RETHINKING FINANCIALIZATION THROUGH THE ACTUALITY OF THE LAW TO THE TENDENCY OF THE RATE OF PROFIT TO FALL

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ABSTRACT

RETHINKING FINANCIALIZATION THROUGH THE ACTUALITY OF THE LAW TO THE TENDENCY OF THE RATE OF PROFIT TO FALL

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This thesis aims to explain financialization from the perspective of the law of the tendency of the rate of profit to fall to understand the recent transformation in the relationship between production and finance. Contrary to the perception of Marx's law as an external economic law, this study proposes a methodological approach to law grounded on the intra- and inter-class struggle that explains not only the capitalist crises but also transformations occurring in the 'normal' course of accumulation. To this end, it is argued that different conceptualizations of competition function as building blocks for different theories of crisis while also influencing the set of premises that is grounded on the different approaches of financialization. By investigating the transformation in the relationship between production and finance, it has been concluded that a closer relationship between real accumulation and fictitious accumulation has been established while different forms of capital have become more interconnected, resulting in an intensification of competition. As a result, it is argued that financialization, rather than a spontaneous phenomenon arising as a result of external economic laws, needs to be understood as a deliberate capital accumulation strategy and a state project, conceptualized as a mobilization of the countertendencies against the fall in the rates of profit.

Keywords: crisis theory, rate of profit, financialization, competition, law of the tendency of the rate of profit to fall

ÖZ

FİNANSALLAŞMAYI KAR ORANININ DÜŞME EĞİLİMİ YASASININ GÜNCELLİĞİ İLE YENİDEN DÜŞÜNMEK

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Bu tez, kar oranının düşme eğilimi yasasının perspektifinden finansallaşmayı ele alarak, son zamanlarda üretim ve finans arasındaki ilişkide yaşanan dönüşümü açıklamayı hedeflemektedir. Marx'ın yasasının dışsal bir ekonomik yasa olarak kavramsallaştırılmasına karşın, bu çalışma sadece kapitalist krizleri değil, aynı zamanda birikimin 'normal' seyrinde meydana gelen dönüşümleri de açıklayan, sınıf içi ve sınıflar arası mücadeleye dayanan yöntemsel bir yasa kavramsallaştırmasını önermektedir. Bu amaçla, farklı rekabet kavramsallaştırmalarının farklı kriz teorileri için yapı taşı işlevi gördüğü ve aynı zamanda farklı finansallaşma yaklaşımlarının varsayımlarını etkilediği savunulmaktadır. Üretim ve finans arasındaki ilişkide yaşanan dönüşüm incelenerek, gerçek birikim ile fiktif birikim arasında daha yakın bir ilişki kurulduğu, farklı sermaye biçimlerinin birbiriyle daha bağlantılı hale geldiği ve bunun da rekabetin yoğunlaşmasıyla sonuçlandığı iddia edilmektedir. Sonuç olarak, finansallaşmanın, dışsal ekonomik yasaların sonucunda ortaya çıkmış kendiliğinden bir olgu olmaktan ziyade, kasti bir sermaye birikim stratejisi ve devlet projesiyle kar oranındaki düşüşü engellemek için karşıt eğilimlerin mobilizasyonu olarak ele alınması gerektiği savunulmaktadır.

Anahtar Kelimeler: kriz teorisi, kar oranı, finansallaşma, rekabet, kar oranının düşme eğilimi yasası

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CHAPTER 1

INTRODUCTION

> Capital tried to become clean: profits could be yielded much more easily in financial investments... Capital's attempt to 'liberate' itself from the contested terrain of exploitation and to go beyond itself by asserting itself in its most 'rational' form of money capital indicates the power of labour's insubordination. (Bonefield & Holloway, 1996, p. 213)

Understanding the causes of crises has always been essential for economists, regardless of their class belongings. The mainstream approach to crises mainly focuses on particularities as the cause of the crisis, whether it is the fault of policymakers or something outside of the so-called 'self-regulating market,' which is assumed to deviate only in the case of external causes. However, these particularistic explanations shadow the crises-ridden nature of capitalism. To reveal the crises-ridden nature of capitalism, it is necessary to identify the common cause for these recurrent crises rooted in the capitalist mode of production. Only after identifying the common cause of these recurrent crises, one can find out the unique aspects of each crisis.

Marx put forward the law of the tendency of the rate of profit to fall (LTRPF) to reveal the contradictions that are inherent in the capitalist relations of production, which leads to recurrent crises. Marx discusses the LTRPF along with its internal contradictions and its counter-tendencies to demonstrate that the law should not be perceived as leading towards an absolute fall in the rate of profit. His objective is not to prophecy-telling but to reveal the inner tendencies of capital accumulation, its laws of motion, and its crisis-ridden nature. That is why Marx identifies with the LTRPF not only the downward tendency of profit rates but also the increasing productive capacity of labour, the rising number of the reserve army of labour, the ever-growing mass of surplus value, and contradictions among each.

The LTRPF has been thought in the literature predominantly in relation to explaining the causes of crises. Thus, the role of the LTRPF in explaining the phenomena that occur in the capitalist mode of production or structural changes has been overlooked. This limited view of the LTRPF, along with the counter-tendencies, led to conceptualising the law as an external economic law that operates separately from class struggles (Holloway, 1996). Moreover, this approach also conceptualises crises as a deviation from the normal course of accumulation. Therefore, it is essential to conceive the LTRPF as inherent to the class struggle and explore its role not only in crises of capitalism but also in changes in the 'normal course' of accumulation to demonstrate the actuality of the LTRPF.

One of the most highlighted structural changes in the capitalist mode of production in recent periods has been financialization. The common definition of financialization, which became more prominent in the literature, particularly after the 2008 crisis, focuses on the quantitative expansion of the financial sector and its activities (Epstein, 2005). However, this definition fails to fully capture the deeper structural changes in social and economic relationships brought about by financialization. Marxist approaches, on the other hand, have attempted to place financialization and the quantitative and qualitative expansion of finance within a broader theoretical framework to understand its impact on capitalist relations of production. Nevertheless, to the extent that financialization is seen as finance gaining independence from the sphere of production, discussions on financialization have failed to address the changes that financialization has brought about in capitalist relations of production. Another approach which sees the financialization as merely the epiphenomenon of the stagnating tendencies in the sphere of production fails to go beyond the speculative and disruptive aspect of financialization (e.g., Sweezy, 1994; Brenner, 2000; Harman, 2009; Savran, 2013).

Particularly with the effect of the 2008 crisis, financialization has been dealt with solely in its speculative nature and focused on its disruption of capitalist production. Therefore, critics of this process claimed that financialization increased the volatility of the economy with the rise in speculation, resulting in increased fragility and susceptibility to the crisis, while others suggested that the process has resulted in the autonomy of the financial sector from production. On the other hand, financialization has been defined as a signifier of the new epoch in capitalism (e.g., Arrighi, 1994; Boyer, 2000; Fine, 2010). Some even went far as to claim that exploitation and sources of profits transformed into a new dimension with financialization (see Lapavitsas, 2009, 2011, 2013). Furthermore, there have been contributions to the impact of financialization on spheres outside of finance. These contributions range from the financialization of everyday life (e.g., Martin, 2002), where there has been an immense rise in the participation of workers in the financial sector primarily through debt but also with other instruments such as insurance companies, to the financialization of the productive sector (e.g., Krippner, 2005; Duménil & Lévy, 2011b), where companies turning to self-financing through the stock market rather than relying on acquiring debt through banks.

In the thesis, financialization will be located within the capitalist relations of production while establishing its reciprocal relationship with tendencies in the sphere of production. Accordingly, financialization will be investigated from the perspective of the LTRPF through Marx's conceptualization of competition. By doing so, the thesis will aim to reach an understanding of financialization "as a development within, rather than a distortion of, capitalist production" (Sotiropoulos & Lapatsioras, 2014, p. 87). To achieve this, it is necessary to analyse the alterations that occurred with financialization in the relationship between real accumulation and fictitious accumulation. As Bryan and Rafferty (2006) claim in the case of derivative markets, commensurability across time and space leads to the intensification of competition across capital forms. The intensification of competition puts pressure on each form of capital to become more profitable, while at the same time, capital that fails to achieve this rate of profitability faces the threat of devaluation. On the other hand, with the accumulation of fictitious capital and interest-bearing capital with the maintenance of low-interest rates, capitals with lower rates of profit are constantly postponing their bankruptcy. From this point of view, it will be argued that with financialization, different forms of capital become more interconnected while a closer relationship between real accumulation and fictitious accumulation has been established. Finally, it will be argued that this process of financialization is not a spontaneous phenomenon resulting from external economic laws but rather a ‘deliberate capital accumulation strategy’ and a ‘state project’ that needs to be conceptualised as a *mobilisation of a counter-tendency* against the decline in profit rates.

It is essential to comprehend the differences between different crisis theories and various approaches to financialization. The thesis will argue that one of the major differences lies in the different conceptualisations of capitalist competition. Therefore, it is crucial to distinguish different types of competition to reach a better understanding of the methodological difference and the impact of new imperatives of intensification of capitalist competition with financialization, which has challenged and reformulated the existing social relations with direct consequences for class struggle. The neo-classical theory of perfect competition conceptualises competition as a hypothetical perfect market structure where small firms do not have any power to control and manipulate prices or to exert pressure on other firms and consumers in that sector. The idealised version of competition of neo-classical theory leaves no room for monopolies and places firms as price-takers. That is why monopolies are seen as deviations from the competition. On the other hand, the conceptualization of competition, a generally neglected area within Marxism, has remained secondary, especially in the first half of the 20th century. This resulted in the rise of monopoly theories, which viewed monopolies as ‘imperfections’ in the market and accepted certain assumptions of the neo-classical model of perfect competition, including some of the important elements such as the conceptualization of competition as an “end-state” (Blaug, 2013, p. 113) and firms as price-takers. On the other hand, Marx defines competition as a dynamic process with both equilibrium and disequilibrium tendencies rather than a static equilibrium in the market. For Marx, competition and monopolies can exist alongside each other while creating and destroying each other and in a contradictory unity.

Chapter 2 of the thesis will cover the discussions on crisis theories. The first section will start with an explanation of Marx's writings on the LTRPF. Afterwards, the following section will delve into the debate on the law, covering criticisms against the LTRPF and answers to those criticisms. Theories of ‘underconsumption,’ which may be considered the dominant tendency in Marxist literature, will be evaluated and compared with the LTRPF while covering the alternative approaches to the crisis theory, including disproportionality, profit-squeeze, and labour-power shortage and multicausal theories of crisis. The last section of the chapter will cover the discussions on the conceptualization of the LTRPF, economic crisis and its relationship with the political crisis; while offering a methodological approach, without conceiving the law as an external economic law.

Chapter 3 of the thesis will delve into various conceptualizations of competition. In the first section of the chapter, an overview of the main theories of competition will be briefly explained, encompassing classical, neo-classical, imperfect, and the Austrian School's theory of competition. Moreover, the distinctive attributes of each theory will be laid out. The subsequent section will discuss Marx's conceptualization of competition and analyse its significant distinctions from alternative theories. Finally, the ways in which distinct conceptualizations of competition influence the various crisis theories and approaches to financialization while also serving as a pathway to comprehend their relationships will be discussed.

Chapter 4 of the thesis will cover the discussions surrounding financialization. Firstly, there will be a brief introduction to the Marxist and other heterodox approaches, within the categorization of 'financialization as a signifier of the new stage in capitalism' and 'financialization as an epiphenomenon of the stagnating tendencies.' Then the next section will compare and contrast the three main approaches of Ben Fine, Costas Lapavitsas, Dick Bryan and Micheal Rafferty to financialization in Marxist literature while attempting to relate their arguments to the debate on the Marxist crisis theories. The last section of the chapter will attempt to reach an understanding of financialization from the perspective of the LTRPF. It will be argued that financialization needs to be conceptualized as a mobilisation of the counter-tendency against the falling profit rates.

CHAPTER 2

IN DEFENCE OF THE LAW OF THE TENDENCY OF THE RATE OF PROFIT TO FALL

This chapter primarily focuses on the debate on the Marxist crisis theory. In the first section of the chapter, Marx's explanation of the LTRPF is evaluated. Afterwards the debate in the literature surrounding the LTRPF is evaluated. While covering alternative crisis theories, including disproportionality, profit-squeeze, labour-power shortage and multicausal crisis theory, special attention will be paid to the theories of underconsumption as the most prevalent approach alongside the LTRPF within Marxist crisis theories. Finally, a new methodological approach is proposed for the conceptualization of the law as such.

2.1. Marx's Writings on the LTRPF

While explaining the philosophy of internal relations, Ollman (2003) gives examples of Marx's usage of the concept of capital in various ways. Unlike economists who define *capital* as a thing that exists independent of social relations, Marx defines the concept of capital as a relation and as a process. With the methodology Ollman describes above, Marx conceptualises labour and capital as different expressions of the same relation (Marx, 1981). Analysing different expressions of capital in different moments, Marx identifies two components of capital, which are constant capital and variable capital. While constant capital consists of raw and auxiliary materials with the instruments of labour, variable capital consists of labour power. Constant capital, which is represented by means of production, does not "undergo any quantitative alteration of value" in the process of production; variable capital "both reproduces its own value and produces an excess, a surplus-value" (Marx, 1982, p. 317). Moreover, the time spent by labour-power in the reproduction of its own value is defined by Marx, as paid labour, and the time spent in which workers produce surplus-value for capitalists is defined as unpaid labour.

Marx explains that the mass profit of capitalists came from surplus-value. Accordingly, the rate of surplus-value (exploitation rate) is defined as the proportion of surplus-value to money spent on labour-power. Since the goal of the capitalist mode of production is the production of surplus-value, capitalists try to maximize the value appropriated by labourers. Marx identifies two distinct ways to increase surplus-value in the production process. The production of absolute surplus-value can be achieved by either prolonging the working day or decreasing the wages of workers below the value of the labour-power and ultimately decreasing the value of the labour-power itself. On the other hand, the production of relative surplus-value can be achieved by increasing the intensification and productivity of labour. It is important to remember that the production of absolute and relative surplus-value is not determined by mathematical equations; it is rather determined by the power relations between capitalists and workers. To avoid the terrain of class struggle to gain the absolute surplus-value, capitalists are inclined to prefer to gain relative surplus-value through technological innovation in the process of production (Harvey, 2010, p. 169). By introducing new techniques in the production process, capitalists are able to spend less on labour-power relative to the instruments of labour in producing a single commodity. That is why Marx considers capital as having an "immanent drive, and a constant tendency, towards increasing the productivity of labour, in order to cheapen commodities and, by cheapening commodities, to cheapen the worker himself" (Marx, 1982, pp. 436-437). The production of relative surplus-value for capitalists will lead to a rise in the proportion of constant capital relative to the variable capital in a single commodity. In other words, there occurs a rise in the organic composition of capital with the development of capitalism.

As mentioned above, increasing the productivity of labour by introducing new techniques in the production process increases the mass of surplus-value appropriated by the capitalist. However, the process has a two-fold effect. Decreasing the share of labour also leads to a lower share of surplus-value in the commodities. Nevertheless, the reasons which leads to the capitalist introducing and employing new methods that lower its rate of profit needs to be explained. Marx (1991) explains the two-fold effect in the rate and mass of profit by assuming a capitalist introduces a new method that cuts the share of labour relative to the means of production. The capitalist would be able to produce this commodity below the average production cost in the market. Since the value of a commodity is determined by the socially necessary labour-time to produce the commodity, the capitalist can gain extra profit by selling the commodity above its production cost. The capitalist can do this since the socially necessary labour-time is higher than the labour time required for the new methods of production. The temporary situation will last until the competitors in the market implement the new method. Afterwards, the socially necessary labour-time to produce the commodity will cheapen, and the capitalist will be forced to sell the commodity at its value which became equivalent to the production cost.

The immanent drive of capital to appropriate more surplus-value from workers by introducing new methods that increase the constant capital relative to the variable capital will result in lower rates of profit. This constitutes the basis for the LTRPF. Marx explains that even though the rate of profit falls with the introduction of labour-shedding technologies, the mass of profit, i.e. the mass of surplus-value, can still be increased. Moreover, Marx argues that "this not only *can* but *must* be the case- discounting transient fluctuations – on the basis of capitalist production" (Marx, 1991, p. 324). The contradiction that lies in capitalist production has a two-fold effect: the mass of surplus-value increases while at the same time the rate of profit falls. The two-fold effect explains that as capital accumulates, it also becomes more prone to crises. Also, the mass of use values increases; it even increases more than the amount of increase in mass of value with the new techniques being used in the production. That is why Marx calls the LTRPF "an expression peculiar to the capitalist mode of production of the progressive development of the social productive power of labour" (Marx, 1982, p. 319).

After explaining the law as such with its varying effects, Marx sorts six countertendencies to the LTRPF. First, capital can raise the level of exploitation by prolonging the workday, thereby increasing the rate of surplus-value appropriated without any change in the proportion of variable capital to constant capital. However, Marx contends that it can also diminish the mass of surplus-value as less labour is utilized for the same amount of advanced capital. Secondly, capital can also augment the degree of exploitation by decreasing the wages of workers below the value of labour-power. Thirdly, in some instances when, the growth in the mass of the elements of constant capital can coincide with a decrease in their value, which results in the cheapening of the means of production and potentially raising the general rate of profit.[1] According to Marx (1982), as capitalism progresses, the increase in the productive capacity of labour would correspond to the increase in the reserve army of labour. The abundance of labour-power would result in the cheapness of wages, which operates as a countertendency. Fifth, Marx identifies foreign trade as one of the methods to cheapen the means of production and raise the rate of surplus-value. Alongside these five countertendencies, Marx put forward another countertendency: the increase in stock capital. Due to the lack of clarity on Marx's definition of growth in stock capital, there has not been a consensus among scholars in literature. Consequently, several authors have excluded the rise in stock capital when sorting out the countertendencies.[2]

Marx frequently employs the concept of *law* to characterize the capitalist relations of production and the tendencies of capital. Marx's primary objective in writing *Capital* can be described as revealing the laws of motion of capitalism. The labelling of the tendency of falling profit rates as a ‘law’ has led to debates in literature regarding how this law should be conceived. Additionally, there have also been discussions about the validity of comparing the LTRPF to the law of gravitation (see Kliman, 2015; Callinicos & Choonara, 2016; Harvey, 2015). However, Marx explicitly lays out the concept of the law as a *tendency* in the writings of Capital (Fine & Harris, 1979). According to Marx, the law corresponds to the existence and movement of particular norms, patterns, and inclinations rather than an absolute motion (Mateo

[1] Marx distinguishes between the increase in the quantity of constant capital elements and its alteration in terms of value by identifying two distinct forms of capital composition: the technical composition of capital and the value composition of capital (see Fine & Harris, 1976).

[2] See for an extensive discussion on the increase in the stock capital as a sixth countertendency: (Bucchianico & Salvati, 2023)

Tome, 2018). Burkett (2000) elucidates that Marx's usage of law diverges significantly from Newton's usage of law, instead aligning with Hegel's application of law, which implies that "a law, in contrast to a rule, describes self-movement rather than externally driven movement" (p. 384).

When discussing the LTRPF, Marx did not view the law as an absolute fall but rather aimed to describe the inherent tendencies of capital, similar to how Hegel used it. Moreover, As Fine and Saad-Filho (2010) explain, Marx does not pursue a method in which he algebraically adds up the law itself with countertendencies and decides which is more robust. On the contrary, while discussing distinctive effects that can counteract the fall in the rate of profit, Marx emphasizes multiple times that the same factors that lower the rate of profit can also moderate or paralyze its effects. Hence, Fine and Harris (1979) argue that the law needs to be named as ‘the law of the tendency of profit rates to fall *and its counter-tendencies*’ to show the inseparability of the law itself and its countertendencies. Similarly, Grossmann put out a more fitting analogy than the law of gravitation by referring to the LTRPF as “the law of entropy of capitalist accumulation” (Grossmann, 1992, p. 101).

2.2. Debate on the LTRPF

Other than the LTRPF, different approaches within Marxism have been developed to explain the emergence of crises in capitalism. In fact, even though prominent Marxists from the late 19th century and the early 20th century had not rejected the validity of the LTRPF, they did not consider the law as the foundation of their crisis theory (Burris, 2011; Clarke, 1990). Rather, they were focused primarily on underconsumption and disproportionality in explaining crises, with the exception of Henryk Grossman. Grossmann gave special emphasis on the LTRPF to illustrate the crisis-prone nature of the capitalist mode of production. Against Otto Bauer, who built a model to demonstrate that capitalism can survive without crises of underconsumption to refute Luxemburg's theory of crisis, Grossman argued that capitalism inevitably reaches a point where it cannot sustainably increase the mass of surplus-value, thus leading to crisis (Sablowski, 2023). Grossmann not only refuted Bauer's model but also demonstrated that over a certain period of time, the fall in the rate of profit would make it impossible for added capital to valorise, which leads to the contraction of a mass of profits (Mavroudeas & Ioannides, 2006). Grossmann's model also received many criticisms for its implicit assumption of Say's law and its assumption of a constant rate of surplus-value, which contradicts the mechanisation attempt of capital to increase the relative surplus-value (Itoh, 1980).

Only after the crisis in the 1970s, when there was a growing interest in Marxist literature towards crisis theories, did the LTRPF started to be discussed widely. Paul Mattick, by adhering to Grossmann's writings on the LTRPF, sought to demonstrate the ineffectiveness of state intervention in preventing crisis during the so-called 'golden age' of capitalism. Mattick differed from Grossmann by locating the law to explain the 'cyclical' characteristic of accumulation and crises in capitalism (Wolfe, 1986). On the other hand, David Yaffe underlined the relationship between the rate and the mass of profits and emphasized that the LTRPF needs to be considered in relation to the overproduction of capital. "Existing capital is at the same time too small and too large. It is too large in relation to the existing surplus-value, and it is not large enough to overcome the lack of surplus-value." (Yaffe, 1972, p. 204).

As the LTRPF started to receive significant attention in Marxist economic theory, many studies have attempted to investigate the changes in the rate of profit during long periods. While most of the studies that deal with the behaviour of the profit rate support the LTRPF, these studies contain some limitations. First, most of the studies deal with the profit rates for specific countries rather than the world rate of profit. While these studies could explain particular characteristics in the economy of the respective country, they may distort the overall trend in the profit rates because of the particularities of the specific country. Recently, some studies tried to calculate the rate of profit for the world economy and show a downward trend in profit rates (Basu et al., 2022; Li et al., 2015; Maito, 2014, 2018; Roberts, 2020).

The studies that calculated the profit rates of the world or national economy also have some limitations due to the availability of data to calculate the rate of profit correctly. Among the problems, the most significant and controversial one is the different calculations of the rate of profit. As merely productive labour can create a surplus-value, there is a need for the exclusion of the unproductive sectors in calculation. However, it is not easy to distinguish between the productive and unproductive sectors, which leads to different interpretations in the literature. Furthermore, as Harvey (2016) indicates, many workers spend their labour-power in both productive and unproductive ways during the workday which makes it impossible to completely separate these sectors. On the other hand, some studies (e.g., Roberts, 2011, 2016b) do not even exclude unproductive sectors since it is argued that the overall trend of profit rates can be seen in the entire economy. This may result in varying rates of profit in different studies since there has been an expansion of unproductive sectors starting with the 1980's. (Savran & Tonak, 1999). Another problem arises from the different usage of capital stock data, as there has not been a consensus in the literature regarding whether historic cost or current cost should be used. Furthermore, as Shaikh and Tonak (1996) indicated, the definition of data in the official national accounts significantly differs from Marxian categories. On the other hand, the relationship with value and price constitutes an extensive problem in Marxist economic theory which makes it questionable for the LTRPF to be empirically provable. Also, these data do not include illegal economic activities, which are more profitable compared to the most sectors (Harvey, 2016). From different interpretations of various concepts and different usage of data, there have been several measurements of profit rates. None of these different interpretations and measurements should be seen as the single true measurement of profit rate; instead, these differences are needed to address different questions (Kliman, 2010). Nevertheless, the debate on the trajectory of the rate of profit in capitalist economies becomes more barren as different methods of calculations yield different results which makes it harder to ‘empirically prove’ the validity of the LTRPF. Nevertheless, particularly with the goal of empirically proving the validity of the LTRPF by attempting to calculate the trajectory of profit rates in capitalist economies, the debate around the LTRPF has become rather barren as different methos of calculation yield differing results.

Apart from countertendencies that Marx put forward, some scholars have introduced new countertendencies to the LTRPF. For instance, improvements in production and circulation processes, such as just-in-time manufacturing introduced in Japan, can function as a countertendency for the fall in the rate of profit by decreasing the turnover and circulation time of capital. In addition, huge capital investments in the arms industry could prevent the rise in the organic composition of capital and can be counted as a countertendency (Brenner & Pröbsting, 2008). On the other hand, privatizations of state-led industries in the neo-liberal era led to more profitable options for capital, which increased the mass of surplus-value but had an adverse effect on profit rates (Savran & Tonak, 1999).

2.2.1. Critiques against the LTRPF

The LTRPF also received many criticisms within Marxist literature. Michael Heinrich (2013), who is one of the scholars studies at MEGA (a project that aims to produce a historical-critical edition of the works of Marx and Engels), argued that Engels was responsible for the LTRPF to become the basis for the Marxist theory of crisis since the third volume of *Capital* published under Engels's editorship after Marx's death (Heinrich, 2013). Heinrich claimed that Marx had doubts about the LTRPF, which he abandoned in his later works. Heinrich also criticized Marx's reasoning on the LTRPF as inconsistent and insubstantial. Heinrich contended that Marx does not offer a reason why the ‘law as such’ outweighs the other countertendencies. Moreover, according to Heinrich (2013), the LTRPF is "a very reaching proposition which cannot be empirically proven or refuted." He further argued that there is not a coherent and complete theory of crisis in Marx's writings.

The sceptics of the LTRPF embraced Heinrich's arguments. For instance, David Harvey argues that there is no single causal theory of crises (Harvey, 2016). For Harvey, the LTRPF should be treated as contingent rather than a definitive proposition. That is why he argues that crises that emerge from this mechanism are relatively rare. He argues that the trend in the Anglo-Saxon school towards the LTRPF arises from a mechanical understanding of Marxian political economy. Harvey also comments on the evidence of the downward trend in the rate of profit. He questions the validity of the data and states that the downward trend can be the result of another mechanism than the rise in the organic composition of capital, which the LTRPF indicates. Particularly, Harvey argues that a growing labour force could prevent the rise in the organic composition of capital, contrary to the claims of the law's proponents. Harvey (2021) later criticized the proponents of the LTRPF and the proponents of theories of Monopoly Capital that by choosing one side of the contradiction between rate and mass, they exclude any other possibilities and "create a one-dimensional theoretical structure." Although Harvey seems to accept some of Heinrich's arguments, he does not directly oppose the tendency of the falling rate of profits. Instead, he opposes the LTRPF being the only explanation for every crisis in capitalism.

Michael Heinrich was not the first to see the LTRPF as indeterminate (see also: Hodgson, 1974; Itoh, 1980). Paul Sweezy (1942), in *The Theory of Capitalist Development*, argues that the percentage of surplus-value can increase more than the percentage of the organic composition of capital, which leads to a rise in profit rates as opposed to what Marx argued. We can see a similar emphasis on rising surplus-value in *Monopoly Capital*, "What is most essential about the structural change from competitive to monopoly capitalism finds its theoretical expression in this substitution" (Baran & Sweezy, 1966, p. 72). Sweezy and Baran argue that although the LTRPF could be valid for 'competitive capitalism,' 'the law of rising surplus-value' suits better for monopoly capitalism.

