A Marxian Theory of Financialization

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Abstract

We present a Marxian theory of financialization as an outgrowth of the autonomization of social forms from their own material bases. We provide a new theory of how financialization connects to the Marxian economic theory, and we do so by developing the principle of capital autonomization. Our framework incorporates financialization through a new definition of capital that does not privilege solely financial or productive aspects. We compare our approach to other heterodox theories and demonstrate how our alternative offers a novel theoretical understanding of financialization.

Key-words: *Financialization; Autonomization of Capital; Marx*

Resumo

Apresentamos uma teoria da financeirização em Marx a partir da noção de autonomização das formas sociais de suas bases materiais. É apresentada uma teoria de como a financeirização se conecta com a teoria econômica de Marx, a partir do desenvolvimento da noção de autonomização do capital. Nossa abordagem incorpora a financeirização a partir de uma definição de capital que não privilegia apenas aspectos financeiros ou produtivos. Também comparamos esta abordagem com outras teorias heterodoxas e buscamos mostrar como esta abordagem oferece uma nova interpretação da noção de financeirização.

Palavras-chave: Financeirização; Autonomização do Capital; Marx

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1. Introduction

The heterodox literature on financialization has increased exponentially as financial aspects of capitalism inaugurated a new phase for wealth accumulation. The dynamics of finance capital have promoted new interactions and new forms of creation and distribution of wealth. Our specific concern in the present article is in which ways modern-day financialization would relate to Marx`s ideas about the expansion of capital. We ask the question whether or not Marxian categories could explain current events related to financialization. We reply positively by developing two sets of ideas. The first is on how financialization should be defined within a proper Marxian framework. The second is on how financialization would connect to the categories developed by the Marxian economic theory.

The main idea that we introduce is the principle of capital autonomization. Autonomization is the tendency that social forms have in capitalism to move away from and to undermine their own bases. The autonomization of capital is the tendency that capital has to accumulate while distancing itself from and also to undermine its own basis, namely value production. Financialization is a specific historical outgrowth of autonomization in its financial dimension. As we demonstrate with our Marxian approach, financialization is defined as the autonomization of value from its own basis, use-value. Financial autonomization, or 'financialization' according to the heterodox tradition, is a modern-day way through which capital autonomizes value accumulation from use-value production and circulation. Financialization, as a product of capital autonomization, is a specific way of separating capital from - and also to undermine - real surplus value creation.

We compare current dominant heterodox theories of financialization, and show how our argument on autonomization and qualitative financialization stands in contrast to other approaches. Financialization is here understood as a higher stage in the development of capital; it is a continuing aspect of capitalism's evolution. 'Financialization' is, as we conclude, a misleading term for it places too much emphasis on finance. We then proceed to develop our Marxian framework of financialization as a process subsumed under the principle of autonomization of capital. For us, capital autonomization does not privilege financial aspects.

The task of theorizing autonomization is accomplished through a new way of interpreting Marx`s ideas about accumulation.

Capital's autonomization means that capital contradictorily tries to valorize itself dispensing with real value creation. The autonomization of capital is a contradictory 'valorization dispensing with value'. It is an attempt to valorize capital concomitantly dispensing with labor exploitation. The concept of autonomization, therefore, does not privilege financial or productive aspects. Autonomization is a more general principle realizable through both finance and production. No especial focus is put on finance to the detriment of production.

Autonomization, as we understand it, takes place as capital tries to solve its unsolvable contradictions. What capital does, then, is setting the contradiction to a higher stage by gradually distancing the expansion of value away from real value-creating activities. That is why autonomization itself is contradictory. It is contradictory because it is, firstly, the expression of capital playing around with its own unsolvable paradoxes and, secondly, because capital attempts to valorize itself while undermining what really creates value.

2. Financialization and Autonomization: A Marxian Framework

Our proposal to understand financialization within a Marxian framework is highly indebted to the works of Teixeira (2007), Paulani (2009 and 1991) and Fausto (1987a and 1987b), who first noticed that the definition of financialization depends on the proper definition of capital. In the Marxian tradition capital was mainly understood as simply 'self-expanding value', which is an idea present in Marx's definition of capital as a 'social subject'. Capital as a subject has commodity and money as its predicates and has productive capital, interest-bearing capital, rent-bearing capital, and fictitious capital as its developed forms. But the definition of capital as self-expanding value misses an important point. It misses the basic idea of capital as an abstract form: a social form that has the tendency to expel its own content. In concrete terms, the idea of capital as an abstract form implies that surplus value creation both depends on and expels productive labor. From *Capital I* to *Capital III* and also in the *Grundrisse* Marx tries to show that capital, more than self-expanding value, is a social form with an inherent tendency to become 'autonomized'.

We propose that, in a Marxian framework, 'autonomization' should be understood as the inherent tendency of social forms in capitalism to separate from and to undermine their own bases. Capitalism has the impulse to produce revenues dispensing with labor exploitation and real surplus creation. Autonomization is the tendency that capitalism has to engage in a contradictory 'valorization without value creation'.

