian crisis and new profitability problems in the US (Brenner, 2001: 6).

In his another study which is “Uneven Development and the Long a Downturn: the Advanced Capitalist Economies from Boom to Stagnation, 1950-1998”, he (1998) discusses the Golden Age of the capitalism of post-World War II and then he deals with the problems arised in the end of 1960s. According to Brenner, the main cause of these problems are related with the falling rate of profits. This causes to a decrease in investment and thereby to the reduce of the efficiency of labour. It is like in the same motion of theories of the tendency of the fall in profits rate. However, he deals with the falling rate of profit in terms of the worsening conditions of the US by comparing with Germany and Japan. The “Uneven Development” lies in this comparison. By doing this comparison, he analyzed the development path of the advanced countries. With these analyses, he also gave some hints about the current financial crisis.

In this sense, Brenner (2004: 95) tells that “the mortgage refinance boom has...been driven by a huge fall in interest rates and an unprecedented rise in housing prices". He (2009: 71) further adds that "it is crucial to emphasize that the descent into recession was already well in progress before the outbreak of the financial crisis in July-August 2007". These points are crucial because it shows that he is one of the distinct radical economists, against the mainstream economists, that emphasized the possibility of the crisis.

The main points of Brenner (2009) for the current crisis can be found in his article which is "What is Good for Goldman Sachs is Good For America: the Origins of the Current Crisis". Actually, this crisis is the result of the ongoing fall in the profit rates from 1960s. He (2009: 67) states that "the cost to the economy of the limited profitability comeback that occurred was, in any case, enormous". Instead of the Monthly Review's arguments for crisis related to financialization and the stagnation processs of the economy, Brenner (2009) argues that these are not the real problems behind the crisis. According to Brenner, the role of finance can be explained as follows: it is the result of the debt rised economies so as to solve aggregate demand problem in consequence of failling rate of profit and the decline in wages.

Furthermore, Brenner (2009: 62) adds that the crisis can be explained by looking at the issue of "asset price Keynesianism". In the earlier periods, the traditional Keynesianism solves this aggregate demand problem with an increase in government expenditures. As he argues that:

> ...from the later 1960s and early 1970s, with the decline of profitability and ensuing slowdown of the growth of GDP and investment, governments were obliged to confront the growing insufficiency of aggregate demand, and the way they did so was through traditional Keynesian measures... (Brenner, 2009: 12).

However, the asset price Keynesianism solves the insufficiency of aggregate demand with the private borrowing. Therefore:

> Instead of supporting growth by increasing its own borrowing and deficit spending-as with traditional Keynesianism-the government would thus stimulate expansion by enabling corporations and rich households to increase their borrowing and deficit spending by making them wealtier (at least on paper) by encouraging speculation in equities (Brenner, 2009: 23).

He concludes his study by pointing out the negative side of the current economic policies. According to Brenner, neither the tools of asset price Keynesianism such as private borrowing, speculation in equities, rise of banking sector nor the tools of traditional Keynesianism such as the increase in government expenditures and public investments can solve the problems emerge in the aggregate demand. He states that:

> By the end of 2008, with nothing to induce expenditures by either businesses or households, the economy was experiencing a self-reinforcing downward spiral in which falling consumer demand made for declining profits, which brought about cutbacks in both investment and employment, which reduced aggregate demand, and had entered into free fall (Brenner, 2009: 73).

Moreover, he adds that:

> Throughout the previous seven years, the Fed's below zero real short interest rates, record household borrowing, soaring federal budget deficits, and a falling dollar had already come to constitute a de facto Keynesian stimulus of historic proportions, but the economy had barely budged (Brenner, 2009: 73).

4. New Left Review: The Arguments on Financialization and the Subprime Mortgages

Contrary to the previous studies, New Left Review has more heterogenous structure. As we mentioned above, Monthly Review concentrates their arguments on financialization in the context of Sweezy's arguments. It depends on the same theoretical structure. However, New Left Review focuses on much more different fields so as to analyze the current crisis.

Within this framework, one of the most important article published in New Left Review is Robin Blackburn's (2008) “The Subprime Crisis”. As the title suggests that he focuses on the financial sector and the developments in securities based upon the mortgage. Especially, the developments in subprime mortgages are the main points of Blackburn’ study. He fouces on different kinds of development path of the financial crisis by examining at the subprime mortgage crisis such as collateralized debt obligations (CDOs) and credit default swaps (CDSs).