Another point of critique of the LTRPF has been oriented toward Marx's assumption of technical innovations leading to the rising organic composition (Hodgson, 1974). It has been argued that technical innovations in the production process, which increase productivity, not only cheapen commodities but also ultimately cheapen the value of workers' means of consumption that are necessary for the reproduction of the value of labour-power (Miller, 1995). Therefore, every increase in the amount of constant capital with technical innovations necessarily involves the cheapening of labour-power and a rising rate of surplus-value.

Moreover, it has been argued that the effect of the cheapening of the means of production has been underestimated and that it would potentially prevent a fall in the rate of profit, even though it has been considered as a countertendency by Marx to the law of falling rates of profit (Brewer, 1995, p. 137). Furthermore, so-called ‘capital-saving’ technological changes have been underlined for the cheapening of constant capital, which acts as a countertendency against the law as such (Blaug, 1985, p. 250).

One of the most important criticisms of the downward trend in profit rates in the literature appears to be the Okishio theorem. Okishio argued that capitalists would not choose a new technique in the production process that would lower profit rates. In his calculations based on the Neo-Ricardian Sraffa model with a given real wage, Okishio claimed that profit rates would not fall across the capitalist economy with the new technique. Although this theorem attracted a lot of attention at first, it received a lot of criticism from the proponents of the law, particularly the assumption of real wages and that higher profit rates would be preferable to lower production costs due to competition (Shaikh, 1978). Moreover, Clarke (1994) argues that the importance of the Okishio theorem has been exaggerated as it assumes a general equilibrium. However, the main discussion point on the Okishio theorem revolves around the so-called ‘transformation problem of values to the production prices,’ which various positions exist.

2.2.2. Responses to the critiques

Various proponents of the LTRPF responded to these criticisms. One of the most significant criticisms against the LTRPF has been whether the rise in the rate of surplus-value could cancel the fall in the rate of profit. Kliman et al. (2013) suggested that these mathematical calculations violate the crucial premise of the LTRPF because they presume that capital is “dis-accumulated”. Sam Williams (2013) further argues that these criticisms contradict the premises of the capitalist mode of production. Heinrich's claims about the influence of Engels's editorship in volume 3 of *Capital* and Marx's abandonment of the law in his later works are heavily criticized by various scholars (Carchedi & Roberts, 2013; Kliman et al., 2013; Williams, 2013). Kliman and his colleagues (2013) argue that Heinrich misunderstood the LTRPF, which is why he expected proof of the law. However, they argued that, for Marx, the law is rather an explanation than a prediction. On the other hand, Carchedi and Roberts (2013) agree that the law must have predictive value and be subject to falsification. They assert that there is sufficient data to confirm the validity of the LTRPF.

As one of the most prominent Marxist political economists, Harvey's critiques received significant attention. Most of the critics were focused on Harvey's accusations against mono-causality. It has been argued that the LTRPF does not operate external to the other causes of crises, such as speculative aspects of financial markets or enormous debt burden, but these other causes should be considered in relation to the LTRPF (Callinicos & Choonara, 2016; Kliman, 2015). On the other hand, some argue that there must be common aspects of the recurrent crises (Roberts, 2016a). Roberts argues that sufficient data exist in the literature to demonstrate that the fall in the rate of profit results from the rise in the organic composition of capital. Moreover, Kliman (2015) suggests that Harvey's argument on the rise in the labour force does not prevent the rise in the organic composition of capital, and Harvey confuses the rate and mass of profit.

Jim Miller (1995) criticizes Sweezy's arguments on the relation between the organic composition of capital and surplus-value as Sweezy's misinterpretation of Marx. Miller argues that Sweezy mistakenly conceptualizes these forces as independent from each other. On the other hand, Shaikh (2016) argues that Baran and Sweezy's arguments on structural change within capitalism from competitive capitalism to monopoly capitalism are based on the view that "competition is as applicable to a fictitious nineteenth-century era but not thereafter" (p. 356). However, these views are based on Baran and Sweezy' conceptualization of competition as perfect competition, which is not valid for any era of capitalism. Once we accept that competition and monopoly coexist alongside each other, it becomes clear that Marx's law is still central to capitalism (Roberts, 2021).

The criticisms against Marx's justification of the rising tendency of organic composition contain significant problems. Firstly, even though increasing productivity leads to the cheapening of the value of labour-power through the cheapening of workers' means of consumption, their effects are secondary and lower compared to the cheapening of means of production (George, 2013). Secondly, the confusing ideological connotations of the concept of ‘capital-saving’ technological change which contradicts the labour-theory of value has been underlined both by Yaffe (1973, p. 198) and Phadke (1977, p. 40). Although Marx does not explicitly point this out, his distinction between the different compositions of capital necessarily involves a potential cheapening in both the value of labour-power and the value of the means of production (Fine & Harris, 1976). While in the increase in the *technical composition of capital*, Marx refers to technical advances that reduce the share of labour when describing the ratio of constant capital to labour-power in terms of *mass* and *volume*, in the *value composition of capital*, which refers to the ratio of fixed capital and labour-power in terms of value, it is not their ratio in terms of volume or mass but their ratio in terms of *value*. For Marx (1982), only if the technical change which increased the technical composition of capital would reflect itself in value terms would result in the organic composition of capital: "The organic composition of capital is the name we give to its value composition, in so far as this is determined by its technical composition and reflects it" (p. 245). Therefore, Marx considered both the cheapening of the value of labour-power and means of production and distinguished the increase rate between technical composition and organic composition of capital. Yaffe (1973) explains the distinction between different compositions of capital as follows:

> This latter process, accompanied by an increase of the mass and volume of means of production, is also the basis of Marx’s argument that the organic composition of capital, insofar as it is determined by the technical composition, will rise, although not as fast as the technical composition, due to the increasing productivity of labour. (p. 194)

As Marx indicated, the devaluation of capital results in a decrease in the organic composition of capital, which leads to a rise in profit rates. Similar to the rise in the rate of surplus-value, devaluation of capital is one of the ways for capital to overcome crises by restoring profit rates. Whether capitalism managed to overcome the crisis of the 1970s, and if so, how it achieved this, has received significant attention with various interpretations in literature. It was stated in the literature that "the main achievements of neoliberalism have been redistributive rather than generative" (Harvey, 2007, p. 153). Based on this view, most of the literature shares the common belief that neoliberalism could manage to restore the profit rates with the rising rate of surplus-value (See: Duménil & Lévy, 2002; Economakis et al., 2010; Mohun, 2008; Moseley, 2008, 2013; Shaikh, 2011). However, some scholars claim otherwise (Bakir & Campbell, 2009; Kliman, 2010, 2015b). While one of the reasons for the different results of these studies stems from differences in a measurement (historic cost or current cost of fixed capital), Kliman (2010) argues that some scholars cherry-picked the data they used to justify their approaches. Kliman (2010) and Savran (2013) argue that the lack of devaluation of capital in the crisis during the '70s resulted in low rates of profit and growth in neoliberalism. However, Economakis and his colleagues (2010) suggest that during ‘Volcker Shock’, high rates of interest in the U.S. led to the destruction of less productive capital from 1983 to 1992 to some extent.

Most of the studies that claim restoration of profit rates with the beginning of the neoliberal era argue that redistribution of income from wages to profits occurred during the period (Magdoff & Foster, 2013). However, Kliman (2010) suggests no significant decline happened in labour share even though most of the studies suggest otherwise. However, some scholars suggest that the data could be misguiding because the top-level managers' wages, who received much more income in neoliberalism, are counted as part of the wages rather than profits in most of the data (Duménil & Lévy, 2011a). However, how much the increasing rate of exploitation could manage to reverse the tendential fall in the profit rates should still be investigated further. Consequently, the differences among the approaches to the 1970s crisis inescapably influence the approaches towards 2008's crisis. However, the discussions surrounding the LTRPF with the 2008 crisis need to be considered in relation to financialization. Therefore, these discussions will be explored further in chapter 4.

Marx's law also occupies a critical position in state theories. Although others also recognized the importance of the LTRPF in analysing the capitalist state (see: Poulantzas, 2008), Joachim Hirsch was the one who put the LTRPF at the centre of his analysis of the state. For Hirsch (1978), both the law as such and countertendencies are key for understanding the development of the state. Hirsch argued that the tendency of the falling rate of profit, as the expression of the crises-ridden nature of capitalism, necessitates the reorganization of both relations of production and reproduction, which is related to the mobilization of countertendencies (Hirsch, 1978). Hirsch, by criticizing the view of the state as an institutionalization of general interests of capital, offers a valuable approach to state theory, which "contradictions of the capitalist society as being reproduced within the state apparatus" (Holloway & Picciotto, 1978, p. 25). However, as Holloway and Picciotto (1978) criticize, Hirsch experiences problems operationalizing his approach to ‘mobilization of countertendencies’ by separating class struggle and accumulation. A similar critique came from Bob Jessop, who argues that this approach "operates with an unduly restricted view of class struggle" (Jessop, 1990, p. 41).

2.3. Alternative Marxist Crisis Theories

There exist different classifications for Marxist crisis theories. These theories of crisis all attempted to explain crises of capitalism through *overaccumulation* with reference to Marx, whether in the form of overproduction of things or overaccumulation of capital in the form of constant capital. For example, Itoh (1980) divides Marxist crisis theories into two: ‘the excess commodity theory’ and ‘the excess capital theory’. While the excess commodity theory consists of theories of underconsumption and disproportionality, the LTRPF and the labour-power shortage theory are included in the excess capital theory. Shaikh (1978), on the other hand, distinguishes between those who view capitalism as ‘incapable of self-expansion’ and those who view capitalism as ‘self-limiting accumulation’. The former includes the theories of disproportionality and underconsumption, while the latter includes the theories of the LTRPF and profit squeeze. In different works on Marxist crisis theories (see Wolfe, 1986; Yaffe, 1972; Weisskopf, 1978; Clarke, 1994), the theories of the LTRPF and underconsumption are always included, while the theories of disproportionality, profit squeeze and labour-power shortage theories are left out in some of them.

While discussing alternative theories of crisis to the LTRPF, the theories of profit squeeze and labour-power shortage will be briefly summarized and will not be dwelled on too much. That is because they either developed to provide an answer to a specific crisis or belonged to a particular school of thought, and their place in the debate on the Marxist crisis theory is relatively small. On the one hand, the theory of profit squeeze could be more accurately called an approach to a specific crisis in the 1970s than a theory of crisis, while the theory of labour-power shortage theory could better understand as a theory of 'pure capitalism', belonging to a school that advocates a radical separation between theory and history, with the weak link to the actual crisis in the history of capitalism (Clarke, 1989). Finally, those who argue for the multicausal crisis theory is discussed as an alternative approach within the Marxist crisis theories.

2.3.1. Earlier theories of crisis

Interest in crisis theories in Marxist literature significantly surged at the late 19th and the beginning of the 20th century. While particular distinctions existed within them, the most prominent Marxists during the time emphasized the monopolization tendencies in the capitalist economy. Given the strength of German socialism within the Second International, many of the studies were focused on the tendencies of the German economy while attempting to identify general laws governing the trajectory of capitalist economies. Apart from Henryk Grossman, who stressed the importance of the LTRPF, and a few influential Marxists who indicated disproportionality between different branches in capitalist economies as the root of crisis, underconsumption stemming from monopolistic tendencies was widely regarded as the leading cause of the capitalist crises.

Rudolf Hilferding, as a prominent figure, influenced the later developments in Marxist economic theory by systematically identifying monopolistic tendencies in the capitalist economy. Hilferding saw the rising weight of corporations in the capitalist economy as crucial to comprehending the changing nature of the capitalist economy (Sawyer, 1988). By delving into the German economy at the beginning of the century, Hilferding indicated the challenges faced by industrial capitalists in finding sufficient finance for investments, which led to the domination of industrial capitalists by major banks. Coupling with the concentration and centralization tendencies of capital, which Marx indicates, it has resulted in the fusion of industrial capital and financial capital as finance capital (Hilferding, 1910, p. 225, as cited in Green, 1990). This process of monopolization resulted in the formation of cartels, which dominated the market for Hilferding. He claimed that the competition between these cartels would cause an imbalance between different branches and ultimately result in overproduction. However, Hilferding believed that the existence of these cartels enables the state to transition into the planned economy through its scale of production and its control of circulation (Foster, 2018). Consequently, Hilferding's work hints that capitalism could be stabilized with the correct management of capitalist markets (Toporowski, 2016).

Hilferding hints that the stabilization of capitalism through effective management is inherently linked to its political allegiance to the Social Democrat Party in Germany (SPD).[3] It has been commonly acknowledged that Lenin's work on Imperialism draws heavily from Hilferding's study. It is undeniable that Lenin incorporated many aspects in his theory of imperialism from Hilferding. However, Lenin offered a different framework for monopolistic tendencies in the capitalist economy. Like Hilferding, Lenin argued the domination of industrial capital by the interests of major banks and undergoing transformation into finance capital. Similarly, he concurred with Hilferding's idea that 'developed capitalist countries' must export their capital to the world market to delay the crises-ridden tendencies. However, as opposed to Hilferding and Kautsky, who also grounded his theory of imperialism on Hilferding's work *Das Finanzkapital*, Lenin posited the existence of fierce competition between different national capitals for capital export and division of world markets between capitals. Therefore, Lenin offered a contradictory unity between monopolies and competition, which both can exist alongside each other. Furthermore, he contended that the more capitalism developed, the competition would become more intense (Lenin, 2010).

The omission of theories of finance capital identified by Hilferding and Lenin was revealed later. Firstly, the dependency of industrial capital on banks has diminished,

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[3] As in the other theories which suggest that crises arise from disproportionality between different branches, Hilferding's study also contains elements indicating that crises can be prevented through correct management by sustaining the proportion of different branches.

particularly following the introduction of self-financing tools, including bonds and equity, which enable industrial capitalists to fund most of their investments independently (Toporowski, 2016). Moreover, as Foster (2018, p. 58) indicates, "powerful countertendencies such as the breakup of old firms and the founding of new ones made concentration and centralization a more uneven process." Moreover, these theories were heavily relied on the observation of the German economy in a particular period which in some respects differed from the long-term tendencies of the world capitalism.

Alongside Hilferding and Lenin, Rosa Luxemburg also formulated her own theory of imperialism but not with a heavy emphasis on monopoly and banks but being grounded on the realization of surplus-value. Luxemburg, while being primarily interested in Marx's reproduction schemes, questioned the realization of profits by capitalists. She engaged in a polemic against Tugan-Baranovsky (Howard and King (1992) explains that Luxemburg's main criticism was directed against the (SPD) party centre including Kautsky and Hilferding in a cryptic manner), who argued that accumulation without a limit could occur solely by expanding production through investments independent of the consumption patterns "so long as production is correctly proportioned to the various branches of industry" (Sweezy, 1942, p. 159). For Luxemburg, "production of means of production is independent of consumption was nothing but a vulgar economic fantasy of Tugan-Baranovsky" (Luxemburg, 1913, p. 320, as cited in Foster, 2014)[4]. Luxemburg contended that it is not possible for capitalists to turn all their profits into money form in the long run in a closed economy. Luxemburg formulated her theory of imperialism with an emphasis on the importance of capital export into non-capitalist economies since a closed capitalist economy is doomed to fail without external markets. Luxemburg's arguments on the tendency to stagnation for capitalist economies without capital export into non-capitalist economies made her emphasize military expenditures, enabling capital to realize profits. This emphasis by Luxemburg distinguishes her theory of imperialism from her contemporaries in regard to providing an explanation of the economic part

[4] Although Tugan's disproportionality theory of crisis has been dismissed and ridiculed by many Marxists, Clarke (1994) argues that Tugan-Baranovsky's studies opened a gap within Marxist crisis theories between underconsumptionism and disproportionality.

of military expenditure as she states, “from the purely economic point of view, it is a pre-eminent means for the realization of surplus-value; it is in itself a province of accumulation” (Luxemburg, 1951, as cited in Howard & King, 1992, p. 112).

Another contribution to the crisis theory came from Rosa Luxemburg’s compatriot, Michal Kalecki. Like Luxemburg, Kalecki delved into the issue of realization while following Marx’s reproduction scheme. He argued that the realization problem primarily stemmed from the gap between the profits of capitalists and their level of investments. In addressing the problem of effective demand, he focused more on under-investment than on under-consumption. For Kalecki, one of the problems that widen the gap between the level of investments and the level of profits is what he called the rising ‘degree of monopoly.’ While the higher degree of a monopoly increases the profit share, it decreases the share of those profits turning into investments. Kalecki expected that the degree of monopoly and, consequently, the profit share of capitalists relative to wages would rise over time (Sawyer, 1988). Scholars argued in the literature that economic downturns can be prevented with correct management of markets, assigning the state a role in facilitating the realization of profits by increasing investment opportunities, and state spending can be drawn from Kalecki’s writings (Levy-Orlik, 2014). It is evident that Kalecki focused on circulation and how to address the problem of aggregate demand. This emphasis resulted in his distant relationship with the production process and Marx’s concepts of ‘exploitation’ and ‘surplus-value’ (Levy-Orlik, 2014). This distant relationship is particularly apparent in Kalecki’s treatment of wages and profits as if they are determined arbitrarily by capitalists rather than by the imperatives of capitalist competition. As commonly acknowledged in the literature, Kalecki’s methodology in identifying the issues in the capitalist economy, along with the political outcomes on how to deal with those problems, aligns him closer to Keynesian thought rather than Marxian tradition, despite his different opinions on monopoly.

By following Kalecki, Steindl also was interested in the question of under-investment. He argued that the competitive era of capitalism, where small firms had less, if any, market power, shifted towards capitalism, where oligopolistic structures dominate the market. In the competitive era of capitalism, when a firm introduces a new method, it will try to increase its share in the market by expanding production with lower costs and eliminating its competitors which "many of them near the margin of existence" (Steindl, 1979, p. 6). However, in capitalism, where oligopolies are dominant, these firms have the market power to increase their prices and consequently significantly increase their profit margin. Therefore, eliminating other competitors by lowering the prices and increasing the utilization rate will most likely yield no result for the 'oligopolistic structures' since "the struggle for elimination would also … be extremely prolonged and costly" (Steindl, 1976, p. 53). Steindl (1973) contends that oligopolies tend to keep the utilization rate lower than between each other, potentially resulting in excessive capacity. These oligopolistic structures will be hesitant to increase their investments, for Steindl, because of the danger of excessive capacity. The constant potential of excessive capacity and low rates of investment leads to low rates of profit. Steindl argues that this constitutes the reason for the new era of capitalism, where oligopolist firms dominate, is characterized by stagnation.

2.3.2. *Monopoly Capital* theory of crisis

With the development of capitalism, concentration and centralization tendencies have been highlighted by these theorists as the distinguishing feature of late capitalism, setting it apart from the competitive capitalism in which Marx lived. The roots of the crises, which manifest themselves with realization problems and stagnation, have been increasingly attributed to the monopolistic character of capitalism. Each of these theorists highlighted certain characteristics of monopolies and specific issues arising from these characteristics. However, by developing those issues indicated by earlier theorists, systematic analysis of the so-called monopoly capitalism came from Paul Baran and Paul Sweezy with their path-breaking work, *Monopoly Capital*. What has been tacitly acknowledged in the writings of the earlier theorists was explicitly expressed in Baran and Sweezy. As capitalism evolved, not only did monopolistic tendencies intensify, according to Baran and Sweezy, but also substantially changed the process of accumulation in a way that necessitates a revision of Marx's labour theory of value and its implications, including the LTRPF.

In *Monopoly Capital*, Baran and Sweezy attempted to identify how monopoly capitalism differs from competitive capitalism, particularly regarding capitalist accumulation and its inherent contradictions. Their goal is not merely to empirically prove the existence of monopolies within capitalism but rather to provide a theoretical framework for understanding monopoly capitalism. Baran and Sweezy employ the term 'monopoly' generally to refer to a few capital units dominating the market rather than a single seller with no substitutes (Baran & Sweezy, 1966). Competitive capitalism, in which numerous units of capital operate in the market, has undergone a transformation into monopoly capitalism, in which a small number of giant corporations hold most of the share in each sector. Therefore, monopoly for Baran and Sweezy (1966, p. 6) must be placed "at the centre of the analytical effort."

The central difference between monopoly capitalism and competitive capitalism, which has been put forward by Baran and Sweezy, is the substitution of the LTRPF with the 'tendency of rising surplus.' It can be seen that Baran and Sweezy not only substitute the tendential fall in the profit rate but also the concept of surplus-value, which is central to Marx's labour theory of value, was being replaced by the concept of 'surplus.' Surplus is defined as the difference between social output and socially necessary labour costs to produce that output. What sets surplus apart from surplus-value is that it accounts for the wages of unproductive labour and costs necessary for realization, which Baran and Sweezy states were secondary in Marx's analysis of capitalist production.

Baran and Sweezy explore the nature of giant corporations as they replaced the earlier individual capitalists and seized the lion's share of the surplus generated in the economy. While giving a detailed analysis of these giant corporations, they argued that these monopolies differ substantially from earlier individual capitalists. In competitive capitalism, the price of the commodity was determined by the imperatives of the competition. However, in monopoly capital, modern giant corporations have the power to, at worst, influence the price and, at best, determine the price of the commodity they produce. Therefore, they state that, “Under competitive capitalism, individual enterprise is a ‘price taker,’ while under monopoly capitalism the big corporation is a ‘price maker’” (Baran & Sweezy, 1966, pp. 53-54). The power these capitals hold enables them to set a price that significantly exceeds the wages paid to the labour, leading to a higher rate of surplus.

With the historical evolution of price relations, cutting prices to increase the market share by attracting buyers has gradually become a taboo between giant corporations since engaging in a price-war that leads to cut-throat competition would harm each other as it did earlier in detrimental experiences. Instead, there has been established what Schumpeter calls a ‘correspective competition’ between these corporations. According to Baran and Sweezy, small firms also follow the prices that have been set by giant corporations, recognizing that engaging in a price-war would result in their collapse. In addition to setting prices, corporations are constantly seeking means to cut costs. With cost-reduction, the profit margins of these corporations rise increasingly. The advantage of monopoly capital against its struggle against labour, the hierarchy of profit rates under monopoly capitalism, and corporations’ ability to regulate the rate of utilization exacerbate the higher profit rates (Sweezy, 2004). This reasoning for the tendency of surplus to rise leads Baran and Sweezy to conclude that not only does the mass of profits rise, but also the share of profit to the output also rises.

With the law of rising surplus, the central contradiction of capitalism shifted from surplus generation to surplus absorption (Foster, 1986). Capitalist economies, according to Baran and Sweezy, revolve around the inherent contradiction of surplus absorption. They identified three ways that surplus absorption can take place: consumption, investment, and waste. While addressing capitalist consumption and investment, they contend that capitalist consumption cannot absorb the entire surplus. In fact, in case of a rising surplus, capitalist consumption relative to the total output decreases. By indicating the delayed adjustments for dividend payout rates to the shareholders of the giant corporations, Baran and Sweezy concluded that capitalist consumption falls relative to the total income. As opposed to capitalist consumption, the investment-seeking part of capital rises both absolutely and relatively to the total income. Baran and Sweezy (1966) explain the logic of the situation as both rising surplus and investment mutually increase one another. However, without the final wage demand, investment into the ever-increasing capital goods to produce more capital goods will eventually result in the burst of the bubble. The rising surplus, both absolute and relative to the total output, accompanied by rising investment, both absolute and relative to the proportion to the total surplus, would lead to the accelerating growth of the economy. However, Baran and Sweezy argue that sustaining an investment pattern that rises relative to income, which consequently increases the productive capacity more than the total output, is impossible in the long term. To avoid engaging in this cycle, giant corporations closely monitor the level of investments. This means that the level of actual investment will be much less than the investment capacity of the investment-seeking part of the capital. Therefore, the total output produced under monopoly capitalism is lower than the total output that could potentially be produced. Here, Baran and Sweezy introduce distinct forms of surplus, actual surplus, and potential surplus to explain the contradiction between productive capacity and real production under monopoly capitalism. Without the final wage demand, giant corporations must always watch out for the risk of excessive capacity, as a *sword of Damocles* hangs over their heads and forces them to keep their investments at a certain level. That is why Baran and Sweezy argue that the self-contradictory characteristic of monopoly capitalism results in stagnation as the "*normal* state of the monopoly capitalist economy" (Baran & Sweezy, 1966, p. 108).

As highlighted by Baran and Sweezy, the significant contributions of Kalecki and Steindl have heavily influenced the *Monopoly Capital*. Kalecki's concept of the degree of monopoly and his emphasis on monopolies' ability to increase the profit share is central to the theoretical framework of *Monopoly Capital*. Similarly, Kalecki's focus on the realization problem and his arguments on how investment by itself could not achieve the realization of all profits can easily be traced in Baran and Sweezy's work. Furthermore, the impact of Steindl's writings on the relationship between utilization rate and investment level, along with his arguments on the market where oligopolistic structures dominate, would lead to stagnation, is apparent in *Monopoly Capital*.

Since investment and consumption stay limited to absorb the entire surplus that is generated, capital turns into waste as a mechanism for surplus absorption. Unlike in competitive capitalism, sales effort had become a necessary expenditure for a corporation under monopoly capitalism (Holleman et al., 2009). By advertising, monopoly capital is able to increase consumption along with absorbing the generated surplus. Military spending, which is considered by many to be inefficient, has been one of the most prominent ways to absorb the surplus, although it is still irrational from the standpoint of society (Foster, 1986). Other than public waste, public investment also plays a crucial role in absorbing the surplus. States under monopoly capitalism must do so since, according to Baran and Sweezy, states are becoming more dependent on giant corporations as monopoly capitalism develops.

Baran and Sweezy also evaluated the profit rates in the US, which showed a trend opposite to their arguments. Against Nicholas Kaldor who stated that "all statistical indications suggest that the share of profits in income … have shown a falling rather than a rising trend over recent decades" (Kaldor, 1957, p. 621 as cited in Baran & Sweezy, 1966, p. 621), they asserted that the fall stems from the costs that are necessary for the realization of surplus as well as wages paid to the unproductive labour. Similarly, Baran and Sweezy argued for stagnation as the 'normal' state of the economy during the high rates of growth in the US economy. They contend that especially the rise in sales effort and military expenditures into the Vietnam War had helped surplus absorption so that the level of investment increased. However, they noted that this can only be a temporary situation under monopoly capitalism.

Theories claiming a shift from competitive capitalism to monopoly capitalism with the development of capitalism have exaggerated both the monopolistic aspects of late capitalism and the presence of free competition in so-called competitive capitalism. Nevertheless, during the 19th century, there were already noticeable tendencies towards concentration and centralization, as Marx pointed out. Hence, the attempt to construct a dichotomy where 19th-century capitalism is depicted as defined by free competition among numerous small enterprises, while 20th-century capitalism is portrayed as controlled by monopolies absent of competition, inadequately represents the intricacies of actual working of capitalist economies.

The logic put forth by Baran and Sweezy to support their claim that monopoly capitalism's ‘rising tendency of surplus’ is a replacement for the LTRPF contains several flaws. Preceding their work, Kalecki contended that a positive correlation exists between the degree of monopoly and the profit margin of the firm. In a similar vein, Baran and Sweezy assert that there is a hierarchy of profit rates between giant corporations and small firms in monopoly capitalism. However, as highlighted by Shaikh (2016), numerous empirical studies demonstrate that profit margins generally tend to be lower in larger firms. Moreover, Howard and King (1992, p. 123) argue that “The ‘degree of monopoly’ in many industries should be measured on a global rather than a purely national scale.”