By presenting the concept of capital in a dialectical manner, Marx indicates that the financial, rentier and fictitious forms have a tendency to become autonomized in relation to real value-creating activities, a tendency which is already inherent in the commodity and money forms. From the first chapter of *Capital I* Marx makes every effort to show how value becomes increasingly independent of use-value, implying that autonomization constitutes the commodity and money forms:

> "The historical broadening and deepening of the phenomenon of exchange develops the opposition between use-value and value which is latent in the nature of the commodity. The need to give an external expression to this opposition for the purposes of commercial intercourse produces the drive towards an independent form of value, which neither finds rest nor peace until an independent form has been achieved" (Marx 1990, p.181)

The origin of the contradiction between value and use-value lies in the contradiction between abstract and concrete labor, itself a contradiction created by the historical opposition between privatized relations of production and socialized forces of production. The contradiction that begins as the paradoxical relationship between value and use-value will unfold into more developed forms of capital, for which the contradiction evolves to that between forms of capital valorization and its content, the real production of surplus value.

Marx's attempt is, as we understand it, to show how each ontological development of commodity and money represents one more step towards the increasing autonomization of capital from real value creation. We can synthesize capital's logical formation with a simplified scheme: labor → commodity → exchange-value → general equivalent → coin → money → capital → productive capital → continuous accumulation of capital → interest-bearing capital → rent-bearing capital → fictitious capital. The development of capital is, therefore, just a matter of developing what is presupposed - i.e. present as a potentiality - in its essence: the ever growing separation of social forms from their own material supports. Money, capital, accumulation of capital, interest-bearing capital and fictitious capital are all higher forms of the core tendency of autonomization:

> "All contradictions of the monetary system ... are the development of the relation of products as exchange values, of their definitions as exchange value or as value pure and simple" (Marx 1973, p.152).

The key to understand autonomization is to understand the dialectics. For the dialectics, becoming, and not merely being, is the truth: "For the real issue is not exhausted by stating it as an aim, but by carrying it out, nor is the result the actual whole, but rather the result together with the process through which it came about" (Hegel 2002, p.26-27, §3). Lukács also understood the same point: "reality is by no means identical with empirical existence. This reality is not, it becomes. [...] In this Becoming, in this tendency, in this process the true nature of the object is revealed" (Lukács 1922, p.203). Truth is reality being developed and formed through time. The dynamics of becoming and of formation are central to the Marxian dialectics as they are central to the Marxian concept of autonomization that we support in this article. Autonomization is the reality of capital; it is capital being developed and formed through time.

Autonomization implies the introduction of new layers of ontological - both logical and historical - mediation between social forms and their bases. If fictitious capital is the most autonomous form of capital it is so because as fictitious capital the social form is separated from its basis by several mediations. For the mainstream economist, autonomization simply appears as irrational exuberances when asset prices do not reflect the 'fundamentals' of the system.

The conventional economic approach is to consider capital accumulation chiefly as an accumulation of technology, investment goods and services. On the other hand, the Marxist point of view treats capital as a social form. While Neoclassicals and Keynesians understand capital as simply an input, Marx treats capital in terms of sociability. Capital as M-C-M' can be abbreviated to M-M' exactly because the motive of capitalist production is not the expansion of the production of commodities as use-values but rather the expansion of the valorization of value. In concrete terms, as often as possible capital tries to disencumber itself from real value-creating activities while still contradictorily attempting to self-expand as value. Autonomization can then appear as economic agents, be them financial or non-financial, trying to generate revenues without the actual production of new use-values or values through surplus labor extraction.

If by capital autonomization we mean the introduction of new ontological layers of mediation between the expansion of capital and the real production of value through surplus labor production, then 'financialization' is just a higher stage and an outgrowth of autonomization. Financialization is a contemporaneous stage and one dimension - even though not the sole - through which the expansion of capital contradictorily tries to disentangle itself from the effective creation of surplus value. Financialization, in our Marxian framework, represents the autonomization of value in relation to use-values. It is the most recent financial aspect of the general principle of capital autonomization.

To sum up, we have so far delineated the general principle of capital autonomization. Financialization should, according to our Marxian approach, be understood as a specific outgrowth of capital autonomization. In the next section we demonstrate how our approach relates to the dominant heterodox theories of financialization.

3. Heterodox Approaches to Financialization

To begin with, we briefly summarize the main current heterodox theories of financialization:

(i) Epstein and Jayadev (2005) and the French Regulationist School (Boyer and Saillard 2002; Chesnais 2005): emphasis on the dominance of the financial forms of capital, such as interest-bearing capital and rentier capital, over productive capital. They introduce the idea of finance-dominated accumulation regime and of the rise of an international rentier class ;

(ii) Arrighi (1994), Wallerstein (2003), Krippner (2005), and Suter and Pfister (1987): emphasis on Braudellian long-waves and on the sources and patterns of capital accumulation. The financial form is, for them, the most flexible form of capital and is not restricted to the financial sector. Financial profit can be a significant source of revenue for industrial firms;

(iii) Crotty (2003 and 2000) and Orhangazi (2003): emphasis on modes of competition, industrial organization and lack of aggregate demand growth that jointly produced a tendency towards indebtedness and the search for profits in financial activities. Financialization of non-financial firms means that financial investments are crowding out real productive investments;

(iv) Negri and Lazzarato (2001) and Gorz (2005): emphasis on the service and information economy and on the rise of 'immaterial values' and 'immaterial labor'.

