

Theft or exploitation?- a review of *Stolen* by Grace Blakeley

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All our wealth has been stolen by big finance and in doing so big finance has brought our economy to its knees. So we must save ourselves from big finance. That is the shorthand message of a new book, *Stolen – how to save the world from financialisation*, by Grace Blakeley.

Grace Blakeley is a rising star in the firmament of the radical left-wing of the British labour movement. Blakeley got a degree in politics, philosophy and economics (PPE) at Oxford University and did a masters degree there in African studies. Then Blakeley was a researcher at the Institute of Public Policy Research (IIPPE), a left-wing 'think tank', and has now become the economics correspondent of the leftist New Statesman journal. Blakeley is a regular commentator and 'soundbite' supporter for left-wing ideas on various broadcasting media in Britain. Her profile and popularity have taken her book, published this week, straight into the top 50 of all books on Amazon.

Stolen: how to save the world from financialisation is an ambitious account of the contradictions and failures of postwar capitalism, or more exactly Anglo-American capitalism (because European or Asian capitalist is hardly mentioned and the periphery of the world economy is covered only in passing). The book aims to explain how and why capitalism has turned into a thieving model of 'financialisation' benefiting the few while destroying (stealing?) growth, employment and incomes from the many.

Stolen leads the reader through the various periods of Anglo-American capitalist development from 1945 to the Great Recession of 2008-9 and beyond. And it finishes with some policy proposals to end the thievery with a new (post-financialisation) economic model that will benefit working people. This is compelling stuff. But is Blakeley's account of the nature of modern Anglo-American capitalism and on the causes of recurring crises in capitalist production correct?

Just take the title of Blakeley's book: "Stolen". It's a catchy title for a book. But it implies that the owners of capital, specifically finance capital, are thieves. They have 'stolen' the wealth produced by others; or they have 'extracted' wealth from those who created it. This is profits without exploitation. Indeed, profit now comes merely from thieving from others.

Marx called this 'profit of alienation'. For Marx it is achieved by the transfer of *existing* wealth (value) created in the process of capitalist accumulation and production. But value is not created by this financial thievery. For Marx, profits, or surplus value as Marx called it, is only created through the exploitation of labour in the production of

commodities (both things and services). Workers' wealth is not 'stolen', nor is the wealth they create. Under capitalism, workers get a wage from employers for the hours they work, as negotiated. But they produce more in value in the time they work than in the value (measured in labour time) that they receive in wages. So capitalists obtain a surplus-value from the sale of the commodities produced by the workers which they appropriate as the owners of capital. This is not thievery, but exploitation. (See my book, [Marx 200](#), for a fuller explanation).

Does it matter whether it is theft or exploitation? Well, Marx thought so. He argued fiercely against the idea of Pierre-Joseph Proudhon, the most popular socialist of his day that 'property is theft'. To say that, argued Marx, was to fail to see the real way in which the wealth created by the many and how it ends up in the hands of the few. Thus it was not a question of ending thievery but ending capitalism.

In *Stolen*, Blakeley ignores this most important scientific discovery (as Engels put it), namely surplus value. Instead Blakeley completely swallows the views of the modern Proudhonists like Costas Lapavistas, David Harvey and others like Bryan and Rafferty who dismiss Marx's view that profit comes from the exploitation of labour. For them, that is old hat. Now modern capitalism is now 'financialised capitalism' that gets its wealth from stealing or the extraction of 'rents' from everybody, not from exploitation of labour. This leads Blakeley at one point to accept the false analysis of Thomas Piketty that the returns to capital will inexorably rise through this process – when the evidence is that returns to capital have been inexorably falling – [see my critique of Piketty here](#).

But these 'modern' arguments are just as false as Proudhon's. [Lapavistas has been critiqued well by British Marxist Tony Norfield; I have engaged David Harvey in debate on Marx's value theory and Bryan and Rafferty have been found wanting by Greek Marxist, Stavros Mavroudeas](#). After you read these critiques, then you can ask yourself whether Marx's law of value can be ignored in explaining the contradictions of modern capitalism.

Then there is the sub-title of Blakeley's book: "how to save the world from financialisation". 'Financialisation' as a category or term has become overwhelmingly popular among heterodox economics. The category originally came from mainstream economics, was taken up by some Marxists and promoted by post-Keynesian economists. Its purpose was to explain the contradictions within capitalism and its recurring crises with a theory that did not involve Marx's law of value and law of profitability – both of which post-Keynesians reject or ignore ([see my letter to MR](#)).

