Rentier-financier neoliberal capitalism

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Chapter in the book being written, *Rentiers' Capitalism*. March 2020.

"The vicar of St Barnabas in Wigan has heard many such stories. Her church also serves as a community centre with free tea and coffee, sofas, a pool table, games for children, and a small food shop with very low prices. Every afternoon it's filled with the unemployed, people in precarious jobs, alcoholics, drug addicts, the desperate. That covers almost everyone in the parish, about 3,600 people. Hayes told me: "The situation was bad when I arrived, but in the four and a half years I've been here, it's got worse. There's no simple answer to the question 'what is the main problem?' There's high unemployment. The jobs are mainly zero-hour contracts. The wages are very low. Or the jobs need a high level of education, and people here don't have that." No, this is not a quote of George Orwell' 1937 book, *The Road to Wigan Pier,* on the poverty of Wigan, a small city in Northern England; it is Wigan today, 2019, when neoliberal capitalism is turning 40 years old.[1]

In the 1980s, a new major change takes place, the *neoliberal turn* – the transition from the developmental and social democratic Golden Age to neoliberal and rentiers' capitalism. The neoliberal turn was the conservative reaction of the rising rentiers and financiers to the increasing power of organized labour (until 1960s), the increasing influence of the managerial class (since the early twentieth century), and the 1970s' economic slowdown which hit mainly in UK and the US. The election of Margaret Thatcher as prime-minister of The UK in 1979 and of Ronald Reagan as president of the US in 1980 signalled the new ideological hegemony and the beginning of a regressive political and economic change – the transition from a form of capitalism where the economic roles of the market and the state were complementary, the state adopted a Keynesian macroeconomic policy, regulated firmly the oligopolistic industries, and actively practiced technological and industrial policies to a capitalism radically turned to market competition. In 1998, Edward Luttwak welcomed enthusiastically the new system and "its promise of a more dynamic economy that will generate a new wealth". He called the old system, "controlled capitalism" and the new, not neoliberalism but "turbo-capitalism" to underline the wonders that free markets or competition would produce. Before the neoliberal turn, in the framework of the broad Fordist or social democratic class coalition, productivity and wages grew together; as we will see ahead, from 1980 the two variables diverge: while wages remain relatively stagnant, productivity continues to grow.

The roots of neoliberalism are in the resentment of liberal-conservative ideologues with the collapse of liberalism in the 1929. The neoliberal ideology first appeared in the Walter Lipmann Colloquium – a conference of intellectuals organized in Paris, in August 1938, by French philosopher Louis Rougier. According to the Wikipedia, "the term neoliberalism was

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coined at the meeting by Alexander Rüstow referring to the rejection of the (old) *laissez-faire* liberalism".[2] The conference was named after Walter Lipmann, due to his incessant articles in the American press defending liberalism crowned by his book, *An Inquiry into the Principles of the Good Society* (1917).[3] The origin of neoliberalism is also dated from the 1947 conference in Mont Pellerin, Switzerland, led by Friedrich Hayek, This conference, which created the Mont Pellerin Society still existing today, counted with the participation of conservative intellectuals like Ludwig von Mises, Karl Popper, Maurice Allais, Milton Friedman, Fritz Machlup and George Stigler. The original objective was to contain communism, which at that time was associated to Stalinism, and represented a real threat to the European countries, but once such threat disappeared neoliberal intellectuals changed of enemy without a clink. They immediately directed their "reformist" war against the social democracy, as if the post-war democratic and developmental political regimes were no different from "really existing socialism" – statism. Their adversaries ceased to be Lenin and Mao Zedong to become John M. Keynes and John K. Galbraith; practically the same critique that Hayek and his followers made of Soviet Union, now they make of social democracy. Although this line may be seen as absurd, neoliberalism succeeded in conquering the elites and the upper middle-class of the West. The new narrative had "an explanation" to the problems that capitalism was facing since the 1970s – the "excess" of state intervention since the New Deal – and "a promise" of more freedom, more prosperity, and more security, precisely what neoliberal capitalism proved to be intrinsically unable to offer.

The 1980s was the decade of the rise neoliberal capitalism and the US's comeback. The change began before the election of Ronald Reagan. The Federal Reserve Bank, under the command of Paul Volker, attacked stagflation with a radical increase of the basic interest rate, thus strengthening the dollar and weakening US's international competitiveness. This reduced the competitiveness of the American manufacturing industry and increased the current-account deficits, but didn't weaken the American economy because the Ronald Reagan, elected president of the US in 1980, counteracted the depressing long-term effect of the appreciation of the dollar with a strong expansion of the public expenditures, mainly the military expenditures. At the same time, the American president, together with the prime minister of the UK, Margaret Thatcher, changed the political discourse according to the neoliberal credo, and imposed it to the World Bank and the IMF. Third, the change from a Fordist to a rentier-financier class coalition gained momentum. The two moves and the socio-political change, although contradictory, were successful: the neoliberal turn materialized – the form of economic organization of capitalism ceased to be developmental and social to become neoliberal. The American and the British economies recovered due to the Keynesian countercyclical fiscal policy, and the neoliberal ideologues, who were eager to put an end to the "socialist years", immediately attributed the recovery to the liberal economic policy regime were victorious. The neoliberal narrative, which attributed the 1970s crisis to the excessive intervention of the state in the economy, eventually made sense to most, and opened room for the domination of a narrow rentier-financier class coalition formed by the rich and the university degree holders upper middle-class.