Baran and Sweezy's argument, proposing a dichotomy between price-taking and price-making based on so-called competitive capitalism and monopoly capitalism, relies on an idealistic understanding of free competition that closely resembles the principles of neo-classical economics. Contrary to their assertion, the ability of price-setting does not exempt firms from the imperatives of capitalist competition; instead, price-setting is an inherent aspect of real competition. As Shaikh (2016, p. 370) argued, these challenge "the notion that larger firms set prices in order to raise their profit rate above average." It can be seen in *Monopoly Capital* that the relationship between price and value has been dismantled. Not only the dismantlement of the relationship between the price and value of the commodities but also the relationship between the value of commodities and socially necessary labour-time to produce those commodities has disappeared. Although Baran and Sweezy stated their aim as revision of Marx’s labour theory of value, their work interpreted as went beyond than a mere revision. As Harvey (2006, p. 141) states, “The abandonment of the ’competitive model’ in Marx certainly does entail abandoning the law of value-which, to their credit, Baran and Sweezy are fully prepared to do”.

Baran and Sweezy, following Kalecki and Steindl, identify the core contradiction of capitalism in the lack of demand. It coincides with the era when Keynesian thought was hegemonic in bourgeois economic theory. Mattick (1966) argues that Baran and Sweezy’s analysis which includes a shift from class terms such as ‘surplus-value’ to Keynesian terms such as ‘effective demand’ corresponds to their transition “from

Marxian to the Bourgeois economic analysis". Moreover, the political implications stemming from a crisis theory rooted in a lack of demand are addressed by assigning the state a task to conduct mechanisms for redistribution and public services that would boost demand to avoid the crisis. This arises from conceptualizing production as an isolated and separate economic sphere. Consequently, the state has been seen as an external force that intervenes in the closed economic system in order to address its shortcomings. In line with the instrumentalist approach to the state, Baran and Sweezy perceive the state as belonging to a separate domain from the capital and dependent on it. As capitalism progressed and monopoly capital gained more economic power, Baran and Sweezy argued that the state would become increasingly reliant on it.

Baran and Sweezy's analysis of capitalism diverges from Marx's dynamic analysis, tending towards a closed and static system, in contrast to Marx, who emphasized the self-expanding and dynamic nature of capital. As a result of the abandonment of the labour theory of value, the valuation of capital has been substituted by a form of capitalism that lacks the ability to expand and accumulate, ultimately leading to stagnation. Even the tendency of rising surplus cannot be realized in this closed and static structure of monopoly capitalism. To address this issue, Baran and Sweezy introduce the concepts of potential and actual surplus. Rising potential surplus is not more than the expression of the increasing productive capacity of labour in capitalism. Nevertheless, the rise of the actual surplus is considerably restricted by the fear of monopoly capital regarding excessive capacity and its reluctance to invest. As a result, the existence of increasing surplus and the static structure of monopoly capitalism have become incompatible. Although Marx demonstrated earlier that, in spite of the fall in the rate of profit, the mass of surplus-value cannot only rise but must do so.

In alignment with Luxemburg, Kalecki and Steindl, Baran, and Sweezy share the perspective that capitalism is not able to expand in its 'normal state.' Recognizing that capitalism cannot expand internally, these thinkers have incorporated external sources of demand into their theories. These external sources of demand include foreign markets, pre-capitalist societies, or sales and military expenditures as waste mechanisms. As Erik Olin Wright (1993) states, one of the significant deficiencies of theories of underconsumption lies in their inadequacy in addressing the determinants of the rate of accumulation, which led to many thinkers implicitly adopting "Keynes's solution … by focusing on the subjective anticipations of the profit on the part of capitalists as the key determinant of the rate of accumulation" (Olin Wright, 1993, p. 147). As one of the prominent thinkers of underconsumption theories, Paul Sweezy (Savran & Tonak, 1986, p. 27) also explicitly underscores the significance of Keynes's phycological-economic analysis of investment decisions of capital.

It has been commonly acknowledged that there exists an internal relationship between Marx’s critique of political economy and his analysis of class struggle in capitalism. However, the depiction of monopoly capitalism by Baran and Sweezy makes it impossible for any struggle of the working class. Monopolies in the marketplace, which were freed from the imperatives of capitalist competition according to the theorists of monopoly capitalism, also receive less, if any, resistance from the working class. As the sole actor in the marketplace, monopolies also become the sole actor in the terrain of class struggle. Furthermore, the struggle of workers for wages would benefit the monopolies in the last instance since “under monopoly capitalism, employers can and do pass on higher labour costs in the form of higher prices” (Baran & Sweezy, 1966, p. 77). Although capitalists attempt to find ways to pass higher wages in the form of higher prices, at the same time, as Marx (1969) showed in *Value, Price and Profit,* wages could also potentially rise at the expense of the profits of capitalists.[5]

2.3.3. Late theories of crisis

Deriving from Marx’s reproduction schemes, disproportionality crisis theory emphasizes the anarchic nature of capitalist markets. Against the Narodniks, who argue that capitalism cannot be developed in Russia because of the lack of the home market, Tugan-Baranovsky argued that if the growth is managed to sustain at a proportionate level between the first department, which consists of consumer goods,

[5] Against Thomas Weston who claimed that higher wages would not benefit to the workers since it would result in higher prices of the commodities they consume, Marx demonstrated that inflation does not solely depends on the wages of workers.

and the second department, which consists of capital goods, capitalism would be able to accumulate without the same increase in consumption patterns. The theory of disproportionality crisis, later adopted by Hilferding, posits that imbalance between two sectors will repeatedly occur due to the chaotic nature of capitalist markets, ultimately leading to a crisis that restores the balance. Disproportionality theories are often labelled as ‘revisionist crisis theories’ due to the political implications they suggest, namely that crises could be avoided through the planning of capitalist markets. Nevertheless, according to Yaffe (1973, p. 211), Marx effectively demonstrated the necessity of crises within the capitalist mode of production, even when "assuming proportionality between departments."

Simon Clarke's categorization within a particular crisis theory is challenging as he initially employs the disproportionality theory of crisis, followed by a shift to the multicausal theory of crisis with an attempt to locate the reasons for the crises in the relationship between the spheres of production and circulation. In his previous work on crisis theories, Clarke (1990) argues that the dismissal of the underconsumption theory of crisis should result in the understanding of crisis based on disproportionalities rather than the LTRPF. Clarke explains that in Marx's works, particularly those following the 1848 crisis, there occurs a transition in which Marx moves away from the understanding of crisis as 'ultimate breakdown' and instead employs an understanding of crisis as 'violent eruptions.' He rightfully contends that whereas bourgeois economics assumes general equilibrium, Marxist economics posits that any assumption of equilibrium tendencies presumes the existence of disequilibrium tendencies: "The very necessity of evening-up presupposes the imbalance, the disharmony and hence the contradiction" (Marx, 1988, as cited in Clarke, 1994, p. 141). Consequently, Clarke explains that there exist persistent imbalances across different branches of production, resulting in recurring crises.

In his later work, Clarke appears, in the first instance, to transition to the multicausal theory of crisis. He contends that Marx's writings include elements of underconsumption, disproportionality, and the LTRPF theories of crises, suggesting that all three of these could play a role in the crises of capitalism (Clarke, 1994, p. 285) and argues that they should not be thought of as mutually exclusive. Clarke’s theory of crisis in his later work can be summarized as “competitive accumulation drives production beyond the limits of the production” which results in the general crisis of overproduction (Callinicos, 2014, p. 242). However, as Saad-Filho (1994, p. 172) states, Clarke's "most if not all of his examples" address disproportionality in the capitalist mode of production as the reason for the crisis. Throughout the book, Clarke criticizes both the underconsumption and the LTRPF in various ways. According to Clarke, the LTRPF does not always result in a crisis but rather leads to a slowdown of accumulation. He claims that the significance of the LTRPF for Marx has diminished and did not mention the law in his later works. Furthermore, Clarke argues that the mechanical comprehension of crisis stemming from the LTRPF has resulted in the development of two distinct approaches in crisis theory that focus on class struggle: the neo-Ricardian profit-squeeze approach and the Uno School's labour-power shortage approach.

Although Clarke claims to have moved to a multicausal crisis theory, there are still certain gaps in his approach as he has not fully abandoned the disproportionality crisis theory. Clarke (1994, p. 150) argues that Marx first identified relative overaccumulation as arising from disproportionality between branches of production and later explains that Marx was then not satisfied with a disproportionality resting upon “market imperfections”. Therefore, according to Clarke, Marx turned to the inherent tendency of capital to develop the forces of production to explain general overaccumulation. Similarly, Clarke (1994, p. 283-284) first argues that general overaccumulation is only a generalization of relative overaccumulation and is not satisfied with this, so he changes his method to higher levels of abstraction. Clarke claims that general overaccumulation is caused by the disproportion between necessary and surplus labour, between use value and value. However, he does not go to lower levels of abstraction; there, he would necessarily encounter a tendency for profit rates to fall as the manifestation of the contradiction between necessary and surplus labour or between use value and value. Nevertheless, Clarke emphasized that Marx's conceptualization of competition, which is often overlooked in the literature, should be considered in conjunction with crisis theory, a point that will be further elaborated in the next chapter. Moreover, Clarke attempts to locate the crisis within the relationship of production and circulation by emphasizing the need for considering credit expansion in the process in which crisis tendencies turn into the general crisis of overaccumulation (Bedirhanoğlu, 2010).

Ernest Mandel employed the LTRPF to understand long-term capitalist upsurges and downturns. Contrary to common business cycle analysis or following Marx's analysis on the duration of the wear and tear of fixed capital to understand short-term cycles, Mandel focused on the long-term trajectory of capitalist economies. Mandel (1995, p. 11) states that upsurges in profit rates need to be explained rather than the downturn which exists when "countervailing forces are relatively weak, and when only few (or non) of them operate, the tendency of average rate of profit to decline will assert itself with full force". However, as opposed to the conventional approach to Marx's law, he argues that in the long-term boom, there occurs an increase not only in the mass of profit but also in the rate of profit (Mandel, 1995, pp. 107-108). It is important to note that Mandel does not offer a 'symmetrical' and 'automatic' long wave theory; he states that in his theory, there can also occur 'exogenic influences' along with 'systematic shocks' (Itoh, 1997, p. 250). Although Mandel gave primary importance to the LTRPF, he denies the 'monocausal' theory of crisis. Apart from Clarke and Mandel, other scholars such as Dobb and, lately, Harvey have advocated for the multicausal theory of crises. These theories often assert that Marx did not have a singular theory of crisis and that crises in the history of capitalism emerged from a combination of factors. The common point of these theories appears to be often criticizing other theories of crises by highlighting the inherent weaknesses present in each approach. However, as Itoh (1990) states, if each theory has some flaws,

> they should first attempt to investigate which of Marx’s crisis theories was the most accurate and consistent, then select the best approach and try to complete it. If each theory is inadequate on its own, how can their combination in a multicausal approach satisfactorily prove the necessity of crisis? (p. 139)

As a member of the Uno School, Itoh (1990) contends that the theory of crisis stemming from a shortage of labour-power can be traced back to Otto Bauer; however, it was Kozo Uno who ultimately developed and refined this particular sort of crisis theory. Itoh asserts that within the 'normal course of accumulation', the expansion of accumulation occurs at an increasing rate, which leads to an increase in the demand for labour-power. Due to the inability of the growing labour force to match the rapid accumulation of capital, a scarcity of labour-power arises, resulting in increased wages and intensified competition among capitalists. Itoh rejects the LTRPF based on these reasons. Itoh asserts that throughout the 'normal course of accumulation', there is little to no change in the organic composition of capital. The growth in the organic composition of capital happens only for a brief period when there occurs an intensification of competition, which prompts efforts to increase the relative surplus-value and, eventually, the organic composition of capital. According to Itoh (1990), the LTRPF should be seen as a long-term tendency rather than the cause of cyclical crises in capitalism. Furthermore, the decline in profit rates would lead to a decrease in the pace of accumulation rather than a crisis, as suggested by advocates of the LTRPF.

Itoh’s crisis theory, hence, depends on the relationship between the accumulation rate and the increase in the reserve army of labour. Itoh’s labour-power shortage theory in explaining crises contradicts Marx’s emphasis on capital’s immanent tendency to develop the forces of production, as the rise in the organic composition of capital does lead to an increase in the reserve army of labour instead of a labour-power shortage. Itoh, by adhering to the radical separation of theory and history of Uno school, argues that the theory of labour-power shortage applies to the crises in ‘pure capitalism’ in the 19th century. Clarke (1990) argues that Itoh shifted its approach by employing disproportionality theories to explain crises in late capitalism. While it is true that Itoh accepts the crises in late capitalism do not seem compatible with the labour-power shortage theory, he claims that he does not employ disproportionality theories and still argues that crises stem from excess capital in the form of excess fixed capital and excess money capital.

An alternative approach to the theories of crisis emerged in response to the profitability crisis that occurred in the 1970s. The profit squeeze approach to the 1970s crisis was put forth as an empirical observation rather than a fully developed theory. The most prominent thinkers of this approach, Andrew Glyn and Bob Sutcliffe (1972), have argued that the progressive rise in actual wages of workers in the UK from 1964 to 1969 caused a decline in the profit rate of capitalists, ultimately leading to a crisis. Theorists of profit-squeeze approach asserted that the powerful labour movement with trade-union militancy, through its bargaining power, squeezes profits and ultimately triggers a crisis. During a crisis, capitalists reduce the bargaining power of labour by increasing the reserve army of labour. Profit squeeze theorists sought to emphasize inflation and working conditions as key points of confrontation between labour and capital.

Marxist thinkers raised numerous criticisms regarding both the empirical and theoretical aspects of the profit squeeze approach. Shaikh (1978) contended that the empirical component of the theory, which posits an increase in the ratio of wages to profits, contains certain inaccuracies. Profit squeeze theorists calculate the share of profits in national income to be lower than what Marxist categories suggest by subtracting essential capital expenses, such as sales and taxes, which are essential for the reproduction of capital, from the profits. Olin Wright (1993) asserts that the profit squeeze approach prioritizes the circulation process in the conflict between labour and capital while downplaying the conflict at the production level. This approach conceptualizes production as a self-contained and self-sustaining system. Furthermore, this approach exclusively focuses on wages in the process of accumulation, disregarding other determinants of profit rates such as costs of fixed capital and raw materials that have effects on the capital/output ratio. While the profit-squeeze theory of crisis has been regarded as a ‘class struggle theory of crises’ with its focus on wages, it tends to downplay the class character of other aspects of the accumulation process.

2.4. Taking Stock of the Debate on the LTRPF

In the beginning section of the chapter, Marx's explanation of the LTRPF was presented. Marx regarded the LTRPF as the most important law in political economy, but its significance has been a subject of debate in Marxist literature. As mentioned above, numerous scholars have asserted that Marx had uncertainties regarding the validity of the LTRPF, and the reason for the LTRPF to become the foundation of Marxist crisis theory was often attributed to Engels' interpretations of

Marx's scattered manuscripts after his death. The significance of the LTRPF in comprehending the contemporary capitalist mode of production and its interpretations in literature is assessed at the conclusion of the chapter. From this point of view, a new methodological approach is offered for the conceptualisation of the LTRPF.

Adam Smith, by observing the trend in interest rates, which he thought followed a similar trend to profit rates and comparing the interest rates of England with the less developed economies of France and Scotland, argued that profit rates are inversely proportional to the level of economic development (Jones, 2019). According to Smith, as competition intensifies, capital in the same sector will become abundant, leading to a decline in profit rates. Marx criticised Smith's reasoning and his conceptualisation of competition. On the other hand, Ricardo asserted that as capitalism develops, the population and its need for more food and clothing will increase. As a result, the land that is not fertile for agriculture will be utilised to meet the demands of the growing population. This will result in the rise of the labour-time required to produce food and clothing, which will eventually lead to an increase in the value of labour time. Therefore, for Ricardo, with higher wages, profit rates will be lower as capitalism advances. Ricardo overlooks the potential technological advancements that can occur in agriculture despite considering them to be a counteracting tendency. Marx criticised Ricardo's reasoning for the law on his assumption of wages as the sole determinant of the rate of profit.

Marx did not present the LTRPF as external economic law. Marx neither perceived technological innovations as autonomous from the relations of production nor thought they would automatically result in the downfall of capitalism. Marx diverges from both Smith and Ricardo in his perspective regarding the location of crises within the capitalist mode of production. Marx rejected separating the moment of crisis from the ‘normal course’ of accumulation through abstract structures as if crisis represents ‘deviation’ from the process of accumulation. This can clearly be seen also in Marx's emphasis on the capitalist relations of production as a transitory moment, a limited epoch, from a historical standpoint. Marx perceived the crisis as the *violent manifestation* of the *inherent contradictions of accumulation*. In these grounds, Clarke (1994) claims that for Marx, capitalism is in a permanent crisis that results from permanent contradictions inherent in the accumulation. However, this approach neither explains the reasons for a particular crisis nor the specificity of the crisis. Poulantzas (2008) offers an approach that attempts to limit the concept of crisis while both keeping the specificity of crisis and ignoring the contradictions that already exist in accumulation. He accepts Clarke's argument that contradictions or, in other words, "generic elements of crisis" already exist in accumulation and in the reproduction of capitalist relations, but to emphasize the particularity of the period and situation, he argues for the understanding of crises as "situation of a *condensation of contradictions*" (Poulantzas, 2008, p. 296).

Marx considered the LTRPF to be an essential factor in illustrating the necessity of crises in capitalism. Because of the inherent contradictions in the accumulation process, Marx concluded that capitalism is unable to entirely abolish crises but can only delay or mitigate their impact. Nevertheless, Marx abstained from adopting a deterministic viewpoint, which posited that the mere occurrence of a crisis would by itself lead to the downfall of capitalism without any action. Thus, while he did not hold the belief that capital had the capacity to completely eradicate the crisis, he acknowledged that capital has the capability to resolve the crises temporarily in the absence of working-class action.

Significant disparities exist between how Marx put forth the LTRPF and how it is discussed in the literature. By some of its proponents, the LTRPF was conceptualised as a falsifiable element of Marx's scientific framework (Carchedi & Roberts, 2013, p. 586). The method which closely assembles to positivism has no relation to Marx's methodology. Furthermore, the validity of the LTRPF is impossible to verify with the empirical data, nor is it possible to calculate the exact Marxian rate of profit with the available data. As Fine and Harris (1976, p. 175) state, "The practice whose unity with theory is so central to Marxism is not limited to the practice of collecting statistics." Instead, the LTRPF should be understood as an explanation (Kliman et al., 2013) of the contradiction between the ever-increasing productive capacity of labour and its separation from both the means of production and its products. Therefore, the discussion of the LTRPF in the literature on whether the crisis stemmed from the law or not has become very futile. As discussed above, the crises, for Marx, do not represent a disruption from the normal state of accumulation. On the contrary, it represents the contradictions that are intrinsically linked to the accumulating capital. Hence, the law that bears these contradictions should be examined not only in times of crisis but also in relation to the phenomena that arise during the overall process of accumulation. However, the manner in which it is discussed fails to consider the LTRPF's connection to the transformations that have taken place in the capitalist mode of production.

The crisis theory debate in the literature has primarily focused on the contradictions in the circulation. The primary reason for this is the conceptualisation of production as a closed separate sphere where capital is smoothly accumulated. In all the theories of underconsumption, disproportionality, labour-power shortage and the profit-squeeze, it can be observed that the sphere of production has no fundamental contradictions that lead to a crisis. In theories of underconsumption, the central contradiction of accumulation, represented by the shift from surplus-value generation to surplus absorption, has been shifted from the sphere of production to the sphere of circulation. In the disproportionality theories, the central contradiction has been sought in the anarchy of the capitalist markets in circulation. In the labour-power shortage theory of crisis, accumulation proceeds in an increasing rate until the scarcity of labour-power arise. Also, in the profit squeeze approach, the main contradiction is located in the exchange relation between labour and capital. On the other hand, the way in which the tendential fall in the rate of profit has been discussed in the literature also accepts the sphere of production as a separate sphere. Moreover, its conceptualisation of LTRPF as an external economic law based on the autonomous tendency of the organic composition of capital has a resemblance to the methodologies of other approaches. However, Marx's reasoning for the increasing organic composition of capital is based on the class struggle where capital tries to extract more surplus-value from labour. As Clarke (1994, p. 164) explains, for Marx, "a rise in the organic composition of capital has to be compensated by an increase in the rate of surplus-value if the capitalist is to avoid facing a fall in the rate of profit." Therefore, the LTRPF should be thought of in relation to the class struggle, not a mechanical economic law above the class struggle.

Another issue in the literature's discussion of the LTRPF is the conceptualisation of the economy in general. The proponents of the LTRPF commonly study the 'economic' as belonging to a separate domain from political. This approach has reinforced the idea of the LTRPF as an external economic law. Nevertheless, it is imperative to consider the LTRPF not only within the confines of the economic realm. Most proponents of the LTRPF have overlooked the role of the state in the production process. Hirsch has attempted to establish a connection between the LTRPF and the state, as previously discussed. However, it is important to not only discuss the relationship of the state in the context of state theory but also analyse the role of the state and its responses to changes in profit rates. This analysis should be done without attributing a transcendence role to the capitalist state, such as defining it as a collective capitalist entity. Furthermore, the analysis should not be followed with how the capitalist state intervenes in the economy as the argument locates the economy as a distinct domain, with the state merely addressing issues that arise within it. Additionally, the concept of 'state intervention' implies a distinction between the state and the economy as separate domains (Offe, 1985, as cited in Yalman, 2004).

Another issue arises in relation to the crisis theory, which is the location of crisis within capitalism. Advocates of Open Marxism have argued against any separation between economic and political. Accordingly, they contended that the economy is inherently political in nature. "Economy is a political economy. Economic crises are crises of political economy" (Bonefeld, 2013, p. 249). Another member of Open Marxism, Clarke (1990, p. 464), on the other hand, argues that an economic crisis is not merely an economic crisis; it needs to be understood as a "social crisis, a crisis of the struggle over the reproduction of social relations of production" and is inseparable from the political crisis. On the other hand, Ben Fine and Laurence Harris (1976, p. 170), embracing the LTRPF as the foundation of their crisis theory, approached the two spheres "as distinct but unified with the economy as fundamental." Thus, they argued for a theoretical separation between economic crises and political crises. Here, Ellen Meiksins Wood's analysis of the separation between economic and political in capitalism could help us to reach a better comprehension of the location of crisis within capitalism. "It can neither ignore these historical realities nor ratify them by entrenching the separation of economics and politics" (Wood, 1981, p. 67). Moreover, Wood (p. 74) criticises Clarke's approach by stating that he is extending the scope of the term 'relations of production' which results in the deprivation of "integrity, specificity", and "explanatory value" of the term. While it is true that at the higher level of abstraction, economic crises are political economic crises, it is crucial to keep the specificity of the period and situation of a political crisis. Poulantzas (2008, p. 298), by following the above-mentioned method, argues that "economic crisis does not necessarily translate itself into political crisis" even though generic elements of political crisis already present in state apparatus permanently through class struggle, there is a need to be a '*condensation of contradictions'* to be called political crisis. While noting it does not imply a final crisis of capitalism or a permanent crisis, Poulantzas argues that the translation of an economic crisis into a political crisis can be referred to as a *structural crisis*.

It is essential to examine the particular historical moment and its distinct class relations in order to identify the political crises. Albo et al. (2010, p. 40) also expressed the need to theorize political crisis with the consideration of the particularities of the period: "in the political characteristic they take, crises are historically specific." Furthermore, it is important to remember that capital possesses the potential to resolve the crises while maintaining the class conflict to stay latent. "While it is true that, as the state apparatus is drawn increasingly into the economic process of reproduction, social contradictions are reproduced to an equally increasing extent within the state apparatus, one can strictly speak of 'political crisis' only when class conflict which is politically relatively latent decisively asserts itself." (Hirsch, 1987, p. 103). Therefore, to understand the articulation of economic crisis into the political crisis it is necessary to examine "how this contradictory objectivity emerges at the level of the individuals' consciousness" (Carchedi, 2011, p. 183).

CHAPTER 3

CONCEPTUALIZATION OF COMPETITION IN TWO LAYERS OF ABSTRACTION

> It [competition] is the economist' principal category-his most beloved daughter, whom he ceaselessly caresses-and look out for the medusa's head which she will show you! (Marx, 1988, p. 187)

This chapter delves into the conceptualization of competition as a means to build a bridge between Marx's LTRPF and financialization. It is argued that different conceptualizations of competition function as a building block for different theories of crisis while also influencing the set of premises that is grounded on the different approaches of financialization. In the first part of the chapter, the different conceptualizations of competition will be discussed, including classical, neo-classical and imperfect theories of competition and the Austrian school's theory of competition. The second part of the chapter deals with Marx's conceptualization of competition, which may be distinguished into two layers of abstractions following Bryan's (1985) approach, i.e. concrete competition between capitalists and abstract competition in general. After explaining Marx's understanding of competition through his earlier and later writings, which deal with the employing of the concept of competition in different contexts, including competition between different forms of capital, division between interest and profit of enterprise, concentration and centralization tendencies of capital, their relationship with different crisis theories is investigated.

3.1. Classical Conceptualization of Competition

Although Adam Smith and classical economics are often cited as the predecessors of the neo-classical economics' model of perfect competition, it is important to note that classical economists had a distinct and fundamentally different understanding of competition, which is entirely incompatible with the characteristics of perfect competition (Salvadori & Signorino, 2013). For classical economics, the notion of competition lay at the centre of their object of inquiry; however, it was Adam Smith who made the concept of competition "the *sine qua non* of economic reasoning" (McNulty, 1967, p. 396). For Smith and other classical economists, the competition was considered as a dynamic process, "a race among rivals" rather than a state in the marketplace.

Classical economists had an understanding of prices based on gravitation as opposed to the static equilibrium model of neo-classical economics. They differentiate between the factors that establish the natural prices in the long-run and the incidental factors that might impact the market price of commodities. For classical economists, while temporary causes might influence the natural price of commodities in the short term, in the long run, the "centre of repose" would gravitate them to their natural price (Smith, 1776, as cited in Chandra, 2004, p. 61). Therefore, classical economists directed their attention to the determinants of the natural prices of commodities rather than temporary demand and supply changes that may affect prices in the short run (Semmler, 1984). On these grounds, Chandara (2004) emphasizes classical economics' understanding of competition as a tendency towards equilibrium, while similarly Duménil and Lévy (1987, p. 133) state that "the classical competitive process is a decentralized dynamic procedure realized in disequilibrium."

As with other classical economists, Adam Smith argues that sellers are active price-setters rather than passive price-takers, contrary to assumptions of the neo-classical economy. As sellers are setting prices for their commodities, they simultaneously react to the ‘effectual demand’ and other ‘responses of the market’ and ultimately reach the natural price of the commodity. Similarly, competition for Smith enables the equalization of the rate of profit. It is important to note that, for Smith, similar to Marx’s view on value, natural price is not established in the market but only comes true in the market (Salvadori & Signorino, 2011). On these grounds, the concept of competition constitutes, for Smith, “the central organizing principle upon society could safely in most cases depend” (McNulty, 1968, p. 648).