When he starts to analyze the reasons of the process that lead to financial crisis, he puts forward the “financialization”. As he (2008: 67) states that “...I interpret the credit crunch as a crisis of financialization”. Additionally, he (2008: 74) notes that “the subprime mortgage meltdown perfectly illustrates the perils of financialization and what I have called 'grey capital'-great clouds of institutionalized savings, including pension money, entrusted to financial industry insiders”.

However, he separates from the views of Panitch and Konings about the government intervention. For instance, if financial sector is in a proper social control, it provides capital to channel into profitable investment and smooths the fluctuations in aggregate demand. He (2008: 102) states that “financial corporations that benefit from public intervention-as did JP

Morgan-could also be obliged to issue preferred stock to a public holding fund". Moreover, he (2008: 84) adds that "when properly embedded in structures of social control, finance can help to allocate, facilitate investment and smooth demand".

If financial corporations do not control by laws, profits accrued by these corporations do not flaw these profits to the social structure. As he (2008: 64) argues that "...if [financial sector] is unaccountable and unregulated it becomes sovereign in the re-allocation process, and can grab the lion's share of the gains it makes possible, including anticipated gains before they have been realized". In other words, it makes riskier the financial relations and disrupts the process of resource allocation.

The problem becomes more complex as the financial intermediares increase in total economy. These financial intermediares "...take advantage of asymmetries in access to information and power imbalances" (Blackburn, 2008: 84) and then, "such distortions multiply as 'financialization' takes hold" (Blackburn, 2008: 84). Financialization tries to convert every resources to commodities. He (2008: 84) notes that "while the individual is encouraged to think of him or herself as a two-legged cost and profit centre, the corporation is simply an accidental assemblage to be continually shuffled in response to fleeting in response to fleeting market signals". Financialized world enables individuals and corporations to get rid of "unrewarded risk" (Blackburn, 2008: 84). It encourages to use of the leverage mechanism. So, finance engineers are emerged as a new profession. They have no limits. As Blackburn (2008: 84) interpret this as "In their philosophy, all that is fixed melts into air. This gives them some insight into capitalist motive but no sense of its limits".

He indicates two things that emerged in 1950s and 1960s which led to an increase in financialization of the economy: new principles of consumer credits and the rise of institutional finance and fund management. The case of the General Electric is an important example about this issue. In the earlier periods of financialization of the economy, the General Electric established a branch finance company which gives a consumer credit loans and in the early 2000s, this company had provided the %42 of the total profits.

Additionally, according to Blackburn (2008), the examination of the behaviour of institutional investors are important to deal with financial engineering. He argues that:

> In the 19th and early 20th centuries, cooperatives, housing associations and insurance companies organized on a genuinely 'mutual' basis—i.e. owned by their members, not private shareholders—managed to bring down the costs of intermediation by cutting out the commercial middlemen. But the consumer revolution of the 1950s and 1960s was driven by large-scale commercial retailers and their banks. In later decades many genuine mutuals were marginalized or broken up, with members receving a modest pay-off in the event of privatization (Blackburn, 2008: 85-86).

Moreover, as another important facts of the financialization, Blackburn indicates the theoretical models in financial era:

> The financial surge was accompanied by a revolution in finance theory that was pioneered as much by those advising institutional investors as by economics departments, since most of the latter took no interest in the world of everyday finance (Blackburn, 2008: 86).

Basically, the main point does not sufficiency or insufficiency of that model. The issue is the use more or less of the same models by the finance engineers. One of the most important example is the Black-Scholes options-pricing formula and its subalternatives. They put forward the risk-diversification technique in financial relations. Also, the leverage system makes easier for that risk-diversification. Blackburn notes about this case that:

> Leveraging the assets in a portfolio allows greater diversification; while remaining invested in one set of assets, the investor can mortgage them and establish a claim over another set, perhaps by buying an option or taking out a short position (Blackburn, 2008: 87).

Equivalently, the risk diversification promotes further increase in leverage rate. Moreover, Blackburn discusses the role of derivatives. His one of the important critique is the role of derivatives enabling to the expansion of credit rate. For instance:

> Further corollary of proliferating financialization is that the regulations governing credit creation were first loosened and then almost entirely ignored. Reckless credit expansion has long been the primrose path to financial crisis and collapse (Blackburn, 2008: 91).