Each of the main heterodox approaches to financialization has its own important contribution, be it in theoretical or statistical terms. Each of them point to distinct features of the post-1970 capitalism and in most cases the positions in fact complement each other. In our understanding, all of the above theories, ours included, share one point: the paradoxical tendency of capital to separate from and to undermine its own basis, real surplus value creation. This common feature that we identify in the heterodox literature is captured by our Marxian concept of autonomization.

Our attempt is to overcome what Epstein (2005) and Goldstein (2009) have diagnosed as a yet absent common definition of financialization. For example, when Epstein and Jayadev (2005), Crotty (2003 and 2000), Krippner (2005) and Orhangazi (2003) demonstrate how non-financial firms were compelled to financialize (meaning that they were forced to make non-productive investments to somehow generate increased profits for shareholders), it implies exactly what is captured by our Marxian framework. According to the above-mentioned literature, financialization consists of at least two main aspects: (i) the unprecedented dynamics that financial activities achieved after the 1970s; (ii) the crowding out of non-financial investments by financial investments. Our Marxian principle of capital autonomization incorporates these two central aspects of financialization as both are clearly ways to contradictorily create "value" without, and even undermining, surplus-value extraction and new use-value creation. They are ways to autonomize capital from its own support.

One dimension of capital autonomization is financial and is incorporated in the concept of financialization. But we must be careful with the terminology, for the heterodox theories share one caveat, namely that they focus excessively on finance. When production appears, for example, it appears passively: finance made production more short-sighted; shareholder revolution forced managers to care less about long-term profits (Stockhammer 2004); finance crowded out real productive investments etc. Production responds passively to finance. The heterodox literature on financialization has proven to be a fruitful one. But its excessive reliance on finance can be a shortcoming. It ignores that productive aspects might also be playing an active role. In Teixeira and Rotta (2011) we develop a theory of how capital autonomization manifests itself in its two active dimensions: the financial through financialization, and the productive through the production of valueless commodities. We develop a new Marxian theory of valueless 'knowledge-commodities' and of 'knowledge-rents' to demonstrate how focusing solely on finance can be widely misleading.

To avoid such caveats we introduce the principle of autonomization of capital, a concept that does not prioritize finance neither production. The principle of autonomization, contrary to the dominant heterodox approaches, focuses on how capital develops its own forms and how each of these forms undermines real value creation. Our point is that what underlies financialization is the autonomization process that has logically taken place since the introduction of the commodity and money forms.

What gives financialization its unique historical characterization is its institutional framework and the specific forms of class conflicts that emerged after the 1970s. We are not positing that in the current phase of capitalism there is nothing unique about financialization. Our argument, on the contrary, is situated at a higher level of abstraction and do not deal with the more concrete specificities. The dominant heterodox approaches, in this case, do a better job in investigating more concrete transformations. The authors writing on financialization situate it as a particular temporal moment that has produced concrete results: the rise of rentiers, shareholder value, bubbles, and the Great Recession. Financialization is conceptualized in this current article, on the contrary, at a higher level of theoretical abstraction than the works we cite. Unlike other heterodox economists we have another goal in mind in developing the notion of financialization which is to link financialization back to autonomization, without discussing specific financial institutions or assets.

It is worth noting that the principle of autonomization also incorporates the autonomization of value from use-value engendered by monopoly capital. The post-1970 era of financialization is a historical offspring of the era of monopolies, as Baran and Sweezy (1968) clearly identified. Monopoly capital, by turn, is also a specific form of capital autonomization, as monopoly capital generates revenues for itself partially irrespective of surplus value generation. It is not surprising, therefore, to realize that the era of financialization began after the era of monopoly capital. The transition from competitive to monopoly capital is a historical form of capital autonomization as is the transition from monopolies to financialization. The core principle remains: how capital contradictorily separates from and undermines its own source of expansion. In the case of monopolies, capital assures to itself a greater share of profits without producing equivalent amounts of surplus value. Monopoly capital expands while disconnecting the expansion of capital from the real exploitation of productive labor.

4. Stages of Autonomization: Re-Reading *Capital*

In our Marxian framework the autonomization of capital bears central importance. Financialization, as we understanding it, is the modern expression and an outgrowth of the more general principle of autonomization. However, it is still not clear how financialization and autonomization relates to the Marxian economic theory. In this section we explicitly demonstrate how a proper reading of Marx`s *Capital* and the *Grundrisse* reveals the autonomization principle. In the following subsections we support a new way of interpreting Marx's ideas about accumulation in capitalism. The logical development of capital, as we shall see, is its own autonomization.