As Shaikh (2016) notes, Ricardo's important contribution to the conceptualization of competition was his concepts of rent and regulating capital. Regulating capital is related to Ricardo's interpretation of the LTRPF, which is explained in the previous chapter. Ricardo thought that as capitalism developed and the population increased, more infertile land would be used to produce agricultural products. As a result of the use of more infertile land, the labour-time required to produce agricultural products would increase, and the prices of agricultural commodities would rise. However, the landowner who owns the more fertile land will make more profit than other sellers because he obtains agricultural products at a lower cost and "there cannot be two prices in the same market" (Mill, 1848, as cited in Stigler, 2008, p. 532).

In Ricardo, who, like Smith, argues that there exists equalization of profit rates with competition, the excess profit earned by the owner of fertile land who earns above-average profits is called rent. As a result of the increase in demand for agricultural products, the cost required for the owner of more infertile land to produce the product determines the value of the agricultural product. Therefore, Ricardo defines regulating capital as the capital that has the conditions of production that determine the value of the product, i.e. the owner of the more infertile land in the above example.

As Shaikh (2016) points out, Marx adopted Ricardo's notion of regulating capital out of the agricultural sphere, which became inseparable from the immanent tendency of capital to develop the forces of production: "His own emphasis on ongoing technical change implies that persistent differences will exist among ‘individual (labour) values’ and unit costs within any given industry." (Shaikh, 2016, p. 336). However, it should also be noted that in Ricardo, regulating capital not only regulates the respective agricultural product but also regulates all production through the value of labour-power:

> By regulating the money price of all the other parts of the rude produce of land, [the price of corn] regulates that of the materials of almost all manufactures. By regulating the money price of labour, it regulates that of manufacturing art and industry. (Ricardo, 1951, as cited in Stigler, 1958).

3.2. Neo-classical Conceptualization of Competition

Cournot, who had a keen interest in mathematical economics, might be regarded as the pioneer in neo-classical economics' conceptualization of competition. Cournot's formulation of competition, together with his use of mathematical economics, greatly influenced Walras (Hicks, 1934), who saw himself as a socialist. Walras fiercely opposed Marx, particularly the idea that labour is the primary source of value. Walras contended that the value of all products is derived exclusively from their scarcity and utility (Cirillo, 1980). The perfect competition model was established by Walras as a recommendation for an economic system that may work in a manner that is quite similar to the general equilibrium model. The Walrasian model of general equilibrium was rediscovered by neo-classical economics in the 1930s (Salvadori & Signorino, 2013), but this time, it was solely used as an abstract analytical model.

The general equilibrium model developed by Walras is based on several specific assumptions. In the model proposed by Walras, there exists a large number of small buyers and sellers of a product that is homogenous, and these buyers and sellers are unable to exercise force over one another. There is no restriction on entering or leaving the market, and all the buyers and sellers have complete, accurate information on all the aspects that are relevant. Based on Walras' model of perfect competition, neo-classical economics conceives competition as an equilibrium state where prices are given to the atomistic agents in the market (Salvadori & Signorino, 2013).

Duménil and Lévy (1987, p. 138) explain that while "classical equilibrium is an *ex post* equilibrium… Walrasian equilibrium is an *ex ante* equilibrium" where prices are given to the sellers and the position of equilibrium is determined a priori to the economic activities as in *Tâtonnement* process introduced by Walras no trade occurs until the general equilibrium is reached. Therefore, in the Walrasian model of general equilibrium, competition is seen as an "end-state whereby all firms that remain maximize profits" (Blaug, 2013, p. 113). This transition of the conceptualization from the competition from a dynamic process to a static structure has been subjected to various criticisms. "The problem that is usually being visualized is how capitalism administers existing structures, whereas the relevant problem is how it creates and destroys them" (Schumpeter, 1950, p. 83, as cited in Makowski & Ostroy, 2001, p. 485).

The Walrasian general equilibrium model implies that the auctioneer would adjust the prices in the event of a disequilibrium. This is because the process of *Tâtonnement* would not include any transactions. The general equilibrium model, in which the Walrasian auctioneer, who adjusts prices to interfere with the market from the outside, plays a central and consistent role, has been the foundation for the justification of the arguments that markets are self-regulating and should not be intervened in from the outside. Furthermore, the assumptions of Walrasian general equilibrium result in a structure that is static to the degree that there is no space for further competition. For example, Hayek (1948, p. 92) writes that "if the state of affairs assumed by the theory of perfect competition ever existed, it would not only deprive of their scope all the activities which the verb 'to compete' describes, but it would make them virtually impossible." This holds true even if the theory of perfect competition were ever to come into existence. A similar argument is made by McNulty (1968), who states as follows:

> Perfect competition, on the other hand, is a market situation which … to the point (of equilibrium) where no further competition within the industry is possible … that perfect competition involves no presumption of psychological competition, emulation, or rivalry, and can rightly assert that 'atomism' is a better term for the idea. (p. 642).

The primary objections to Walras' model of perfect competition are from the unrealistic assumptions upon which the concept is constructed. In actual competition, neither individuals nor buyers possess complete information. Moreover, there exist significant barriers to entering or leaving the market, and there are monopolistic-like corporations that may use their economic power if not more, to gain a larger market share at the expense of other enterprises. In response to these concerns, Milton Friedman contended that the assessment of these models should be based on their capacity to make accurate predictions rather than their adherence to real-world conditions. Caldwell (2003, p. 173) argues that Friedman's stance, emphasizing the predictive power of theory rather than closeness to the real world, might be labelled as 'methodological instrumentalist.' Similarly, Sayer (2010, pp 48-49) argues that "close to instrumentalism is the view that our theories do not tell us how the world is, and that all we can say is that things behave as if our models of them were true." and states that the usage of the 'as if' argument is generally motivated by the safeguard of a certain mode of abstraction from any criticism. This is also accompanied by the indifference of neo-classical tradition to the "role played by the process of abstractions" (Yalman, 2009, p. 44).

On the other hand, the model of perfect competition is not only unrealistic, but it also contains serious inconsistencies. For instance, Hayek (1948, p. 92) states that "the so-called theory of 'perfect competition' provides the appropriate model for judging the effectiveness of competition in real life and that, to the extent that real competition differs from that model, it is undesirable and even harmful" Similarly, as Shaikh (2016) explains that when the Walrasian model of general equilibrium cannot explain the market failure, it attributes to the non-economic agents and institutions as the reason of the failure by not "mimicking the market mechanism." Shaikh (2016, pp 345-346) goes on to draw similarities between neo-classical demeanour to "Marx's notion of commodity fetishism: human interactions are deemed to be perfect when they are entirely mediated by things." Furthermore, it has often been emphasized by neo-classical economists (Stigler, 1957) that for the concept of perfect competition to be effective, there must be no constraints placed on the conduct of individuals who are pursuing their own self-interest. In addition, adherents of the concept of perfect competition lauded Walras for his relatively early use of methodological individualism to provide an explanation for economic events (Hicks, 1934). Additionally, Shaikh (2016) emphasizes that Walras' theory incorporates fundamental characteristics of neo-classical economics, including methodological individualism and the subjectivist understanding of value.

3.3. Imperfect Competition

Theoretical foundations of imperfect competition were already evident in the writings of perfect competition theorists. Neo-classical economists were starting to recognize the monopolistic characteristics of some sectors of the economy. For instance, Marshall recognized the presence of monopolistic industries, although he argued the bulk of the sectors comprising the economy are characterized by competitive industries. Subsequently, Sraffa was the first scholar to provide a thorough criticism of perfect competition. He highlighted the increased rate of return, which he saw as incompatible with the perfect competition. Furthermore, Sraffa argued that in the actual market, production is limited not by the cost of commodities but by the demand for these commodities (Tsoulfidis, 2017). In the 1930s, Sraffa's contributions to the critique of perfect competition sparked what would later be known as the monopolistic revolution. This movement occurred prominently with the works of Joan Robinson and Edward Chamberlain.[6]

Joan Robinson introduced the theory of imperfect competition by further developing the elements that were present in Marshall and by heavily using Sraffa's criticism of perfect competition. While perfect competition presupposes that the price elasticity of demand would be either zero or infinite since the products are either identical or different, Robinson contends that in the real world, products are neither fully different nor entirely identical (Kaldor, 1934). Robinson used product differentiation and price elasticity to show the formation of monopolies and excessive profits. Tsoulfidis (2008) states that Robinson's theory of imperfect competition is grounded on the assumptions of perfect competition, which can be considered as the reason that the neo-classical tradition favours her ahead of Chamberlain, who is considered as more revolutionary in terms of his theory of competition.

Chamberlain's theory of monopolistic competition is frequently assessed with Robinson's theory of imperfect competition, despite Chamberlain's (1949) assertion that these two theories are fundamentally different from one another. Chamberlain argued that neo-classical tradition, by starting from the theory of competition, has disregarded the theory of monopoly while also criticising Robinson's theory on its approach to monopoly as "imperfections" in competitive markets rather than combining both theories. Furthermore, Chamberlain (1949, p. 65) contends that

[6] Tsoulfidis (2017) notes that Chamberlain claims that his doctoral thesis on monopolistic competition was written earlier than Robinson's and independent from Sraffa, whom he had not read before.

while "the essence of monopoly is control over supply," the theory of imperfect competition focuses too much on factors that impact the demand curve, neglecting the costs of production. Such an oversight results in Robinson's (and Sraffa's) exaggeration of the impact of increasing returns in assessing the competitiveness of industries.

Even though the 'monopolistic revolution' emerged relatively in the same era as the Keynesian revolution, its lifespan has been short, being integrated into perfect competition (Cordell, 1972). From early on, these theories faced significant criticism from neo-classical economists due to their inability to be translated into a workable model with predictive value and their unsystematic approach (Brakman & Heijdra, 2002). In addition, Fine and Murfin (1984) argue that the excessive focus on the monopolistic character of intra-industry structure, without adequately considering inter-industry competition, is incoherent when discussing the monopolistic character of the whole economy.

Theories of imperfect competition propose a conceptualization that is more aligned with perfect competition, disregarding the classical view of competition's role in organizing and regulating markets. Therefore, in these theories, the monopolistic elements are considered imperfections in the market that can be rectified through appropriate state intervention to achieve Pareto efficiency and efficient resource allocation. Furthermore, it has been observed that there are notable resemblances between imperfect competition and perfect competition in terms of their assumptions and techniques, leading to the incorporation of monopolistic theories to perfect competition. "The theory of imperfect competition has raised questions which it cannot answer satisfactorily until the theory of perfect competition has been much more fully developed" (Stigler, 1937, p. 708, as cited in Tsoulfidis, 2017). Weeks (1981) labels both neo-classical and imperfect theories of competition as quantity theory of competition and explains the logic of these theories as follows:

> For them, competition is a question of numbers and the size of competitors; as a consequence, it is a trivial issue of how many sellers or how many buyers exist for a particular commodity. If there are ‘a lot,’ we have competition; if there ‘a few,’ we have ‘restricted,’ limited,’ or ‘monopolistic’ competition. (Weeks, 1981, p. 165)

3.4. Austrian School’s Conceptualization of Competition

Hayek's theory of knowledge is central to his economic and political theory. Knowledge for Hayek is "dispersed and fragmented" among individuals, which makes it impossible to reach the perfect and complete knowledge of the whole economy or society (Gamble, 1988). As Gamble explains, for the production of knowledge about the whole economy, the problem is not only the collection of knowledge that is dispersed across individuals but also the fact that this information is not collectable and gatherable. Moreover, Hayek (1948, p. 94) notes that what he considers the most important reason is that the knowledge of these individuals is constantly changing, while the evaluation of this knowledge will inevitably vary for each individual. Just as Hayek's theory of knowledge lies at the centre of his economic theory, similarly his theory of competition constitutes the building block for his theory of knowledge:

> Competition is essentially a process of the formation of opinion: by spreading information, it creates that unity and coherence of the economic system which we presuppose when we think of it as one market…It is thus a process which involves a continuous change in the data and whose significance must therefore be completely missed by any theory which treats these data as constant. (Hayek, 1948, p. 106)

Hayek's theory of competition, therefore, has significant resemblances to the classical theory of competition. Similar to the classical theory of competition, he argues that "competition is by its nature a dynamic process" (Hayek, 1948, p. 94). Hayek also underlines the role of competition in coordinating the actions of individuals, as in the theory of classical economy. However, he differs from classical economists in the sense that his understanding of competition for the principle of order stems from "emerging from individuals' practices rather than necessary sequences of particular forms or stages" (Yalman, 2009, p. 62). Therefore, the organizing role of competition, which stems from the regular practices of individuals, Hayek is closely related to his concept of 'unintended consequences,' even though it pierces his adherence to methodological individualism to some extent (Yalman, 2009). Therefore, Hayek contends that, according to his subjectivist methodology, by studying the regularities that occur in the market through the practices of individuals, we can learn more about competition. Hayek also differs from classical economists by his emphasis on competition's role in diffusing knowledge to individuals through prices and features of different commodities. Hayek values competition so much that even planning, which he characterizes as constructivist rationalism and which he fiercely opposes, can be used to ensure competition. (Gamble, 1988). The essential value of free competition for Hayek and the Austrian school, whose theory of competition is seen as closer to the Marxist theory of competition (Shaikh, 2016; Baskoy, 2002), is characterization of free competition with individuality and freedom. However, as Marx (1993) states:

> This kind of individual freedom is therefore at the same time the most complete suspension of all individual freedom, and the most complete subjugation of individuality under social conditions which assume the form of objective powers, even of overpowering objects - of things independent of the relations among individuals themselves. (p. 652)

3.5. Marxist Theory of Competition

In many studies on the theories of competition, Marx's conceptualization of competition has been considered within the classical theory of competition alongside Smith and Ricardo. Although Marx's writings on competition have significant similarities and continuities with Smith and Ricardo, there also exist some substantial differences. As in the classical theory of competition, Marx defined competition in his writings as a process. However, going beyond Smith and Ricardo, Marx emphasizes the destructive character of the competitive process where capitalists resort to a variety of methods to outcompete one another, including price-cutting at the expense of their rate of profit. Hence, Shaikh (1980; see also Tsoulfidis & Tsaliki, 1998) argued that Marx's depiction of competition can be called a 'war-like' process as opposed to the neo-classical definition of competition as a static situation. Marx argues that in capitalist markets, equalization of the rate of profit is reached through competition, which forms the average rate of profit although differential profit rates are compatible with Marx’s theory of competition (Semmler, 1981, 1983). However, unlike neo-classical economists, Marx argues that no capitalist is guaranteed to attain the average rate of profit, even any profit at all (Shaikh, 1980). Moreover, unlike the assumption of price-taking for sellers in the model of perfect competition, Marx argues that each capitalist sets a price for the commodity before putting it out to the market; "The guardian of the commodities must therefore lend them his tongue, or hang a ticket on them, in order to communicate their prices to the outside world" (Marx, 1981, p. 189). Semmler (1982) argues that the conceptualization of competition in Marx's writings is not only related to circulation but also to the production of the surplus-value, unlike Smith and Ricardo.

As explained above, in neo-classical competition theory, the equality of supply and demand is accepted in line with the general equilibrium model, whereas in classical competition theory, the tendency towards equality of supply and demand is conceived as a centre of gravity where fluctuations have gravitated toward equality. In contrast, Marx highlights the tendency towards equality as shown in the classical theory of competition while simultaneously underscoring the presence of a violent opposing tendency: "The law of the competition is that demand and supply strive to complement each other, and therefore never do so. The two sides are torn apart again and transformed into flat opposition." (Marx, 1988, p. 189). In contrast to the mere fluctuations in the classical understanding of competition, Marx argues for a dual process: a constant tendency towards equilibrium alongside a continuous push towards disequilibrium, driven by the flow of capital within and between capitalist industries (Clarke, 1994; Jenkins, 1989). Moreover, while Smith and Ricardo depict a rapid equalization of profit rates, Marx presents a contrasting view, depicting this process in "the cycle of fat and lean years" (Shaikh, 2016, p. 355).

The pivotal role of competition in Marx's theory of value can be understood by considering Marx's emphasis not only on competition among capitalists but also on competition among various forms of capital. In addition to emphasizing the competition between capital and labour on wages as a facet of class struggle within the exchange relationship, Marx also addresses competition among the working class which intensifies with the rising reserve army of labour. In addition, with the development of the productive forces and mechanization, he underlines competition between the workers and the means of production: "Since the worker has sunk to the level of a machine, he can be confronted by the machine as a competitor." (Marx, 1988, p. 24). Thus, competition among different forms of capital serves as a mechanism for the commensuration of different forms of capital, serving as a cornerstone of the labour theory of value. Moreover, Marx's theory of competition illuminates its role in the distribution process, whether manifested within capital through the equalization tendency and counter-tendency of profit rates or between capital and labour and among workers themselves. Hence, Marx's comprehension of competition, akin to Smith's, incorporates the principle of order and organization. In this view, competition not only governs the mechanisms of distribution within capitalist relations of production but also facilitates the realization of the labour theory of value by enabling commensurability among different forms of capital.

Marx conceives competition as not only maintaining order in capitalist social relations but also characterizing it as disrupting the social order on which capitalist relations of production rely. "Competition is the great mainspring which again and again jerks into activity our ageing and withering social order, or rather disorder; but with each new exertion, it also swaps a part of this order's waning strength." (Marx, 1988, p. 199). In this excerpt, we can also see that Marx emphasizes the dynamic nature of competition and the expression of capital's self-expansion through competition. Richardson (1975) argues that competition in Smith is set up in two different contexts: first, in a more static context where competition is used to adjust market prices with supply and demand, and second, in a more dynamic context where competition is used as a process that leads to new divisions of labour. Salvadori and Signorino (2011), on the other hand, argue that this dual context of competition is also valid for Marx, who explained structural changes and technological advances by emphasizing the driving aspect of competition. Similarly, Wood (2002) often employs the concept of ‘imperatives of competition’ to demonstrate both the destructive and driving aspects of competition in capitalist mode of production.

As with other concepts, Marx attributed different meanings to competition each varying to the context and the level of abstraction. The emergence of these seemingly contradictory expressions has led to confusion in the literature, and different approaches have emerged based on certain interpretations of Marx’s writings. One example of this is the different interpretations of Marx's views on the relationship between competition and crises. For example, while Yaffe (1972) argues that crisis theories should be considered independent from competition, Clarke (1994) argues that competition plays an important role in the formation of crises. Hence, it is vital to differentiate competition at the different layers of abstraction and its effects by adhering to Marx's philosophy of internal relations to clear up this confusion. Moreover, to correct the neglected and, therefore, unconscious perception of competition through the assumptions of the perfect competition model of neo-classical economics, it is necessary to examine how competition is delimited at different levels of abstraction. At this point, Bryan's (1985) distinction between concrete and abstract competition, i.e. competition between capitalists and competition in general, based on Marx's distinction between individual capital and capital in general, needs to be developed and employed in relevant contexts.

As discussed in the previous chapter, Clarke (1994) underscores the role played by credit expansion and competition in the formation of crises. Similarly, Weeks (1981) highlights the relationship between credit and competition by stating: “credit is the mechanism that brings competition about. Competition among capitals can be seen in essence as the attempt to redistribute (centralize capital), and the credit mechanism is the lever for this redistribution” (p. 166). Therefore, it is necessary to discuss Marx’s writings on credit relations among capital and division of profit further before delving into the transformations that occurred in these relations in the next chapter.

In Volume 3 of *Capital*, where Marx discusses how the division of profit into interest and profit of enterprise works, he first states that “for there *is* no law of distribution other than that dictated by competition” and that there is no natural rate of interest in determining interest (Marx, 1982, p. 478). Then, while analysing how interest and profit of enterprise are qualitatively separated, he emphasizes that the division of capitalists into money capitalists and industrial capitalists leads to the separation of interest from profit and states that "it is only the competition between these two kinds of capitalists that creates the rate of interest" (p. 493). Marx uses the competition between industrial capitalists and money capitalists only to indicate the power relationship between the two. Accordingly, by employing Bryan's distinction explained above, Marx uses here the concept of competition as a concrete competition between capitalists. Marx emphasizes that the upper limit of the rate of interest is the average rate of profit (meaning that the functioning capitalist makes no profit), and there is no lower limit. However, Marx states that, unlike the rate of profit, the rate of interest appears to be fixed, emphasizing that the exchange value of money, the interest rate, is universally compared to other commodities and does not fluctuate according to the individual conditions of production. Consequently, bankers "figuring as distributor of the available social capital in the money form" (p. 558). Hence, financial capital functions both as the subject and object of competition in the capitalist mode of production by their role in equalization of the rate of profit with the control of the credit relations, as will be further discussed in chapter 4.

While the tendencies of concentration and centralization of capital have always been mentioned together, their distinction has often been ignored. With the concentration tendency of capital, Marx explains the expansion of both total capital and the scale of individual capital through accumulation, while the centralization tendency refers to the gradual consolidation of different individual capitals or the absorption of small capitals by larger capitals. Yet, conflating these terms can lead to the mistaken belief that Marx advocates for increasingly monopolized capitals. To clarify this, Marx's writings on the concentration tendency of capital and its relationship with the centralization tendency need to be investigated further. For example, Marx states that the concentration of capital will take place along with accumulation and explains that the increase in total capital will be accompanied by an increase in individual capitals, either through the formation of new individual capitals or through breakaways from old large capitals: "Therefore, not only are accumulation and the concentration accompanying it scattered over many points, but the increase of each functioning capital is thwarted by the formation of new capitals and the subdivision of old" (Marx, 1981, p. 776). Immediately afterwards, however, Marx also states the existence of the countervailing tendency: "This fragmentation of the total social capital into many individual capitals, or the repulsion of its fractions from each other, is counteracted by their attraction." (p. 777). Therefore, in Marx's writings on concentration and centralization tendencies of capital, as in other laws of capitalist accumulation, there is not only the tendency inherent in capital but there exists also a counter tendency. With capital accumulation, mergers and centralization of capital will occur, while simultaneously, large older capitals will fragment, and new individual capitals will emerge. It is important to note that Marx does not treat these tendencies in isolation; rather, they intertwine continuously within the capitalist mode of production. Concentration and centralization tendencies of capital put forward by Marx demonstrate the dynamic nature of competition where monopolies are also inseparable part of it.

Although Marx elaborated on the tendencies of capital towards concentration and centralization in *Capital*, he examined the relationship between competition and monopoly in a similar way in his earlier writings. He first emphasizes these tendencies in *1844 manuscripts*: "Competition among capitals increases the accumulation of capitals. Accumulation where private property prevails, is the concentration of capital in the hands of a few" (Marx, 1988, p. 41). In addition, Marx states that competition and monopoly are not mutually exclusive, and that competition and monopoly simultaneously create each other. Marx establishes a similar relationship in his polemic against Proudhon in *Poverty of Philosophy*, where the seeds of Marx's conceptualization of competition as a negative force in the transition from feudalism to the capitalist mode of production can be seen, which he would later elaborate in *Grundrisse* (pp. 649-652). Marx conceptualizes capitalist competition as a negative force against the feudal mode of production, the negation of feudal monopoly, while he argues that bourgeois monopoly is a synthesis, negation of the capitalist competition, "*negation of the negation*" [emphasis added] (Marx, 1999, p. 101).

Marx's conceptualization of competition in general is clearest in *Grundrisse*. Marx defines competition as the intrinsic nature of capital itself, as the demonstration of its own essence by another "alien capital" (pp. 413-414). Furthermore, Marx, while discussing the concept of free competition, which occupies an essential position in classical economists' conceptualization of competition, states that competition alone cannot explain the laws of motion of capitalism. However, he states afterwards that only through competition can these laws be realized (p. 651). Moreover, Marx further emphasizes the destructive aspects of competition, diverging from classical economists' views. This divergence is exemplified in Marx's conception of 'coercive' laws of competition, underscoring its inherently violent nature.

> Conceptually, competition is nothing other than the inner nature of capital, its essential character, appearing in and realized as the reciprocal interaction of many capitals with one another, the inner tendency as external necessity. Capital exists and can only exist as many capitals, and its self-determination therefore appears as their reciprocal interaction with one another. (1993, p. 414)

From the beginning of the 20th century, it was explained in the previous chapter that monopoly theories increased their influence within Marxism and even became dominant for a period. In Hilferding's theory of competition, the importance of the increasing power of banks relative to industrial capitalists is reflected in the concept of finance capital, which is formed by the fusion of banks and industrial capital under the domination of the later by the former. At first glance, Hilferding's method here does not seem to differ from Marx's method of determining interest rates, in which the power relations between monied capitalists and industrial capitalists set as decisive. However, as mentioned above, given that in Marx's writings, there exist tendencies accompanied by countervailing tendencies which work simultaneously even if one tendency dominates from time to time, Hilferding's theory is a one-sided and linear process. For this reason, Hilferding was unable to distinguish in his theory to what extent this tendency related to the peculiarities of Germany and to what extent it was unique to the particular period in the capitalist mode of production.

The competition conceptualizations of these monopolistic theories are closer to imperfect competition theories that accept certain assumptions of the perfect competition model, such as the assumption that firms are 'price-takers' and that monopoly and competition are mutually exclusive, than to Marxist competition theory. Accordingly, as Wheelock (1983) argues, it is important to distinguish between neo-classical economics and Marxist conceptualizations of competition. Ignoring this distinction, the ideological influence of bourgeois economies leads to the invisibility of latent contradictions of capital, which realize themselves through competition as an external coercive law (Palermo, 2017). On the other hand, as Shaikh (2016) and Palermo (2017) argue, the fact that these approaches, which set out with the criticism of the perfect competition model, unwittingly accept certain assumptions of the perfect competition model shows the hegemony of the bourgeois economy.

In this respect, it can be seen that monopolistic competition approaches constitute the building block of under-consumption crisis theories as most apparent in Baran and Sweezy's theory of monopoly capital. However, in other Marxist crisis theories, the approaches to competition also occupy a fundamental position. Disproportionality theorists' emphasis on the disproportionality between the branches of production in the competition between capitalists due to the anarchic structure of the market, which is viewed as the cause of the formation of crises is grounded solely on concrete competition, that is, competition between capitalists, expressed in Bryan's distinction of competition according to the layers of abstraction. On the other hand, while in the profit-squeeze crisis theory, the competition between capitalists and workers on wages, i.e. the expression of class struggle only in the exchange process, is decisive, the Uno School emphasizes both competition among workers and competition among capitalists in explaining the reason for the crisis.

In addition, those who see the LTRPF as the primary cause of capitalist crises often take the view that competition take place independent of the LTRPF and plays a secondary or even no role. While this may be true at the level of Marx's usage of concrete competition between capitalists, it can be argued that *competition in general*, plays an important role in both the formation and realization of the LTRPF. While competition in general leads to the attempts to increase the relative surplus-value by the introduction of a new technique in the production process, which paves the way for the rising tendency of organic composition, competition among capitalists leads to the generalization of the new technique by confronting each capitalist as an outside force and forces them to employ the new technique, which enables the realization of the LTRPF.

Similar to the role of competition in the transition from feudalism to capitalism that is put forward by Marx, Wood employs a similar methodology by putting emphasis on the *imperatives of competition*. Wood contends that, historically, relations of competition preceded classes. The assertion of Wood can be comparable to E. P. Thompson's (1978) assertion of class struggle preceding classes, whose writings on the emergence of capitalism and class formation have deeply influenced Wood. Therefore, Wood asserts that "competition and class relations are inseparable"

(Wood, 1999). By giving primacy to competition in the emergence of capitalism, Wood (1999) argues that “pressure to increase labour productivity” is the result of the imperatives of competition. Similarly, Weeks (1981) asserts that competition, by its nature, necessitates capital to introduce new production techniques to raise the productivity of labour. The assertion of Weeks needs to be understood by the abstract level of competition in general as “competition does not derive from the existence of many capitals (‘companies’), but from the capital relation itself.” (Weeks, 1981, p. 151).

