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Fictitious Capital : its role in the ongoing crisis ; some hypotheses about its almost untouched power and their economic, social and political consequences

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- **1. Some new questions raised by the crisis**
  - **Its pervasive financial dimensions**
  - **The extraordinary resilience of financial power**
- **2. The place of finance in crises of over-accumulation and over-production**
- **3. The theory of fictitious capital and the tensions converging on the credit system**
- **4. The renewed accumulation of fictitious capital from the mid 1960s on**
- **5. Nonetheless from the early-1990s onwards “financialisation” increases its grip**
- **6. Run-up and immediate causes of the crisis**
- **7. The power of banks stronger than ever**
  - **The dollar-based international monetary system**
  - **Fetishism & the “financialisation of daily life”**

I. <u>The crisis raises important issues about the place of finance in today's capitalism</u>

- **The bourgeois press has consistently called it a "financial crisis"**
- **It may be legitimate for Marxists as well to name it an "economic and financial crisis"**
  - **It follows a process of reconfiguration of power relationships within capital taken as a whole around concentrated money-capital**
  - **Particular forms of credit creation are responsible for the scale, sector-specific location of today's over-accumulation and over-production**
  - **Finance has been at the centre of each turn in the crisis, each time governments have saved the banks**

- **The long term downward trend in the rate of growth of the old core capitalist economies has been the backdrop of the reconfiguration around concentrated money-capital of power relationships within "capital taken as a whole"**
- **The slight recovery in the long term fall of the rate of profit shown in the 1990s (with nuances) by most studies is contemporary to the growth of money-capital's power**
  - **rise in the rate of exploitation not due simply to neo-liberal gov. policies but also to corporate governance**
  - **globalisation culminating in China's entry into WTO driven by finance**
- **The scale & the sector-specific location of over-accumulation and overproduction were directly related to household-targeted credit and "financial innovations"**

- **Crisis broke out in the financial sector and seem near at one point to pull the whole financial edifice down**
- **Yet well into the fourth year of the crisis (starting late July-early August 2007) a large part of fictitious capital has remained unscathed and the operations & profits of money-capital have resumed despite the recessionary situation in the US and EU**
- **Over the same time span in the Great Depression (Nov. 1929-early 1933) fictitious capital had experienced very severe losses and bank-based interest-bearing capital brought to its knees**

- **Financial firms have been massively aided by G7 Central banks and governments**
- **Close relationships between concentrated money-capital and the State date of course a long way back. But previously it was to some extent, notably in the case of interest-bearing capital, a confrontational relationship**
- **"*No matter the circumstances, the State can never be viewed as an unproblematic partner of industrial and banking capital*" (David Harvey, 1982)**
- **Partial confrontation was relatively important in the US after 1929 (1933 Glass-Steagall Act)**

- **Today no confrontation, quite the opposite**
- **Banks have become financial conglomerates dictating monetary and social policies**
- **New relationship with governments have allowed money-management capital to escape political, let alone social control**
  - **whatever the macro-economic effects**
  - **whatever the social consequences**
- **Marxist political scientists have paid more & quicker attention to the new relationship than Marxist economists**
  - **David Harvey : The State-Finance Nexus (2010)**
  - **Peter Gowan : The New Wall Street System (2009)**
  - **Martijn Konings : Rethinking Neoliberalism (2010)**

II. <u>The crisis originated</u> in consumer & mortgage credit & broke out in the US mortgage market

- **It developed immediately as a global financial crisis**
  - **End July bail-out by Bear Stearns of two affiliated Hedge Funds**
  - **August 4 a major Länder Bank announces heavy losses in RMBS**
  - **August 7 BNP-Paribas freezes the operations of two of its Hedge Fund affiliates**
- **Baring the sharp fall in foreign trade late 2008-early 2009, since August 2007 all major landmarks and/or points of acceleration have concerned finance**

- Brutal contraction of inter-bank loans late August-early September 2007
- Bank-run on Northern Rock after refusal of refinancing by major City banks (Nov. 2007)
- Fed bail-out of Bear Stearns (March 2008)
- Failure of Lehmann, full scale financial and banking crisis accompanied by a Stock market crash (September 2008)
- Iceland’s banking system defaults (Oct. 2010)
- European banks exposure to government debt of Euro Zone “PIGS” (Feb. 2010 on)
- Huge private debt and on the brink bank failures in Ireland (August 2010 inwards)
- A new wave of speculative flows to Brazil and other similar economies

- Over the present course of the crisis continuous episodes of speculation on key commodities
  - August 2007onwards on oil
  - Then on basic food commodities
  - Now on rarefying metals
- Financial institutions have been salvaged by governments to a degree not seen in 1929
- The major “banks” (in fact diversified financial conglomerates) have
  - dictated monetary and financial policy at every turn of the crisis
  - pushed governments to slash cuts & impose austerity
  - resisted successfully any significant type of new regulation

III. <u>A quick look back at financial crises</u>

- **Financial crises always the initial moment of over-accumulation and over-production crises**
- **Transition from the expansionary to the boom phase of the cycle always fed by bank credit on easy terms**
- **Financial euphoria basis for other bubbles**
  - **raw material/commodity markets**
  - **Stock exchanges**
  - **in the US quite early on also housing**
- **Over-production crises triggered off when in given speculative market euphoria gives way to anxiety, selling starts and a panic sets in**

- **Marx uses the 19th century term "monetary" crisis, making the distinction :**
  - ***'there is always a (monetary) phase that is common to all crises'***
  - **but *'each crisis has its own particular aspect; and although we call them by the same name, The pivot of such crises is money-capital and its immediate sphere is that of capital: bank, stock exchange and finance'*.**
- **It is the later kind of "monetary crisis" that were subsequently called financial crises**

- **Crises viewed (even by Marx in some passages) as a form of self-regulation (very costly socially but efficient for capital) entailing the destruction**
  - **of excess industrial capacity**
  - **of interest & dividend-bearing capital**
  - **1929 crisis supported this view only partially : only the Second World War cleared the road for new accumulation**
- **View required re-examination as soon as the destruction of interest & dividend-bearing capital began to be offset by government action in the 1980s & 1990s**
- **Today unlimited government support by schemes devised by the very banks**

IV. <u>The theory of fictitious capital</u>

- **Generated by the operations of interest & dividend bearing capital**
- **Rights to appropriate part of surplus value produced in the course the cycle M-C-P-C'-M'**
- **Generated by**
  - **Acquisition by wealth-owners or Fund managers of bonds and shares**
  - **Creation of bank credit**
- **Bank credit and associated operations**
  - **Potentially the most pervasive form of fictitious capital**
  - **Now very strongly geared to household debt**
  - **Now new forms with the "shadow banking system"**

- **Fictitious capital has two cardinal forms**
  - **Government and corporate bonds and shares**
  - **Bank credit and loans**
- **First sense of the term fictitious capital. Money has been put to work (investment) or spent. It has done its work as capital**
- **Yet owners of bonds and shares view these as being "capital"**
  - **producing a flow of income**
  - **providing "profits" from successful speculation**
- **Bank credit**
  - **key functions during the cycle of productive capital**
  - **offers capital ways to overcome temporarily its "immanent barriers"**
  - **a source of fictitious capital to the "nth degree"**

- **Bank credit**
  - **"Commercial banking" for industrial and commercial capital**
  - **Small loans for investment**
- **Credit and the temporary overcoming of capital's « immanent barriers »**
  - **"*The immanent barriers to production stemming from the contradictory nature of capitalist production are continually broken through by the credit system. Hence, the credit system accelerates the material development of the productive forces and the establishment of the world-market*".**
  - **"*At the same time credit accelerates the violent eruptions of this contradiction — crises — and thereby the elements of disintegration of the old mode of production*" (Capital, vol. III, chap. XXVII)**

- **Banks the locus of a highly pervasive form of fictitious capital (Capital vol. III, chap. XXIX)**
  - ***"The main part of money capital*** **(created by banks)** ***is completely fictitious. Apart from the reserve funds, every deposit is nothing but a debt on the banker. It is not truly there on deposit".***
- **The major part of banks assets are fictitious consisting of securities, e.g. bonds and shares in joint-stock companies**
  - **"*a kind of imaginary wealth which is not only an important part of the fortune of individuals"*** **(but also)** ***"a substantial proportion of bankers' capital".***