4.1 Logical and Historical Discourses

Marx proceeds stepwise in his theoretical derivations. The logical starting point of autonomization is the commodity form, as presented in the very first chapter of *Capital I*. The commodity form is the starting point as it is the first logical bearer of the contradictions of capital. The contradiction of capital finds its source in the commodity form and, more specifically, in the relationship between the two constituents of the commodity form: value and use-value. The dialectics of value and use-value is the key aspect of the formation of capital and of its autonomization.

From *Capital*`s volume 1 to volume 3, and also in the *Grundrisse*, Marx presents capital as a social form with the inherent tendency to become autonomized in relation to its own bases. Each logical step derived from the very beginning of *Capital I* represents one more stage in the increased autonomization of social forms. The first two forms that appear in Marx's logical presentation are the two predicates of capital: commodity and money. Commodity and money have as their constituents the seeds of capital autonomization. Each successively derived form is a derivation of the main principle of, and tendency to, autonomization:

i. The general equivalent is autonomized exchange-value;

ii. Money is autonomized general equivalent;

iii. Money as a sign and money as money are autonomizations proper to the money form;

iv. Capital is autonomized money;

v. Interest-bearing capital and rent-bearing capital are forms of autonomized capital;

vi. Fictitious capital is autonomized interest- and rent-bearing capitals.

In the following subsections we divide the stages of autonomization into three phases:

a. Autonomization of value in relation to use-value and the emergence of the money form;

b. Autonomization of money in relation to production and circulation by the de-materialization of money and by money becoming an end it itself;

c. Autonomization of capital in relation to real productive value creation through labor-saving technological progress, interest-bearing capital, rent-bearing capital, and fictitious capital.

Autonomization occurs as capital tries to solve its unsolvable contradictions. What capital does then is merely setting the contradiction to a higher stage by distancing even more the expansion of value from real value-creating activities. That is why autonomization itself is contradictory. It is contradictory because it is, firstly, the expression of capital playing around with its own unsolvable paradoxes and, secondly, because capital attempts to valorize itself doing away with what ultimately creates value. Our Marxian framework allows us to understand, for example, the tendency of financial activities to become increasingly independent of productive conditions as the tendency that capital has to distance itself from, and also to undermine, real value creation.

Capital I opens with the commodity form because it is the *logical* stem cell of capitalism. The 'logical' adjective has here its proper meaning. The commodity form is not the *historical* stem cell of capitalism. *Capital* was written by Marx in a logical order, not a historical one. Its discourse presents the social forms as derived logically one from the other, and it does not follow how capitalist social forms have appeared across history. It is central to our understanding of autonomization that we differentiate between the historical and the logical scientific discourses. Money, usury capital and fictitious capital all preceded chronologically the dominance of the commodity form. But they do not precede commodity in the logical presentation. Marx is very clear about this point:

> "Reflection on the forms of human life, hence also scientific analysis of those forms, takes a course directly opposite to their real development. Reflection begins post festum, and therefore with the results of the process of development ready to hand. The forms stamp products as commodities and which are therefore the preliminary requirements for the circulation of commodities, already possess the fixed quality of natural forms of social life, before man seeks to give an account, not of their historical character, for in his eyes they are immutable, but of their content and meaning." (Marx 1990, p.168)

Hegel called it "philosophical history":

> "we seem to have in philosophy, a process diametrically opposed to that of the historiographer. […]The only thought which philosophy brings with it to the contemplation of history, is the simple conception of reason" (Hegel 2001, p.22)

The commodity form is the logical starting point because it is the logical stem cell of all other forms of capital in capitalism. Exchange-value, the general equivalent, coin, money, capital, productive capital, accumulation of capital, interest-bearing capital, rent-bearing capital, and fictitious capital are all derived forms of commodity and, mainly, of the two constituents of the commodity form: value and use-value.

4.2 Autonomization of Value from Use-Value

Autonomization in its first stage is the result of the contradiction inherent to the commodity form between its two contradictory constituents. The first constituent is use-value. Use-value is the qualitative basis and ultimate support for value in capitalism. Use-value represents the qualitative dimension of commodities, without which the system could not expand in terms of production and consumption. If values being produced are not useful then production, consumption and accumulation cannot proceed. If values are not qualitatively useful, capitalism could suffer from a realization problem. The system could potentially come to a halt. Notwithstanding, it is worth noting that use-values need not be tangible materials. Some use-values are intangible, as is the case when the commodity is a service. So even though use-values are the qualitative basis of value, this basis can perfectly be immaterial or intangible.

The second constituent of commodity is value. Value is the quantitative dimension, whose quantum is determined by the socially necessary labor time to reproduce the commodity. Value is inherently a relational dimension, as it is determined by social conditions of production and consumption.

What matters to us is that value and use-value are, at the same time, both complementary and antagonistic dimensions to each other. Use-value is created by concrete labor. It is the individual qualitative dimension. Value, on the other hand, is created by abstract labor. It is the social quantitative dimension. Concrete and abstract labors are the two inseparable and co-existing dimensions of labor. One is the flip side of the other. But the individual use-value can only be validated socially as a value in the market. The commodity therefore experiences an inherent contradiction: it is a privately produced object that only acquires ex post validation socially, when exchanged for other commodities or money. The particular commodity needs to be socially accepted by the market. The particular use-value cannot be a particular use-value unless it becomes socially a value through trading. Vice-versa, a value in the market cannot be an amount of value if it is not a particularly useful use-value for private individuals.