Furthermore, he quotes two popular speculators' speeches related to the derivatives who are George Soros and Warren Buffet. On the one hand, Soros calls for "a clearing house or exchange with a sound capital structure and strict margin requirements to which all existing and future contracts would have to be submitted" (2008, quoted in Blackburn, 2008). On the other hand, Blackburn quotes Buffet's famous statement about the derivatives. For Buffets, derivatives are "financial weapons of mass destruction" (2002, quoted in Blackburn, 2008). These speeches are actually ironic because they have earned magnificant profits from derivatives based on financial relations.

All in all, by considering above mentioned arguments and analyses, critiques of Blackburn can be gathered in the following cases: (i) financialization of the world economy; (ii) increase in transactions in the over-the-counter markets and (iii) laxity of restrictions of law in financial markets. He mostly has a same idea with Panitch and Konings in the context of these three cases. However, Blackburn does not examine the role of state in total of the economic and political relations.

5. Fred Moseley: Minskian Approaches to the Crisis

Fred Moseley is known with his studies for the analyses of profit rates in the Marxist literature. The basic point of Moseley (2008) is his argument on 1970s crisis which is proposed as the result of a falling rate of profit. However, 2008 financial crisis has a different structure in his concept. This is very clear in his (2008) study which is named as "The Long Trends of Profit". He argues that:

> ...I would say that the current crisis is more of a Minsky crisis than a Marx crisis. The main cause of the current crisis is not insufficient surplus labour in production, but rather excessive risk-taking by financial capitalists in search of higher returns, which was based on the erroneous assumption that housing prices would continue to rise forever (Moseley, 2008).

The importance of this quotation can be summarized as follows: *the inadequacy of the Marxist crisis theory so as to understand causes and the reasons of current crisis and inability to explain it with the Marxist framework*. He obliquely argues that the Minskian perspective is much more appropriate for the analysis of the crisis. In this point, it can be seen that the post-Keynesian school has a more profound structure for the analysis of this financial crisis than the Marxist school. The only reason is not the "financial instability hypothesis" of Minsky. The main issue is dependency to the Marxian falling rate of profit theory in the context of analysis of the financial crisis and its evaluation with certain patterns: increase in the constant capital and then the increase in the organic composition of capital, having an unrealization problem in surplus value and the falling in the rate of profit. In other words, the only problem is a one-way looking to the crisis in analyzing the crisis within the Marxian concept. That point may have a sense in Moseley's explanation. Moseley also indicates that profit rates increased in some periods after 1980s. For instance, he notes that:

> But there was a substantial recovery in the rate of profit. The rate of profit had declined roughly

> 50% from the peak of the sixties to the trough of the 80s. At least half of that previous decline - I would say, more than half of that previous decline - was reversed. Today profits are, by almost any measure, a lot better than they were in the 70s and 80s (Moseley, 2008).

On the other hand, Moseley criticizes some points of Robert Brenner's arguments in the context of estimating the profits. However, according the Moseley, even if the non-financial sector's profits were raised, estimation of the profits for total economy is much more different:

> As regards estimating profit, the main difference between my estimates and Robert Brenner's, for example, is that mine are for the total economy and his are for the non-financial sector only. The recovery of profits in the non-financial sector is less than for the total economy. Even for the non-financial sector, I'd say it has been substantial - but not as close to full recovery as for the total economy (Moseley, 2008).

Furthermore, Moseley argues that high wages and bonuses of top managers should be regarded as the part of that profit in the calculation process of profit rate because this will in turn increase the profit rates. These should not be regarded as the labour wages.

In this sense, related to the formation of profits, Moseley (2008) mentions that the high piece of profits accrued by US companies gained from the outside countries. However, he (2008) also adds that these profits do not add to the official statistics.

On the other hand, the rate of unproductive labor increased relative to productive labour and this increasing unbalance among each other affected the increase of surplus value negatively from World War II to 1970s. It should be noted that the costs of unproductive labour is paid from the surplus value. He argues that this factor has an importance as a cause that led to a fall in profits until 1980s. However, the situation was reversed after 1980s. The growth rate of unproductive labour has stopped due to an increase in developments in the computer technologies. Therefore the tendency in the falling rate profit was slowed. He says that:

> On the circulation side, the computer has greatly reduced circulation labour. Computer technology has perhaps been the main reason for the slowing down of the increase of unproductive labour, both in circulation and in supervision (Moseley, 2008).

He also adds that:

> You could almost argue that the computer technology was developed to solve the problem of expanding unproductive labour. (Moseley, 2008).

Thus the indebtedness of non-financial firms relative to financial firms was reduced. Moseley (2008) notes that " if you look at the figures for debt for non-financial corporations, with less debt there should be lower debt payments from the non-financial to the financial sector".