- **Strong tension due to banks being at the convergence point between**
  - **their crucial function of credit creation**
  - **their role in the centralisation money bent on reproduction as fictitious capital**
    - **non-invested profit**
    - **"savings"**
- **But also because of their being "profit-making" organisations**
  - **interest on all types of loans and credit**
  - **fees and commissions**
- **On account of the damage provoked by bank failures on the issuance of bank credit**
  - **Surveillance of Central Banks**
  - **Legislation on banks and other financial firms**

- **Bonds & shares = proprietary rights to a part of surplus value produced in the course the cycle M-C-P-C'-M'**
    - **capital as a function (extraction of surplus value from wage-labour)**
    - **capital as ownership with rentier traits**
- **When very large they shape the scale & location of accumulation of productive/industrial capital**
    - **division between retained & distributed profit**
    - **pressure to seek low-wage location**
- **They also shape wealth distribution with depressing effects on effective demand**
    - **Keynes' marginal propensity to consume holds**
    - **finance comes in and offers consumer debt a "solution"**
- **Length of the period during which the mass of such rights has grown and their scale are not secondary issues for the long-term theory of capitalist accumulation**

- **The scale & political strength of these rights a key feature of the present crisis**
    - **affecting its expected duration even in the most optimistic scenarios**
- **As long as it has not been destroyed fictitious capital will go on**
    - **making speculative attacks in given markets and provoking new bubbles**
    - **putting very strong pressure on governments to attack wage-earners and the youth**
- **A symbiosis in G7 economies between fictitious capital and capital *per se***
    - **history makes it probably irreversible**
    - **destruction of both by massive class activity only way out, but major subjective obstacles**

V. <u>From the mid-1960s on "financial accumulation" starts off again strongly</u>

- – non-reinvested profits of US TNCs late 1960s
- – recycling rent income of oil producing countries after 1974
- – interest flows from Third World debt

- In parallel a threshold reached in the growth of pension funds in US, Anglo-Saxon countries and Japan (late 1970s)
- Two interconnected processes
  - – Financial conglomeration
  - – Financial liberalisation and the globalisation of finance

- Commercial banks not the only institutions centralising money capital
- Other new or strengthened organisations come to the fore in the 1970s
  - – Pension funds
  - – Insurance companies
- Commercial banks faced stronger & stronger competition and saw new financial activities developing by other players
- The transformation of "banking"
  - – In US in the late 1970s walls between commercial banks & investment banks start eroding
  - – In continental Europe privatisation of nationalised banks in the mid 1980s

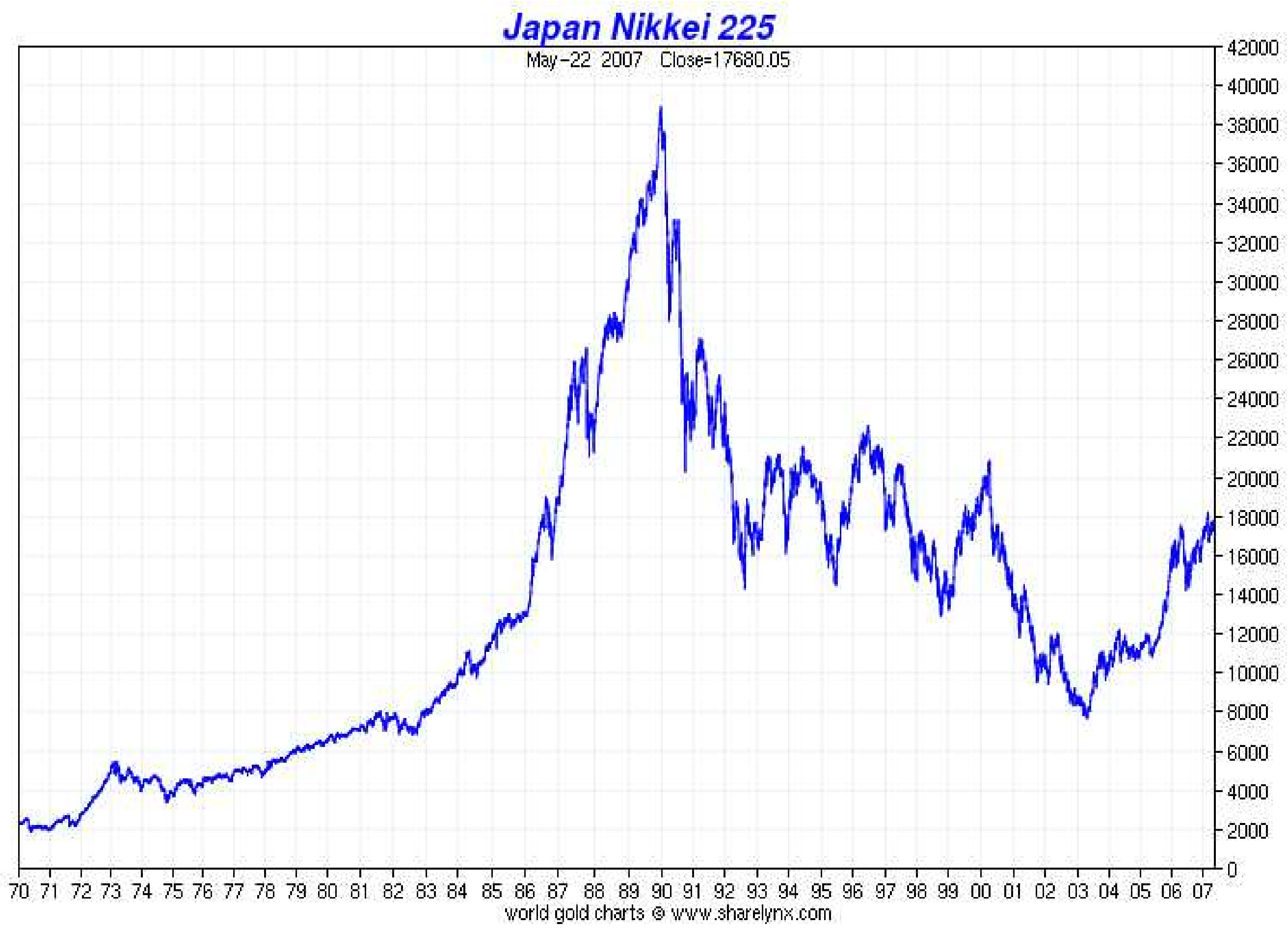
- **Today banks = financial conglomerates**
  - **Global investment banking and securities firms** (**US Big Four : J.P.Morgan Chase, Citigroup, Bank of America, Wells Fargo ; UK : Barclays, HSBC**)
    - **have a “consumer banking arm”, e.g. affiliates in deposit banking**
    - **offer commercial credit stricto sensu**
    - **involved in house loans (mortgage) in many ways**
  - **Investment banks** (**Goldman Sachs, Morgan Stanley. Lehmann**)
  - **In continental Europe “universal banks”** (**Deutsch Bank, UBS, Paribas**)
- **Owned by shareholders**
  - **submitted to “value for shareholders”**
  - **quoted on Stock markets (one of the main compartments)**

- **In 2004 Citigroup** (**see Lucy Komisar, Citigroup, a Culture & History of Tax Evasion, New York, 2006**)
  - **operated in 100 countries, with $1.2 trillion in assets (largely loans) and over $100 billion in client assets in private accounts**
  - **reported net income of $17 billion**
- **Citigroup covers all major financial fields**
  - **US & global client banking (loans & credit cards)**
  - **US & global corporate and investment banking**
  - **US & global wealth management (Citigroup Private Bank & Smith Barney Investment)**
  - **Asset Management and « Alternative Investments »**
- **Quote from the 2009 annual report**
  - **« *The 2009 results underscored the importance of Citi’s strong global position. Approximately 50% of our revenues came from markets outside North America. Our businesses in these markets generally performed very well* »**

- Result of the almost complete liberalisation and globalisation of finance
- Call by finance capital for liberalised & deregulated financial markets coincides with post-1975 stagflation
  - Launch of liberalisation by Thatcher & Reagan (1978)
  - Start of high interest rate period in 1981
  - UK Big Bang (1987)
  - Outside the OECD in Third World & Emerging countries financial liberalisation imposed by IMF & World Bank

- Consolidation of the power of finance
  - Imposes liberalisation of FDI and trade (WTO, 1994)
  - Entry of China in WTO (2001)
  - East-European countries into EU (2002)
- Reappearance of financial crises, most of which damage credit systems
- Gradual establishment by US,UK and satellite economies of a debt-supported "growth regime" with a qualitative jump after 2001
- Gradual shift to Asia of the locus of industrial accumulation
    - Genuine endogenous industrial accumulation
    - But also from 1992 on accumulation backed by TNC FDI & subcontracting (China in particular)