The contradiction between use-value and value – or between the social form and its own basis - is the very first logical source of capitalist crisis. The social validation occurs *a posteriori*, after the commodity is produced. If market validation does not occur, the individual capitalist faces a real problem. If non-validation becomes systemic then capitalism faces a crisis. That is unique of capitalism and of its business cycles. Feudal societies did not face such endogenous cycles because production and consumption were both social within each feud. Feudalism only had to deal with exogenous cycles, such as those created by nature (i.e. droughts, floods, pests etc.) or by war. Planned societies also do not have the validation problem. Production and consumption are determined socially *ex ante*. Only in capitalism concrete and abstract labor contradict each other, as each particular capitalist must validate her production ex post in the market.

A particular commodity cannot solve it own contradiction by itself. It needs to be confronted with other particular commodities in the market. The other commodities, however, also face the same paradox. As Marx develops along the lines of chapters 1 and 2 of *Capital I*, the value of one commodity finds its validity in the use-value of another commodity. Note that at this turn money does not logically exist, so he is referring to barter exchanges. The expansion of trade and production, however, makes bartering more of an obstacle then a solution. Money then finds its place. The key point to us is what constitutes the logical origin of money. In a very illuminating passage on the emergence of money, the principle of autonomization starts to take shape:

> "Money necessarily crystallizes out of the process of exchange, in which different products of labor are in fact equated with each other, and thus converted into commodities. The historical broadening and deepening of the phenomenon of exchange develops the opposition between use-value and value which is latent in the nature of the commodity. The need to give an external expression to this opposition for the purposes of commercial intercourse produces the drive towards an independent form of value, which neither finds rest nor peace until an independent form has been achieved by the differentiation of commodities into commodities and money. At the same rate, then, as the transformation of the products of labor into commodities is accomplished, one particular commodity is transformed into money" (Marx 1990, p.181)

When one commodity is traded with another the value of the first finds its expression through the use-value of the second. The ratio at which these commodities are traded is called 'exchange-value'. When bartering ceases to exist the exchange-value, which is a relational property, becomes itself an object with an independent existence in relation to particular commodities. The independent exchange-value is what Marx calls the 'general equivalent'. The general equivalent is, therefore, autonomized exchange-value. It is a relational property that becomes itself an independent object. It is a social relationship that begins to exist as a particular object, like grains, salt, gold and silver:

> "it is in fact necessary that value, as opposed to the multifarious objects of the world of commodities, should develop into this form, a material and non-material one, but also a purely social form" (Marx 1990, p.195)

The general equivalent is a manifestation form of the value of commodities and, as such, is the first step of the autonomization of value in relation to use-value. The general equivalent is autonomized value in relation to the specific use-values of commodities. In its logical origin as an independent exchange-value, money is autonomized value that now steps aside the multifarious world of commodities as the one general equivalent. What matter to us is the process of autonomization of value: the logical origin of the money form - not its historical origin - lies in the autonomization of value and of exchange-value from the particular use-values. Marx is very clear about this crucial point:

> "The product becomes a commodity; the commodity becomes exchange value; the exchange value of the commodity is its immanent money-property; this, its money-property, separates itself from it in the form of money, and achieves a general social existence separated from all particular commodities and their natural mode of existence" (Marx 1973, p.146-147).

> "money owes its existence only to the tendency of exchange value to separate itself from the substance of commodities and to take on a pure form" (Marx 1973, p.160).

In practice, what traders have created was setting the contradiction to a higher stage while trying to solve it. The contradiction between value and use-value (or between abstract and concrete labors) cannot be solved because in capitalism production is validated only *ex post* by the market. Instead of solving the contradiction, which would require social planning, traders and capitalists attempt to overcome it by creating the general equivalent. The general equivalent, which is precisely the logical antecedent of money, allows production and consumption to be more flexible though time and space. But it only does so by extending the social validation problem to a higher and more generalized level. The movement of bringing one contradiction to a higher level by trying to solve it is exactly what constitutes autonomization.

4.3 Autonomization of Money from Circulation and Production

The last subsection dealt with the logical emergence of the general equivalent and of money as the first autonomization of value from use-value. The next step is to understand the Marxian monetary theory and how money faces its own autonomization. To understand what we mean by autonomization of money it is first necessary to understand what money is.

Chapter 3 of *Capital I* and the first book of the *Grundrisse* take on the task of developing what money is in capitalism. Marx has a very unique and powerful monetary theory, widely misread even by Marxists. The idea that is central to us is what constitutes the proper contradiction of money. Our approach, influenced by the works of Fausto (1987a; 9187b) and Paulani (1991), draws attention to the important conceptual distinction between “coin” and “money”. The first hint that Marx gives that coin and money refer to different concepts lies in the fact that the title of chapter 3 of *Capital I* is ‘money’ while the subtitle of its third subsection is also ‘money’. Why would Marx do that? If he is only conceptualizing money properly in the last subsection, then what is he theorizing about in the first two subsections of chapter 3? The answer to this question is of crucial significance to our approach.