From Marx's early writings, there exist the seeds that competition can lead to over-accumulation with the development of productive forces. "It renders the worker ever more dependent on the capitalist, leads him into competition of a new intensity, and drives him into the headlong rush of over-production, with its subsequent corresponding slump (Marx, 1988, p. 26)." Moreover, the cheapening of commodities, which is the basis of the LTRPF, is posited as a consequence of the tendencies inherent in capital, i.e. competition in general. "The battle of competition is fought by the cheapening of commodities. The cheapness of commodities depends, all other circumstances remaining the same, on the productivity of labour" (Marx, 1981, p. 777). It is apparent that Marx’s understanding of competition as a process is inherent to the LTRPF which is the “expression peculiar to the capitalist mode of production of the progressive development of the social productivity of labour” (Marx, 1982, p. 319) that is the basis of the contradiction of the use value and value.

Finally, the effort to develop a Marxist theory of competition came from Bryan and Rafferty (2006). Bryan and Rafferty make a fourfold distinction when defining the subjects and objects of the competitive process. They define the means of production as stock capital, i.e. "capital equipment", and capital as a stock of wealth, i.e. “capital investment”, as the objects of the competitive process, while individual capital (capital undertaking the individual process of production and circulation) and social capital (with reference to the capitalist system as a whole as a social relation) are defined as the subjects of the competitive process (Bryan & Rafferty, 2006, pp. 166-175). As will be discussed in more detail in the next chapter, Bryan and Rafferty argue that with financialization, the transformation occurred in the capitalist relations of production in which financial derivatives took the leading role, resulting in the blurring of the subject/object distinction in the process of competition, and now all four forms of capital are able to commensurate and compete with each other. As explained above, from Marx's earlier writings, it has been emphasized that in the capitalist mode of production, there exists competition and commensurability between different forms of capital (money capital, industrial capital, workers as circulating capital and machines as fixed capital). It is, therefore, essential to read this development of capitalist social relations and capitalist productive forces as a continuum rather than a rupture.

CHAPTER 4

RETHINKING FINANCIALIZATION AS A MOBILIZATION OF THE COUNTERTENDENCIES AGAINST THE FALLING RATES OF PROFIT

> It appears here as if capital has found its pure form: money begetting money without passing through the mediation of labour and concrete use-values...In fact, interest-bearing money capital cannot escape its ties to the mundane world of labour and production. (McNally, 1999, p. 41)

The primary objective of this chapter is to gain an understanding of financialization from the perspective of the LTRPF. As stated, there exist several unique approaches to the process of financialization. However, the goal of this chapter is not to achieve a single true approach that captures all the complexities of financialization. In addition, it is important to remember none of these approaches has been developed isolated from each other. Over the course of the development of their differences and similarities, all of the approaches engaged in a dialogue with one another. Therefore, while covering these approaches, the goal of this paper is to understand the characteristics of financialization from different vantage points while keeping in mind the substantial methodological differences.

After a brief introduction to the main approaches to financialization, three distinct approaches, which are formulated respectively by Costas Lapavitsas, Ben Fine with Dick Bryan are Michal Rafferty, will be explained, and their implications for the Marxist crisis theory is discussed with reference to the 2008 crisis. These three approaches highlight key elements that are also emphasized in other heterodox and Marxist approaches to financialization. These three approaches require further elaboration since they, all claiming to be derived from classical Marxism, possess divergent and distinct perspectives on the transformation of the relationship between finance and production. Based on these approaches, the last section attempts to reach an understanding of financialization from the perspective of the LTRPF following the methodology offered at the end of the second chapter.

4.1. Alternative Approaches to Financialization

After the financial crisis of 2008, there has been a surge in the amount of interest in financialization. Nevertheless, it is not possible to reach a consensus regarding the definition of financialization or even the existence of the phenomenon.[7] Especially after the 2008 crisis, financialization was brought to the forefront of the literature, which is broadly defined as indicating the increase in the number of financial activities. Although they acknowledged the empirical observation, the heterodox and Marxist approaches to financialization were primarily concerned with how to incorporate this empirical observation into a more comprehensive theoretical framework that was rooted in the history of capitalist relations of production. Therefore, they focused on determining whether the process of financialization has indeed initiated a new epoch of capitalism or if the relation between the real and financial sectors has undergone any alterations.

4.1.1. Financialization as a signifier of the new epoch in the capitalist mode of production

The prevailing method of defining financialization, which emphasizes the increase in financial activities relative to the overall output, has faced criticism for its inadequacy in capturing the distinctiveness of financialization. Giovanni Arrighi (2003) contends that the increase in financial activities signifies the decline of the existing capitalist order. However, for Arrighi, the financialization process should be understood within a broader historical framework, specifically in relation to the decline of the world system. He supports this argument by providing similarities with the late 19th century, in which the financial sector expanded in relation to the production sector (Ünsal, 2021). According to Arrighi, when capital encounters difficulties in generating profits through production, it redirects towards the financial sector in search of speculative gains. This phenomenon is believed to contribute to the decline of the current dominant power, the United States, and marks the autumn of the 'long durée' of capitalism (Arrighi, 1994). Greta Krippner (2005) posited that

[7] For instance, some viewed the rise in the financial activities as a temporary phase that did not lead to any underlying structural transformation in capitalist production (see: Mavroudeas & Papadatos, 2018; Subaşat & Mavroudeas, 2023).

not only financial institutions, but also non-financial corporations engage in financial activities with the aim of maximizing their profits. As a result, Krippner (2011, p. 51) argues that “profit making in recent years has occurred increasingly through financial channels.” In addition, supporters of this approach have contended that the approach to financialization limited with the quantitative increase in financial activities fails to adequately comprehend the transformations in social and economic relationships.

Robert Pollin (1996) criticized Arrighi for his inability to explain the mechanisms through which profits can be generated within the financial sector. In addition, the representatives of this approach could not explain why the rise in financial activities signifies the fall of the existing capitalist order if profits could be achieved through finance. Lapavitsas (2011) has also contended that Arrighi fails to explain a potential successor to the ‘existing hegemon,’ the US. Lapavitsas argues that Arrighi’s proposals, which are Japan and China, do not show similarities with the earlier historical periods, as both countries still lend to the US. Moreover, Albo et. al. (2010) has stated that with financialization the power and hegemony of the US. over the world has significantly increased.

One of the approaches which indicated the rise of finance in its initial stages came from the French Regulation School. The proponents of the Regulation School contend that the emergence of finance during the new phase of capitalist accumulation has replaced the previous Fordist mode of regulation with the finance-led accumulation regime. In the Fordist mode of regulation, the combination of increased wages as a source of higher levels of demand and large-scale production resulted in intensive accumulation. However, the finance-led accumulation regime has been characterized by low growth rates and low productivity due to the primary emphasis of corporate governance on financial markets rather than production and investment. The proponents of the regulation school have underscored the significance of the shareholder value revolution, which has an impact on corporate management styles and investment choices. The occurrence of large-scale mergers and the rise in capital mobility exert pressure on corporations to prioritize short-term gains from stock shares and to downsize the production capacities of the firm (Boyer, 2000). One of the crucial factors in this transition has been the shift from a bank-based credit system to a market-based credit system for financing investments (Aglietta & Breton, 2001). Regarding the heavy emphasis on the short-termism of corporate governance, Lapavitsas (2013) argued that the regulation school does not go beyond the revision of shareholder value theories in its approach to financialization. Moreover, Bryan and Rafferty (2006, p. 33) question the validity of theories that emphasize shareholder value by asserting that "institutional shareholder pressure on company boards … is the exception rather than the norm."

While defining financialization, another approach to using periodization comes from the work of Duménil and Lévy. They identify finance as the root of neoliberalism with the changing class composition within the power bloc (Duménil & Lévy, 2004). Duménil and Lévy (2011b) argued that the first decades after the post-war period were characterized by compromise between the popular classes and the managerial class, with the containment of the capitalists' interests. The decline of capitalist class power and the absence of working-class power have resulted in a situation resembling a stalemate. This has allowed managers to gain autonomy and further enhance their power within the existing system of accumulation. During the neoliberal era, as the capitalist class restored its class power, a new compromise emerged between the managerial class and capitalists. Duménil and Lévy (2011), by indicating the rise in dividend payments to the shareholders, argue that the profits which went to the investments for production in earlier periods now go into the shareholders, which raises the importance of financial managers in corporations. Moreover, they argue that numerous managers possess shares in corporations, thereby aligning their interests more closely with capitalists.[8]

Duménil and Lévy offer a tripolar class configuration instead of a conventional classification between wage earners and capitalists by defining managers as a distinct class. However, they cannot provide sufficient support other than indicating managers' autonomy in the decision-making process by focusing on organizational and technical aspects of corporate governance. In other words, in so far that they cannot differentiate the interests of the so-called managerial class from the popular

[8] Since many people in current capitalist society indirectly holds securities and other type of funds, Duménil and Lévy (2004) proposes "two-tier capitalism" which differentiate those who has some kind of indirect capital-ownership and does not belong to the capitalist class and "proper" capital owners.

classes and capitalists, the role of the managerial class becomes restricted only to participation in the formation of hegemony and power bloc secondarily alongside the main classes. This arises from their perspective, which fails to relate the autonomy of managers in the decision-making process in corporations with the interests of the capitalist class. In addition, their focus on organizational and technical aspects within corporations rather than labour processes has further augmented their tripolar class configuration.

4.1.2. Financialization as an epiphenomenon of the stagnating tendencies in the sphere of production

The Monthly Review school was one of the first to emphasize the expansion of finance relative to production in capitalism starting from the 1990's. One of the mechanisms to absorb surplus, which is considered to be main contradiction, by the Monthly Review school is financial sector. Foster (2015) explains that Magdoff initially criticized Baran and Sweezy's book, *Monopoly Capital*, by not exploring the role of finance in waste mechanisms. Initially, Sweezy (1997) identified financialization as one of the three features that characterized accumulation in contemporary capitalism alongside monopoly and stagnation. As explained in the second chapter, Sweezy identifies the absorption of surplus as the primary contradiction of capitalism, in accordance with his theory of monopoly capitalism. He highlights the expansion of the finance sector since the 1970s as one of the major means of surplus absorption. Expansion of finance has been seen by Monthly Review school as a means to address the existing economic stagnation and insufficient effective demand in monopoly capitalism, even though it is acknowledged that this solution would not be sustainable in the long run and would eventually lead to a crisis (Sweezy, 1994). Therefore, stagnation which Baran and Sweezy believed the characteristics of monopoly capitalism attempted to be overcome by the expansion of finance even though it failed to do so. Subsequently, Foster (2019) argued that even though financialization does not represent a new stage in capitalism, it is a new phase in the monopoly stage of capitalism. Nevertheless, the Monthly Review school fails to provide a compelling rationale for why financialization, rather than other means of absorbing surplus, signifies a distinct and novel phase. Furthermore, Monthly Review’s conceptualization of financialization does not go beyond the common understanding of financialization, as they also view financialization as a quantitative expansion of finance.

As Monthly Review school, Robert Brenner has sought the cause of financial expansion in the stagnation tendencies in the sphere of production. Brenner (2000) argues that over-capacity occurred in production led to the overaccumulation that has been present in capitalist economies since the 1970s. Brenner’s reasoning for overaccumulation stems from the tendency of falling rates of profit, while his conceptualization of the LTRPF, which is grounded only on the concrete competition between individual capitals rather than competition in general as discussed in the previous chapter, aligns with Adam Smith's interpretation of the LTRPF rather than Marx's (Fine et al., 2000). Excessive accumulation in production, for Brenner, causes a decrease in profit rates. As stagnation tendencies exist in the production sphere, capital needs cheap credit for its reproduction. Various ways to boost demand through cheap credit creation have led to a rise in the percentage of total corporate profits which came from financial institutions, particularly commercial banks (Brenner, 2000).

Similar to Brenner, many, mostly Trotskyites, have connected the crisis that has been present since the 1970s with financialization (e.g., Harman, 2009; Callinicos, 2010; Savran, 2013). However, they employ the LTRPF as closer to Marx’s interpretation, unlike Brenner. This approach is grounded on the argument that capital could not fully overcome the 1970’s profitability crisis since there had not been a capital devaluation since that period, which is essential for the restoration of profit rates for Marx’s theory of crisis. As profit rates remained lower after the crisis, capital sought higher profit rates by engaging in speculation activities in financial markets. Although the question of capital devaluation for the restoration of profit rates is essential for the analysis of existing capital accumulation regimes, this approach fails to capture the complexities of financialization by viewing it as a mere rise in speculation activities. To reach an understanding of financialization from the perspective of the LTRPF, it is required to explain the underlying transformation in the relationship between production and finance.

4.2. Financial Expropriation Approach

One of the influential approaches to financialization has come from Costas Lapavitsas by introducing the concept of *financial expropriation*.[9] By putting forward the essential characteristics of financialization, he argued that financialization has led to a novel stage in capitalism. Lapavitsas analysed financialization from three key transformations that occurred in capitalist accumulation: the changes in financing investments of non-financial firms, changes that occurred in the banking sector, and the rising indebtedness of households and workers. Based on these changes, Lapavitsas argues that with financialization, there has been an emergence of a new form of surplus-value, which is the expropriation of workers' wages by banks through financial means.

Lapavitsas explains the emergence of financialization with the background of changes that occurred in the capitalist mode of production after the 1970's crisis. According to Lapavitsas (2009), productivity growth in centre-capitalist countries remained relatively stable from the mid-1970s to the end of the 2008 crisis, with the exception of a brief period in the 1990s. The sluggish rates of productivity growth resulted in reduced rates of accumulation for the production sector. Furthermore, Lapavitsas highlights the deregulation of the labour market, which involves the increase in the labour force through the inclusion of women and the integration of China into the world market. The emergence of the 'gig economy' has resulted in increased labour intensity and precariousness. Furthermore, Lapavitsas underscores the growing influence of transnational corporations (TNCs) as a result of the surging number of mergers and acquisitions, leading to the relocation of productive capacity to different regions.

One of the issues in the approach of financial expropriation proposed by Lapavitsas is its insufficiency in explaining the origins of financialization. While he provided an explanation of the changes that took place in the capitalist mode of production during the onset of financialization, he fails to establish the necessary connections between

[9] Dos Santos (2008, 2009), Dymski (2009) and Mendieta-Muñoz (2016, 2019) made notable contributions to the financial expropriation approach, but it was primarily Lapavitsas who developed the theoretical framework.

these changes and the rise of financialization. In other words, Lapavitsas could not explain which specific impacts of the low productivity growth, precarious labour, rising influence of TNCs and shift in production in the world market led to the emergence of financialization in general and financial expropriation in particular.[10]

4.2.1. Transformation in the financing the investments by non-financial corporations

According to Lapavitsas, there has been a transformation in the relationship between non-financial corporations and banks with financialization. The deregulation of financial markets has led to a substantial expansion in open financial markets. This has expanded the opportunities for non-financial corporations to secure funding for their investments through alternative means rather than relying solely on borrowing from banks. As previously stated, the rise in mergers and acquisitions lead to the rising influence of TNCs and has augmented the significance of shares and bonds in corporate governance, leading to what some consider a shareholder value revolution (cf. Knafo & Dutta, 2019). In addition, the growth of open financial markets has created new means for non-financial corporations to use their retained profits that remained after the payments to dividends for self-financing their investments.

Lapavitsas contends that the growth of the stock market and increasing involvement by non-financial corporations have resulted in a decline in their dependency on banks. Rather than taking credit from banks, the expansion of self-financing practices has led to a change in the relationship between industrial capital and banks. As a result, banks started to seek a new market for their capital, which will be further discussed below. The change in the relationship between industrial capital and banks, for Lapavitsas, has differentiated this era from the early 20th century when Hilferding proposed the concept of *finance capital* for the fusion of banks with industrial capital under the domination of the former. With financialization, there has not been a situation where banks dominate industrial capital; on the contrary,

[10] Since one of the first things come to mind in the relation between the low productivity growth and expansion of finance has been flow of capital from production into finance, it is necessary to note that Lapavitsas (2011) heavily criticizes this view by arguing that it neglects to differences between the concepts of fictitious capital and loanable money-capital or interest-bearing capital. On the other hand, Kaldor (2022) criticizes Lapavitsas by stating that he disregards the relationship between them.

financialization has created a situation in which industrial capital has increasingly gained independence from banks.

Lapavitsas has exaggerated many aspects of financialization, which will be elaborated further below, but he undermined the impacts of the rising involvement of corporations in opening financial markets. Even though this involvement has presented new opportunities for non-financial corporations to self-financing their investments, it has created a situation where their reliance on the developments in finance, in general, has increased more than ever before. Moreover, Lapavitsas' emphasis on self-financing practices of industrial capital is anything but novel since these practices were already present in the inter-war period, as Sweezy and other proponents of the Monthly Review school indicated, as thoroughly discussed in the second chapter. Moreover, Hilferding's analysis, which overemphasizes the dependence of non-financial companies on the banks, has been criticized for not differentiating the particularities of the German economy from the general trends of the capitalist economy. Even in the early 20th century, large corporations mostly used their internal funds for investments (Norfield, 2014).

4.2.2. Transformation of banking capital

Another important change that has occurred with the emergence of financialization, for Lapavitsas, has been the transformation in banking activities. With the decreasing reliance of non-industrial firms in terms of financing their investments, banks increasingly turned into investment banking activities to generate revenue. With their primary function as intermediaries in money-lending having been substantially decreased, the rise of investment banking with financialization allowed banks to become "financial market mediators that mobilize short-term funds to invest in securities" (Lapavitsas, 2009, p. 133). Especially the rise in the derivatives market accompanying shares and bonds has led to the huge growth of stock markets, which increased the importance of investment banks and their role in mediating the transactions. Lapavitsas (2013) argues that the role of banks in the stock market is most evident in over-the-counter (OTC) derivatives, which constitute a significant portion of the derivative market and considerable size among them involves "one dealer bank as a counterparty" (p. 14).

Particularly in the US, the abolishment of the Glass-Steagall Act in 1999, which was brought into force after the great depression, has blurred the distinction between commercial banks and investment banks. Lapavitsas argues that the abolishment of the law allowed banks to emancipate themselves from some of the regulations and liabilities and engage in bigger risks. Furthermore, the privatization of insurance and pension funds, which were previously provided by the state, has enabled banks to allocate these funds towards short-term trading activities. These developments enabled banks to earn commissions and fees through their role as financial market mediators in stock market trades. Lapavitsas (2013) argues that these profits are separate from interest revenues, and it is something similar to what Hilferding called *a founder's profit* (p. 159). Hilferding employs the concept of founders selling shares at a price higher than the necessary investment value in the stock market. This results in a situation where the buyer pays an additional amount for the same surplus-value that will be generated by the corporation in the future. Hilferding contends that due to the banks' ownership of major shares at the beginning of the investment projects, banks receive the lion's share in founders' profit among shareholders. Furthermore, their share size allows them to exert influence over managers, enabling them to manipulate share prices in a manner that is not possible for other shareholders. As a result, Lapavitsas (2009) argues that with financialization, "financial profits are now generated not only by interest but also by fees" (p. 132). However, Chesnais (2016) objects that these fees and commissions must be categorized as interest.

> The first point under debate concerns the nature of what are now named 'non-interest' banking profits. These profits come from fees and commissions… The growth of these sources is one of the factors behind the increase of financial profits as recorded in national accounts. Seen from the perspective of the appropriation of surplus-value, these various commissions and fees paid to banks by corporations and high-bracket households clearly fall under the heading of interest. (p. 74-75).

Banks have generated additional income through their trading activities in stock markets. Lapavitsas contends that a sizeable portion of banks' revenue is derived from engaging in the investment banking activity of trading in 'Credit Default Swaps' (CDS) (Lapavitsas, 2009). Lapavitsas argues that banks' capacity to acquire information through interpersonal or institutional relationships, combined with statistically driven techniques, gives them an advantage in the informational disequilibrium. This advantage allows them to generate profits from speculation in CDS trading. Nevertheless, it needs to be noted that these financial profits are derived from a zero-sum game and do not contribute additional value to the overall economy. Additionally, it has been argued that Lapavitsas attributes the substantial changes brought by financialization to the institutional transformations rather than seeking its root in capitalist accumulation (Güçlü, 2014).

4.2.3. Exploitation in the sphere of circulation: financial expropriation

As banks faced loss in their source of demand for credit by the transformation of financing investments in financialization, they turned into households' income for novel sources of demand for credit. It must be noted that the credits given to households have already existed in earlier periods of capitalism. Nevertheless, the scale of total credits given and the number of people borrowing from banks substantially increased with financialization. Particularly due to the privatization of public services such as housing, education, and health, which were developed to meet the elementary needs of the working class, they have been transformed as households have been increasingly forced into taking credit from banks to meet those needs. Furthermore, this process has overlapped with the period when interest rates remained low in centre-capitalist economies, which increased the lending of households for both basic necessities and general spending. It is important to acknowledge that in the period when real wages remained stagnant, borrowing practices were compulsory rather than voluntary practice, contrary to what mainstream theories have argued (Stockhammer, 2010). The process needs to be considered in relation to the initiative role run by the state in the financialization process in general, households being forced into financial mechanisms in particular.

Lapavitsas (2013) contends that there has been a substantial rise in household borrowing relative to both total bank lending and GDP in centre-capitalist nations. The process has yielded significant revenue for banks, derived from the interest payments by households. Lapavitsas introduces the notion of financial expropriation, which refers to the appropriation of part of the workers' wages by financial capital. He explains its difference from exploitation in production:

> It should be clearly distinguished from exploitation that occurs in production and remains the cornerstone of contemporary capitalist economies. Financial expropriation is an additional source of profit that originates in the sphere of circulation. In so far as it relates to personal income, it involves existing flows of money and value, rather than new flows of surplus-value. Yet, despite occurring in circulation, it takes place systematically and through economic processes, thus having an exploitative aspect. (Lapavitsas, 2009, p. 131).

Lapavitsas argues that financial expropriation should be thought in relation to what Marx called *profit upon alienation*.[11] The concept, which was earlier introduced by Sir James Steuart, has been incorporated by Marx into his analysis of capitalism. Marx uses the concept for the appropriation of value by capital in the sphere of circulation in instances of unequal exchange relations; one party seizes the value of the other, resulting in a situation where no value is created, commonly called a zero-sum game.

Tonak and Duman (2024) argue that profit upon expropriation explains the ways in which capital can generate profit without the production of the surplus-value in non-capitalist spheres. Lapavitsas contends that Marx also employs the profit upon alienation in dealing with the financial transactions involving the lending of money to workers at high-interest rates for consumption purposes, distinct from money lending for the purpose of production, which is called interest-bearing capital, as will be elaborated in later. Marx considers the profit upon expropriation as a form of interest which belongs to an earlier mode of production and "struggle against their extinction and absorption into the modern mode of production." (Marx, 1972, as cited in Lapavitsas, 2013). However, Lapavitsas argues that, with financialization, financial expropriation has become the systemic way of obtaining profit for financial capital.

Lapavitsas's approach is significant in the sense that it attempts to conceptualize financialization as a partially *deliberate strategy of capital* rather than a phenomenon

[11] The term 'profit upon expropriation' is often used interchangeably.

that arises automatically by objective economic laws. However, as in the case of the profit-squeeze theories of crisis, the financial expropriation approach limits the class struggle analysis solely to the sphere of circulation. The similar point has been raised by also Fine (2010): “This is significant for bringing class-relations into account, albeit displaced from the sphere of production into the sphere of exchange” (p. 100). Although Lapavitsas acknowledges the changes in the labour-market in the period preceding financialization, the impact of these changes on the sphere of production remains little to none. Moreover, in his analysis of financialization, only change in the production sphere is restricted to the self-financing activities of non-financial corporations. Therefore, in Lapavitsas’ analysis of financialization, production continues without any disruption, and the only obstacle to the accumulation of capital appears to be stagnant productivity stemming from the lack of technological innovation.

Lapavitsas grounds the ways in which financial capital appropriates the portion of the wages of workers or the reproduction process of the working class by indicating the disbalance in information among borrowers and lenders. Moreover, Lapavitsas cannot specify why industrialists are not subjected to expropriation within a similarly disadvantaged position in informational disequilibrium relative to the banks. Therefore, Lapavitsas’ reasoning for financial expropriation relies more on the technical-organizational aspects of the borrowing process rather than a comprehensive class analysis. Furthermore, his argument is based on technological determinism, where advancements in information and technology are presented as “roots” and “deeper causes” of financialization in general, financial expropriation in particular.

The conventional Marxist perspective on financial profits posits that they are derived from the surplus-value generated in the production sector and subsequently allocated to non-productive sectors, which includes the payment of interest to the monied capitalists. Nevertheless, Lapavitsas contends that financial profits are no longer derived solely from the surplus-value generated in production but rather have become an integral component of the working class's reproduction process with financial expropriation. It is essential to note that Lapavitsas does not argue that credits given to households do not create new value; interest paid by the households represents the existing value that is created in production as earlier.

The exchange in the capitalist mode of production, which is assumed to be among equal parties, is transformed into one of the sources for the generation of profit with financialization, according to Lapavitsas. Lapavitsas's argument on financial profits coming from wages instead of a portion of the surplus-value received numerous criticisms. Fine (2010) argues that even if financial profits came through wages and "persisted and strengthened over the past thirty years along with financialization itself, surely the value of labour-power has become pitched at a lower level, rather than a portion being stolen away, as it were?" (p. 100). Similarly, Norfield (2014) contends that if financial profit is made through the appropriation of part of the income of the households systematically, that means in the long-run value of the labour-power diminishes to the level equivalent to the after the payment of interest.

Lapavitsas argues that financial profits are attained through the appropriation of part of the worker's wages. The reasoning he provided for financial expropriation as a separate phenomenon from the existing surplus-value relies on the concept of 'profit upon alienation' as explained above. Lapavitsas argues that financial expropriation is a systematic way to acquire financial profit as a profit upon alienation. He contends that "financial profit resembles a primordial form of profit" closer to the profit of usury (Lapavitsas, 2013, p. 144). However, Marx discusses the profit upon alienation as a pre-capitalist method for generating profits, which is not exclusive to the capitalist mode of production. This does not imply that it will become extinct in capitalism. Rather, it means that it will remain the exception and will not systematically happen. As Marx puts it, the pre-dated forms of financial profits will exist in capitalist production but as subordinate forms.

> Two of the forms in which usurer's capital exists in phases prior to the capitalist mode of production are particularly characteristic. I deliberately use the word 'characteristic', for the same forms recur on the basis of capitalist production, though here they are merely subordinate forms. In the latter case they are no longer forms that determine the character of interest-bearing capital. (Marx, 1982, p. 729).

Nevertheless, the systematically appropriating part of the value of labour-power leads to a fall in the value of labour-power, as explained above. Moreover, it is important to note that the profit upon alienation should not be understood as exclusive to the exchange between capitalists and the working class. On the contrary, it can also occur within the exchange relations among the fractions of the capitalist class.

Lapavitsas's stance on equalizing profit rates between banking capital and other sectors had been controversial. Norfield (2014) argued that in *Profiting without Producing*, Lapavitsas appears to be asserting that profit rates among banks and other capitalist sectors tend to be equal, which is the position also taken by Hilferding. However, Norfield argues that interest-bearing capital occupies a distinct position among different forms of capital, as laid out by Marx. In contrast to Fine (2010), who asserts that banks do not lend to each other for entry into the financial sector, thereby suggesting that banks enjoy higher profits, Lapavitsas argues that lending practices among banks are common in developed capitalism. Lapavitsas criticizes this argument by pointing out that "Fine's error originates in treating banking capital as loanable capital rather than as a form of capital evolving out of merchant's capital." (p. 136). Nevertheless, they both accept the crucial function of banks in a capitalist economy, which is to provide funds for diminishing the competitive entry to sectors, thereby equalizing the profit rates within and across different capitalist sectors.