Blakeley takes the definition of the term from Epstein, Krippner and Stockhammer and makes it the centre-piece of the book's narrative (p11). [As I outlined in a previous post](#), if the term means simply an increased role of the finance sector and a rise in its share of profits in the last 40 years, that is obviously true – at least in the US and the UK. But if it means the *"emergence of a new economic model.. and a deep structural change in how the (capitalist) economy works"* (Krippner), then that is a whole new ballgame.

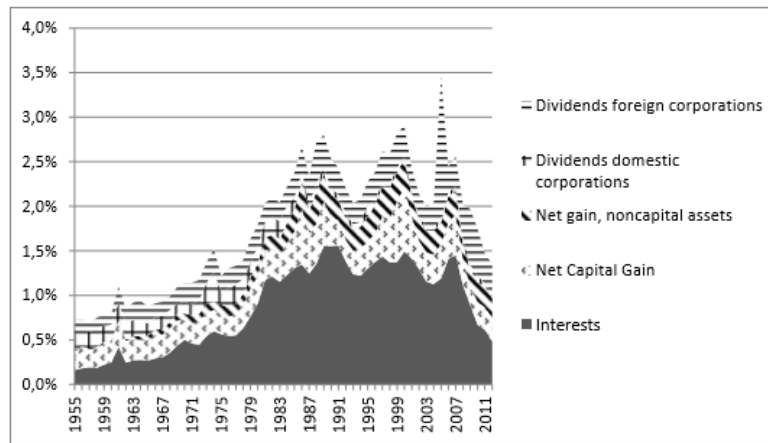
As Stavros Mavroudeas puts it in his excellent new paper ([393982858-QMUL-2018-Financialisation-London](#)), the 'financialisation hypothesis' reckons that *"money capital becomes totally independent from productive capital (as it can directly exploit labour through usury) and it remoulds the other fractions of capital according to its prerogatives."* And if *"financial profits are not a subdivision of surplus-value then...the theory of surplus-value is, at least, marginalized. Consequently, profitability (the main differentiae specifica of Marxist economic analysis vis-à-vis Neoclassical and Keynesian Economics) loses its centrality and interest is autonomised from it (i.e. from profit – MR)."*

And that is clearly how Blakeley sees it. Accepting this new model implies that finance capital is the enemy and not capitalism as a whole, ie excluding the productive (value-creating) sectors. Blakeley denies that interpretation in the book. Finance is not a separate layer of capital sitting on top of the productive sector. That's because *all* capitalism is now 'financialised!': *"any analysis that sees financialization as a "perversion" of a purer, more productive form of capitalism fails to grasp the real context. What has emerged in the global economy in recent decades is a new model of capitalism, one that is far more integrated than simple dichotomies suggest."* According to Blakeley, *"today's corporations have become thoroughly financialised with some looking more like banks than productive enterprises"*. Blakeley argues that *"We aren't witnessing the "rise of the rentiers" in this era; rather, all capitalists — industrial and not — have turned into rentiers...In fact, nonfinancial corporations are increasingly engaging in financial activities themselves in order to secure the highest possible returns."*

If this were true, and all value comes from interest and rent 'extracted' from everybody and not from exploitation, then it would really be making money out of nothing and Marx has been talking nonsense. However, the empirical evidence does not bear out the 'financialisation' thesis. Yes, since the 1980s, finance sector profits have risen as a share of total profits in many economies, although mainly in the US. But even at their peak (2006) the share of financial sector profits in total profits reached only 40% in the US. After the Great Recession, the share fell back sharply and now averages about 25%. And much of these profits have turned out to be 'fictitious', as Marx called it, based on gains from buying and selling of stocks and bonds (not on profits from production), which disappeared in the slump.

Also, the narrative that the productive sectors of the capitalist economy have turned into rentiers or bankers is just not borne out by the facts. [Joel Rabinovich of the University of Paris](#) has conducted a meticulous analysis of the argument that now non-financial companies get most of their profits from 'extraction' of interest, rent or capital gains and not from the exploitation of the workforces they employ. He found that: *"contrary to the financial rentierization hypothesis, financial income averages (just) 2.5% of total income since the '80s while net financial profit gets more negative as percentage of total profit for nonfinancial corporations. In terms of assets, some of the alleged financial assets actually reflect other activities in which nonfinancial corporations have been increasingly engaging: internationalization of production, activities refocusing and M&As."* Here is his graph below.

Figure 6. Financial Income as percentage for total income, NFCs, 1955-2012. Source: IRS.



In other words, non-financial corporations like General Motors, Caterpillar, Amazon, Google, Microsoft, big tobacco and big pharma and so on still make their profits from selling commodities in the usual way. Profits from ‘financialisation’ are tiny as a share of total income. These companies are not ‘financialised’.