Money has three constituents. The first is being a ‘measure of value’ of commodities. The second is being a ‘means of exchange’ of commodities. The third is being ‘money as such’, both as hoarding and as means of payment. Following Fausto and Paulani, we posit that the first two constituents (measure of value and means of circulation) consist of what Marx calls “coin”, while the last constituent (money as hoarding and means of payment) is what Marx calls “money as such”.

Coin is money as an intermediary. It facilitates the circulation of commodities, and does so as a simple intermediary, the oil that lubricates the engines. Its cycle is simply C-M-C. Money lies in the middle, facilitating the trading of commodities in the market. The objective of the cycle is to trade commodities. Money is only a passive link connecting the desires of buyers and sellers. It measures the values of commodities and acts as means of exchange. Basically, it does what the Neoclassical theory says that it does: merely facilitates trade.

Money as coin already engenders the first autonomization of money, namely its de-materialization. The de-materialization of money is the detachment of the money form from the substance that bears it. Historically money appeared as a specific commodity like salt, grains, silver and gold, that had some desirable physical properties: carriable, divisible, durable, and socially accepted. After a long historical period money and silver became the dominant forms of means of exchange. But its continued circulation led to physical deterioration. The face value of a coin (like 1 pound) no longer reflected its gold weight in pounds. Even though currency names were historically derived from weight measures, the face value of currencies began to lose their direct connection with the intrinsic metal weight that it should represent. Traders and governments soon realized that it was better to finally substitute paper-money for the metal coins to avoid continued physical deterioration of commodity-money. The introduction of paper money, i.e. signs of value, represented an important step towards the de-materialization of money and also towards the autonomization of value. Nowadays paper money is even being replaced by electronic money and plastic cards. The initial direct connection between the amount of means of exchange and the needs of circulation fades away through the de-materialization of the means of exchange. Value no longer circulates directly as a material value, as was the case with commodity-money like gold and silver. Now value is represented by mere valueless signs of itself.

The de-materialization of money as coin via the circulation of valueless signs of itself is the first autonomization proper to the money form. In the Marxian monetary theory money is not a symbol, even though it can be replaced by symbols of itself: "The fact that money can, in certain functions, be replaced by mere symbols of itself, gave rise to that other mistaken notion, that it is itself a mere symbol" (Marx 1990, p.185). Money is not a symbol; it is rather autonomized exchange-value that originates out of the contradiction between value and use-value. This is, however, only the first autonomization of money as coin. The second autonomization is the one faced by money as such.

Money as such is money as an end in itself. It is no longer a mere intermediary that facilitates circulation. It becomes instead the objective of circulation. As hoarding and as means of payment, money has a new cycle: M-C-M. It is the start and the end of the cycle. The commodity only has to validate what money is performing. Basically, money as such does what the post-Keynesian theory says that money does: performs with its speculative-motive and credit functions. ‘Money as such’ does the opposite of ‘money as coin’. Money as such and money as coin contradict each other: they are concomitantly complementary and opposite. Coin and money as such are two contradictory constituents of money. Money is contradictory because it is an intermediary and an end in itself at the same time. It is an object with two opposing cycles occurring concomitantly.

The crucial point is that of money becoming an end in itself. The passage from the C-M-C cycle to the M-C-M cycle constitutes the second autonomization of money. As coin, money was initially directly attached to value and commodity circulation. The de-materialization of money and its replacement by mere signs of itself were its first autonomization. The second step comes with money as such being posited as an end in itself. More logical mediations now separate money circulation from commodity and value circulation. Partially independent of consumption and production conditions, money starts to develop its own autonomized cycle. Money, not the use-values of commodities, becomes the objective of circulation.

Autonomization proceeds even further with monetary forms. Note that in the money-as-such cycle, M-C-M, the money trader is trading money but is does so with the same quantity of M. She is trading money for money without making a profit. In capitalism this is not rational. The cycle of money then becomes M-C-M’, in which money dealers profit (M’ minus M) from their activities. M-C-M’ is precisely what Marx calls the cycle of capital. The cycle of capital - this is the crucial passage - springs logically from the cycle of money as such. When money becomes an end in itself it paves the way to the origin of capital, of money having the ability of making more money out of itself.

Capital emerges as money, in the logical discourse, tries to solve its own contradiction. It ends up “solving” it by setting the contradiction at a higher and more generalized stage. The higher stage is the cycle of capital. Autonomization therefore proceeds as before: value distancing even more from use-values. The distancing is the introduction of new layers of mediation between the circuit of values and its basis, the circuit of use-values. Initially the circulation of money was responding passively to the circulation of the use-values of commodities. But the positing of money as such allows money to become itself the aim of circulation, with the use-values of commodities assuming a subordinate role. When use-values lose the leading role to value, capital can flourish and complete the task of subordinating the creation of use-values to the self-expansion of value. The objective of circulation and production ceases to be consumption. Both consumption and production become profit-led. When profits drive accumulation, use-value finally incorporates its ultimate role, namely being the mere basis for value creation.