Up to 10-20 years, profit/debt ratios have been much more sustainable for vast of companies. Both profits were increased and the cost of borrowing and the increase in rate of debt was reduced due to low interest rates. Except the junk-bond-financed acquisitions and construction industry, firms outside the financial firms have been strong financial structure in the post-1980s. Although financial firms have had a high risks, there was no risk at the financial sector level in non-financial sector, except for few firms. The reason behind this was an increase in profits and the reduction in costs as Moseley argues:

> While real wages were being held constant, productivity increases continued every year - at a somewhat slower rate during the productivity slowdown of the 70s and 80s, somewhat faster since then, but they continued (Moseley, 2008).

Moreover, as we mentioned above, according to Moseley (2008) this current financial crisis is not a Marx crisis. He thinks that the arguments of Marx were not confirmed in this current crisis in the context of falling in the rate of profit. According to Marx (2011), capital devaluates due to a fall in profits. Then, there will be emerged a widespread bankrupticies and after the crisis, the profits begin to rise again. However, Moseley (2008) argues that Marx does not focus on government management and government role in detail. The puzzle for Moseley (2008) was a weak increase in investment in spite of a high rate of increase in profits. As he (2008) mentions that "the connection between profit rates and investment seems to have been weakened". However, although he has not done a lot of work about the relationship between profit rates and investment, he notes that:

> ...it seems like businesses are paying out a greater share of their profits as dividends, and using a greater share of profits to buy back their stock. Instead of investing in the expansion of the business, they are enriching themselves. There's a lot of talk about stock options, and managers who have substantial stock options running the company in a way to maximise the stock price. So you have a bigger proportion of surplus value going to capitalist consumption rather than investment. A slower rate of investment spending has meant a slower rate of growth, compared to earlier periods, and that the growth of the economy has become more and more dependent on consumer spending - in part the luxury consumption of capitalists (Moseley, 2008).

Thus it is not an easy task for workers to increase their consumptions with a stagnant wages. One way to solve this problem is to work more longer times with more individual from the same family. The other is to indebt more individually. The consumer debts have already been a big expansion before the crisis. As related with this issue, Moseley argues that “now that debt has to be paid, and we have a debt crisis on our hands” (Moseley, 2008). This not the first but also it is not the last in capitalist reproduction system.

6. Simon Mohun: The Case of Falling Rate of Profits in Crisis, Important or Not?

Similar to Fred Moseley, Simon Mohun (2008) starts to his study by arguing that the Marxian falling rate of profits are not the main cause of the current crisis. But also he does not link this crisis with profit squeeze. He rejects Glyn's (2006) arguments on profit squeeze as:

> This is an odd sort of crisis for a Marxist. If you had read Marxist crisis theory at a fairly abstract level, I think you would be a bit puzzled by this crisis. It’s not about falling rates of profit. Profit rates have been rising. It’s not about a profit squeeze. It’s not the case that wages have been squeezing profits. In terms of the classical parameters of Marxian discussion, we come back to disproportionality. That seems to fit what has been going on a bit better. More generally one would say from a Marxian point of view that this crisis is the anarchy of the market showing itself in a particularly dramatic form (Mohun, 2008).

Before his analysis for the crisis, he (2008) evaluates the long history that lead to capitalist crisis. First, he (2008) says that the expansion era of the Golden Age was ended at the earlier period of 1970s. Second, he (2008) points that the balance of powers have turned against the organized labour in the end of 1970s and therefore the profit rates started to increase after that. Like Moseley (2008), he (2008) also argues that real wages were stagnant for a long time after 1980s and thus hourly real wages were almost stagnant from 1978 to 1997. However, he (2008) points on to the huge increases in the top part of their income shares. Therefore “these inequalities and their corrosive effects on society, are slowly, slowly coming more to the forefront in political terms” (Mohun, 2008).

Following this arguments, he also deals with the productive labour and unproductive labour. First, he (2008) makes difference between the workers who have no supervisory role and the workers who have supervisory role. He (2008) states that the US statistics enables him to reach statistics that give informations about this case. By depending to these statistics, he (2008) says that “...workers who have no supervisory role, who are about 82% of the employed population, and the top 18%”. He (2008) also focuses on workers working in legal service, finance insurance and real estate, and business services and thus he (2008) argues that “in terms of hours, the share of unproductive labour in the USA has not risen; but many unproductive workers are paid a lot more".