- Liberalisation and sharp rise in US interest rates in 1980 trigger off a first wave of bank crises
- Over exposure in loans to Third World : first wave of 'Sovereign debt' crises = really bank crises
  - US financial intervention in Mexico in 1982
  - International banks saved by debt rescheduling
- 1982-84 : US bank crises due to excess bad debt
  - Penn Square, Continental Illinois, etc.
- 1990-91 : A first phase of real estate/house related-crises
  - Saving & Loans bail-out in the US
  - In Japan a major real-estate and Stock market crash with long subsequent effects



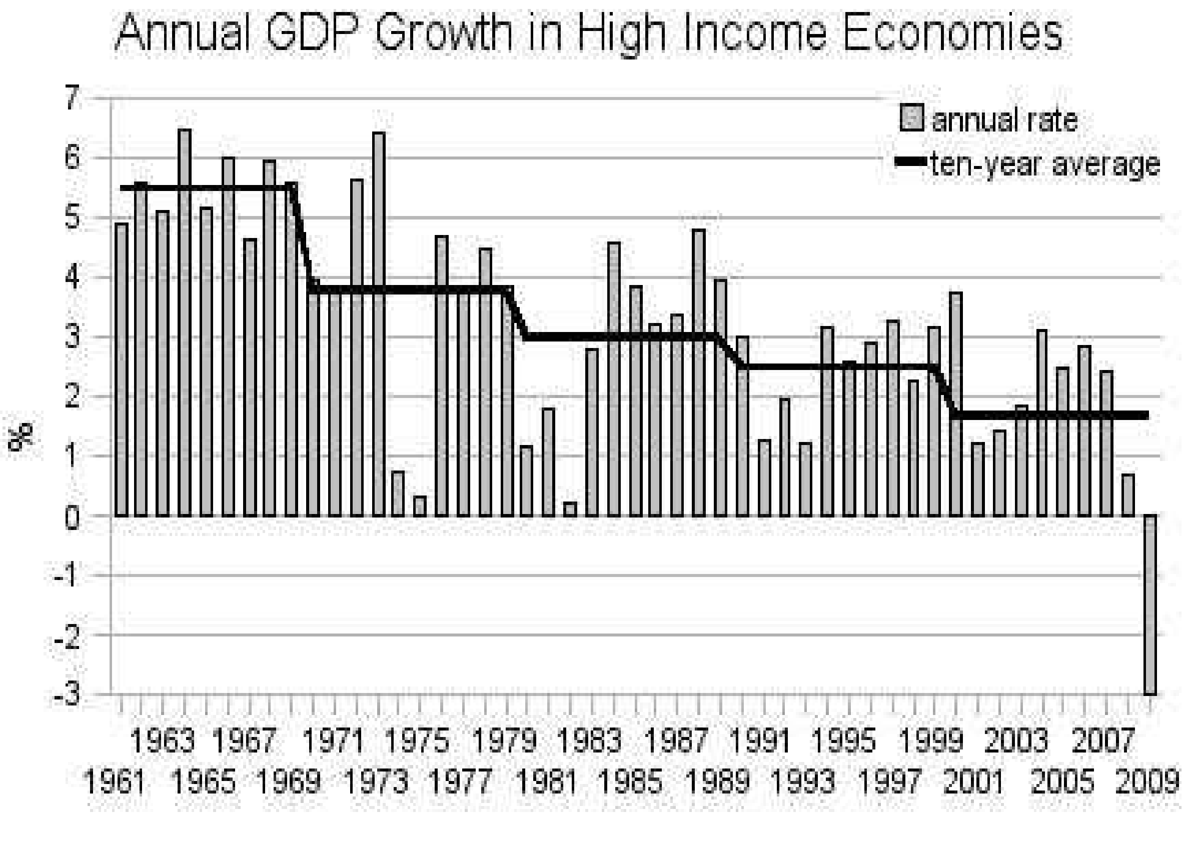
- **Speculation in currency & government bond markets a central feature of Latin American & Asian crises**
  - **Mexico 1994-95**
  - **Thailand and Indonesia (June 1997)**
- **Withdrawal of foreign bank lending triggers off Korean crisis (October 1997)**
- **Russian financial crisis after privatisation (1998)**
- **Increasing backlash effects on US economy**
  - **October 1997 Hong Kong crash hits Wall Street**
  - **September 1998 LTCM Hedge fund bail out**

VI. Nonetheless from the early-1990s onwards "financialisation" strengthens its grip

- **Financialisation defined as combining**
  - **a self-reinforcing process of proprietary claims on surplus value (fictitious-capital accumulation)**
  - **ever stronger mediated subordination of workers to money-managers (corporate governance)**
  - **the adoption of a debt-led growth regime**
- **Rapid rise of Mutual Funds along with specialised subspecies**
  - **Hedge Funds**
  - **Venture capital firms**
- **In Europe accumulation of savings in life insurance accelerates**
- **For corporations shareholder value becomes the norm**
  - **ROI = (Financial) Return on Investment**
  - **Stock option remuneration for top management**

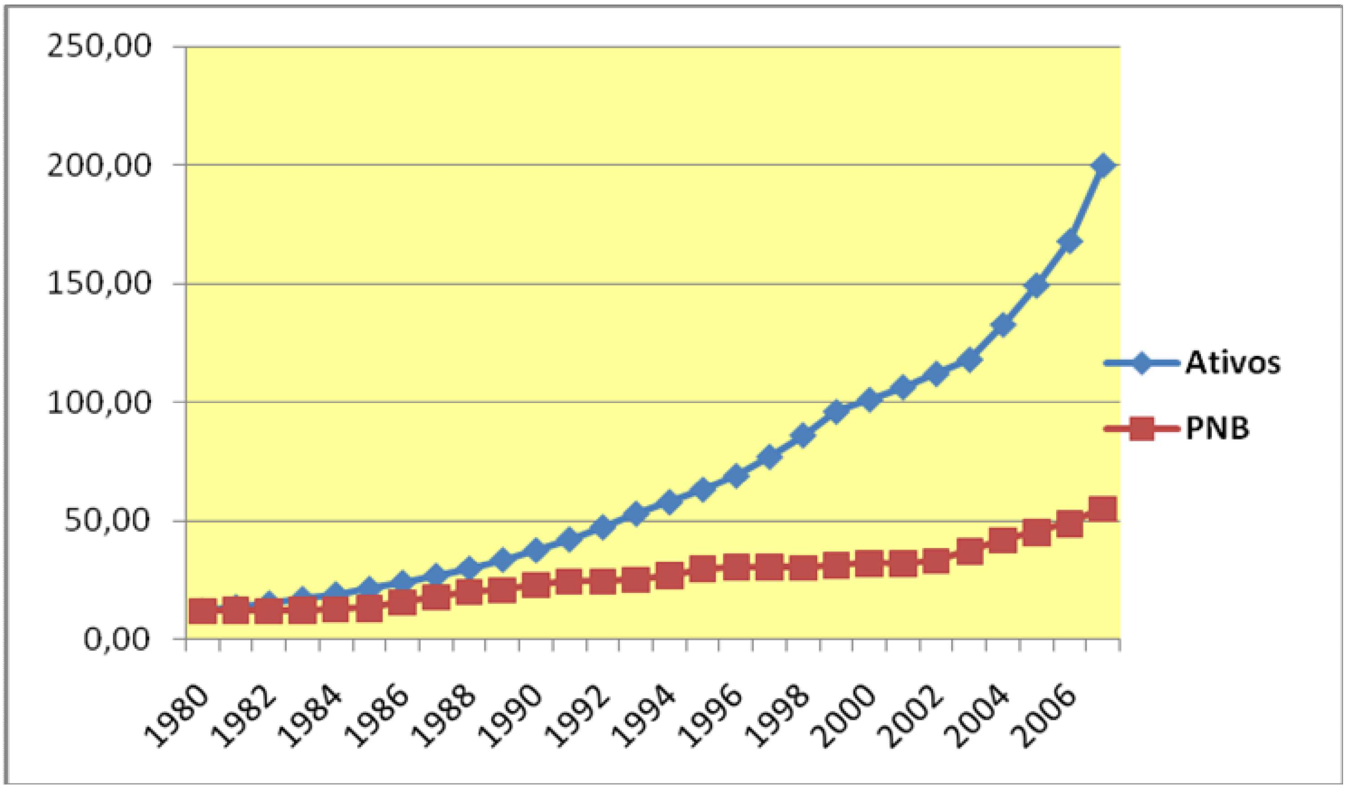
- The overall macro-economic context of the increase in ‘financialisation’ is a regular fall in GDP growth rates in North America, EU15, Japan
- This increase in ‘financialisation’ both cause and consequence
- Stark contrast between rate of growth of world GDP and of global financial assets
- Sharp acceleration of income & wealth gaps in the countries where income stemming from or associated with financial investment (bonuses) is highest
- The main “emerging countries” incorporated into the “global economy” are also marked by highly concentrated income & wealth

