Fixing Crises

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As some of you may have guessed, I take my title from David Harvey's notion of "fix"; that the accumulation of capital is a value process that orders and reorders (or fixes) each and every aspect of economic and social life. This is not to be rigid or deterministic. Of course, Harvey's inspiration came from within the field of geography and has inspired considerable scholarship over and above his own, both within this discipline and others. In the first instance, as geographer, his concern was with the (re)construction of space or the built environment in the process of accumulation. Subsequently, he has discussed other fixes such as for finance, and he might also have thought of his own understandings of the new imperialism, neo-liberalism and accumulation by dispossession as contemporary fixes for the modern era[1].

Of course, the word "fix" is wonderfully rich in the English language – meaning, without consulting a dictionary: to make rigid; to repair; to put in its proper place; to attach; to arrange illegitimately (in advance);[2] and even to punish. And to refer to the spatial and financial or other fixes is arbitrary – why not range over politics, ideology, culture, gender, race, health, education and welfare and so on. These all need fixing especially in light of the current crisis which casts both shadow and light on the nature of the world in which we live, the intellectual issues we need to address, and how to define these issues. This is of relevance in fixing the role of IIPPE in general with reference to the workshop in particular. The latter has sessions across finance, labour, climate change and the environment, heterodox economics, neo-liberalism, and various aspects of contemporary capitalism. These need to be seen against the IIPPE themes of engaging Marxist and heterodox political economy, of criticising economic orthodoxy, and of

[1] For my own fix on Harvey, in the context of the new imperialism, Ben Fine, "Debating the 'New' Imperialism", *Historical Materialism* (Vol.14, No.4, 2006), pp. 133-56.
[2] Thanks to Robin de la Motte for pointing this out.

engaging in both interdisciplinarity and activism. With at least six workshop topics and five IIPPE themes, this means thirty potential interactions between topic and theme, each of which I can hardly address.

Instead, I will range across these broadly and selectively beginning with the crisis itself which is unique in some respects[3].

First, the depth and breadth of the crisis is not a consequence of longer-term rapid, unsustainable accumulation against which there has been a reaction. On the contrary, the situation since the end of the post-war boom has been correctly described as a slowdown.

Second, then, why has accumulation of capital been so sluggish over the past three decades? For the slowdown has persisted despite favourable and, arguably, increasingly favourable, conditions for capitalism – a weakening of working class and progressive movements; political hegemony in the form of neo-liberalism; the emergence of a new world order with the collapse of the Soviet Union; and huge increases in the global labour force, through China and generalised increases in female labour market participation; and, as universally recognised, the emergence and deployment of a stunning array of new technologies . Given all of this, how do we explain the crisis that has now broken and, slightly differently, how do we locate class struggle both in explaining it and the slowdown and in seeking to promote alternatives to fix the crisis?

Third, every crisis under capitalism sharply reveals and highlights the role of finance, and the current crisis is clearly no exception. How do we situate finance generally and in its application to current events – are we liable to exaggerate or to underestimate the role of finance in light of traditional Marxist emphasis on production and class, both of which seem to have been pushed into the background (or to have been fixed) as far as capital accumulation is concerned.

In my view, the current crisis and preceding slowdown need to be addressed in terms of financialisation. This term needs to be approached with some caution for two reasons. First, it is new and open to misinterpretation, with preconceptions imposed upon it. It has its origins in heterodox and Marxist political economy and, whilst it has primarily been confined there, is liable to become a common currency. It has the advantage of both suggesting finance is systemic and relates to the rest of the economy and society. Second, though, financialisation has been associated with a number of different meanings, each of which needs to be

[3] Ben Fine and Alfredo Saad-Filho, *Marx's "Capital"* (London: Pluto Press, 2010), Chapter 15.

debated by locating them all in relation to one another and the nature of contemporary capitalism, that is on the broadest terrain.

It is much easier to locate financialisation in empirical terms than it is to offer a coherent theoretical explanation of the finance. My own approach is derived from Marx's theory of finance, especially as laid out in Volume III of Capital, with two key features that are both essential and distinguish Marx in what is addressed and how it is addressed. These are to distinguish between interest bearing capital and other forms of capital in exchange (relating to credit and trade), with the former being concerned to promote accumulation for the purposes of producing surplus value. In addition, the distinction can be drawn between real accumulation and the fictitious accumulation of capital (the latter being paper claims on surplus value that can be traded in anticipation of successful accumulation). On this basis, I define financialisation as much more than the expansion and proliferation of financials markets, see below, but also the extension of finance into economic and social reproduction – not just privatisation, commercialisation and deregulation, etc, but these as the spearhead for the creation of financials assets and fictitious capital attached to these activities[4].