He (2008) also mentions that the weights of the finance was increased in the total capital. However, this is not to mean that there is coercive competition between finance capital and the industrial capital. Rather, these two capital formations was integrated between each other much more than the earlier periods.

According to Mohun (2008), the capital should be analyzed in the context of financialization. As related with this issue, he (2008) says that " there's been a huge change in the balance of power within capital, which is often summed up in terms like financialisation". In this case, he (2008) asks an important question: "Why then have interest rates often been low over the last decades?". Although the contradictions between finance capital and the industrial capital are important, he says that it is not accurate. For Mohun (2008), the answer of this question should be searched in the structural change between interest revenues and the financial operations. Mohun (2008) says that the most important revenues for finance capital comes from financial operations, not from the interests:

> There's been a celebration of markets, of money-making, of individualism, of greed, and so on, which is associated with a significant change in the way in which capital presents itself. Finance capital now mainly works through the extraction of very large fees for providing advice in mergers and acquisitions. The extraction of financial income works via interest rates less than it used to (Mohun, 2008).

He (2008) undermines the reasons for this current financial crisis by focusing on to the housing bubble. However, he does not move forward from this analysis. He limits his arguments about the housing bubble for U.S. and adds that "there isn't a housing bubble in most Europe" (Mohun, 2008).

All of his arguments enable us to evaluate him almost in the same context with Fred Moseley. Similar to Moseley, the analysis of the crisis dynamics and reasons of the crisis are not smooth in Mohun's study. Additionally, similar to Moseley, he argues that the current crisis does not related with the fall in the profit rates. He (2008) argues that profits are in an increasing trend after 1980s. Although it is not clear, he creates an impression in the context of the analysis of crisis by depending much on Minskian theoretical foundations.

7. The Greek Case: The Role of Endogeneity of Money and Financialized Capitalism under Direct Exploitation

In this final section, we will focus on two distinctive studies from Greek case (Lapavitsas, 2008; Lapatsioras et al. (2009)).These studies concentrate on financial markets and money in the context of Marxian school.). On the one hand, Lapatsioras et al. (2009) focus on the endonegeity of money, on the other hand, even though Lapavitsas (2008) deals with the same issue he does not give same weighted to the endogeneity of money as Lapatsioras et al. (2009). Actually they are in a different positions in their studies on theorizing the money compare to the traditional Marxian perspectives. They point on the dynamic role of finance and therefore they criticize traditional Marxist theories about the role of finance due to mere explanation of finance in the concept of money capital. According to them, finance should be not solely considered as a sector that appropriate on the resources of the productive sector which reduces the profit availability of the economy. Therefore, in order to deal with these kind of arguments, firstly, we start with the study of Lapavitsas (2008).

Lapavitsas (2008) examines the channels that led to 2008 financial crisis in his study which is named as “Financialized Capitalism: Direct Exploitation and Periodic Bubble”. He identifies the characteristics of the financialized capitalism in a broad concept as:

> The US crisis has not sprung out of a malaise of production, though it could well lead to disruption of accumulation. Rather, it has resulted from the financialisation of personal income during the last two decades, that is, from the increasing penetration of formal finance into the transactions of ordinary life: housing, pensions, insurance, consumption, and so on. By the same token the crisis has revealed the extent to which contemporary finance relies on drawing profits directly from the personal income of working people and others across society. This is direct exploitation, a characteristic feature of financialised capitalism (Lapavitsas, 2008: 2).

He indicates the transformation of banking and finance and retiring of capital from industry and commerce. However, this transformation has led to the merger of industrial capital and commercial capital under the finance capital and thus they have lost their traditional role. The reason behind this is basically related with the direct exploitation and the increasing role of financialization.

According to Lapavitsas (2008), banks or industrial and commercial institutions having a sub-financial firms exploitate individuals directly by the financial mechanism in financialized capitalism. Therefore, the financial assets in circulation should not be considered as an exchange of the same in financialized capitalism. In other words, the financialized capitalism should not be considered without the case of exploitation. For instance, in financialized capitalism, banks do not only give credits only to businessman but also give credits to working class. Therefore banks have created the conditions of direct exploitation by applying financial relations to every aspects of life. However, these relations between workers and banks have much more unequal base rather that the relations between banks and businessman.

The direct exploitation of personal income is the specific feature of the financialized capitalism. The crisis emerges as a result of the problems in this new feature that has created with the financialized capitalism, not as a result of the problems that occur in production.