Blakeley says that *“financialization is a process that began in the 1980s with the removal of barriers to capital mobility”*. Maybe so, but why did it begin in the 1980s and not before or later? Why did deregulation of the financial sector start then? Why did ‘neoliberalism’ emerge then? There is no answer from Blakeley, or the post-Keynesians. Blakeley points out that the post-war ‘social democratic model’ had failed, but she provides no explanation for this – except to suggest that capitalism could no longer *“afford to continue to tolerate union demand for pay increases in the context of rising international competition and high inflation”*.(p48). Blakeley hints at an answer: *“competition from abroad began to erode profits”*(p51). But that begs the question of why international competition now caused a problem when it had not before and why there was high inflation.

But Marxist economics can give an answer. It was the collapse in the profitability of capital in all the major capitalist economies. This is well documented by Marxists and mainstream studies alike. This blog has a host of posts on the subject and I have provided a clear analysis in my book, The Long Depression (not a best seller). The fall in profitability forced capitalism to look for counteracting forces: the weakening of the labour movement through slumps and anti-labour measures; privatisations etc and also a switch into investing in financial assets (what Marx called ‘fictitious capital’) to boost financial profits. All this was aimed at reversing the fall in the overall profitability of capital. It succeeded to a degree.

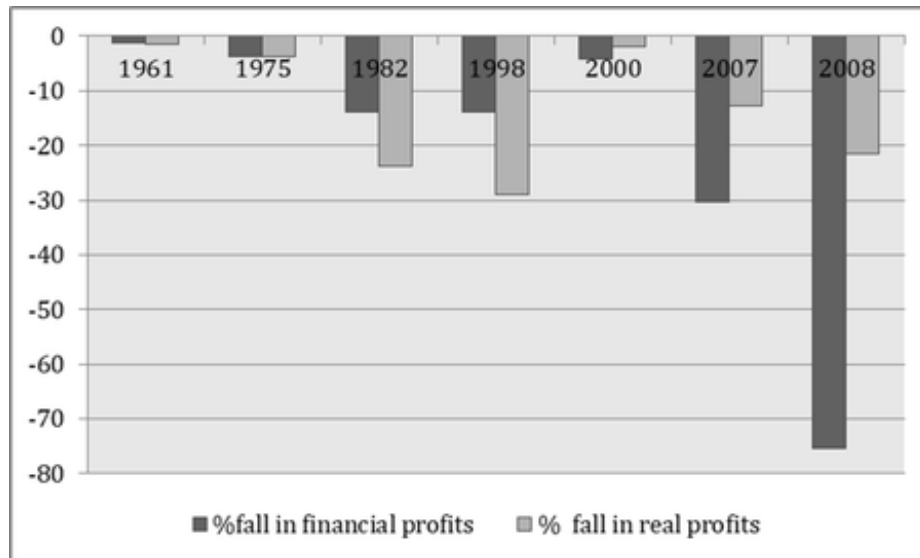
But Blakeley dismisses this explanation. It was not to do with the profitability of capital that crises regularly occur under capitalism and profitability had nothing to do with the Great Recession. Instead Blakeley slavishly follows the explanation of post-Keynesian analysts like Hyman Minsky and Michel Kalecki. Now I and others have spent a much ink on arguing that their analysis is incorrect as it leaves out the key driver of capitalist accumulation, profit and profitability. As a result, they cannot really explain crises.

Kalecki says that crises are caused by a lack of 'effective demand', Keynesian-style and although governments could overcome this lack of demand through fiscal and other interventions, they are blocked by the political resistance of the capitalists. You see, as Blakeley says, *"Kalecki's argument is that not that social democracy is economically unstable, but that it is politically unstable."* For Kalecki, crises caused by capitalists being politically unwilling to agree to reforms. So apparently, social democracy would work under capitalism if it was not for the stupidity of the capitalists!

Minsky was right that the financial sector is inherently unstable and the massive growth in debt in the last 40 years increases that vulnerability – Marx made that point 150 years ago in Capital. And in my blog, I have made the point in many posts that "debt matters". But financial crashes do not always lead to slumps in production and investment. Indeed, there has been no financial crisis (bank busts, stock market crashes, house price collapse etc), that has led to a slump in capitalist production and investment *unless* there is also a crisis in the profitability of the productive sector of the capitalist economy. The latter is still decisive.