In his later collaborative works with Mendieta-Muñoz (2016; 2019), Lapavitsas explicitly assert that financial profits relative to the total profits have significantly increased since the 1970's. They argued that the general rate of profit remained mostly constant throughout the period while financial profits experienced an enormous rise. The enormous rise in financial profits is primarily attributed to the systematic appropriation of workers' wages by financial institutions. Furthermore, they contended that the state's active involvement in the financialization process, achieved through the deregulation of the financial sector, the independence of central banks, and the state's growing control over finance through interest rate and liquidity decisions, has facilitated the long-term sustainability of financial profits. Fine has strongly criticized this position, asserting that if the financial sector generates higher profits than the average profit rate, capital should naturally flow into that sector, thereby reducing the overall profit rate and equalizing profit rates across all sectors of capitalism.

Lapavitsas (2012) views the 2008 crisis as the structural crisis of financialization. He criticizes the perspectives that view the financial aspect of the crisis as “a ‘surface’-event that presumably reflects the ‘deeper’ (hence ‘real’) causes of crisis” (p. 8). Particularly, the ones who view the 2008 crisis as stemming from the LTRPF have been criticized heavily by Lapavitsas. He argues that profit rates remained stable during the period of financialization while the financial profits relative to the total profits rose significantly (Lapavitsas & Mendieta-Muñoz, 2016). Moreover, he argues that financialization has transformed the relationship between production and finance by shifting the role of the financial sector from the mere providing of funds for commodity production. Lapavitsas (2012) states that this situation is evident considering the financial activities of productive capital, the state and the working class. In addition, he objects to the explanation of the crisis as overaccumulation of fictitious capital independent of real accumulation because the main reason for the crisis was the credits given to households for Lapavitsas. Therefore, the 2008 crisis was rooted in loanable money-capital or interest-bearing capital (p. 30).

Chesnais (2016) argues that the amount of credit given to households and its importance is exaggerated by Lapavitsas since it was not a global trend and remained specific to the US. He gives reference to the Liikanen report on European banks, which shows that the significance of consumer loans has fallen regularly since 1999. Moreover, the report demonstrates that the loans provided to households in the UK constitute only 4% of the total assets of financial firms (Liikanen, 2012, p. 15; as cited in Chesnais, 2016, p. 76). The different forms of financial capital are thoroughly examined below. However, it will be sufficient to note that Lapavitsas conceptualizes loanable money-capital and interest-bearing capital as entirely distinct forms of capital from fictitious capital. In contrast, Marx emphasized the interconnectedness among these forms of capital.

Lapavitsas contends that there has been a stagnant real accumulation and stable rate of profits in non-financial companies, which has been accompanied by stagnant real wages under the period of financialization. The only change that has occurred is a significant increase in the financial profits, which he argues is a result of the appropriation of the workers' wages. The economic stagnation in which the only change has been the flow of value from wages to banks (who use their extra-economic 'informational' power to seize a portion of the value of labour-power) has a striking resemblance to the theories of Monopoly Capitalism. Moreover, Lapavitsas' analysis of the crisis as the inability to sustain mortgage and loan provisions by households with stagnant real wages aligns his perspective of the 2008 crisis with the theories of underconsumption. This perspective diverges significantly from his previous approach, in which he offered an explanation of crises based on over-accumulation, drawing on Hilferding (Ünsal, 2021, p. 71).

4.3. The Prevalence of Interest-bearing Capital Approach

As explained at the beginning of the chapter, many takes financialization as a signifier of the new epoch in capitalism defining. Similarly, Fine argues that financialization is the most salient feature of neoliberalism. Neoliberalism, as the current stage of the capitalist mode of production, has been characterized by the restructuring of the capital by financialization, which "transformed profoundly the organization of economic and social reproduction" (Fine & Saad-Filho, 2016, p. 3). Fine defines financialization as the "intensive and extensive accumulation of interest-bearing capital." Furthermore, he argues that financialization is characterized by the dominance of finance in the ever-expanding domains of economic and social life. According to Fine (2010), the era of financialization represents a slowdown of real accumulation under the dominance of financial capital.

Fine (2008) identifies three key factors that have had a substantial impact on the process of financialization during the last four decades. Firstly, Fine highlights the significance of the role of state in shaping financial and monetary policy. He emphasizes that the state itself participates as an active agent in the financialization process by issuing paper bonds. Furthermore, Fine points out the role of world money and how money in general, including its ‘relations, properties and functions,’ are realized in the presence of numerous national currencies. Finally, Fine indicates that historical particularity arises from the interplay of the two preceding components. Their interactions exhibit unique patterns of accumulation on a global level for Fine.

4.3.1. Financialization as the most salient feature of neoliberalism

Before delving into the detailed analysis of Fine’s approach to financialization, it is necessary to explain how he defines neoliberalism and establishes its connection with financialization. Fine (2010) defines neoliberalism as the “systematic use of state power to impose, under the veil of ‘non-intervention,’ a hegemonic project of recomposition of the rule of capital in most areas of social life.” (p. 11). Fine particularly emphasizes the state withdrawal from the economy as a ‘neoliberal myth’ (Yalman, 2021), contrary to the rhetorical and scholarship perspective of neoliberalism. Fine distinguishes two distinct phases of neoliberalism. In the first phase, the state intervenes in the economy to promote the interests of private capital with the application of shock therapy, which, more often than not, requires the state to consult coercion. In the second phase of neoliberalism, a process of consolidation and preservation of social relations, which has been laid out in the earlier phase, took place. Fine argues that the second phase of neoliberalism is also characterized by the rationalization of the piecemeal state intervention for moderation and promotion of the interests of private capital.

Fine argues that neoliberalism is underpinned by financialization; however, he emphasizes that neoliberalism cannot be reduced to financialization (Fine & Saad Filho, 2016). For Fine, there is a direct relationship between neoliberalism and financialization. Fine’s approach is evident in his reasoning for defining neoliberalism as a distinct stage in the capitalist mode of production since the restructuring of capital with reproduction and reorganization of social and economic life are ever-increasingly determined by the interests of private capital in general and finance in particular. Fine argues that with neoliberalism, the promotion of interests of private capital increasingly corresponds to the promotion of interests of finance.

While in the first phase of neoliberalism, deregulation or as Fine and Saad Filho put it (re-)regulation of private capital made through the alignment of the interests of finance, in the second phase of neoliberalism, the state intervention has increasingly corresponded to the moderation of the impacts of financialization according to the interests of finance. Neoliberalism represents the change in the balance of power between labour and capital, and it also represents the changing balance of power within different fractions of capital.

4.3.2. The intensive and extensive accumulation of interest-bearing capital and fictitious capital

Fine's financialization analysis centres around the ever-increasing power of interest-bearing and fictitious capital. Fine indicates intensive accumulation of interest-bearing capital for the enormous rise in finance during the period of financialization. Additionally, he highlights the extensive accumulation of interest-bearing capital as it becomes increasingly attached to the ever-expanding areas of economic life. Fine defines financialization as interest-bearing capital together with fictitious capital, attaching itself to the other various forms of capital (Fine, 2008). In other words, financialization for Fine is “the intensive and extensive accumulation of fictitious capital or, in other words, the increasing scope and prevalence of IBC in the accumulation of capital.” (Fine, 2014, p. 55) Hence, it is essential to thoroughly examine the nature and characteristics of interest-bearing capital and fictitious capital and explore their role within the capitalist mode of production in order to understand Fine’s approach to financialization.

Fine explores Marx’s theory of money and finance to understand financialization with the concepts from the theoretical framework of Marx’s labour theory of value. Accordingly, Marx distinguishes two forms of usage of money in his theory of finance. First, money is lent or borrowed for the use of money for the purchase of commodities or payments. Marx defines this type of usage as ‘money as money.’ The use of money as money has no effect on the production of the surplus-value. It is merely the transfer of the existing value between a debtor and a collector. Marx, however, recognizes another kind of money use where borrowed funds are employed in the process of accumulating surplus-value via production. Marx refers to the use of money to generate surplus-value as 'money as capital'. In both scenarios, there may be an interest that necessitates a larger repayment amount than the initial loan or borrowing. As Marx is primarily interested in the use of money for the purpose of expanding accumulation, he defines the use of ‘money as capital’ as *interest-bearing capital*.

In interest-bearing capital, the payment of the total amount of debt, including the interest, is contingent upon the production of the surplus-value. Therefore, there is a direct relation between the profitability of the capital that deals with the productive labour and interest-bearing capital. While these two forms of use of money are distinct and clearly defined in abstract terms, in actual capitalist finance, the distinction between these two forms is blurred. Idle money in capitalist finance is utilized regardless of the use purpose or the intentions of the borrower. Thus, Marx uses the term *loanable money-capital* to refer to the money market as a whole, the co-existence of money functioning as capital and money functioning only as money. Put simply, the credit obtained intended for the consumption and acquisition of goods and services or payments and the credit taken for the expansion or accumulation of capital is irrespective of the origins of idle money, which may come from personal savings or from financial assets of corporations (Fine, 2014).

Marx defines another form of capital that relies on the anticipated future creation of surplus-value, which is *fictitious capital*. Marx argues that fictitious capital, which is distinct from real capital invested in production consisting of means of production, workers, and money-capital, may develop its own existence. As fictitious capital represents a mere entitlement to value, it is not directly linked to real capital. Since it creates a misunderstanding, it is crucial to clarify that Marx does not refer to fictitious capital to refer to capital that does not exist. As fictitious capital is not directly related to real capital, it is fictitious because its value may deviate from the capital it represents. As the claim of the value can be turned into capital, the same applies to loans as well. The claim of the value of debt can also turned into a commodity which can be bought and sold in the market. Therefore, fictitious capital can also be derived from the loanable money-capital.

Marx explores the distinct forms in which fictitious capital may take in capitalism. He uses the phrase fictitious capital to describe state-issued bonds for referring to the illusion that the loan to the government is already spent, not as capital which will yield more return, but as mere money that no longer has any existence other than the claim of the debt. Nevertheless, the holder of the government bonds issued by the state will receive interest with the money paid by taxpayers (Marx, 1982, p. 595). However, as the state becomes more involved in capitalist production as an agent itself with the development of capitalism, government loans are used increasingly as capital rather than as money (Chesnais, 2016). Secondly, Marx talks about shares and stocks of firms as a form of fictitious capital. These shares, which are the titles of ownership, represent the capital actually invested. As they are merely the representation of real capital, they are a form of fictitious capital. The third form of fictitious capital identified by Marx consists of bank credits. As banks lend more than their reserves, a significant portion of the bank credits is comprised of fictitious capital. When the production of the surplus-value successfully generated with the credits taken and debt, including its interest, is paid, the fictitious capital will transform into real capital. Over the last several decades, novel forms of fictitious capital emerged with financialization, the most notable ones being derivatives and securities. Given that most of the bank credits consist of fictitious capital, the interconnection between interest-bearing capital and fictitious capital makes their separation almost impossible.

The connection between fictitious capital and real capital is not easy to establish. On the one hand, fictitious capital could be taken as entirely independent from the capital it represents. On the other hand, it may be argued that the trajectory of their values is generally interconnected, although not identical, except in times of crisis. As discussed at the beginning of the chapter, those who associate financialization with stagnating tendencies in the sphere of production tend to conceptualize the fictitious capital as nothing but speculation. These perspectives are grounded upon some of the parts in Marx' (1982) writings, including the following:

> They [fictitious capital] become commodities, their prices having a specific movement and being specifically set. Their market values receive a determination differing from their nominal values, without any change in the value of the actual capital (even if its valorisation does change). (p. 598)

However, he further states: “On the one hand, their market values fluctuate with the level and security of the receipts to which they give a legal title.” As can be seen, Marx did not saw the value of fictitious capital totally independent of the underlying commodity it represents but has potential to fluctuate or even show significant discrepancies. Furthermore, Marx writes, The market value of these securities is *partly speculative* [emphasis added] since it is determined not just by the actual revenue but rather by *the anticipated revenue as reckoned in advance* [emphasis added]. Hence, it is not possible to conclude from Marx’s writings that fictitious capital is entirely independent. Rather, apart from the speculative nature, the market value of fictitious capital is primarily grounded on the anticipated revenue of the represented capital and the safety of the projected income, which is essential for understanding the underlying transformation between the spheres of production and finance in recent years.

Fine's (2013) conceptualization of fictitious capital and his understanding of its connection with the capital it represents has a significant impact on his approach to financialization. Grounded on his interpretation of Marx’s writings, he defines fictitious capital as “*independent* [emphasis added] circulation of IBC in paper form.” (p. 50). However, Marx’s writings on the subject highlight both characteristics of fictitious capital, namely its openness to speculation and its connection to real capital. Fine's disregard for the dual nature of fictitious capital is evident in his perspective on the trajectory of real accumulation under financialization.

4.3.3. ‘Choked off’ real accumulation

As Fine primarily focuses on the speculative nature of fictitious capital, he considers the fictitious accumulation to be a direct contrast to the real accumulation. As previously explained, Fine argues that there has been an increasing prevalence of fictitious capital and interest-bearing capital in recent decades. Fine contends that the increasing prevalence of financial capital has been at the cost of industrial capital, thus resulting in a slowdown in real accumulation. While Fine does not explicitly articulate and elaborate this argument, there are indications in his texts that might help in comprehending his line of thinking.

Firstly, while identifying the state's role during the different phases of neoliberalism, Fine asserts multiple times that the state's involvement is characterized by actively encouraging "private capital in general and finance in particular" (Fine & Saad Filho, 2016, p. 6). Consequently, the state's active role in restructuring the capital, according to Fine, both in times of crisis and in the 'normal course of accumulation,' has been increasingly revolving around specifically the interests of finance. Hence, it can be inferred that Fine identifies the prevalence of finance and financial capital in general and fictitious capital and interest-bearing capital in particular among different fractions of capital. By providing funds to firms to enter into a more profitable sector, interest-bearing's function in the capitalist accumulation for the equalization of the rate of profit within and across sectors is highlighted by Fine. Fine argues that interest-bearing capital acts as an agent of competition without being entirely subject to competition since it would not give credit to enterprises to enter into the financial sector.

As interest-bearing capital occupies a distinct position among different forms of capital, Fine (2014) asserts that "interest-bearing capital extracts its surplus (or interest) prior to the distribution of the remaining surplus across other capitals" (p. 54). According to Fine, the distribution of surplus value that is created by the productive labour between interest-bearing capital and industrial capital or other forms of commerce capital is not predetermined by the value system. Rather, the division between interest and profit of enterprise is primarily determined by the outcome of the class struggle, as in the case of the determination of the value of the labour-power. Nevertheless, Fine acknowledges that the objective laws of motion of accumulation can still have a significant impact on the distribution of the surplus-value. Hence, it can be concluded that Fine implicitly[12] argues that the interest-bearing capital has gradually taken a larger portion of the surplus-value from the distribution by increasing its power over different forms of capital. This "has created a dynamic in which real accumulation is both tempered and, ultimately, choked off by fictitious accumulation" (Fine, 2008, p. 8).

[12] Fine (2014) explicitly states that the balance between real capital and financial capital has changed (p. 48-49).

Fine's argument on financial capital in general, fictitious capital in particular absorbing an ever-increasing portion of surplus-value, which results in the slowdown of the real accumulation, shows significant resemblances to crowding out theories of financialization. For instance, Orhangazi (2008) by investigating the accumulation rate of the non-financial sector, finds that the revenues of non-financial firms have been progressively allocated towards interest and dividend payments instead of investments throughout the period of financialization. Consequently, he contends that financial profits have crowded out accumulation in non-financial firms by stating "increased payments to financial markets can constrain real investment by depleting internal funds" (p. 865). Similarly, Palley (2007) proposes the financialization thesis, which maintains that there has been a shift in income distribution in favour of capital, an increase in the proportion of interest share, and a rise in financial profits relative to the total profits.

Foster (2008) offers a critique of the financialization thesis, arguing that it mistakenly confuses the cause (stagnation in real accumulation) with the effect (rise in financial profits). Although Foster wrongly attributes the stagnation tendencies in the production sphere to the monopolistic structure of capitalism, he correctly identifies the omissions of the so-called financialization thesis. Furthermore, the theories of crowding out wrongfully assume what needs to be explained, namely the rise in financial profits. Focusing the aspects of financialization on the transformation in the corporate governance structure and seeking the stagnation of real accumulation in the rise in interest and dividend payments, as Lapavitsas (2013) argues, does not offer any significant advancements beyond existing theories of shareholder value and the prevalence of stock markets.

Fine (2008) stated the following: "The financial system can be extraordinarily powerful in mobilising and allocating finance for the purpose of real investment. But, by the same token, it can both trigger and amplify monumental crises" (p. 3). He only takes into account the second possibility for financialization. Fine's approach to financialization, by contrasting the real and fictitious accumulation, fails to acknowledge the function of finance in promoting accumulation and serving as a counter-tendency against the crisis tendencies in production. As discussed, Fine's approach to the 2008 crisis stems from the choked-off real accumulation by the fictitious accumulation. This approach shows notable parallels with the disproportionality crisis theory, in which it is argued that the crisis stems from the imbalance between the departments as a result of the market anarchy prevalent in capitalist economies. Similarly, Fine (2008) attributes the cause of the 2008 crisis to the disproportionality between the productive capital and financial capital while asserting that the LTRPF is a shorthand way of explaining the crisis, which differs from his earlier writings.

4.4. ‘Financial Fix’ Approach

Dick Bryan and Michael Rafferty provided an alternative perspective on financialization, emphasizing the emergence of derivatives. While they do not claim to provide a comprehensive approach to financialization, their viewpoint of situating derivatives within the larger framework of the capitalist mode of production, based on Marx's labour theory of value, offers a valuable methodology for understanding the growth of finance in recent years and the phenomenon of financialization.

Building upon Harvey's concept of *spatial fix*, Silver (2016) adds the idea of *a financial fix* to explain the flow of capital from production to finance. Although Bryan and Rafferty’s approach has differed from this perspective, the concept of financial fix while still adhering to the double-meaning under the concept of fix in Harvey’s explanation, may help to explain the derivatives’ function in the capitalist mode of production as *fixing (pinning down) the value of the underlying assets* for a certain period of time and allows to commensurate with other commodities across time and space. Moreover, in the context of the internationalization of capital, derivatives also function to *fix (secure) price instability* that arises from risks and uncertainties.

4.4.1. Defining derivatives

Derivatives are contracts that are traditionally defined as an agreement to trade a specific amount of a commodity at a pre-determined point in the future at a price that has been agreed upon. The value of the derivatives is derived from the underlying asset and is generally used for hedging and speculating purposes in financial markets. The agreement to trade at a pre-determined price acts as a mechanism that mitigates various kinds of risks. Engaging in a contract for a future date at a pre-determined price may serve as a means of hedging against unpredictability and unfavourable circumstances.

Conversely, derivatives are also used for speculative purposes by taking over the undesired risks of those who are hedging. While the origins of derivatives may be traced back further, their use within the capitalist mode of production arose in the 19th century. “Stock options and futures were integral to 19th-century exchanges” (Weber, 2000, as cited in MacKenzie & Millo, 2003). However, the legitimacy of derivatives diminished substantially after the 1929 Great Depression. Prior to the 1980s, derivatives had been mostly used for securing price stability in agricultural commodities.

Since the 1980s, there has been an enormous rise in the use of derivatives. Derivatives expanded beyond agricultural commodities in agricultural production with the introduction of financial derivatives, which were non-existent prior to 1973 (LiPuma & Lee, 2005). They have grown to such an extent that they now constitute the largest kind of financial transaction (Bryan & Rafferty, 2006, p. 40). In addition, financial derivatives have become more prevalent in derivative exchanges, while the proportion of agricultural derivatives to the total derivatives has decreased significantly.

As Martin (2013) states, with the rise in the international transactions, a wider range of risks are being constantly re-valued, most prominently those related to currency and interest rates. Even from the single transaction of an asset, there are several circumstances and risks that may arise which enabled the development of derivatives for the usage of different possibilities in wide range of areas. Consequently, the aggregate value of all derivative contracts far surpasses the real or fundamental price of the assets being exchanged.

Neo-classical economics understood the rise in the derivatives market in a technological-determinist manner, interpreting the developments in economic theory.

With the developments in the option pricing theory, Black-Scholes being the most prominent one, the discourse on the derivatives market has transitioned from gambling-speculation to efficient pricing and hedging (MacKenzie & Millo, 2003, pp. 120-121). On the other hand, there exist significant contributions to the literature that connect risk management and derivative markets with the broader framework of financialization: "derivatives instrumentalise risk as a novel form of ownership…which rests in circulation and contests finance as a site of accumulation in and of itself." (Wigan, 2009, p. 159)

However, the rise in the derivative markets needs to be thought in relation to the underlying transformation that capitalist economies experienced during the respective period. According to Bryan and Rafferty (2006), with the end of the Bretton Woods agreement and so-called the 'rollback' of the capitalist state from absorbing some of the significant risks that may arise in capitalist economies, derivatives begin to function as a tool for mitigating capital's exposure to risks. Moreover, internationalization of the capitalist production also expanded the scale and the extent to which the capital is exposed to various risks and making it more vulnerable to volatility.

4.4.2. Locating derivatives

Bryan and Rafferty contend that derivatives, when the lack of the above-mentioned previously existed circumstances that protected some of the risk exposures, have two crucial functions in capitalism, namely the binding and blending role of derivatives. Firstly, by making a contract for agreed-upon prices on the future date, derivatives bind the present prices with the future prices. Secondly, the use of derivatives establishes price connections that can easily be converted between various types of assets. In other words, "derivatives blend different forms of capital into a single unit of measure" (Bryan & Rafferty, 2006, p. 12). The blending role of derivatives allows for the *commensurate* various forms of capital within each other, which is crucial in the absence of any anchor-like standard such as gold.

As LiPuma (2017) calls it, 'speculative ethos' not only dominated the derivative markets but also expanded into other sectors through derivative trading that was not previously viewed as speculative. Consequently, derivative trading is often seen as having a poor public image due to its role in disrupting financial markets. On the other hand, Marxist analyses of financial markets, in conjunction with the inherent greed of capitalists, have highlighted the speculative nature of derivatives. Furthermore, the perception that financialization and fictitious capital are just speculative activities and disconnection from the real accumulation has further reinforced the image of derivatives, although it should be acknowledged that these images were not formed without foundation. Many viewed that derivative markets do not have any impact on the capital accumulation other than being a destabilization factor by deriving from Marx's (1982) famous quote on fictitious capital:

> With the development of interest-bearing capital and the credit system, all capital seems to be duplicated, and at some points triplicated, by the various ways in which the same capital, or even the same claim, appears in various hands in different guises. (p. 601)

Therefore, there had been a neglect in understanding the rise of derivative markets until the influential work *Capitalism with Derivatives*, by Bryan and Rafferty. Firstly, they argued that the value of derivatives and the underlying assets are not entirely independent, and they exhibit parallel trajectories. Consequently, Bryan and Rafferty (2006) contended that derivatives and their valuations possess the capacity to provide insight into the value and security of income of underlying assets. Moreover, derivatives enable the constant competitive calculation of the value of each asset. This role of derivatives means that the value of each of the assets that are mediately represented in financial markets through derivatives is constantly re-valued.

Finally, the blending role of derivatives allows for the *commensuration* of each asset across time and space. The commensurability of all asset forms between and across time and space creates pressure for each asset to yield more return or face the threat of devaluation. Hence, Bryan and Rafferty states that by "continually commensurate with each other on the basis of profit-making potential" (p. 76), derivative markets created a "blended, universal and intensively competitive valuation of 'capital'" (Bryan and Rafferty, 2006, p. 3).

Bryan and Rafferty's (2006) approach to derivatives also contains various problems. Firstly, they argue that prices are being formed in derivative markets and influencing the prices in cash markets rather than the other way around (p. 63). This perspective demonstrates its effect multiple times throughout the book. The problem stems from the implicit assumption that practices of capital in financial markets determine the value of commodities. Furthermore, instead of establishing a connection between real accumulation and fictitious accumulation, they argue that the distinction between the two has been entirely blurred. In addition, they overestimate the correlation between the trajectory of derivative prices and the underlying assets, implying that both follow identical patterns. This overestimation stems from the underlying premise that the calculation of the value of derivatives thus conforms to the precise calculation of the risk is possible and convertible into a commodity. On the opposite side of the same coin, they underestimate the speculative nature of derivatives in particular and fictitious capital in general. Probably the biggest criticisms to Bryan and Rafferty's approach came from their assertion that derivatives functioned as a meta-commodity and a new global currency akin to gold in the 19th century. However, it should be noted that they do acknowledge the greater flexibility of derivatives compared to previous forms of global currency. Lapavitsas (2008) argued that "they erroneously think of derivatives as money" (p. 24). In addition, Norfield (2013) critiques the lack of analysis of imperialist relations in Bryan and Rafferty's approach to derivative trading, which disproportionately benefits major financial powers.

4.4.3. Derivatives as the intensification of the capitalist competition

According to Bryan and Rafferty (2006), derivatives have enabled a constant relative valuation of each asset throughout any time and space. As a result, they believe that the form of capital and the dimension of competition have also undergone a transformation. Through a comparison of the prevalence of derivative markets with the emergence of joint stock companies, they argued that the capital, which originally transformed from physical assets to financial claims on firms, has now undergone another transformation. With the widespread usage of derivatives, capital shifted to a form of a claim on assets that may be readily convertible to the other assets. Consequently, every asset is now subject to competitive pressure emanating from derivative markets. “the corporation now potentially faces an on-going market valuation (in relative terms) of each of its assets: its inputs, its outputs and its various financial assets.” (p. 100).

Bryan and Rafferty argue that ‘bits of capital,’ by referring to the means of production as a physical form of capital and to the monetary funds as a money form of capital, rather than being merely a passive input into the accumulation, transformed into the subjects of competition (p. 167). As derivatives exert pressure on every bit of capital, necessitating that each type of capital provides at least an average rate of return.

As mentioned above, Marx noted the anticipated revenue instead of the present revenue as a determining factor for the value of fictitious capital. In the case of derivatives, their binding role, which is to connect the prices in the present with the future prices, also enables the connection of the present rate of return with the anticipated rate of return in future. Although there is an implicit assumption by Bryan and Rafferty throughout the book in the opposite direction, derivatives need to be thought of as fictitious capital. It needs to be understood as fictitious capital whose connection with real accumulation has substantially increased with financialization.

With the increasing pressure on profitability on every bit of capital, Bryan and Rafferty (2006) argue that the pressure is passed over to the sphere of production, specifically into the labour force, in order to achieve higher rates of return. To attain more profits for each asset, capital increasingly exerts more pressure on labour to generate more surplus-value, particularly to increase absolute surplus-value by extending working hours, reducing wages, and intensifying the labour process. They argue that with derivatives, there is no such thing as being ahead of the market, and the only way to make profits is through pressuring labour to yield more returns. Flexibility in the financial markets, which derivative markets provided, attached itself to ever-more areas, including the other forms of market, state, and labour conditions (Bryan & Rafferty, 2006, p. 204).

Bryan and Rafferty later expanded their approach on derivatives to also encompass securities. They contended that derivatives and securities provide capital sufficient means to transform from fixed and illiquid assets into fluid and liquid assets (Bryan et.al., 2009). While these result in “competitive pressure for relative asset valuation” (p. 467), it also reconstitutes labour as a form of capital.