4.4 Autonomization of Capital from Value Creation

In Marx's logical presentation, each social form (i.e. exchange-value, general equivalent, money, capital etc.) springs from the contradiction set by the previous form. At each higher stage the contradiction is posited again under a new and more generalized form. In capitalism the contradiction - that originally springs from the existence of value and use-value (or abstract and concrete labor) as opposite constituents of the commodity form – cannot be solved. What the system does is to play around with the contradiction without ever solving it. The attempts to solve the contradiction merely sets it to a more general level, in which capitalist forms start to encompass other aspects of social live yet not under the principle of self-expanding value.

The emergence of capital from money is evidently not just a matter of pure logic. Capital needs certain historical pre-requisites to exist, namely the generalization of private property, enclosures of the commons, the separation of labor from other means of production, the demise of the petty-mode of production, the double freedom of labor (freedom of contract and freedom from the means of production), and the systematic buying and selling of labor power. Without these historical precedents capital as a social form would not exist logically. Marx then proceeds to investigate what constitutes the contradiction proper to the capital form. His theory generalizes previous results, but also introduces a new element that will change how autonomization takes place.

So far autonomization meant the distancing between, and the subjugation of, use-value to value. If in the beginning of the logical presentation use-values were the objective of circulation and production, they soon became a mere basis or support for the self-expansion of value. Value has become an end in itself. Autonomization, hitherto, has been the autonomization of value from use-value, or of social form in relation to its basis. When capital encounters a doubly-free labor in the labor market, capital autonomization will begin to have a new form: the distancing between value expansion and value creation, and the undermining of real surplus value production. The general principle is the same – social forms autonomized form their bases – but from here on is will not be just between use-value and value. It will also be between capital and its material basis, labor.

The emergence of the cycle of capital, M-C-M', is an offspring from the cycle of money as an end in itself. This is the logical derivation. When capital is historically matched with doubly-free labor in labor markets, capital develops it full own cycle: M-C-…P…-C'-M'. The …P… phase represents production or the real extraction of surplus value from labor. The key aspect is that the creation of surplus value and the production of new use-values continue to be subjugated to the objective of making money out of money. M and M' represent the beginning and the objective of the cycle. Production or labor exploitation appears as an intermediary link in the more general process of value expansion. As any other use-value, labor power will also be subjugated to the expansion of value.

The proper contradiction of capital, states Marx, is that capital will accumulate as value at the same time that it will undermine the conditions under which labor creates new value. Capital will feed and also contradictorily try to acquire independence from productive labor. There are three main ways through which capital attempts to valorize doing without labor exploitation: (i) labor-saving technological progress; (ii) interest- and rent-bearing capital forms; (iii) fictitious capital.

In the case of labor-saving technological progress, capital accumulates with an increasing organic composition. An increasing organic composition means that competition is forcing capitalists to invest in fixed capital that uses relatively less variable capital. Using relatively less variable capital implies that capital is undermining what ultimately creates new surplus value. The practical result is the tendency of a falling profit rate. It is not relevant in our approach if the tendency has counter-tendencies or whether or not empirically the profit rate has been falling. What matters to us is what is underlying the tendency for the profit rate to fall in a competitive setting. The main reason, says Marx, is that capital needs value creation to expand. But the rising organic composition, on the contrary, implies that capital is relatively dispensing with what creates new value, labor. Capital accumulates at the same time that is destroys is own source of accumulation. That is the contradiction of capital. Capital is self-expanding value, but the expansion of value occurs together with the undermining of the source of new value. Capital breeds from value creation – or labor exploitation – while paradoxically trying to do without it.

With interest-bearing capital, rent-bearing capital, and fictitious capital the reasoning is the same. They are all forms under which capital tries to valorize itself contradictorily doing away with real value creation. As before, the contradiction cannot be solved. Its apparent "solution" entails, on the contrary, setting the contradiction to a higher stage. By higher stage we mean generalizing the paradox once more, now through the emergence of new developed forms of capital. The new logical step of autonomization is not anymore just between value and use-value, but becomes also that between the valorization of value and the production of new surplus value. Capital autonomization now takes place between capital accumulation and its basis, new value creation. In section V of *Capital III* Marx starts to develop a theory of how the accumulation of capital autonomizes itself from the production of surplus value.

Money itself becomes a commodity. Money starts to be traded, bought and sold. When the commodity form incorporates money, capitalism experiences the emergence of interest-bearing capital. Money can be embraced by the commodity form because money is, above all, a sum of value and as such is potential capital and potential surplus value. The circuit of interest-bearing capital is M-M-C…P…C'-M'-M'' , and to the eyes of the financial capitalist it is just M-M''. Here the autonomization makes one step further as the M-M'' circuit presents one more level of independence in relation to the production and circulation of use-values and real surplus value creation. As M-M'' money appears to create profits out of itself, apparently detached from any productive activity. In fact, the circulation and expansion of interest-bearing capital doesn't even depend on the actual expansion of use-values and surplus accumulation. Interest-bearing capital, to be considered as such, does not necessarily have to be directed to productive activities. Even though ultimately a deduction from the total surplus value generated, interests can be charged from any stream of income, be it from workers' wages, capitalists' profits, or from the government budget: "the further advance of interest-bearing capital by the credit system need not to be directed exclusively towards real capitalist accumulation but also towards other activities not productive of surplus value" (Itoh and Lapavitsas 1999, p.61).