Neoliberal capitalism was established first in the US and the UK, but its laboratory had been the Chile of general Augusto Pinochet and his consultants, the Chicago boys, and also the

Argentina of general Jorge Videla and his minister of economy, Martinez de Oz. The policies adopted in these two countries to control inflation were based on the rational expectations theory, a neoclassical key concept that was turning mainstream in the US universities in that decade. They involved fixing the exchange rate combined while a fiscal adjustment that would rationally change the companies' expectations in relation to inflation which would obediently fall. It didn't, the exchange rate appreciated, and Argentina, in 1979, and Chile, in 1981, experienced two major currency crises.[4] Orthodox economists often present Chile as "the" successful liberal-orthodoxy case, but this is only relatively true after the neoliberal experiment. Still in the military regime, the finance minister Hernán Büchi (1985-89) corrected the neoliberal damage. From 1990 the democratic coalition that governed Chile most of the time cannot be considered neoliberal. In Argentina, only after the collapse of the military regime in 1983 the problems began to be solved, but never in a satisfying way.

We can see neoliberalism as an ideology, the ideology of market, or, considering that there are two basic forms of organizing capitalism, developmentalism and economic liberalism, we may view it as a form of radically liberal capitalism. Capitalism was born developmental as the industrial and capitalist revolution required a moderate intervention of the state in the economy, but it tended to be relatively liberal as the market assumed a major role in the coordination of the competitive sectors of the economy. Capitalism turns neoliberal when the bias in favour of the market is radical, as it would turn "statist" if such bias regarded the state as we saw in Soviet Union. But in this case we could not speak of capitalism.

Defining neoliberalism

A simple definition of neoliberalism is a radical economic liberalism. Colin Crouch defines neoliberalism as "the political strategy that seeks to make as much of our lives as possible conform to the economist's ideal of a free market."[5] In this book, I understand neoliberalism as an ideology and as a form of capitalism: as an ideology, it is the ideology of the rentier-financier class coalition; it is the belief that that market is able to coordinate superiorly all economic activities and the rejection of any type of state coordination; it is an ethics of radical individualism where individual choice is always superior to the idea of common good, and therefore, there is no room for civic virtues and the public interest. As an individualist ethics, neoliberalism views the citizens as just a self-interested persons, and the politicians as just a person making trade-offs between the desire to be re-elected and rent-seeking. As a historical form of capitalism, neoliberal rentier-financier capitalism is the form of capitalism and state that emerged in the late 1970s in the rich world, is in economic crisis since 2008, and in political crisis since 2016.

Pierre Bourdieu (1998) was one of the first critics of neoliberalism. In a simple and clear text, he said: "Neoliberalism is an utopia (being realized) where exploitation has no limits", it involves drastic reduction of the cost of labour, diminution pf public expenditures, and flexibilization of labour contracts.[6] David Held offers a more radical assessment: "neoliberalism values market exchange as an ethics in itself, capable of guiding all human actions and substituting for all previously held ethical beliefs."[7] After many years of heavy economic and intellectual investment in building a neoliberal narrative, the unexpected

collapse of communism in the late 1980s boosted the idea that free market competition is the best way of organizing the national and the world economies. The neoliberal ideology turned hegemonic first in the US and the UK, second, in the rest of the rich world, and finally in the developing economies except Russia, the East Asian countries and some other Asian countries like India and Vietnam. At the same time, Luc Boltanski and Ève Chiapello (1999) argued that "the new spirit of capitalism" was rising. The two French sociologists were not so excited as was Luttwak, but they were hopeful.

Should we use the expression neoliberalism to express the present phase of capitalist development? The West's cultural establishment rejects it, because sees that it has a negative connotation. When they use word, the put it between quotation marks. To express the economic change that took place liberal intellectuals use global capitalism or global system. Indeed, rentier-financier neoliberal capitalism emerged in the framework of a major economic integration of the world economy. It never became a borderless society proposed by the globalization project; the nation-state remained the fundamental politico-territorial form of sovereign society; but nation-states are today more interdependent than they were in industrial or entrepreneurs' capitalism. To express the political character of this new phase of capitalism the liberal analysts kept the word "liberal democracy", which they already used in the previous phase of capitalism. In the case of the United States this is understandable because this country didn't change into a social democracy after the war. But the more advanced European countries did experience this more advanced form of democracy. Which, obviously, involves a real social cost; the welfare state involves an indirect but substantial increase in real wages which requires a higher tax burden. Thus, since the 1970s, when the competition of low wage developing countries in the exports of manufactured goods was for the first time experienced, was to reduce not only direct but also indirect wages so as to make the rich countries more competitive. In other words, the "ideal" political regime was liberal democracy – a democracy where only the rule of law and the political rights are assured. The social rights assured by the social democracies were too costly and should be abandoned. The best of possible words remained liberal democracy – a wonderful liberal world where the civic liberties and the rule of law are assured and each one is able to express fully her or his individuality. The affirmation of social rights, the fight against the economic inequalities that are engrained in the logic of capitalism, should now be put aside. As a trade-off, now competitive the rich economies would grow fast and the standards of living of all would increase.