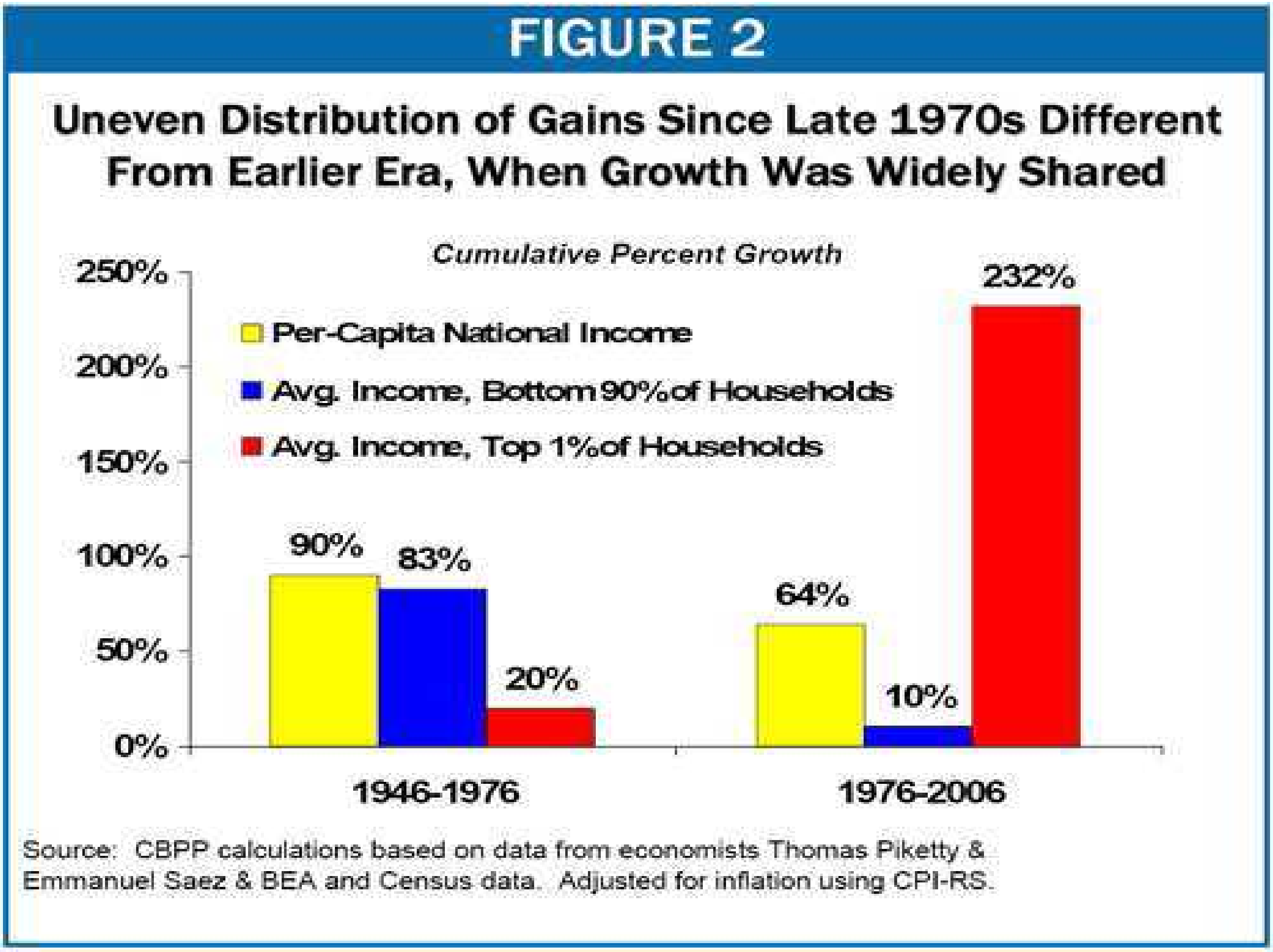
Ten-year Average Growth Rates in High Income Economies (Cédric Durand & Philippe Leger, 2010)



Nominal value of financial assets and aggregate world GDP

Source : Leda Paulani, Universidade de Sao Paulo

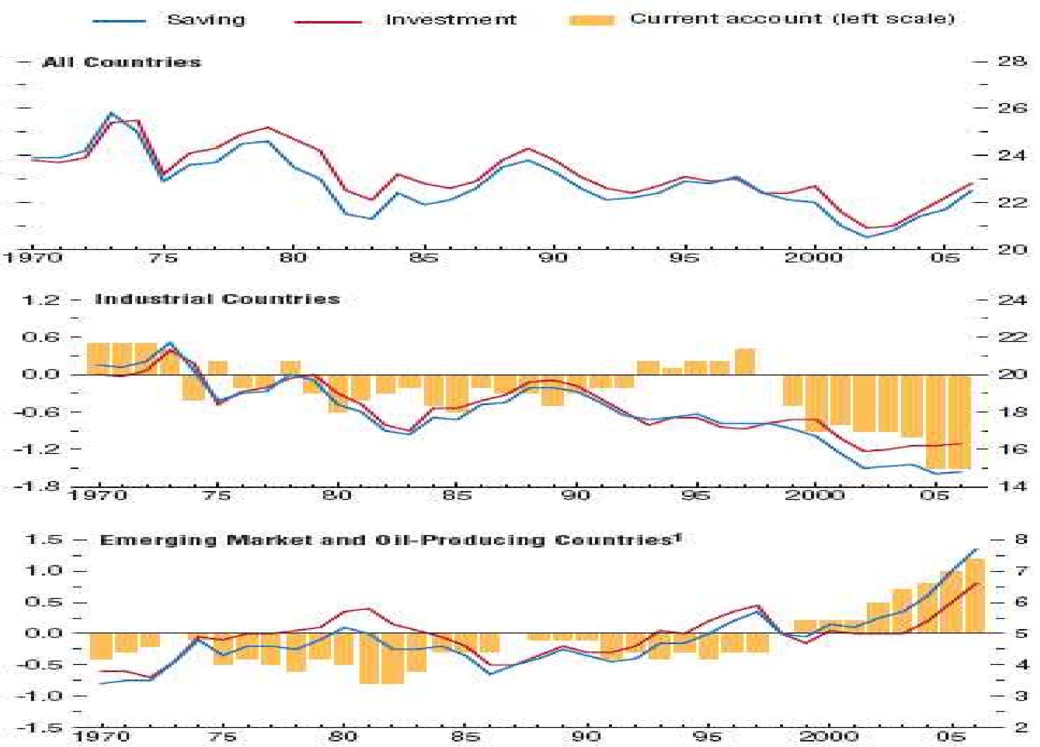




- **Gradual (1990s) and then full blown emergence (2000) of two complementary “growth regimes”**
  - **In the old dominant countries interest-bearing capital builds a debt-led growth regime with the support of government in US, UK and satellite economies**
  - **In “emerging countries”, indigenous capital & foreign capital build an export oriented growth regime quite heavily dependent on the level of imports by high-debt countries**
- **Three major “China effects”**
  - **Increasingly strong downward pressure on wages**
  - **Strong raw-material demand and so “growth” pull for Brazil, Argentina, Indonesia, even African economies**
  - **Flow of money capital (Bank of China reserves) to US**
    - **T bonds**
    - **Gov. backed mortgage (Fannie Mae & Freddie Mac)**

Figure 1.15. Global Saving, Investment, and Current Accounts
(Percent of world GDP)

Global investment has risen during the present economic cycle but remains low by historical standards, particularly in the industrial countries. The corresponding rise in saving has been exclusively in emerging market and oil-producing countries, which are building up high current account surpluses.