Broadly, then, financialisation has involved[5]: the phenomenal expansion of financial assets relative to real activity (by three times over the last thirty years); the proliferation of types of assets; the absolute and relative expansion of speculative as opposed to real investment; a shift in the balance of productive to financial imperatives within the private sector whether financial or not; increasing inequality in income arising out of weight of financial rewards; consumer-led booms based on credit; the penetration of finance into ever more areas of economic and social life such as pensions, education, health, and provision of economic and social

[4] Ben Fine, "Financialisation, Poverty, and Marxist Political Economy", *Poverty and Capital Conference*, 2-4 July 2007, University of Manchester, https:// eprints.soas.ac.uk/5685/1/brooks. pdf and Ben Fine, "Locating Financialisation'", *Historical Materialism* (forthcoming) for some discussion of financialisation and "Social Policy and the Crisis of Neo-Liberalism", prepared for Conference on "*The Crisis of Neo-Liberalism in India: Challenges and Alternatives*", Tata Institute of Social Sciences (TISS) Mumbai and International Development Economics Associates (IDEAs), 13-15 March 2009 and 'Financialisation and Social Policy', Prepared for Conference on "*Social and Political Dimensions of the Global Crisis: Implications for Developing Countries*", 12–13 November 2009, UNRISD, Geneva, accessible at: https://eprints.soas.ac.uk /7984.2009,networkideas.org/ideasact/jan09/ia27International_Conference.htm for implications for example, for social policy.

[5] *Cambridge Journal of Economics* (Vol.33, No.4, 2009) for discussion of these issues, and for a preliminary set of references on the current crisis more generally. RIPE, "Reading List on the Financial Crisis", *Review of International Political Economy* (Vol.16, No.5, 2009), pp. 743-45 (for a preliminary set of references on the current crisis more generally). See also the evolving http://www.iippe.org/wiki/images/5/5b/IIPPE-Finance-Reading-List-March-2010.pdf

infrastructure; the emergence of a neo-liberal culture of reliance upon markets and private capital and corresponding anti-statism. Financialisation is also associated with the continued role of the US dollar as world money despite, at least in the current crisis, its deficits in trade, capital account, the fiscus, and consumer spending, and minimal rates of interest.

The consequences of financialisation 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); prioritising shareholder value, or financial worth, over other economic and social values; pushing of policies towards conservatism and commercialisation in all respects; extending influence of finance more broadly, both directly and indirectly, over economic and social policy; 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 crisis that preceded the financial crisis). Whilst, then, financialisation is a single word, it is attached to a wide variety of different forms and effects of finance with the USA and the UK to the fore. On this basis, it is possible to show why there should be slowdown as real accumulation has been subordinated to fictitious accumulation and why the crisis should have taken the form that it has. At a deeper level, financialisation represents the increasing incorporation of all real and financial activity into the realm of interest bearing capital and fictitious accumulation. But the incidence and impact of financialisation is very different across different countries and particular markets.

The current significance of financialisation warrants careful consideration, then, of Marx's theory of finance and its application to contemporary conditions. It also promises fruitful engagement with heterodoxy within political economy, not least with the understandable renewal of interest in Minsky. For the task is to locate financialisation systemically in relation both to the accumulation of capital and its broader and global economic and social reproduction.

Further, as the core distinguishing feature of the last thirty years, financialisation is heavily embroiled in earlier and more prominent descriptors of the period, such as globalisation and neo-liberalism. The spread and generalisation of the crisis have rendered redundant notions of varieties of capitalism (especially where they overlook the systemic, global attachment of one variety to another). These have emphasised the varieties at the expense of the capitalism. I would prefer the term variegated capitalism, complemented by varieties of neo-liberalism!

On the other hand, by any criterion of scholarship, even its own, orthodox economics should have been swept away by the crisis. It has not been and survives both in method and technique. I am pessimistic either that much will change or that opportunities will open up for heterodoxy within the discipline. It is worth recalling that the last major crisis of the 1970s witnessed the demise of much radical political economy (and not just Keynesianism), and the rise of the most absurd form of orthodoxy with the new classical economics (based on hype-rationality, perfectly working markets and no role for the state). The latter is now discredited and cannot fill the intellectual gap blown open by the crisis. But all we can expect instead is market and institutional imperfections, directed at justifying limited forms of Keynesianism (expand liquidity to rescue financial system) and financial regulation to allow financialisation to resume.