Güçlü (2014) notes that labour’s subordination not only takes place through the process of surplus-value production by subjecting labour to flexible contracts but is also reproduced by linking illiquid assets (work, health, housing) to the liquid assets in global financial markets. Additionally, financialization brings financial calculation into households with the engagement of workers in credit relations and the gig economy, where a regular and stable income is not present. This inevitably leads to the accusation towards workers in poverty or ‘financially failed’ as irresponsible individuals who did not hedge against risk exposures (Martin, 2002). Bryan et al. (2009) similarly states that there is a “new and emphatic push to generate programs for financial literacy, so that households can be assumed to have the strategic financial capacity” (p. 462).

For the 2008 crisis, Bryan and Rafferty did not provide a direct explanation as they state their aim is to “challenge the virtual analytical monopoly that crisis theory is exerting over the issue of financialization” (Bryan et al., 2009, p. 460). Their distance towards crisis theory is understandable, considering their assumption of the derivatives as operating perfectly in financial markets. Their emphasis was primarily on the class nature of state intervention towards the crisis while aligning their approach more closely with Lapavitsas's viewpoint.

On the other hand, there have been contributions which attempt to establish a connection between derivatives and crisis theories following their approach. Meister (2016) examines how derivatives might serve as a countermeasure to the realization issue caused by the ‘unknowable’ nature and unpredictability of future pricing. In a similar vein, Martin (2016) establishes parallels between derivatives and counter-tendencies, examining the ways in which counter-tendencies might be seen as a kind of hedging against the fall in the rate of profit.

4.5. Financialization as a Mobilization of the Countertendencies Against the 'Law as Such'

As discussed in the second chapter, Marx conceptualizes the counter-tendencies as factors that temper, postpone, or reverse the LTRPF while also causing it to fall further. In this section, financialization will be conceptualized precisely in this way as a counter-tendency that counters the LTRPF while simultaneously lowering it. It will be argued that the perspective of the LTRPF helps to understand not only the deeper causes for the emergence of financialization but also the transformations that occurred in capitalist accumulation.

In the first section of this chapter, approaches of various schools, from Monthly Review School to Brenner, have been gathered under the category of '*financialization as an epiphenomenon of stagnating tendencies in the sphere of production*'. These schools also included the ones who defined financialization from the LTRPF. However, as the title suggests, these approaches establish the connection between the LTRPF and financialization in a one-dimensional relationship while pinpointing the origins of financialization in 'external' economic laws. Nevertheless, following the methodology proposed in the second chapter, the relationship between them is reciprocal in that financialization also impacted the trajectory of profit rates, while the emergence of financialization needs to be thought of in relation to the class struggle.

Fictitious capital, as elaborated in detail above, may both *expand and promote* real accumulation and may also be a factor in *disrupting* real accumulation. A crucial factor in determining this is the extent to which the accumulation of fictitious capital outpaces the accumulation of real capital, leading to its potential independence from the latter. With fictitious capital valued on the basis of the expectation of future income, as Marx noted, and with the function of derivatives in binding current prices to future prices, the 'fate' of fictitious capital and of real capital have become more intertwined than ever before. A similar point was also raised by Chesnais (2016), indicating that the distinction between them is fading with financialization. In addition, given Fine's definition of financialization as the intensive and extensive accumulation of interest-bearing capital, the future of capitalism as a whole has become increasingly tied to the success of the future production of surplus-value. Thus, the pressure on the labour, as well as mechanisms for containment of labour, which can be understood by state's role in the "extensive immobilization of labour-power" (Gerstenberger, 1978, p. 155) has increased for the extraction of the surplus-value. Just as the fates of different forms of capital are linked, different national capitals have mirrored the parallel trajectory as a result of the internationalization of capital, ultimately leading to a global phenomenon.

The trajectory of the profit rates following the profitability crisis in the 1970s has been controversial in the literature, as discussed in the second chapter. While there is widespread consensus that the profit rates did not recover to the level prior to the crisis, many argue that they remained stagnant throughout the period of neoliberalism. Although there has been a debate around the trajectory of the exploitation rate under neoliberalism, whether or to what extent the capital devaluation occurred during and after the 1970s crisis is considered the primary determinant of the restoration of profit rates. Therefore, both the emergence of financialization and the alterations in the relationship between the real sector and the financial sector need to be discussed in light of this debate (e.g., Giacché, 2011). Some argued that during the period of the so-called 'Volcker Shock' in the US, the high-interest rates to bring down inflation led to the destruction of capital with lower rates of profit (Economakis et al., 2010).

The trajectory of capitals with low profitability may be best understood with the relation of so-called 'zombie companies.' Zombie companies are defined as firms that are on the brink of bankruptcy, as their only way to survive depends on the future production of surplus value to meet the payment of debt and interest. The number of zombie companies around the world has steadily increased since the beginning of the century, both for public and private firms (Albuquerque & Iyer, 2023). The fate of these companies generally depends on the trend in interest rates as they are mostly required to take credit for the payment of their debt. Furthermore, banks provide credit to some of these firms with lower interest rates than average to maintain their survival. It is, therefore, vital that interest rates remain low to prevent the potential bankruptcies of these firms.

Keeping interest rates low during the period increased the accumulation of fictitious capital. Leaving aside the fact that derivatives are treated as ‘perfectly functioning markets’ by Bryan and Rafferty, they can play a crucial role in understanding the phenomenon of financialization as a *‘distinct’ form of fictitious capital*. The accumulation of fictitious capital provides the necessary funds for real capital accumulation and emerges as a counter tendency to the decline in profit rates, but it also has a distorting effect on real accumulation, particularly through speculation. At this point, keeping interest rates low is not only a life-saving factor for low-profitability capitals while providing considerable facilities for the expansion of accumulation but also paves the way for fictitious accumulation that is open to speculation.

Despite the particular reasons for the lower rates of interest, such as preventing the failure of capital with low-profit rates and avoiding high indebtedness from turning into a crisis, the main reason lies in that the “interests of private capital in general” increasingly mean the interests of “finance in particular” (Fine & Saad-Filho, 2016, p. 6). At this point, it should be underlined that the concept of finance capital is of primary importance in understanding the process of financialization and state-market relations, although not in the sense used by Hilferding as before, but in terms of “*the subordination of value production to the interests of finance capital* [emphasis added]” (Ticktin, 2010, p. 10 as cited in Yalman et.al., 2019, p. 7). This has also been expressed by those who argue that inflation targeting, which may be considered the dominant factor in the monetary policy of the state during the financialization, occurred and was maintained in order to protect the appreciation of assets in financial markets. As Patnaik (2022) states, “Inflation in goods prices, … in the first instance, reduces the real value of financial assets... Finance capital is invariably opposed, therefore to inflation in the prices of goods and services.” Similar argument has been laid out by Knafo (2012), who argued that financial bubbles function as sustaining the inflation in financial assets. Similarly, Meister (2016) states that:

> This left the central banks with the task of controlling inflation while creating enough base money to maintain the liquidity of markets in these new financial instruments so that asset prices could rise in relation to the value of goods and services without an offsetting decline in the value of the currency in which the assets were denominated. (p. 148)

The capitalist state has been transformed from financialization on the one hand, and on the other hand, it has been the active agent enforcing further transformation. With the crucial role of monetary and interest policies for capitalist markets and finance capital, the Central Bank was re-constituted as a "'hegemonic apparatus' … as a constitutive part of the relations of production, thus not reducible simply to the superstructural level" (Yalman, 2021, p. 17). This is even more evident when considered together with the debate surrounding the depoliticization of economic management. On the other hand, the class nature of the state manifests itself more clearly in its response to the crisis, particularly after the 2008 crisis through the Central Bank. *The capital accumulation strategy* and *the state project* aligned with the interests of finance capital have been the characteristic features not only of financialization but also of neo-liberalism. Although the extent to which this capital accumulation strategy and state project have been successful or not varies across countries, mostly depending on their position within imperialism, the global trend has generally been susceptible to crisis tendencies throughout the period. In fact, these crises, which from the perspective of the LTRPF are directly related to the lack of capital destruction, have been named the "developmental feature of neoliberalism" (Gindin et al., 2011, p. 35; as cited in Yalman, 2021, p. 16).

As mentioned at the beginning of this section, there is a need to conceptualize financialization as a counter-tendency against the 'law as such'. Considering that financialization is also carried out as a deliberate capital accumulation strategy and a state project with the capitalist state's role in both mobilizing the counter-tendencies and crisis management (Hirsch, 1987; Harvey, 1976; Poulantzas, 2008), it would be most accurately defined as the *mobilization of the counter-tendencies* against the decline in the profit rates.

CHAPTER 5

CONCLUSION

After the 2008 global crisis, Marxist crisis theories, particularly the LTRPF, which gained renewed attention, have been extensively studied in the literature. However, there exist some deficiencies in the understanding of the law despite numerous empirical studies. The debate over whether the 2008 crisis and capitalist crises in general, stemming from the LTRPF has become a vicious debate at a point where different positions have emerged due to variances in calculations while the LTRPF has become a matter of 'data collection practice' (Fine & Harris, 1976). Accordingly, to the extent that the debate surrounding the law is limited solely to whether profit rates are falling without any consideration of the role played by the economic crisis in the capital accumulation and its potential transformation into a political crisis not only indicates a methodological misunderstanding of the law but also leads to the perception of the crises as deviations from the 'normal' course of accumulation – despite the emphasis on the recurrent nature of the crisis.

In contrast to the view that LTRPF operates beneath the surface and cannot reveal more about the current landscape of capitalist accumulation, this thesis attempted to demonstrate the *actuality* of the LTRPF by showcasing its explanatory power regarding financialization, which is considered one of the most significant recent changes in capitalist relations of production. To this end, it has been emphasized that the conceptualization of competition functions both as a bridge in the relationship between the LTRPF and financialization and as one of the building blocks of Marxist theories of crisis while also influencing certain underlying assumptions of different approaches to financialization. Accordingly, the aim of this study is to explain financialization from the perspective of the LTRPF through competition.

The sub-research questions have been structured into individual chapters, each addressing different aspects of the main question of the thesis. In Chapter 2, Marx's writings were examined to understand how he explained the LTRPF. It has been put forward that for Marx, the law as such and its countertendencies do not operate externally to one another; in other words, the same factors that mitigate or temper the fall in profit rates also contribute to their decline. Afterwards, the debate revolving around the LTRPF in Marxist literature was examined, and other Marxist crisis theories were thoroughly discussed. In the final section of the chapter, a debate on how to methodologically approach the law was conducted. In this regard, it was emphasized that, contrary to conceptualizing the law as an external economic law, the law needs to be conceived as inherent to the class struggle.

Furthermore, the role of economic crises in capital accumulation and their potential transformation into political crises are discussed, highlighting that crises do not represent a departure from the normal course of capital accumulation. However, while it is true that contradictions that are inherent in the capitalist relations of production show their effect in every instance of accumulation, the perception of capitalism in a permanent crisis is limited in the sense that it cannot explain the specificity of the crisis. Therefore, to also maintain the distinctiveness of the situation of the crisis, Poulantzas' (2008, p. 296) conceptualization of crisis as a "situation of a condensation of contradictions" is adopted. Furthermore, the permanency of class struggle, with the contradictions of accumulation, was also emphasized for political crises, similarly adhering to Poulantzas' conceptualization of political crisis as the *condensations of contradictions*. In addition, the need to conceptualize the LTRPF to incorporate the role of the state in influencing the trajectory of profit rates is emphasized. This aspect of the LTRPF, often overlooked in the literature, is underscored by Hirsch (1987) (see also Harvey, 1976; Poulantzas, 2008), who stresses the role of the state in mobilizing countertendencies against the decline in profit rates.

In Chapter 3 of the thesis, classical, neo-classical, imperfect theories and the Austrian School’s theories of competition were examined, and their similarities and differences were highlighted. In the last part of the chapter, the Marxist theory of competition was elucidated by examining Marx's early and late writings. Based on Bryan's (1985) distinction, it was argued that Marx conceptualized competition in two layers of abstraction: concrete competition among capitalists and abstract competition in general. It was revealed that Marx's understanding of competition is conceptualized as a dynamic, often violent and destructive process with equilibrium and disequilibrium tendencies, contrary to the static end-state conceptualization by the neo-classical perfect competition model. Furthermore, it was emphasized that even in Marx's early writings, the understanding of competition, which contained the seeds of his later elaborations, was crucial for realizing capitalism's laws of motion.

In Marxist literature, the distinctiveness of the Marxist conceptualization of competition has been mostly neglected. The disregard for Marxist competition resulted in the rise of theories of monopoly capitalism, which incorporate certain assumptions of the neo-classical economic' perfect competition model. It was argued that crisis theories of underconsumption rely on the theories of imperfect competition, while the disproportionality, labour-power shortage, and profit-squeeze crisis theories are grounded on different facets of concrete competition. For the LTRPF, it has been generally emphasized in the literature that the law should be understood independently of competition (e.g., Yaffe, 1973). On the other hand, the attempt to establish a direct connection between the LTRPF and concrete competition among capitalists came from Brenner (2000). However, Brenner's approach failed to establish a real connection between the LTRPF and competition as his conceptualization relies on Smith's understanding of the LTRPF, which is grounded in concrete competition among capitalists.

In order to establish the relationship between LTRPF and competition, it is necessary to begin with the abstract competition in general. In Marx's analysis, competition plays a dual role: both a driving and a negative force. This dual facet of competition- also finds its place in Wood's (2002) concept of "imperatives of competition"- is central to Marx's explanation of the historical role played by competition as a negative force in the transition to the capitalist mode of production. From this perspective, competition is inherently connected to the increasing productive capacity of labour. This connection implies that the tendency of the rising organic composition of capital is fundamentally tied to competition. On the other hand, the generalization of production techniques that increase the organic composition of capital is also realized through competition functioning as a force above each individual capital. Thus, the relationship between competition and the LTRPF becomes evident: competition in general compels capitalists to constantly increase the productivity of labour with the introduction of new methods in production, which increases the organic composition of capital while at the same time causing the generalization of the new methods.

As Weeks (1981) points out, the credit mechanism has a crucial function in the realization of competition through its role in ensuring equalization of the rates of profit between individual capitals. On the other hand, the credit mechanism can expand real accumulation through its function of expanding the surplus-value production, but it also increases the pressure on future production of surplus-value that is going to be appropriated from labour. In the case that surplus value is not realized in the future, fictitious accumulation would fail to transform into real accumulation. In that regard, the credit mechanism not only disrupts real accumulation through its speculative aspect but also leads to overaccumulation (Clarke, 1994). However, this is not due to disproportionality between finance and production or among different branches of production but rather stems from profitability pressures on individual capitals. Although cheap credit to low-profitability capital prevents, in that instance, real accumulation from stagnation, it also increases crisis tendencies by paving the way for fictitious accumulation to outpace real accumulation.

Chapter 4 delved into the debate on financialization to explore the realization of competition and crisis tendencies in capitalist production by identifying alterations in the credit mechanism and the relationship between real and fictitious accumulation. At the beginning section of chapter 4, Marxist and other heterodox approaches to financialization were examined, and the respective approaches were divided into two categories, namely ‘financialization as a signifier of the new epoch in capitalism’ and ‘financialization as an epiphenomenon of the stagnating tendencies in the sphere of production’. Subsequently, the approaches of Lapavitsas, Fine, Bryan and Rafferty were discussed in detail. Building upon the discussions in the previous sections, based on the proposed methodological approach in the last part of the second chapter, it was attempted to provide an answer to how financialization can be explained from the perspective of the LTRPF through competition.

A persistent issue of profitability resulting from the failure to restore profit rates following the profitability crisis of the 1970s, the era of financialization has been marked by attempts to 'rescue' capital with lower profit rates, also known as 'zombie firms,' for the benefit of capitalist production relations as a whole. Furthermore, most of the approaches to financialization disregard one side of the dual nature of this process, marked by the increasing accumulation of interest-bearing capital and fictitious capital, which may expand and disrupt the real accumulation simultaneously. This observation was made in parallel with Marx's approach, which suggests that the same factors both lower profit rates and postpone their effects in the context of his analysis of the LTRPF and its counteracting tendencies. In light of all this, it was argued that financialization should be conceptualized as *a mobilization of the countertendencies* against the decline in profit rates, considering financialization as a capital accumulation project in which the state also plays an active role.

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APPENDICES

A. TURKISH SUMMARY / TÜRKÇE ÖZET

Krizlerin nedenlerini anlamak, sınıfsal aidiyetleri fark etmeksizin, ekonomistlerin başat ilgilerinden birini oluşturur. Örneğin burjuva ekonomistleri, krizleri açıklamak için pandemi ve kıtlık benzeri 'olağanüstü' doğa olayları ya da politika yapıcıların hataları gibi kendi kendini düzenlediğine inanılan kapitalist piyasalara dışsal tekil sebepleri öne çıkarırlar. Marksistler ise bu tekil sebeplerin öne çıkarılmasının kapitalist üretim tarzının krizlere gebe doğasını gölgelediğini belirtirken, ancak kapitalist krizlerin ortak sebebi teşhis edildikten sonra her bir krizin kendine özgü yönlerinin ortaya çıkarılabileceğini iddia ederler. Ancak Marksistler arasında da kapitalist krizlerin ortak sebebine dair bir konsensus olduğundan bahsedilemez. Farklı kriz teorileri ya Marx'ın yazılarından belirli kısımların öne çıkarılmasından, ya da güncel kapitalizmin ve krizlerinin Marx'ın zamanından oldukça farklılaştığının iddia edilmesinden hareketle oluşturulurken Marksist kriz teorilerine olan ilgi ve aralarındaki tartışmanın alevlenmesi tarihsel olarak genellikle buhranlar gibi şiddetli, büyük krizlerden sonra artışa geçer. Son olarak da 2008 kriziyle birlikte literatürde Marksist kriz teorilerine olan ilgide önemli bir yükseliş meydana gelmiştir.

Marksist kriz teorileri arasında en öne çıkanlardan biri de Marx'ın *Kapital*'in üçüncü cildinde ortaya koyduğu kar oranının düşme eğilimi yasasıdır. Daha önce Smith ve Ricardo'nun farklı şekillerde öne sürdüğü yasa, Marx tarafından kapitalist birikime içkin çelişkileri açığa çıkartacak şekilde ortaya konmuştur. Kısaca açıklamak gerekirse, Marx sermayenin üretim sürecinde gittikçe daha fazla artı-değere el koyma zorunluluğunun yalnızca mutlak artı-değerin arttırılmasıyla karşılanamayacağı ve sermayenin sınıf mücadelesinin alanından kaçınma eğilimi nedeniyle; (Harvey, 2010, s. 169) nispi artı-değerin de arttırılmak zorunda olduğunun altını çizer. Nispi artı-değerin arttırılması da üretim sürecinde emek gücünün (değişir sermaye) payını azaltacak yeni teknik yöntemlerin kullanılmasıyla, başka bir ifadeyle makineleşmeyle birlikte gerçekleşirken; bunun sonucu olarak da ‘sermayenin organik kompozisyonunda’ (sabit sermayenin değişir sermayeye oranı) artış gerçekleşir. Marx, “sermayenin metaların değerini ucuzlatmak ve metaların değerini ucuzlatma dolayımıyla işçinin kendisini ucuzlatmak için emeğin üretkenliğini arttırmaya yönelik sürekli bir eğilime ve içkin bir dürtüye” (Marx, 1982, ss. 436-437) sahip olduğunu belirterek yasanın sermayenin içkin eğilimlerini nasıl açıkladığını gösterir. Bu nedenle Marx, bu yasayı “emeğin toplumsal üretken gücünün gittikçe gelişmesinin kapitalist üretim tarzına özgü bir ifadesi” (Marx, 1982, s. 319) olarak adlandırır. Yeni kullanılan üretim tekniğiyle değişir sermayenin payının azalıp sabit sermayenin artması sonucunda üretilen metanın değeri de düşer. Her ne kadar sermaye, yeni üretim tekniğiyle daha geniş çapta üretimle toplam artı-değer kitlesinde bir artış elde ederken; artı-değerin kaynağı olarak emek-gücünün her bir meta içerisindeki payının azalması sonucunda kar oranında bir düşüşle karşılaşır. Marx bu yasayı iç çelişkileri ve karşıt-eğilimleriyle birlikte tartışarak kar oranının düşme eğilimi yasasının mutlak bir düşüş olarak algılanmaması gerektiğini gösterir. Marx’ın amacı kehanette bulunmaktansa sermaye birikiminin içsel eğilimlerini, hareket yasalarını ve krizlere gebe doğasını açığa çıkarmaktır. Bu nedenle Marx yasa ile yalnızca kar oranının düşme eğilimini değil aynı zamanda emeğin artan üretken kapasitesini, yedek emek ordusunun büyümesini, sürekli büyüyen artı-değer kitlesini ve her biri arasındaki çelişkileri de teşhis eder.

Kar oranının düşme eğiliminin Marx tarafından ‘yasa’ olarak adlandırılması, literatürde bu yasanın nasıl ele alınması gerektiğine dair tartışmalara yol açmıştır. Ek olarak, yasanın birçokları tarafından yer çekime yasasının işlerliğine benzetilmesi bu tartışmaları daha da alevlendirmiştir (bkz. Kliman, 2015; Callinicos & Choonara, 2016; Harvey, 2015). Belirtmek gerekir ki Marx, kapitalist üretim ilişkilerini ve sermayenin eğilimlerini karakterize etmek için yasa kavramını sıklıkla kullanır. Hatta Marx'ın *Kapital*'i yazmaktaki temel amacı, Newton’un hareket yasalarına benzer şekilde kapitalizmin ‘hareket yasalarını’ ortaya çıkarmak olarak tanımlanabilir. Öte yandan, Fine ve Harris (1979) ise Marx’ın yasa kavramını bir eğilim olarak kullandığının altını çizer. Bu anlamda Marx'a göre yasanın, mutlak bir hareketten ziyade belirli normların, kalıpların ve eğilimlerin varlığına ve hareketine karşılık geldiği belirtilmelidir (Mateo Tome, 2018). Burkett (2000) ise, Marx'ın yasa kullanımının Newton'un yasa kullanımından önemli ölçüde farklılaştığını, aksine Hegel'in "bir kuralın dışsal olarak yönlendirilen hareketinden ziyade kendi kendine içsel hareketi olarak tanımladığı" yasa kavramsallaştırmasıyla uyumlu olduğunu açıklar (s. 384). Bu doğrultuda Marx'ın kar oranının düşme eğilimi yasasını tartışırken Hegel'in yasayı kullanmasına benzer şekilde sermayenin içsel eğilimlerini tanımlamayı amaçlamıştır. Dahası, Fine ve Saad-Filho'nun (2010) açıkladığı gibi, Marx kar oranının düşme eğilimini tartışırken, yasanın kendisi ile karşıt-eğilimleri cebirsel olarak toplayıp hangisinin daha baskın olduğuna karar vermesi gibi bir yöntem izlememektedir. Aksine, karşıt-eğilimleri tartışırken, kar oranını düşüren aynı faktörlerin aynı zamanda etkilerini hafifletebileceğini veya bu düşüşü ters çevirebileceğini birçok kez vurgulamaktadır. Bu nedenle Fine ve Harris (1979), yasanın kendisinin ve karşıt-eğilimlerinin ayrılmazlığını göstermek için yasanın 'kar oranının düşme eğilimi ve karşıt-eğilimlerinin yasası' olarak adlandırılması gerektiğini savunur. Benzer şekilde Grossmann (1992) da yerçekimi yasasından daha uygun bir benzetme yaparak kar oranının düşme eğilimi yasasından "kapitalist birikimin entropi yasası" olarak bahseder (s. 101).

2008 küresel krizinden sonra yeniden ilgi gören Marksist kriz teorileri, özellikle de kar oranının düşme eğilimi yasası, literatürde yoğun bir şekilde çalışılmıştır. Ancak çok sayıda ampirik çalışmaya rağmen yasanın ele alınışında bazı eksiklikler mevcuttur. 2008 krizinin ve genel olarak kapitalist krizlerin kar oranlarının düşme eğilimi yasasından kaynaklanıp kaynaklanmadığı tartışması, hesaplamalardaki farklılıklar nedeniyle farklı pozisyonların ortaya çıktığı bir noktada kısır bir tartışmaya dönüşürken, yasa bir 'veri toplama pratiği' meselesi haline gelmiştir (Fine & Harris, 1976). Buna göre, ekonomik krizin sermaye birikiminde oynadığı rol ve siyasi bir krize dönüşme potansiyeli dikkate alınmaksızın, yasa etrafındaki tartışmanın sadece kar oranının düşüp düşmediği ile sınırlandırılması, yasanın metodolojik olarak yanlış anlaşılmasına işaret ettiği gibi, krizlerin -tekrarlayan niteliğine yapılan vurguya rağmen- birikimin 'normal' seyrinden sapmalar olarak algılanmasına da yol açmaktadır.

Öte yandan, kar oranının düşme eğilimi yasası literatürde ağırlıklı olarak krizlerin nedenlerini açıklamayla ilişkili olarak düşünülmüştür. Dolayısıyla, yasanın kapitalist üretim tarzında meydana gelen olguları veya yapısal değişiklikleri açıklamadaki rolü göz ardı edilmiştir. Kar oranının düşme eğilimi yasasına yönelik bu sınırlı bakış açısı, karşıt-eğilimlerle birlikte, yasanın sınıf mücadelelerine dışsal bir ekonomik yasa olarak kavramsallaştırılmasına yol açmıştır (Holloway, 1996). Dahası, bu yaklaşım krizleri de birikimin 'normal' seyrinden bir sapma olarak kavramsallaştırmaktadır. Bu nedenle, yasayı sınıf mücadelesine içkin olarak düşünmek ve kar oranının düşme eğiliminin somutluğunu ve güncelliğini yalnızca krizlerle değil, birikimin 'normal' seyrinde meydana gelen değişikliklerdeki rolüyle incelemek önemlidir.

Kar oranının düşme eğiliminin salt görünenin arkasında işlediği ve kapitalist birikimin mevcut manzarası hakkında fazla bir şey açıklayamayacağı görüşünün aksine, bu tez yasanın güncelliğini, kapitalist üretim ilişkilerinde son dönemdeki en önemli değişikliklerden biri olarak kabul edilen finansallaşmaya ilişkin açıklayıcı gücünü ortaya koyarak göstermeye çalışmıştır. Bu amaçla, rekabet kavramsallaştırmasının hem kar oranının düşme eğilimi yasası ile finansallaşma arasındaki ilişkide bir köprü işlevi gördüğü hem de Marksist kriz teorilerinin yapı taşlarından biri olduğu ve finansallaşmaya ilişkin farklı yaklaşımların altında yatan bazı varsayımları etkilediği vurgulanmalıdır. Bu doğrultuda, bu çalışmanın amacı, finansallaşmayı rekabet üzerinden kar oranının düşme eğilimi yasasının perspektifinden açıklamaktır.