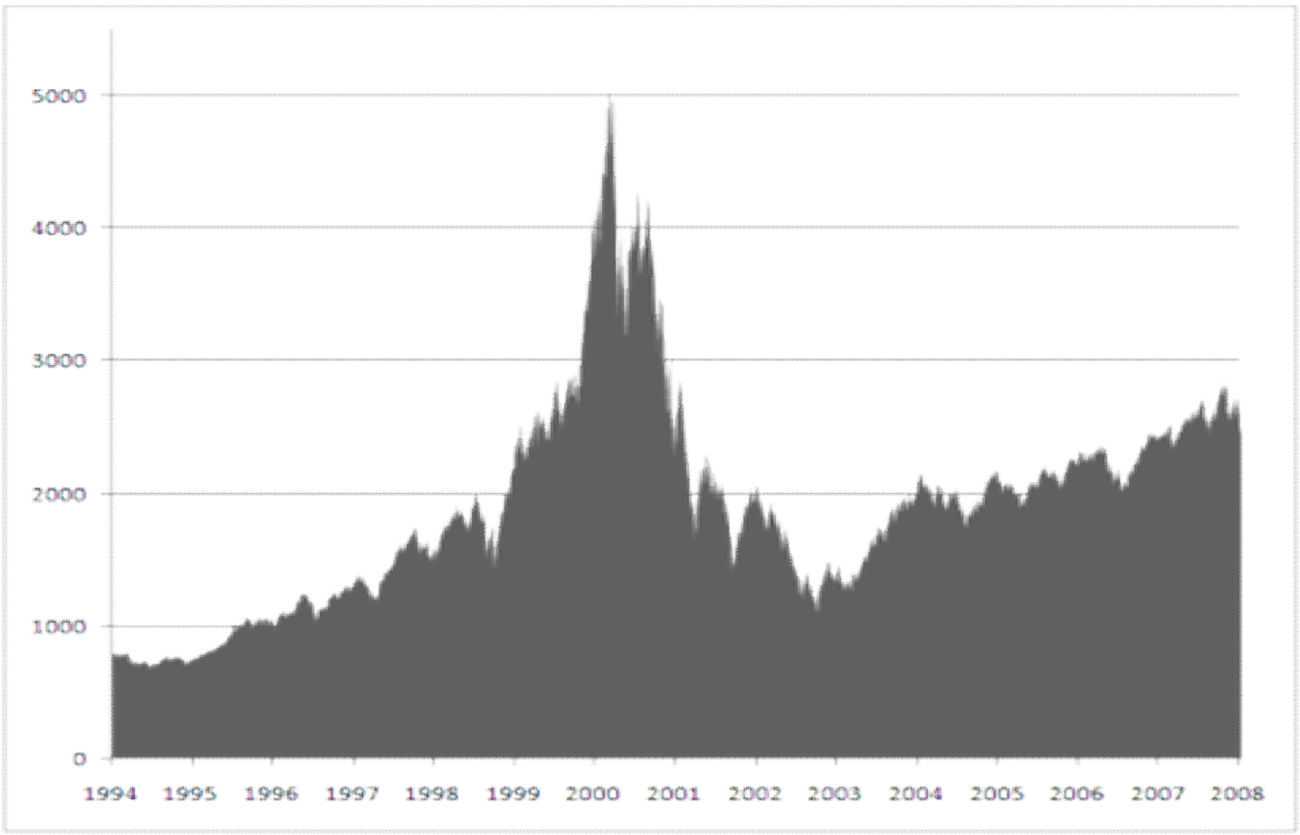


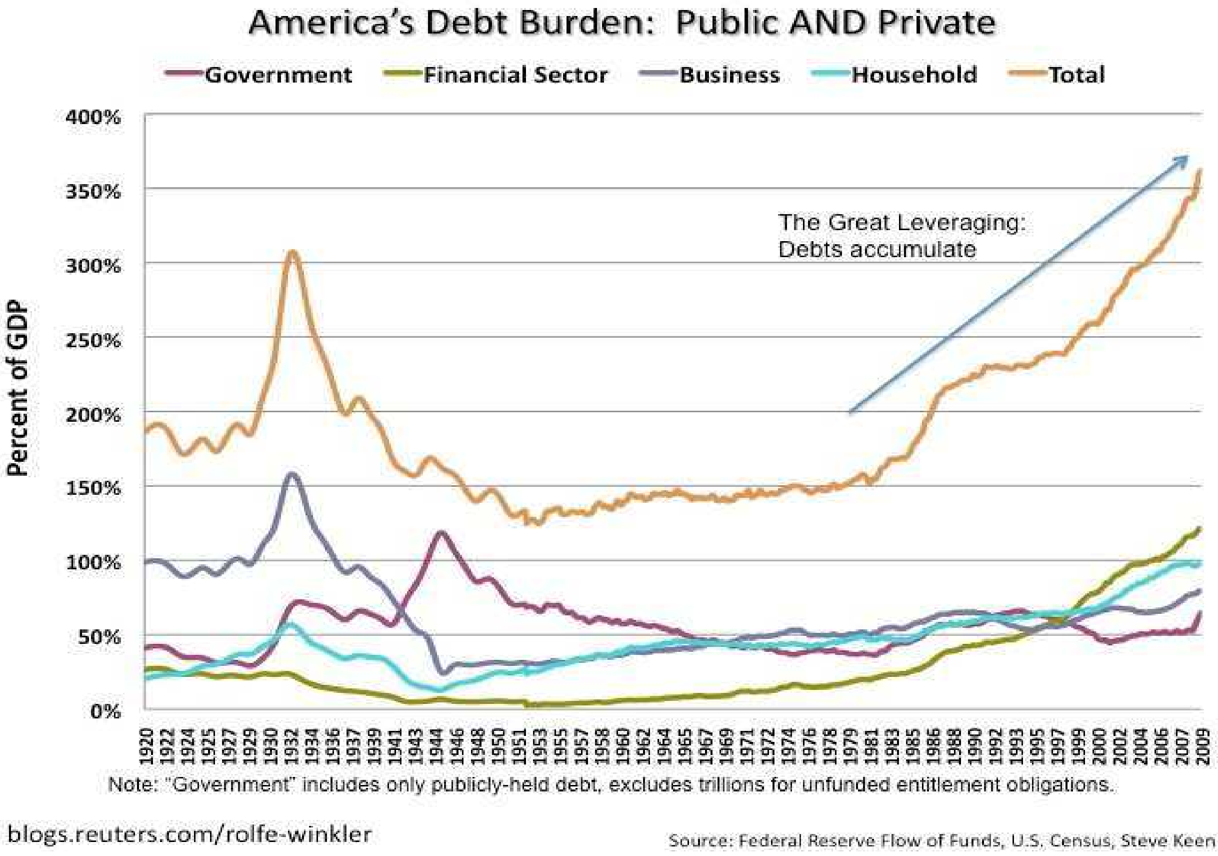
Sources: OECD Analytical Database; World Bank, *World Development Indicators* (2006); and IMF staff calculations.
[1]Includes Norway.

VI. <u>Run up to the crisis & direct causes</u>

- **2001-2002 :**
  - **"New economy" business cycle falters**
  - **NASDAQ crash ends dot.com bubble (March 2000)**
  - **September 11 attacks**
- **The US and (in a subaltern position) the UK responses**
  - **War in Afghanistan and Irak**
  - **Accelerated move to a fully-fledged debt-based "growth regime" with construction & housing as main "industrial locomotive"**
  - **Financial conglomerates left total freedom to develop their "shadow banking system"**