In other words, financialization has created new rentier class. However, this modern rentiers "...are not money holders who avoid the grubby business of profit generation" (Lapavitsas, 2008: 30). This is different than "parasitical rentier" in which Lenin (2006) remarked. Lapavitsas (2008: 30) states that "they might own loanable capital, but their ability to command extraordinary income is mediated primarily through their relationship to the financial system and its interaction with real accumulation". The new finance includes both rents, salaries, commissions and bonus payments. He adds that:

> Pension funds, insurance companies, investment funds, and so on, collect idle money leaked from the personal income of broad layers of people, not from a small group of 'moneyed' rentiers. These intermediaries engage in financial investment in order to generate returns for those who ultimately own the funds thereby creating scope for direct exploitation (Lapavitsas, 2008: 30).

Furthermore, Lapavitsas (2008) stresses on the functions of banks as a protector on financial system by its achievement towards independency and focus on its methods such as inflation-targeting. He (2008: 3) says that "once the crisis burst out, they proved instrumental to mobilising social resources in order to rescue financiers, drawing on their monopoly over the issue of inconvertible legal tender".

Thereafter, Lapavitsas (2008) investigates the processes that led to the current crisis in a long historical perspective. The most important processes are as follows: (i) developments in information technology; (ii) technological developments in circulation area; and (iii) transition from Keynesianism to neoliberalism.

On the one hand, the first two are related with the rise of efficiency in financial era in 1990s, the increase of flexibility in labour markets; th rise of exploitation and the increase in the participation rate of woman in labor force. On the other hand, the third process is related with the increase in the power and the scale of multinational firms with the mergers and acquisitions; the increase in the volume of direct investment in developing countries; the relocation of production to East Asia; and the rise of the financial centre in advanced countries.

According to Lapavitsas (2008), the main reason behind the rise of finance was the problems in traditional credit system in 1970s and 1980s. Therefore these problems triggered banks to find new ways so they focused on personal income. This was the new characteristic of banks but also the main reason of the growing instabilities. While banks' liabilities were becoming more liquid with financialization, assets were moved away from the dependency to traditional banking. The reserve assets were reduced too much. Among the reasons that led this reduction comes from credit scoring programs in which banks have been used. These programs were legally free to use, however, they were not risk-free. As Lapavitsas mentions on that:

> This gives to the process a scientific veneer, while loans are advanced if the individual clears a pre-determined threshold. Subprime mortgages were precisely loans for which the threshold was set deliberately low (Lapavitsas, 2008: 17).

Moreover, international banking regulations such as Basle I and Basle II by-pass regulations by promoting off-balance-sheet activities and securitizations. This was caused to the reduction of reserve liabilities of banks. By focusing to that cause, he (2008) looks at the securitization and the drift to current crisis. He (2008: 18) notes that "...its [securitization] rise to prominence is the outcome of financialisation and of the shift of banks toward direct exploitation".

Another issue in financialization is the more stand out of the stock market value of firms in the evaluation process of that firms. Therefore, stock market operations have an importance for firms. In this case, Lapavitsas refers to the derivatives markets:

> Derivatives markets have grown enormously during the last three decades, but they do not involve transfer of loanable capital (or idle money) to those who intend to employ it. Rather, derivatives are essentially bets that allow for the management of risk, of for outright speculation... The complexity and size of derivatives markets is in inverse proportion to their broader economic significance. Industrial and other enterprises, facing risks associated with production and trade, make limited use of derivatives. The heaviest users are financial institutions aiming to cover themselves from the risks of other financial transactions, or to speculate (Lapavitsas, 2008: 24-25).

Thereafter, Lapavitsas turns to the institutional investors issue in the context of financialization. In the emergence and development of the institutional investors, the state has an active role. The institutional investors such as insurance companies, money trusts, unit trusts, money funds, hedge funds and pension funds have political basis alongside to the dependence to the markets. However, they are totally related with the financial markets. But also, despite of their intermediary role, behaviours of financial investors have different structure than banks. Banks are "...an essential part of credit system and become established by providing credit to real accumulation" (Lapavitsas, 2008: 27). Also, banks can "...create money through loans and the subsequent extension of their liabilities..." (Lapavitsas, 2008: 27). These liabilities are secured by the state. However, on the other hand, "state policy has promoted and encouraged the placement of savings with institutional investors" (Lapavitsas, 2008: 27).