At this step of autonomization there are several mediations that allow value to circulate with unprecedented degrees of freedom vis à vis real surplus value creation. With interest-bearing capital the expansion of capital is no longer restricted by the production of surplus value:

> "the circuit M…M' is inextricably linked with the general circulation of commodities, issue from it and flows into it, forming part of it. On the other hand, it forms for the individual capitalist an independent movement peculiar to his capital value, a movement which proceeds in part within the general circulation of commodities, in part outside it, but which always retains its independent character" (Marx 1992, p.136)

What matters in our Marxian theory of the autonomization is not that finance capital is relatively independent from productive capital. There would be no interesting novelty about it. The argument is to show that the behavior of finance capital is, at least from a logical derivation, just a development of the initial contradiction of the commodity form between value and use-value. Each step is a derivation into higher stages of the same core principle. The contradiction between capital and value creation cannot be resolved exactly because it is a contradiction. Capitalism cannot solve its contradictions; capitalism just plays around with them:

> "it is the exchange-value, not the use-value, that is the decisive inherent purpose of the movement. It is precisely because the money form of value is its independent and palpable form of appearance that the circulation for M…M', which starts and finishes with actual money, expresses money-making, the driving motive of capitalist production, most palpably. The production process appears simply as an unavoidable middle term, a necessary evil for the purpose of money-making. (This explains why all nations characterized by the capitalist mode of production are periodically seized by fits of giddiness in which they try to accomplish the money-making without the mediation of the production process.)" (Marx 1992, p.137)

The following stage of the autonomization is the emergence of fictitious capital. In the previous stage, the interest-bearing capital is autonomized from real-use value creation up to a certain point. Interests can be charged from any activity as long as the ownership and the use of money are performed by different agents. Interest-bearing capital has more degrees of freedom because even if it presupposes real value creation to exist, it does not necessarily need to be directed to real value creation. But fictitious capital does not even have the limitation that interest-bearing capital has.

Fictitious capital is basically comprised of securities, as bonds, stocks and other claims on future streams of income. The price of the securities is to a large extent detached from their underlying real assets. The price is determined by trading in primary and secondary securities markets. No necessary connection exists with the real use-value production. Even the seemingly naïve commercial credit notes can become detached from the productive conditions that they should directly reflect. Commercial notes can multiply themselves in vast credit chains, boosted by low interest rates, that lose the direct connection with the real production and circulation that they should represent. Credit and debt chains expand and assume autonomous forms of valorization quite irrespective of productive conditions. The circulation of fictitious capital can, therefore, boost the occurrence of financial crises when the nominal valorization of securities cannot find the necessary correspondence with the real basis.

5. Conclusion

Financialization is a burgeoning term within the economics heterodoxy. It designates the new dynamics of finance and its relationships to production in the post-1970 era. The term has received complementary definitions, most of which from the post-Keynesian and Marxian traditions. The current paper proposed a new way to connect financialization to the Marxian economic theory. We provided a theory of how financialization can be understood as an unfolding proper to the development of capital. The crucial point for us is how to conceptualize capital and financialization. In our framework, capital is understood as a social form with an inherent tendency to become autonomized in relation to its own basis, namely real value creation. We theorize autonomization as a defining characteristic of capital, and we show how a re-reading of Marx’s works in fact reveals the principle of autonomization. The principle of autonomization is specifically what allows us to connect financialization to the Marxist economic theory.

Capital autonomization has two components. The first is the autonomization of value from use-value. The second, which logically springs from the first, is the autonomization of capital from value creation. The dialectical theory of autonomization allows us to incorporate exchange-value, the general equivalent, coin, money, capital, productive capital, accumulation of capital, interest-bearing capital, rent-bearing capital, and fictitious capital as logical and historical developments of the initial contradiction that constitutes the commodity form. The initial contradiction between value and use-value unfolds to give birth to derived forms of capital at higher levels of concreteness[1].

Autonomization is constitutive of the capital form. Autonomization indicates the search for infinite valorization and the tendency that capital has to create new forms of "valorization" that go beyond the boundaries set by the extraction of value from labor. Autonomization is capital's constitutive tendency to contradictorily valorize itself irrespective of real value creation. The contradiction lies in the attempt of capital to valorize itself dispensing with what creates value.

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[1] Paulani has a similar understanding: "If we have a dialectical … reading of Marx's theory of money it is easy to see that money unfolds the contradiction that constitutes commodity itself (between use-value and value) and in doing so it bears different stratums of contradiction that logically and historically came to the fore" (Paulani 2009, p.1).

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