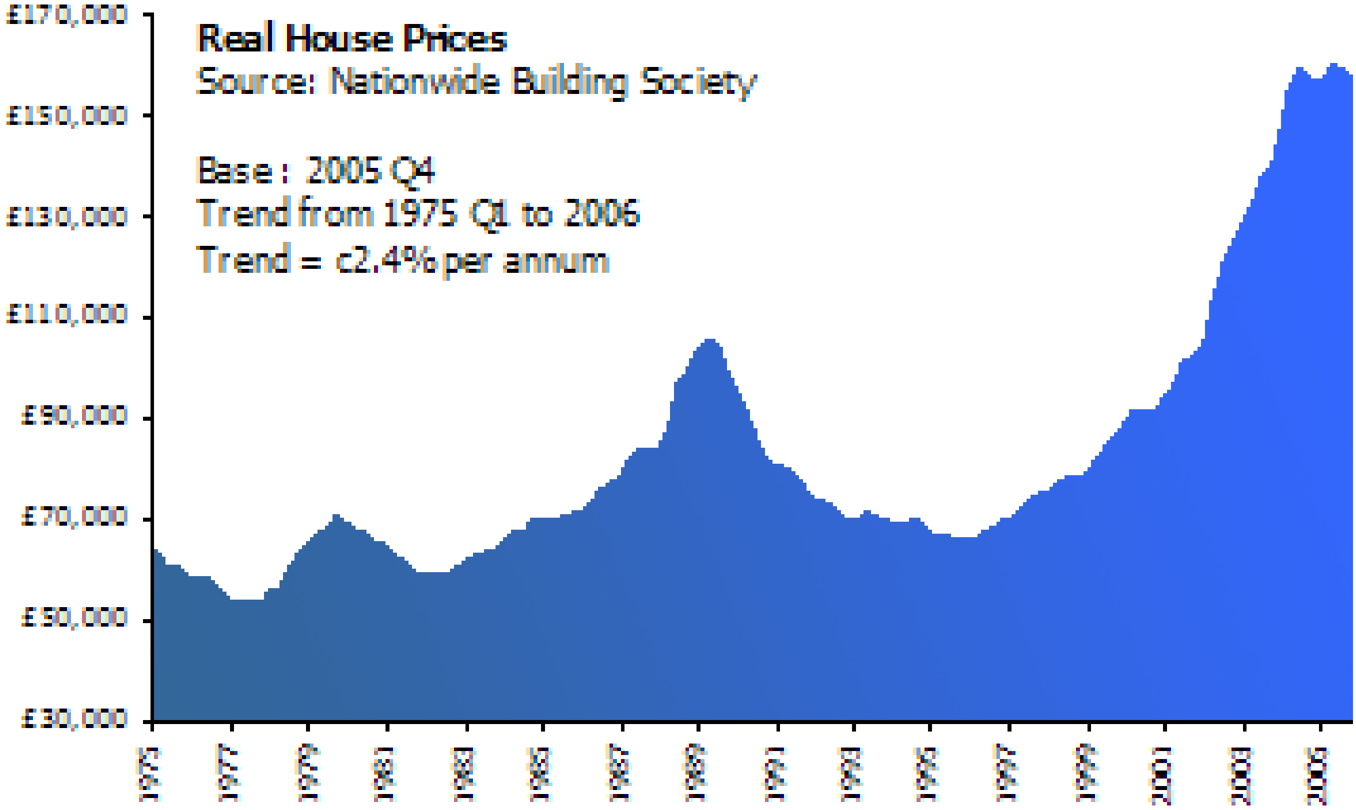
NASDAQ share prices (1994-2008)
Peak of the dot-com bubble March 2000





- **Major involvement of banks in mortgage from the mid 1980s onwards**
- **Houses and flats as financial assets**
  - **Regular flows of income from rent**
  - **Asset to be sold for profit**
  - **Collateral for household borrowing**
- **Formation of speculative bubbles**
  - **More or less endogenous to the real estate market (1990-92 crisis)**
  - **Supported by large scale “financial innovations”, notably by securitisation (2002-2007)**
  - **“Sub-prime”, quasi-fraudulent contracts Real-estate assets : liquidity low or very low**

United Kingdom : Real House Prices (1975-2006)



- **Debt of financial corporations has grown faster even than that of households**
- **This debt is inter-bank debt in many forms**
- **Several spectacular episodes**
  - **Northern Rock**
  - **Drying up of overnight lending & sharp Libor rate rises**
- **The Wall-Street-City inextricably close ties as the core of "systemic" financial crisis – in the specific meaning the term given by financial theory (see inter alia Aglietta, 1991)**
  - **as an urgent immediate threat in Set. 2008 after the Lehmann failure**
  - **as a non-resolved latent threat coming from innumerable possible sources**

- **<u>United States : Indebtedness by sector 1980-2008</u>**
  (% of GDP)

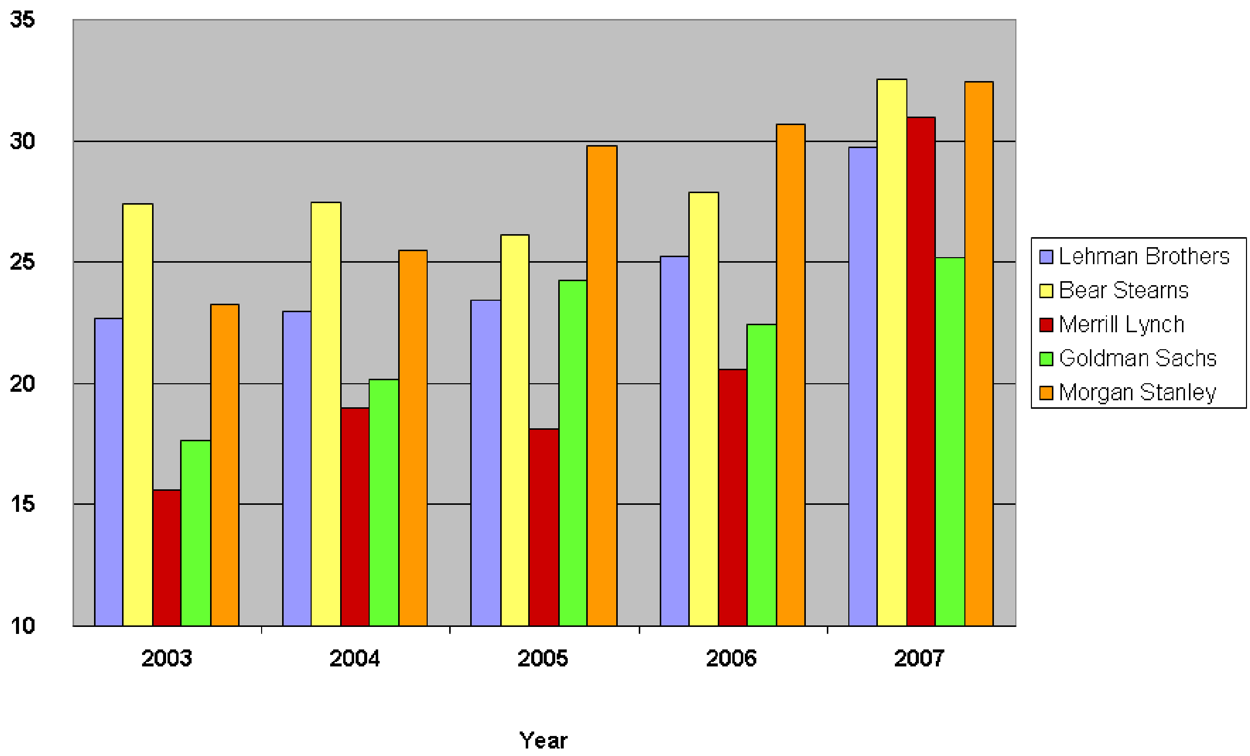
Sector	1980	1990	2000	2008
Households	100	49	65	72
Non-fin. Corp.	53	58	63	75
Finance Corp.	18	44	87	<u>119</u>
State	35	54	47	55
Total	155	221	269	349

- **Source** : Michel Aglietta, Federal Reseve Bank, Flow of Funds data

- **Large scale development of "financial innovations", notably securitisation**
- **Emergence of the "shadow banking system"**
  - **non-depository banks (e.g., investment banks, hedge funds, money market funds) that grew in size dramatically after the year 2000**
  - **by June 2008, the U.S. shadow banking system was approximately the same size as the U.S. traditional depository banking system**
- **Qualitative jump in leverage (debt to equity) by financial conglomerates & investment banks**
- **Ever-increasing volume of transactions (off-the-counter mostly) based on a weakening flow of surplus value flow from the "real economy"**

Leverage Ratios For Major Investment Banks

The leverage ratio is a measure of the risk taken by a firm; a higher ratio indicates more risk.
It is calculated as total debt divided by stockholders equity. Each firm's ratio increased between 2003-2007.