Related to the institutional investors, Lapavitsas (2008) also examines the rentier issue and compares the differences of this rentier concept with the Marxian rentier concept. Thus, he compares his finance-capital term with Hilferding (2006), Lenin (2006) and Bukharin's (2009) finance-capital terms in the context of financialization and he tells that it not possible to turn back to the finance-capital era in which they explained for. As he asks themselves that "does financialization represent a return of finance capital? The answer is no..."(Lapavitsas, 2008: 32). He (2008: 32-34) ranges the reasons as follows.

First, the convergence between banking and industry did not occur as analyzed in finance-capital. Instead, they diverged from each other in financialization process, "...even though they participate strongly in financial activities both in terms of assets and liabilities".

Second, the pressure of banks upon the society become prominent in finance-capital. However, in the financialization process, financial markets are the prominent.

Third, while the creation of exclusive trading zones of imperial states stand out as an important factor in Lenin (2006) and Hilferding's (2006) studies, the world-wide abolishment/reduce of quotas and tariffs is the prominent factor in financialization.

Fourth, Hilferding (2006) stresses less on the intervention of state to the financial era. Instead, operations of contemporary finance is strictly controlled by central bank.

Finally, the international monetary system was more stable in the Bretton Woods system, however, “...financialisation has been accompanied by extraordinary turbulence in the international monetary system following the collapse of the Bretton Woods Agreement in 1971-3” (Lapavitsas, 2008: 34).

All in all, Lapavitsas presents the financialization period as a period of unstability and low economic growth, punctuated by repeated financial bubles. Therefore, in this context, he ends his study with the following explanation for financialization:

> Financialisation, in short, does not amount to dominance of banks over industrial and commercial capital. It stands rather for increasing autonomy of the financial sector. Industrial and commercial capitals are able to borrow in open financial markets, while being more heavily implicated in financial transactions. Meanwhile, financial institutions have sought new sources of profitability in personal income and financial market mediation (Lapavitsas, 2008: 34).

Secondly, we focus on the study of Lapatsioras et al. (2009). In their study which is titled as “On the Character of the Current Economic Crsis”, Lapatsioras et al. (2009) distinguish between financial crises and economic crises They (2009) remark that these crises can be either different from each other or they can trigger with each other. For instance, they state that:

> Sometimes...the financial crisis manifests itself independently of the broader economic conjuncture, that is to say does not have any significant effect on the level of profitability and the level of employment of the “factors of production” in the other sectors of the economy above and beyond the financial sphere or some specific parts of it (Lapatsioras et al., 2009).

The current crisis should be evaluated in such a dual characteristics: the outcome of permanent characteristics of capitalist relations of production and reproduction and the outcome of characteristics that are peculiar to the core of the neoliberal organization of this relation.

According to Lapatsioras et al. (2009), as Marx (2011) showed in Capital Vol. I that the distinguish feature of the capitalism from the other modes of production is not just extracting surplus product but also extract more money at the end of the production of that surplus. Therefore, similar to Marx (2011), Lapatsioras et al. (2009) notes that money is produced in accordance with the reproduction process of capital , primarily as a credit-money. The credit-money is thus different from other types of money due to its sovereignity from depending to any kinds of commodity. For instance, Itoh and Lapavitsas (2012) point out the importance of growing role of this credit-money in the credit system in our day. This credit-money is depended to the "...discounting of the future, as the present portion of future profitability and by extension future income" (Lapatsioras et al., 2009). So they (2009) make a such quotation by depending to Marx's (MEW 25: 507. Marx-Internet 1894, Ch. 30, quoted in Lapatsioras et al., 2009) arguments: "capitalism is a system of production, where the entire continuity of the reproduction process rests upon credit". Therefore, this credit-money system is opened to monetary crises due to its discounting role of the future income and profitability.

In this case, Lapatsioras et al. (2009) turn to the financial derivatives issue. According to them (2009), "through financial derivatives there is a mingling, a linkage and a comparison in profitabilities at the international level between every type of financial security".

In the sub-title of the neoliberal model for regulation of financing, they argue that:

> Present-day developments in the financing process date from the beginning of the 1980s and have their originsin abolition of the restrictions that had been imposed after the crisis of 1929 on banks, the international movement of capital and the mode of operation of stock exchanges (Lapatsioras et al., 2009).

They do not use the deregulation term because they (2009) argue that the neoliberal model is not the abolishment of the regulatory framework basically but rather imposing of the new kinds of regulatory framework on social and economic relations. More or less, in this case, they converge to the arguments of Panitch and Konings (2009).