In this light, the political economy of financialisation is liable to prove more appealing and successfully pursued within disciplines other than economics. But these remain marked by weaknesses of understanding as well as rich insights. It is surely significant that the most prominent contributions on the political economy of slowdown and crisis have come from what might be termed non-economists, such as Brenner, Harvey and Arrighi. In short, progress in understanding both financialisation and its broader significance requires dialogue within political economy as such and between it and other disciplines.

With respect to activism, I have become monotonously drawn to the remarkable quotation from Sir Josiah Stamp, a member of the Board of the Bank of England, and reputedly the second richest man in the UK in the 1930s:[6]

> Banking was conceived in iniquity and was born in sin. The bankers own the earth. Take it away from them, but leave them the power to create money, and with the flick of the pen they will create enough deposits to buy it back again. However, take it away from them, and all the great fortunes like mine will disappear and they ought to disappear, for this would be a happier and better world to live in. But, if you wish to remain the slaves of bankers and pay the cost of your own slavery, let them continue to create money.

This speaks to our times but it is also weak analytically in a number of respects. First, it constructs finance versus the rest of us, and there are other lines of conflict, power and privilege involved. Second, it is purely

[6] Accessible at http://en.wikipedia.org/wiki/Josiah_Stamp,_1st_Baron_Stamp.

distributional and static with no account of the pace, incidence and impact of crisis and accumulation more generally. Third, it is weak on the mechanisms by which finance functions, although strong on its ease of achieving its ends through the flick of a pen – or, as I have heard it expressed in terms of nationalisation of banks in the UK in response to the crisis, this was more a matter of privatisation of the Treasury by finance than its being taken under public control!

How are we to fill out these absences? First, there will be a diverse range of fragmented and isolated struggles, precisely because of the weaknesses and lack of organisation and power of working class and progressive movements. Second, how these struggles relate to finance will be highly differentiated – across housing, industrial policy, health, education and welfare and so on. Third, then, it is not just a matter of attacking finance as a whole or swinging to the opposite extreme of asserting or wishing into existence the need for working class organisation at the point of production. Rather, a patient process of attaching struggles to their context and form is necessary in order to insulate them from the flick of the pen of finance and to provide the basis to forge unity, solidarity and organisation with other struggles.

This is a realistic if pessimistic assessment of future prospects. In the arena of policy, there needs to be much more than offering alternatives to neo-liberalism, not least because the latter has had the major effect of undermining the capacity to formulate let alone to deliver alternatives[7]. Neo-liberalism has been underpinned by financialisation as its defining economic characteristic, and this is what has allowed it to persist over such a long period, pushing the virtues of free markets as the ideological representation of the interests of private capital in general and of finance in particular. Neo-liberalism has never been about non-intervention in practice but has involved a substantial role for the state in promoting capital accumulation through financialisation. This took the form of shock therapy in the first phase of neo-liberalism, although neither confined to nor originating with the transition economies. This gave way to Third Wayism in the second and current phase of neo-liberalism in which the state's intervention's to address the dysfunctions of the first phase have been overt, but no less targeted not least in the form taken by the response to the crisis in terms of the

[7] Ben Fine and David Hall, "Terrains of Neoliberalism: Constraints and Opportunities for Alternative Models of Service Delivery", in McDonald and Ruiters (eds.) *Alternatives to Privatization: Exploring Non-Commercial Service Delivery Options in the Global South* (Routhledge; 2011, forthcoming),

unprecedented support given to finance. Whilst some have questioned the legitimacy and worth of appealing to the term neo-liberalism, so diverse have been its effects, I would argue otherwise with such diversity explained by the central role played by financialisation, the shifting and incoherent mix of ideology, scholarship and policy in practice that is attached to neo-liberalism, and its movement between two phases.

Whatever the validity of these proffered fixes on the contemporary scene, it is most appropriate to conclude with the observation that future material and intellectual outcomes are far from fixed. Currently, the future trajectory of the social sciences is possibly more open than for a long time. This means that critical scholarship can make a difference. How much so remains to be seen.