Source Data: Company Annual Reports (SEC Form 10K)

Securitization Market Activity

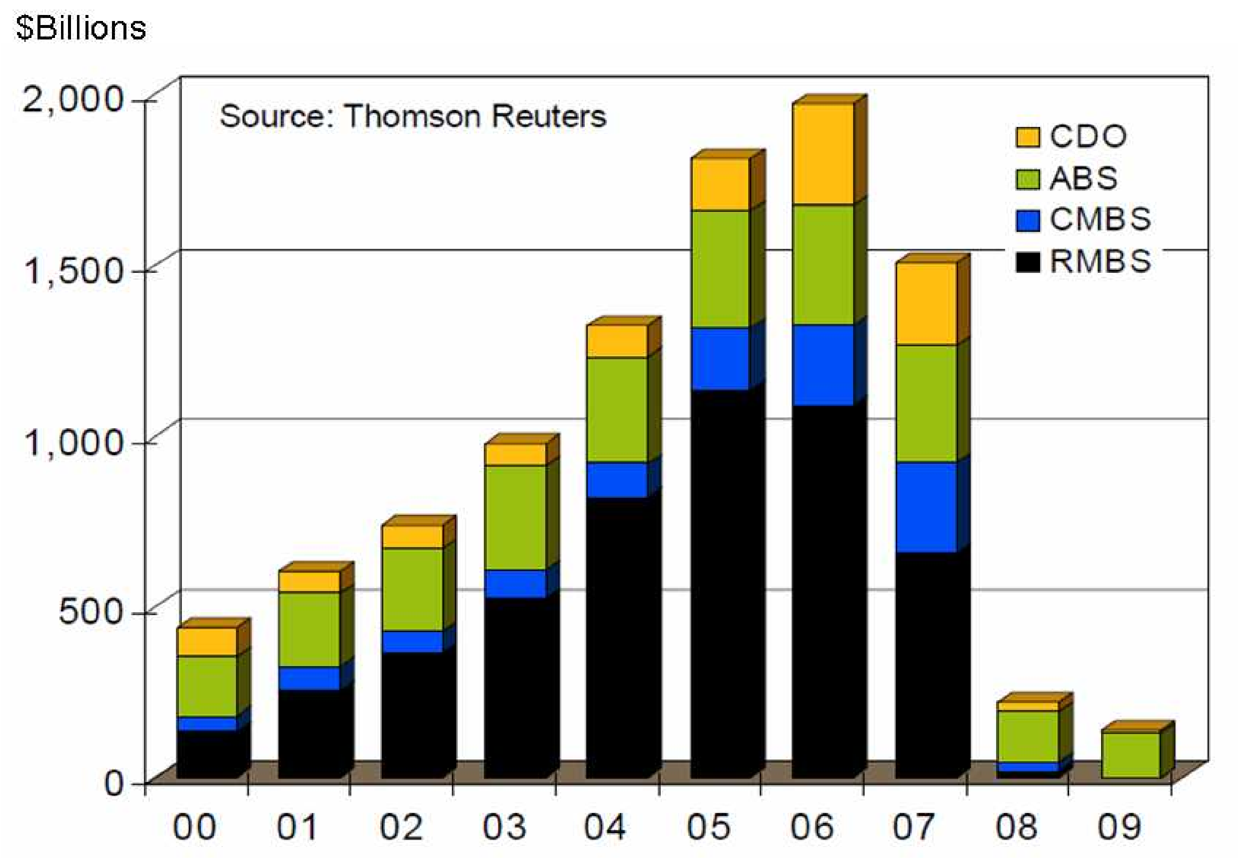
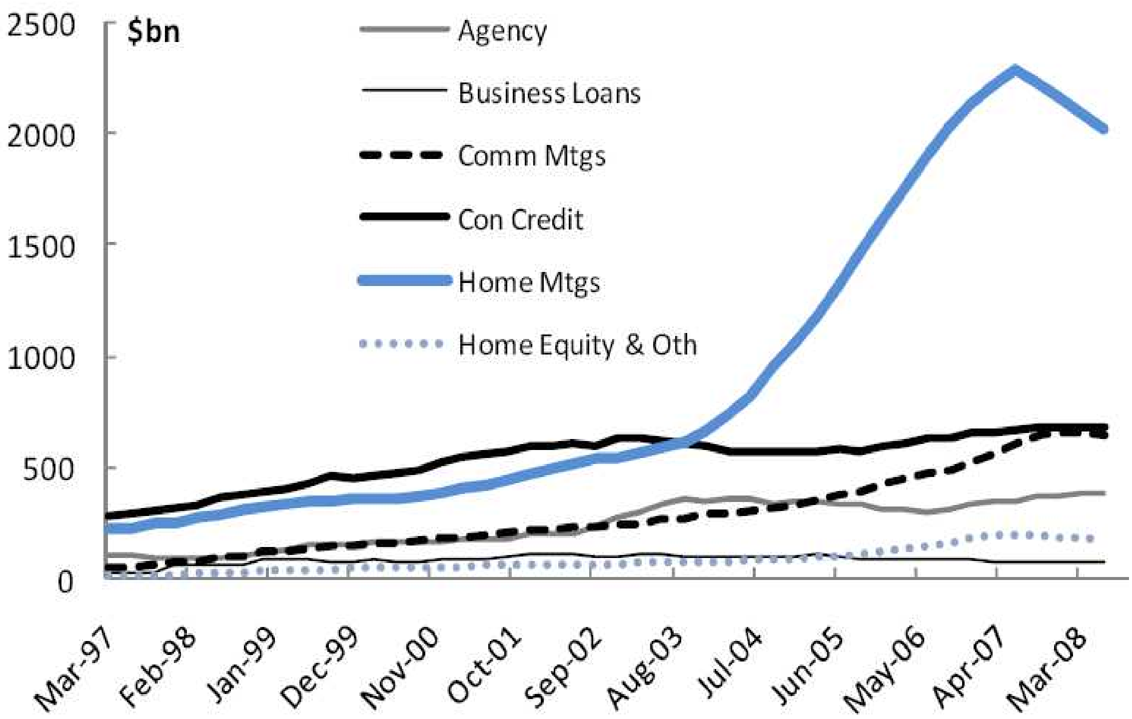


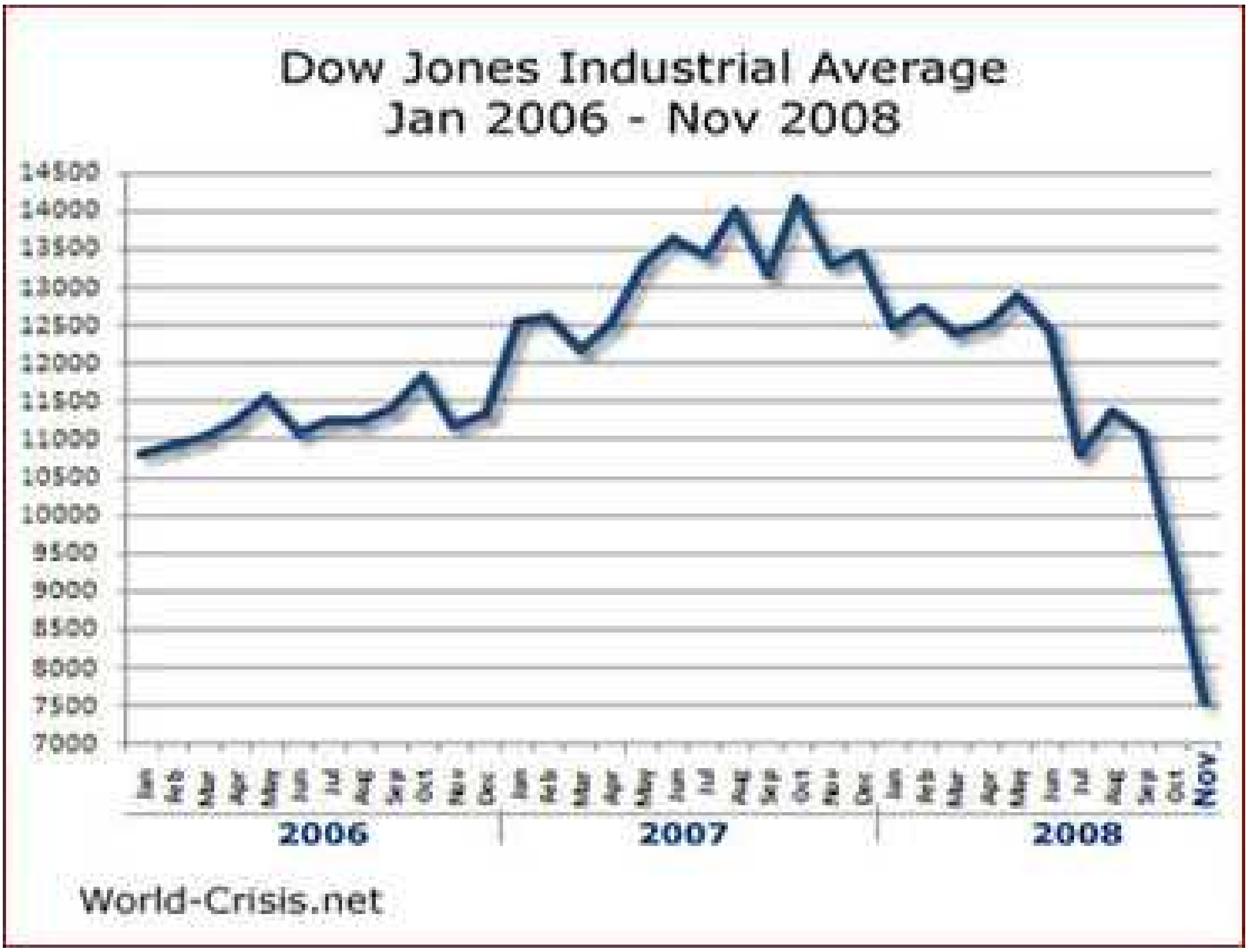
Figure 1. ABS issuers, home mortgages and other loans



Source : OECD, Datastream.