In a chapter of the book, World in Crisis, edited by G Carchedi and myself (unfortunately again it is not a best seller) Carchedi provides compelling empirical support for the link between the financial and productive sectors in capitalist crises. Carchedi: *"Faced with falling profitability in the productive sphere, capital shifts from low profitability in the productive sectors to high profitability in the financial (i.e., unproductive) sectors. But profits in these sectors are fictitious; they exist only on the accounting books. They become real profits only when cashed in. When this happens, the profits available to the productive sectors shrink. The more capitals try to realize higher profit rates by moving to the unproductive sectors, the greater become the difficulties in the productive sectors. This countertendency—capital movement to the financial and speculative sectors and thus higher rates of profit in those sectors—cannot hold back the tendency, that is, the fall in the rate of profit in the productive sectors."*

What Carchedi finds is that: *"Financial crises are due to the impossibility to repay debts, and they emerge when the percentage growth is falling both for financial and for real profits."* Indeed, in 2000 and 2008, financial profits fall more than real profits for the first time. Carchedi concludes that: *"The deterioration of the productive sector in pre-crisis years is thus the common cause of both financial and non-financial crises. If they have a common cause, it is immaterial whether one precedes the other or vice versa. The point is that the (deterioration of the) productive sector determines the (crises in the) financial sector."*



You may ask: does it matter if the inequalities and crises we experience under capitalism are caused by financialisation or by Marx's laws of value and profitability? After all, we can all agree that the answer is to end the capitalist system, no? Well I think it does matter, because policy action flows from any theory of causes. If we accept financialisation as the cause of all our woes, does that mean that it is only finance that is the enemy of labour and working people and not the nice productive capitalists like Amazon who only exploit us at work? It should not, but it does. Take Minsky himself as an example. Minsky started off as a socialist but his own theory of financialisation in the 1980s led him to not to expose the failings of capitalism but to explain how an unstable capitalism could be 'stabilised'.

Undoubtedly Blakeley is made of sterner stuff. Blakeley says that we must take on the bankers in the same degree of ruthlessness as Thatcher and Reagan took on the labour movement back in the neoliberal period starting in the 1980s. Blakeley says that *"the Labour Party's manifesto reads like a return to the post-war consensus...we cannot afford to be so defensive today. We must fight for something more radical.. because the capitalist model is running out of road. If we fail to replace it, there is no telling what destruction its collapse might bring."* (p229). That sounds like the roar of a lion of socialism. But when it comes to the actual policies to deal with the financiers, Blakeley becomes a mouse of social democracy.

First, Blakeley says *"we must adopt a policy agenda that challenges the hegemony of financial capital, revoking its privileges and placing the powers of investment back under democratic control."* Now I have argued in many posts and at meetings of the labour movement in Britain that the only way to take democratic control is to bring into public ownership the big five banks that control 90% of lending and deposits in Britain. Regulation of these banks has not worked and won't work.

Yet Blakeley ignores this option and instead calls for 'constraining' measures on the existing banks, while setting up a public retail bank or postal banks in competition along with a National Investment Bank. *"Private finance must be properly constrained"* (but not taken over), *"using regulatory tools that are international adopted."* P285. At various places,

Blakeley refers to Lenin. Perhaps Blakeley should remind herself what Lenin said about dealing with the banks. *"The banks, as we know, are centres of modern economic life, the principal nerve centres of the whole capitalist economic system. To talk about "regulating economic life" and yet evade the question of the nationalisation of the banks means either betraying the most profound ignorance or deceiving the "common people" by florid words and grandiloquent promises with the deliberate intention of not fulfilling these promises."*

As for a National Investment Bank, a Labour manifesto pledge, it leaves the majority of investment decisions and resources in the hands of the capitalist financial sector. As I have shown before, the NIB would add only 1-2% of GDP in extra investment in the British economy, compared to the 15-20% on investment controlled by the capitalist sector. So 'financialisation' would not be curbed.

Blakeley's other key proposal is a People's Asset Manager (PAM), which would gradually buy up shares in the big multinationals, thus *"socialising ownership across the whole economy"* and then *"pressurising companies"* to support investments in socially useful projects. *"As a public banking system emerges and grows alongside a People's Asset manager, ownership will be steadily be transferred from the private sector to the public sector."* (p268) *"in a bid to dissolve the distinction between capital and labour"* (p267). So Blakeley's aim is not to end the capitalist mode of production by taking over the major sectors of capitalist investment and production, but to dissolve gradually the 'distinction' between capital and labour.

This is the ultimate in utopian gradualism. Would capitalists stand by while their powers of control are gradually or steadily lost? An investment strike would ensue and any socialist government would be faced with the task of taking over completely. So why not spell out fully a programme for a democratically controlled publicly owned economy with a national plan for investment, production and employment?

Stolen aims to offer a radical analysis of the crises and contradictions of modern capitalism and policies that could end 'financialisation' and give control by the many over their economic futures. But because the analysis is faulty, the policies are also inadequate.