Kar oranının düşme eğilimi yasasının perspektifinden finansallaşmanın rekabet yoluyla açıklanmasına geçmeden önce Marx'ın yasasının literatürde ele alınışına dair belirli yerlere değinmek gerekir. Yasanın 'taraftarlarının' sıklıkla göz ardı ettiği konulardan biri de devletin üretim sürecindeki rolüdür. Öte yandan devlet teorisyenlerinin birçoğu kapitalist devleti analiz etmede kar oranının düşme eğiliminin önemini kabul etmiş olsa da (bkz. Harvey, 1979; Poulantzas, 2008), yasayı devlet analizinin merkezine koyan kişi Joachim Hirsch olmuştur. Hirsch (1978) için hem yasanın kendisi hem de karşıt-eğilimler kapitalist devletin gelişimini anlamak için kilit öneme sahiptir. Hirsch, kapitalizmin krizlere gebe doğasının bir ifadesi olarak kar oranının düşme eğiliminin hem üretim ilişkilerinin hem de toplumsal yeniden üretim ilişkilerinin yeniden düzenlenmesini gerektirdiğini ve bunun da karşıt-eğilimlerin mobilizasyonuyla ilişkili olduğunu iddia etmiştir (Hirsch, 1978). Hirsch, devletin sermayenin genel çıkarlarının kurumsallaşması olarak görülmesini eleştirerek, "kapitalist toplumun çelişkilerinin devlet aygıtı içinde yeniden üretildiği" (Holloway & Picciotto, 1978, s. 25) yaklaşımıyla devlet teorisine değerli bir katkı sunmaktadır. Ancak, Holloway ve Picciotto'nun (1978) eleştirdiği gibi, Hirsch sınıf mücadelesi ve birikimi birbirinden ayırarak 'karşıt-eğilimlerin mobilizasyonu' yaklaşımını işlevsel hale getirmekte sorunlar yaşamaktadır. Benzer bir eleştiri de Jessop'tan gelmiş ve bu yaklaşımın "sınıf mücadelesi konusunda gereğinden daha kısıtlı bir görüşle işlediğini" ileri sürmüştür (Jessop, 1990, s. 41).

Marx kar oranının düşme eğilimi yasasını dışsal bir ekonomik yasa olarak sunmazken; ne teknolojik yenilikleri üretim ilişkilerinden özerk olarak algılamış ne de bunların otomatik olarak kapitalizmin çöküşüne yol açacağını düşünmüştür. Marx, kapitalist üretim tarzı içinde krizlerin konumuna ilişkin bakış açısında hem Smith hem de Ricardo'dan ayrılır. Marx, krizleri birikim sürecinden 'sapmayı' temsil ediyormuş gibi soyut yapılar aracılığıyla kriz anını birikimin 'normal seyrinden' ayırmayı reddetmiştir. Bu, Marx'ın kapitalist üretim ilişkilerini tarihsel açıdan geçiciliğini ve sınırlılığını vurgulamasında da açıkça görülebilir. Marx krizi, birikimin içsel çelişkilerinin şiddetli bir tezahürü olarak algılamıştır. Bu gerekçelerle Clarke (1994), Marx'a göre kapitalizmin, birikime içkin daimî çelişkilerden kaynaklanan daimî bir kriz içinde olduğunu iddia etmektedir. Ancak bu yaklaşım ne belirli bir krizin nedenlerini ne de krizin özgüllüğünü açıklamaktadır. Poulantzas (2008) hem krizin özgüllüğünü koruyan hem de birikimde zaten var olan çelişkileri göz ardı etmeyen bir bir yaklaşım sunmaktadır. Clarke'ın çelişkilerin ya da başka bir deyişle "krizin genel unsurlarının" birikimde ve kapitalist ilişkilerin yeniden üretiminde zaten var olduğu argümanını kabul ederken krizin özgüllüğünü vurgulamak için krizlerin "çelişkilerin yoğunlaşması durumu" olarak anlaşılmasını gerektiğini belirtir (Poulantzas, 2008, s. 296).

Kriz teorisiyle ilgili olarak ortaya çıkan bir diğer mesele de krizin kapitalizm içindeki konumudur. Açık Marksizm savunucuları ekonomik ve siyasi her türlü ayrıma karşı çıkarak ekonominin doğası gereği politik olduğunu iddia etmişlerdir. "Ekonomi politik ekonomidir. Ekonomik krizler politik ekonominin krizleridir" (Bonefeld, 2013, s. 249). Açık Marksizm'in bir diğer üyesi Clarke (1990, s. 464) ise ekonomik krizin yalnızca ekonomik bir kriz olmadığını, "toplumsal bir kriz, toplumsal üretim ilişkilerinin yeniden üretimi için verilen mücadelenin bir krizi" olarak anlaşılması gerektiğini ve siyasi krizden ayrılamayacağını savunmaktadır. Öte yandan, Fine ve Harris (1976, s. 170), kriz teorilerinin temeli olarak kar oranının düşme eğilimini benimseyerek, bu iki alanı "farklı ama temel olarak ekonominin öncülüğünde birleşik" olarak ele almışlardır. Böylece, ekonomik krizler ile siyasi krizler arasında teorik bir ayrım yapılmasını savunmuşlardır. Bu noktada, Wood'un kapitalizmde ekonomik ve politik arasındaki biçimsel ayrıma ilişkin analizi, krizin kapitalizm içindeki yerini daha iyi anlamamıza yardımcı olabilir. Wood (s. 74), Clarke'ın yaklaşımını, 'üretim ilişkileri' teriminin kapsamını genişlettiğini ve bunun da terimin bütünlüğünün, özgünlüğünün ve açıklama gücünün kaybolmasıyla sonuçlandığını belirtmektedir. Daha yüksek bir soyutlama düzeyinde, ekonomik krizlerin siyasi ekonomik krizler olduğu doğru olsa da siyasi bir krizin döneminin ve durumunun özgüllüğünü korumak büyük bir önem taşımaktadır. Poulantzas (2008, s. 298), yukarıda bahsedilen yöntemi izleyerek, siyasi krizin jenerik unsurları sınıf mücadelesinin sürekliliği yoluyla devlet aygıtında kalıcı olarak mevcut olsa da siyasi kriz olarak adlandırılabilmesi için "çelişkilerin yoğunlaşması" gerektiğini, "ekonomik krizin kendisini zorunlu olarak siyasi krize tercüme etmediğini" savunur. Poulantzas, bunun kapitalizmin nihai bir krizi ya da kalıcı bir kriz anlamına gelmediğini belirtirken, ekonomik krizin siyasi krize dönüşmesinin yapısal bir kriz olarak adlandırılabileceğini savunur.

Farklı kriz teorileri ve finansallaşmaya yönelik çeşitli yaklaşımlar arasındaki farkları anlamak önemlidir. Bu tez, en önemli farklılıklardan birinin kapitalist rekabetin farklı kavramsallaştırmalarında yattığını iddia etmektedir. Bu nedenle, yöntemsel farklılığın ve sınıf mücadelesi için doğrudan sonuçları olan mevcut sosyal ilişkileri yıkıp yeniden biçimlendiren finansallaşma ile kapitalist rekabetin yoğunlaşmasının yeni zorunluluklarının etkisinin daha iyi anlaşılması için farklı rekabet türlerini ayırt etmek çok önemlidir. Neo-klasik tam rekabet teorisi rekabeti, küçük firmaların fiyatları kontrol etme ve manipüle etme ya da o sektördeki diğer firmalar ve tüketiciler üzerinde baskı kurma gücüne sahip olmadığı varsayımsal bir yapı olarak kavramsallaştırır. Neo-klasik teorinin idealize edilmiş rekabet versiyonu tekellere yer bırakmamakta ve firmaları fiyat alıcıları olarak konumlandırmaktadır. Bu nedenle tekeller rekabetten sapmalar olarak görülür. Öte yandan, Marksizm içinde genellikle ihmal edilen bir alan olan rekabetin kavramsallaştırılması, özellikle 20. yüzyılın ilk yarısında ikincil konumda kalmıştır. Bu durum, tekelleri piyasadaki 'kusurlar' olarak görme ve firmaların fiyat alıcıları olarak kabul edilmesi gibi bazı önemli unsurlar da dahil olmak üzere neoklasik tam rekabet modelinin belirli varsayımlarını kabul eden tekelci kapitalizm teorilerinin yükselişiyle sonuçlanmıştır. Öte yandan Marx, rekabeti piyasada statik bir dengeden ziyade hem denge hem de dengesizlik eğilimleri olan dinamik bir süreç olarak tanımlar. Marx'a göre rekabet ve tekeller birbirlerini yaratıp yok eden çelişkili bir bütünlüğün parçaları olarak düşünülmelidir.

Diğer kavramlarda olduğu gibi, Marx rekabete de her biri bağlama ve soyutlama düzeyine göre değişen farklı anlamlar yüklemiştir. Çelişkili gibi görünen bu ifadelerin ortaya çıkması literatürde kafa karışıklığına yol açmış ve Marx'ın yazılarının belirli yorumlarına dayanan farklı yaklaşımlar ortaya çıkmıştır. Bunun bir örneği, Marx'ın rekabet ve krizler arasındaki ilişkiye dair görüşlerinin farklı yorumlanmasıdır. Örneğin Yaffe (1972) kriz teorilerinin rekabetten bağımsız düşünülmesi gerektiğini savunurken, Clarke (1994) krizlerin oluşumunda rekabetin önemli bir rol oynadığını savunmaktadır. Bu karmaşayı gidermek için Marx'ın içsel ilişkiler felsefesine bağlı kalarak rekabeti farklı soyutlama düzeylerinde ve etkilerinde ayrıştırmak hayati önem taşımaktadır. Dahası, neoklasik iktisadın tam rekabet modelinin varsayımları üzerinden rekabetin ihmal edilen ve dolayısıyla bilinçsizce algılanışını düzeltmek için rekabetin farklı soyutlama düzeylerinde nasıl sınırlandırıldığını incelemek gerekir. Bu noktada, Bryan'ın (1985) Marx'ın tekil sermaye ve genel olarak sermaye ayrımına dayanan somut ve soyut rekabet, yani kapitalistler arasındaki rekabet ve genel olarak rekabet ayrımının geliştirilmesi ve ilgili bağlamlarda kullanılması gerekmektedir.

Bu doğrultuda, Marx'ın feodalizmden kapitalizme geçişte rekabetin rolünü ortaya koymasına benzer şekilde Wood'un rekabetin zorunluluklarına vurgu yaparak benzer bir yöntem kullanışı iyi bir örnek teşkil etmektedir. Wood, tarihsel olarak rekabet ilişkilerinin sınıflardan önce geldiğini iddia etmektedir. Wood'un bu iddiası, kapitalizmin ortaya çıkışı ve sınıf oluşumu üzerine yazıları Wood'u derinden etkilemiş olan E. P. Thompson'ın (1978) sınıf mücadelesinin sınıflardan önce geldiği iddiasıyla benzeştirilebilir. Bu nedenle Wood (1999), "rekabet ve sınıf ilişkilerinin birbirinden ayrılamaz" olduğunu ileri sürmektedir. Wood (1999), kapitalizmin ortaya çıkışında rekabete öncelik vererek, "emek üretkenliğini artırma baskısının" rekabet zorunluluğunun bir sonucu olduğunu savunmaktadır. Benzer şekilde Weeks (1981) de rekabetin doğası gereği sermayenin emeğin verimliliğini artırmak için yeni üretim tekniklerini uygulamaya koymasını gerektirdiğini ileri sürmektedir. Weeks'in bu iddiası, belirli bir soyutlama düzeyinde genel olarak rekabet kavramı göz önünde bulundurularak anlaşılmalıdır; çünkü "rekabet birçok sermayenin ('şirketin') varlığından değil, sermaye ilişkisinin kendisinden kaynaklanır." (Weeks, 1981, s. 151).

Marx'ın erken dönem yazılarında, rekabetin üretici güçlerin gelişmesiyle birlikte aşırı birikime yol açabileceğinin tohumları mevcuttur. "İşçiyi kapitaliste her zamankinden daha bağımlı hale getirir, onu yeni bir yoğunlukta rekabete sürükler ve ardından gelen çöküşle birlikte onu aşırı üretime sürükler (Marx, 1988, s. 26)." Dahası, kar oranının düşme eğilimi yasasının temeli olan metaların ucuzlaması, sermayeye içkin eğilimlerin, yani genel olarak rekabetin bir sonucu olarak ortaya konmaktadır. "Rekabet savaşı metaların ucuzlamasıyla verilir. Metaların ucuzluğu, diğer tüm koşullar aynı kalmak kaydıyla, emeğin üretkenliğine bağlıdır" (Marx, 1981, s. 777). Marx'ın bir süreç olarak rekabet anlayışının, kullanım değeri ve değer arasındaki çelişkinin temeli olan emeğin üretkenliğinin gittikçe gelişmesinin kapitalist üretim tarzına özgün bir ifadesi olan kar oranının düşme eğilimine içkin olduğu açıktır.

Bu tez, kar oranının düşme eğilimi yasasının güncelliğini kapitalist birikimde meydana gelen değişimler üzerinden açıklamaya çalışmaktadır. Bu doğrultuda, kapitalist üretim tarzında son dönemde en çok vurgulanan yapısal değişimlerden bir de finansallaşma olmuştur. Özellikle 2008 krizinden sonra literatürde daha fazla öne çıkan finansallaşma, finans sektörünün ve faaliyetlerinin niceliksel olarak genişlemesi şeklinde tanımlanmıştır (Epstein, 2005). Ancak bu tanım, finansallaşmanın sosyal ve ekonomik ilişkilerde yol açtığı daha derin yapısal değişiklikleri tam olarak yansıtamamaktadır. Öte yandan Marksist yaklaşımlar, finansallaşmayı ve finansın niceliksel ile niteliksel genişlemesini, kapitalist üretim ilişkileri üzerindeki etkisini anlamak için daha geniş bir teorik çerçeveye yerleştirmeye çalışmıştır.

Özellikle 2008 krizinin de etkisiyle finansallaşma yalnızca spekülatif niteliğiyle ele alınmış ve kapitalist üretimi sekteye uğratmasına odaklanılmıştır. Dolayısıyla bu süreci eleştirenler, finansallaşmanın spekülatif aktivitelerdeki artışla birlikte ekonomilerin kırılganlığını ve krize yatkınlığı artırdığını iddia ederken, bazıları da sürecin finans sektörünün üretimden özerkleşmesiyle sonuçlandığını öne sürmüştür. Finansallaşmayı üretim alanındaki durgunluk eğilimlerinin salt bir yansıması olarak gören yaklaşım finansallaşmanın spekülatif ve yıkıcı yönünü vurgulamanın ötesine geçememektedir (bkz. Sweezy, 1994; Brenner, 2000; Harman, 2009; Savran, 2013). Öte yandan birçokları da finansallaşmayı kapitalizmdeki yeni dönemin bir göstergesi olarak tanımlamıştır (bkz. Arrighi, 1994; Boyer, 2000; Fine, 2010). Hatta bazıları finansallaşmayla birlikte sömürünün ve kar kaynaklarının yeni bir boyuta geçtiğini iddia edecek kadar ileri gitmiştir (bkz. Lapavitsas, 2009, 2011, 2013). Ayrıca, finansallaşmanın finans dışındaki alanlar üzerindeki etkisine yönelik katkılar da olmuştur. Bu katkılar gündelik hayatın finansallaşmasından (örneğin Martin, 2002), işçilerin finans sektörüne öncelikle borçlanma yoluyla ama aynı zamanda sigorta şirketleri gibi diğer araçlarla katılımında muazzam bir artış yaşanmasına, şirketlerin bankalar aracılığıyla borç almak yerine borsa yoluyla kendi kendilerini finanse etmeye yöneldiği üretken sektörlerin finansallaşmasına (bkz. Krippner, 2005; Duménil & Lévy, 2011b) kadar uzanmaktadır.

Finansallaşma, kapitalist üretim ilişkileri içinde konumlandırılması gerekirken, üretim alanındaki eğilimlerle karşılıklı ilişkisinin kurulması gerekmektedir. Bu doğrultuda finansallaşma, Marx'ın rekabet kavramsallaştırması üzerinden kar oranının düşme eğilimi yasası perspektifinden incelenecektir. Bu sayede bu tez, finansallaşmanın "kapitalist üretimden bir sapmadan ziyade, onun içindeki bir gelişme olarak" (Sotiropoulos & Lapatsioras, 2014, s. 87) anlaşılmasını hedeflemektedir. Bunu başarmak için, gerçek birikim ve hayali birikim arasındaki ilişkide finansallaşmayla birlikte meydana gelen değişiklikleri analiz etmek gerekmektedir. Bryan ve Rafferty'nin (2006) türev piyasalar örneğinde iddia ettiği gibi, zaman ve mekân fark etmeksizin sermaye biçimleri arasında orantılılığın sürekli olarak yeniden değerlendirilmeye tâbi tutulması rekabetin yoğunlaşmasına yol açmaktadır. Rekabetin yoğunlaşması, her bir sermaye biçimi üzerinde daha karlı hale gelme baskısı yaratırken, aynı zamanda bu karlılık oranını yakalayamayan sermayenin devalüasyon tehdidiyle karşı karşıya kalmasına yol açar. Öte yandan, düşük faiz oranlarının sürdürülmesinin yanında fiktif sermaye ve faiz getiren sermayelerin birikimiyle, daha düşük kar oranına sahip sermayeler iflaslarını sürekli bir şekilde ertelemektedir. Bu noktadan hareketle, bu tezde finansallaşmayla birlikte farklı sermaye biçimlerinin birbiriyle daha bağlantılı hale geldiği ve reel birikim ile fiktif birikim arasında daha yakın bir ilişki olduğu savunulmaktadır. Sonuç olarak, finansallaşmanın, dışsal ekonomik yasaların sonucunda kendiliğinden ortaya çıkmış bir olgu olmaktan ziyade, kasti bir sermaye birikim stratejisi ve devlet projesiyle kar oranındaki düşüşü engellemek için karşıt eğilimlerin mobilizasyonu olarak ele alınması gerektiği savunulmaktadır.

Monthly Review Okulu'ndan Brenner'a kadar çeşitli ekollerin finansallaşmaya dair yaklaşımları 'üretim alanındaki durgunluk eğilimlerinin bir yansıması olarak finansallaşma' kategorisi altında toplanabilir. Bu okullar arasında finansallaşmayı kar oranının düşme eğiliminden hareketle tanımlayanlar da bulunmaktadır. Ancak bu yaklaşımlar, kategorinin başlığından da anlaşılacağı üzere, finansallaşmanın kökenlerini 'dışsal' ekonomik yasalara dayandırırken, kar oranının düşme eğilimi yasası ile finansallaşma arasındaki bağlantıyı tek boyutlu bir ilişki içinde kurmaktadır. Bununla birlikte, yasa tartışılırken önerilen metodolojiyi izleyerek, finansallaşmanın kar oranının gidişatını da etkilediği ve finansallaşmanın ortaya çıkışının sınıf mücadelesiyle ilişkili olarak düşünülmesi gerektiği için aralarındaki ilişki karşılıklı şeklinde düşünülmesi gereklidir.

Fiktif sermaye hem reel birikimi genişletip teşvik edebilir hem de reel birikimi sekteye uğratan bir faktör olabilir. Bunu belirlemede önemli bir faktör, fiktif sermaye birikiminin gerçek sermaye birikimini ne ölçüde geride bıraktığı ve ikincisinden potansiyel olarak bağımsızlaşmasına yol açtığıdır. Marx'ın belirttiği gibi fiktif sermayenin gelecekteki gelir beklentisi temelinde değerlenmesi ve türevlerin cari fiyatları gelecekteki fiyatlara bağlama işlevi ile fiktif sermaye ve gerçek sermayenin 'kaderi' daha önce hiç olmadığı kadar iç içe geçmiştir. Benzer bir nokta Chesnais

(2016) tarafından da dile getirilmiş ve finansallaşmayla birlikte aralarındaki ayrımın azaldığına işaret edilmiştir. Buna ek olarak, Fine'ın finansallaşmayı faiz getiren sermayenin yoğun ve yaygın birikimi olarak tanımladığı göz önüne alındığında, kapitalizmin bir bütün olarak geleceği, gelecekteki artı-değer üretiminin başarısına giderek daha fazla bağlı hale gelmiştir. Böylece, artı-değerin çıkarılması için emek üzerindeki baskı ve devletin "emek-gücünün kapsamlı bir şekilde immobilizasyonu" (Gerstenberger, 1978, s. 155) rolüyle anlaşılabilecek olan emeğin kontrol altına alınmasına yönelik mekanizmalar artmıştır. Farklı sermaye biçimlerinin kaderleri birbirine bağlı olduğu gibi, farklı ulusal sermayeler de sermayenin uluslararasılaşmasının bir sonucu olarak paralel bir izlekte birleşmiş ve nihayetinde küresel bir olguya yol açmıştır.

Düşük karlılığa sahip sermayelerin gidişatı 'zombi şirketler' olarak adlandırılan şirketlerle ilişkilendirilerek anlaşılabilir. Zombi şirketler, hayatta kalmalarının tek yolu borç ve faiz ödemelerini karşılamak için gelecekte artı değer üretmelerine bağlı olduğu için iflasın eşiğinde olan firmalar olarak tanımlanır. Dünya genelinde zombi şirketlerin sayısı hem şahıs hem de sermaye şirketleri için yüzyılın başından bu yana istikrarlı bir şekilde artmıştır (Albuquerque & Iyer, 2023). Bu şirketlerin kaderi genellikle faiz oranlarındaki eğilime bağlıdır çünkü borçlarını ödemek için çoğunlukla kredi almaları gerekmektedir. Ayrıca, bankalar bu firmaların bazılarına hayatta kalabilmeleri için ortalamanın altında faiz oranlarıyla kredi sağlamaktadır. Bu nedenle, bu firmaların olası iflaslarını önlemek için faiz oranlarının düşük kalması hayati önem taşımaktadır.

Dönem boyunca faiz oranlarının düşük tutulması fiktif sermaye birikimini artırmıştır. Türev ürünlerin Bryan ve Rafferty tarafından 'sorunsuz işleyen piyasalar' olarak ele alınmasını bir kenara bırakırsak, fiktif sermayenin 'özgün' bir biçimi olarak finansallaşma olgusunun anlaşılmasında önemli bir rol oynayabilirler. Fiktif sermaye birikimi, reel sermaye birikimi için gerekli sermayeyi sağlar ve kar oranındaki düşüşe karşıt-eğilim olarak ortaya çıkar, ancak aynı zamanda özellikle spekülasyon yoluyla reel birikim üzerinde bozucu bir etkiye de sahiptir. Bu noktada faiz oranlarının düşük tutulması, birikimin genişlemesi için önemli kolaylıklar sağlarken, düşük karlılıktaki sermayeler için hayat kurtarıcı bir unsur olmanın yanı sıra spekülasyona açık fiktif birikimin de önünü açmaktadır.

Düşük faiz oranlarının, düşük kar oranına sahip sermayenin başarısızlığını önlemek ve yüksek borçluluğun krize dönüşmesini engellemek gibi özel nedenleri olsa da asıl neden "genel olarak özel sermayenin çıkarlarının" giderek "özel olarak finansın çıkarları" anlamına gelmesidir (Fine & Saad-Filho, 2016, s. 6). Bu noktada, finansallaşma sürecini ve devlet-piyasa ilişkilerini anlamak için finans kapital kavramının, Hilferding'in kullandığı anlamda olmasa da "değer üretiminin finans kapitalin çıkarlarına tabi kılınması [vurgu eklenmiştir]" (Ticktin, 2010, s. 10'dan aktaran Yalman ve diğerleri, 2019, s. 7) açısından birincil öneme sahip olduğunun altını çizmek gerekir. Bu durum, finansallaşma sürecinde devletin para politikasında başat unsur olarak değerlendirilebilecek enflasyon hedeflemesinin, finansal piyasalardaki varlıkların değer kazanmasını korumak amacıyla ortaya çıktığını ve sürdürüldüğünü savunanlar tarafından da dile getirilmiştir. Patnaik'in (2022) belirttiği gibi, "Mal fiyatlarındaki enflasyon, ... ilk etapta finansal varlıkların reel değerini düşürür... Dolayısıyla finans sermayesi, mal ve hizmet fiyatlarındaki enflasyona her zaman karşıdır." Benzer bir argüman, finansal balonların finansal varlıklardaki enflasyonu sürdürme işlevi gördüğünü savunan Knafo (2012) tarafından da ortaya konmuştur.

Kapitalist devlet bir yandan finansallaşmanın etkisiyle dönüşüme uğrarken, diğer yandan da daha fazla dönüşümü sürdüren aktif bir aktör haline gelmiştir. Para ve faiz politikalarının kapitalist piyasalar ve finans sermayesi için hayati rolüyle Merkez Bankası, "'hegemonik bir aygıt' ... üretim ilişkilerinin kurucu bir parçası olarak, dolayısıyla sadece üst yapısal düzeye indirgenemez" (Yalman, 2021, s. 17) şekilde yeniden yapılandırılmıştır. Bu durum, ekonomi yönetiminin depolitizasyonunu çevreleyen tartışmalarla birlikte düşünüldüğünde daha da belirgin hale gelmektedir. Öte yandan, devletin sınıfsal niteliği, özellikle 2008 krizinden sonra Merkez Bankası aracılığıyla krize verdiği tepkide kendini daha açık bir şekilde göstermektedir. Finans kapitalin çıkarlarıyla uyumlu sermaye birikim stratejisi ve devlet projesi sadece finansallaşmanın değil neoliberalizmin de karakteristik özellikleri olmuştur. Bu sermaye birikim stratejisinin ve devlet projesinin ne ölçüde başarılı olup olmadığı, büyük ölçüde ülkelerin emperyalizm içindeki konumlarına bağlı olarak farklılık gösterse de küresel eğilim dönem boyunca genel olarak kriz eğilimlerine açık olmuştur. Hatta kar oranı düşme eğilimi yasası açısından doğrudan sermaye yıkımının eksikliğiyle ilgili olan bu krizler, neoliberal dönüşümü devlet ve sermaye tarafından daha da ilerletecek şekilde değerlendirilmiştir. (Yalman, 2021).

1970'lerdeki karlılık krizinin ardından kar oranının restorasyonunun gerçekleşmemesinden kaynaklanan kalıcı bir karlılık sorununun damga vurduğu finansallaşma dönemi, ‘zombi firmalar’ olarak da bilinen düşük kar oranına sahip sermayeyi bir bütün olarak kapitalist üretim ilişkilerinin yararına ‘kurtarma’ girişimleriyle damgalanmıştır. Dahası, finansallaşmaya yönelik yaklaşımların çoğu, bu sürecin, faiz getiren sermaye ve hayali sermayenin artan birikiminin sonucunda aynı anda gerçek birikimi genişletip sekteye uğratan ikili doğasının en az birini göz ardı etmektedir. Bu gözlem, Marx'ın kar oranının düşme eğilimi ve karşıt-eğilimleri analizi bağlamında aynı faktörlerin hem kar oranını düşürdüğünü hem de etkilerini ertelediğini öne süren yaklaşımına paralel olarak düşünülmelidir.

Yukarıda tartışıldığı üzere, Marx karşıt-eğilimleri, kâr oranındaki düşüş eğilimini yumuşatan, erteleyen ya da tersine çeviren ve aynı zamanda daha da düşmesine neden olan faktörler olarak kavramsallaştırır. Bu tezde finansallaşma, tam da bu şekilde, kâr oranındaki düşüş eğilimine karşı koyan ama aynı zamanda onu daha da düşüren bir karşıt-eğilim olarak kavramsallaştırılmıştır. Finansallaşmanın aynı zamanda bir sermaye birikim stratejisi ve bir devlet projesi olarak yürütüldüğü ve kapitalist devletin hem karşıt-eğilimleri mobilize etmedeki hem de kriz yönetimindeki rolü (Hirsch, 1987; Harvey, 1976; Poulantzas, 2008) göz önünde bulundurulduğunda, finansallaşmanın kar oranındaki düşüşe karşı karşıt-eğilimlerin mobilizasyonu olarak tanımlamanın gerekliliği ortaya çıkar.

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