- **Stock market crashes occur when the smooth flow of income from claims on surplus value becomes problematic**
- **Magnitude of a crash will be determined by the scale of the bubble which preceded, the magnitude of the gap between expectations and reality**
- **Economic impacts of crashes shaped by the identity of the holders of claims**
  - **Wealthy families**
  - **Pension scheme participants**
  - **Commercial banks**

- **In 2008 the money-management & credit crisis led to a Stock market crisis**
- **Reverse process from that of 1929 when the crisis started by the Stock market crash**
- **Pension funds hit hard by the market fall**
  - **In October 2008, total assets of OECD-based pension funds had declined by $ 3.3 trillion, or about 20% in real terms since December 2007**
  - **By adding individual retirement accounts in the United States (the “401(k)” plans) and other countries the figure increases to about $ 5 trillion.**



- **Large losses in the shadow banking system**
  - **$ 2.8 trillion still projected by IMF in April 2010**
  - **Banks refuse to say how much « stress tests »**
- **Massive government aid**
  - **September 2008 massive liquidity injections by Fed and financial support by US government**
  - **Later followed by “additional” support deals (2 for AIG & Citigroup)**
  - **Increased concentration through cheap deals supported by public funds. Some examples**
    - **Sale of Bear Stearns to Merrill Lynch; Washington Mutual to JP. Morgan-Chase**
    - **Sale of Fortis to BNP-Paribas**

VII. <u>Power of finance stronger than ever</u>

- **A daily observable fact**
- **Return of financial corporation profits**
  - **Cornerstones are**
    - **interest differential between borrowing rate form Central banks and lending rates**
    - **global reach (see above) and fiscal residence in tax havens**
    - **weak consumer-protection legislation**
- **Resistance even to moderate regulation**
  - **OECD agreement on tax havens**
  - **Very timid Basel III decisions**
  - **Obama diificulties with his « plan »**
  - **18 months for the EU to agree on Hedge fund control**

- **Some milestones in the shift of the State-finance relationship in favour of finance**
  - **Offshore banking in the City allowed by Labour gov. from mid 1960s**
  - **1982-84 : first enouncement by Fed & FDIC of the “too big to fail” doctrine**
  - **Privatisation of nationalised banks in the EU**
    - **France 1986**
  - **Independence of ECB (1992) and of the Bank of England (1997) “*designed to prevent 'political interference'* »**
  - **1999 : definite repeal of Glass-Steagall Act**

- **Gowan (2009) : New Wall Street System adopted in the US & UK since the 1980s**
  - **« *reinstalls a credit system where private banks operate under the logic of money capital (Marx’s formula M-M‘) advancing money to others to make more money* »**
  - ***makes money-capital king***
  - ***entails the total subordination of the credit system’s public functions to the self-expansion of money capital***
  - ***entire spectrum of capitalist activity drawn under the sway of money capital which absorbs an expanding share of profits generated across all other sectors* »**

- **Hellman and Kaufmann IMF 2001 research paper on "*State Capture in Transition Economies*" :**
  - **"*Mechanisms by which firms shape decisions taken by the State to gain specific advantages***
  - ***The imposition of anticompetitive barriers that generate highly concentrated gains to powerful firms at a significant social cost.***
  - ***Use by firms of their influence to block policy reforms that might eliminate these advantages, state capture has become not merely a <u>symptom</u> but also a <u>fundamental cause</u> of poor governance.***
  - ***The captured economy trapped in a vicious circle***
  - ***Policy and institutional reforms necessary to improve governance are undermined by collusion between powerful firms and state officials*"**

- **Some observers of the US extend the notion of state capture (Simon Johnson ,Atlantic Review, May 2009)**
- **Selected features**
  - **An overall context of increasing financing of election campaigns by financial firms**
  - **"*The American financial industry gained political power by amassing a kind of cultural capital – a belief system*"**
  - **Financial firms ever forced to lobby in the way tobacco or health system firms have to**
  - **"*The Wall Street-Washington Corridor*"**
    - **Rubin President of Citigroup**
    - **Goldman-Sachs manning Treasury and New York Federal Bank**

- **“New Wall Street System” and “Capture of the State”, outcome of the cumulative effects of the processes just analysed**
- **Stress on the critical role of liberalisation of capital flows and of FDI & trade globalisation as an instrument of work deregulation and severe wage repression**
- **Very strongly bolstered by the dollar-based international monetary system**
- **An economic, political & social hold over workers based**
  - **a semi-consented weakening of trade unions**
  - **an increasingly unrestrained exercise of economic, political & symbolic power of capital over the most vulnerable parts of the industrial reserve army (in the US Afro-Americans)**
  - **a deliberate diffusion of the fetishism of money (M-M’) among the more stably employed workers (the “middle class”)**

- **International money created within the US financial system & provided to the world by continuous net outflows from the US**
- **Chronic US balance-of-payments deficits automatically financed by other countries holding $-reserves or using dollars in international circulation**
  - **US only country capable of borrowing from in its own currency and of doing so indefinitely**
  - **US can accumulate large foreign debt without the same kind of pressure as other countries**
- ***Sine qua non* condition for the continuous of New Wall Street System**
- **But also that of the very unequal-distribution *cum* export-led growth regime in emerging countries**

- **The theory of money fetishism must be taken up by Marxist economists & political scientists**
- ***« M — M'. We have here the primary and general formula of capital reduced to a meaningless condensation.***
- ***Capital appears as a mysterious and self-creating source of interest — the source of its own increase. The thing (money, commodity, value) is now capital and capital appears as a mere thing.***
- ***The result of the entire process of reproduction appears as a property inherent in the thing itself. It depends on the owner of the money, i.e., of the commodity in its continually exchangeable form, whether he wants to spend it as money or loan it out as capital.***
- ***In interest-bearing capital this automatic fetish -- self-expanding value and money generating money –is brought out in its pure state***
- ***The social relation is consummated in the relation of a thing, of money, to itself »*** **(Capital, vol III, chap.XXIV)**

- **The « belief system » as an attempt by a non-Marxist to express the grip of the fetishism of money**
- **Inside finance itself strongly strengthened by information technology &computer science**
- **Advance in the "autonomisation" of capital as M ("money" in its present forms) vis-à-vis industrial capital and society as a whole**
- **The political and social construction by capital of condition which have pushed sectors of the working class to share this fetishism (with country-specific differences)**
  - **individual saving schemes for retirement**
  - **houses not solely use values but also as financial assets**

- **The autonomisation of money as the ultimate & most fetishist expression of the process whereby in the form of capital the means and the outcome of production confront producers as an external abstract domination**

- **One significant passage "*that production as social production is not really subject to social control, is strikingly emphasised by the existence of the social form of wealth* (e.g. money at the time gold) *as a thing external to it*". (Capital, vol. III, chap. XXXV)**

- **Political and social construction of conditions leading much of the working class in capitalist countries to embrace this fetishism**
- **Martin (2002), "*The Financialization of Daily Life*", Hacker (2006), "*The Great Risk Shift*"**
  - **Private financial market-based retirement benefits (Pension funds, 401k individual saving schemes, etc.)**
  - **Private home ownership**
  - **Homes as « assets »**
- **Bryan, Rafferty & Macwilliam (2010)**
  - **"*Labor's means of subsistence – housing, health, etc. – become liquid assets for capital at the same time as they are 'locked in' as labor's consumption items*"**

- **The persistent power of fictitious capital implies**
  - **smothered “growth”**
  - **repeated speculative attacks in given markets and provoking new bubbles**
  - **permanent very strong pressure on governments to attack wage-earners and the youth**
- **In G7 countries the symbiosis between fictitious capital and the domination of capital *per se is* a historically irreversible process**
- **Destruction of both by massive working class activity *largo sensu* the only “way out of crisis” in the present historical context**
- **Will the length & severity of the crisis overcome the subjective obstacles in parts of the working class stemming from the fetishism of money?**
- **The opportunity created in Europe for a common fight across countries against the new round of saving the banks and making workers and youth pay the bill**