Moreover, according to Lapatsioras et al. (2009), the distinguish feature of this regulatory framework is the borrowing characteristics of public and private sector with the non-bank methods. This brings us to the securitization issue. Hence, we basically focus on the analysis of the methods that rescued us from the crisis of overaccumulation of 1970s before the examination of the neoliberal practices, mostly the securitization. They (2009) point out of the contradictions in which neoliberal model have. One of the most important reason behind these contradictions is an increasing risks of financial system. This is actually the dynamic process of the capitalist reproduction. As Marx and Engels (1997) states in Communist Manifesto, "what the bourgeoisie, therefore, produces, above all, are its own grave-diggers".

Furthermore, they (2009) indicate that we should have to look at the reasons of crisis of neoliberal regulatory framework in detail. However, these reasons may give deceptive results. For instance, subprime loans, securitization, or the housing bubbles should not be exposed as the mere cause of crisis. Instead, we should have to look at these facts as a whole. All of these reasons are the results of two characteristics of the capitalist system: capitalist relations of production and reproduction and the neoliberal organization of this relation. As they point on that:

> References to a general characteristic (speculation) or to the imperfections of the mechanism of functioning of the financial system (O&D, faulty assessment, non-correspondence of interests, information imbalance between the parties to a contract, etc.) sheds little light on the two ends of the chain in the crisis process.The ends of the chain are the most important because they show up the contradictions in the neo-liberal model that have nurtured, and then triggered, the crisis (Lapatsioras et al., 2009).

Thereafter, they try to present what the crisis means for themselves. According to them, the crisis was emerged from the financial system and it was systematic. It depends on two reasons. First, it was systematic because the crisis was inherent to functions of the neoliberal model. Second, it was systematic because the crisis was hit the nodal points of the financial system and "through them at the terms of operation of the 'International of Capital' " (Lapatsioras et al., 2009). In other words, it hit the most powerful organizational centre of the model which was financial structure. However, the crisis was transformed into an overaccumulation crisis which was also caused to the deterioration of capital. They say that:

> ...the crisis is still unfolding but it is now taking onthe characteristics of a crisis of overaccumulation, which, starting from a ruthless squeeze on the financial sector also drags in other sectors and introduces the economic system as a whole to the operations of liquidation of inadequately utilized capital (Lapatsioras et al., 2009).

All in all, the crisis of 1970s was solved in the context of neoliberal framework and thereby the profits were turned to their earlier high-levels than the profits between 1950s and 1970s.

The neoliberalism was reduced wages in the national income in order to turn back to a higher level of profits. However, this was caused to the reduction of purchasing power based on credits and to the problems of credit deficiencies. Additionally, this was created a sudden decrease in profits and therefore was caused to transition into an overaccumulation of capital. By arguing this, they (2009) assert the contrary to what Brenner (2008) said as we mentioned at the above part. As they notes that:

> The interconnectedness of events is thus the reverse of what is often maintained... What is involved is not a continuing crisis of overaccumulation dating from the 1970s, which has fed superfluous capital into the sphere of finance, in this way leading to speculation, the "bubble" and the crisis (Lapatsioras et al., 2009).

CONCLUSION

In this study, we tried to focus on different kinds of perspectives from the heterodox school of thought about the reasons that led to 2008 financial crisis. As we saw that these perpesctives have different dimensions on that crisis. In some cases, they converge to each other but also in other cases they diverge from each other. The common point of these schools agree with each other at the role of capital, especially in the reproduction of capital. However, despite the functioning of capital, the ways that led to financial crisis in the context of the circulation of capital are very different. For instance, Monthly Review is focused on the rise of finance in terms of financialization based on the arguments of Sweezy. Also, Panitch and Konings (2008, 2009) focus on the imperial power of America in collaboration with the the financial sector. Furthermore, while Brenner explains the current crisis by focusing on the rate of profits, according to Moseley (2008) and Mohun (2008), the current crisis is not a Marx crisis and is not related with the falling rate of profits. Rather, they pointed that the profits were risen in some periods after 1980s. Therefore, for instance, Moseley was tried to explain the reasons of that crisis in the context of unproductive labour and productive labour. Moreover, Lapavitsas (2008) and Lapatsioras et al. (2009) were mostly stressed on the crisis in the context of financialization but within a different structure of Monthly Review. Lapavitsas (2008) attributes the role financialization to the direct exploitation of personal income. But also, Lapatsioras et. Al (2009) focuses on the explanation of the overaccumulation of capital. All in all, these perpesctives are just the few of them in the heterodox economics. We think that the most important way to understand the reasons that led to financial crisis is not to adopt a one-way looking but to make a comprehensive analysis by gathering different factors.

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