Today we know that the promises of neoliberalism were not fulfilled. Instead what the rich world experienced has been low growth, strong increase of inequality, and financial instability. In this book, I will call this major change, the neoliberal turn – a tragic political choice, which did not open a new phase of capitalism following the logic of progress, but just began a time of economic and political regression. A regressive turn involving deep values. When the capitalist revolution materialized in the first nations, political liberalism was instrumental in the affirmation of civil rights, but an aggressive individualism represented a major threat to the existing societies. Nevertheless, two value systems, one that originated from the antiquity around the concept of common good (republicanism and Christianity) and the other, socialism, checked in many ways this threat – tamed capitalism which if left on its sort is instable, inefficient and unjust. The Golden Age was the outcome. Suddenly, however, in the end of the

twentieth century, the neoliberal turn liberated capitalism from these "constraints", nation-states lost cohesiveness, financial instability was back, and inequality achieved new heights.

The neoliberal venture was a project of radical economic and cultural change. Neoliberal ideologues, most of them neoclassical economists, took the moral leadership of the new society and changed radically the labour-capital relations. Instead of the class struggle that coexisted dialectically with the social-democratic class compromise, neoliberalism inverted this political relation and adopted a permanent top-down class struggle to impose the new truth to the working and the salaried classes. As a union leader said in the documentary, *American Factory* (2019) "what changed in American were the rich changing the rules in their advantage". Instead of combining the state and the market in the coordination of the economic system, neoliberalism defended competition everywhere, even in the sectors of the economy which are structurally monopolist or oligopolistic. Particularly in the US, where the neoliberal hegemony went high, trade liberalization imposed a huge fall in wages. The national statistics show that in this country the wages of non-skilled workers are stagnant since the 1980s. But this was an average; the increase in wages in the service sector are likely to have compensated the losses of the workers in the manufacturing industry that kept their jobs. In this same film, one worker says: in the General Motors I made US$ 27,00 an hour; now I make US$ 14.00, but he was happy because had a job. The general objective in neoliberal capitalism remained profit, but now the specific objective was to increase "shareholders' value", the gains or rentiers and financiers, to increase the corporations' free cash flow, which leads to an increase in dividends and capital gains for the stockholders, while wages would increase below the increase of productivity.

The causes of the neoliberal turn

The May 1968 Student Revolution – a generous and utopic social movement – did not signal the beginning of a new, but the end of a time of progress and great expectations, and, the beginning of a liberal-conservative process that ten years later would end up in neoliberalism. The rise of neoliberalism took many years. Its more direct cause was the end of the Golden Age or the breakup of 1970's crisis, which we discussed in chapter 5 – a crisis associated to the fall of the profit rates and of the growth rates that hit mainly in United States and the United Kingdom in that decade. The neoliberal politicians and intellectuals, who were getting organized to recover their hegemony lost in the Great Depression, profited the opportunity offered by stagflation, which the Keynesian post-war consensus had no tools to explain, not to offer an alternative explanation (they didn't have it) but to persuade the business, bureaucratic and political elites in rich countries on the "evils" of the social-democratic project and the developmental policies adopted in the Golden Age.

In France, the 1983 the fall back into economic orthodoxy of the Mitterrand administration after the failure of the heterodox macroeconomic policy defended by his prime minister, Pierre Mauroy, while Felipe Gonzáles orthodox policies in Spain seemed successful, had a strong influence in the capitulation of the social democratic European countries to neoliberalism. As Frédérick Lordon (2001: 113, 115, 117) observed, the Mitterrand experiment, which was rather Keynesian-Marxist than just Keynesian, was bold. It involved the privatization of 36 banks, 2

investment banks, 11 industrial companies. In the macroeconomic level an expansionary policy was launched, while the minimum wage was increased, the public recruitment program created 110,000 jobs in the public service. Yet, "the expected rate of growth upon which the 1982 budget was built was 3.3 per cent, whereas the actual growth rate ended up 2.2 per cent. France was boosting its economy while almost all its partners were adopting restrictive policy stances". The budget deficit went up to 2.8 per cent of GDP in 1982 and 3.2 per cent of GDP in 1983. In 1981, the franc was devalued two times. From 1982, France was in monetary turmoil, as financiers attacked fiercely the franc assuming that a new depreciation would happen. "The 1983 policy turnabout was thus negotiated in the feverish circumstances of a very severe monetary crisis". Lordon acknowledges that in the short-term there was no alternative but to change the policy, but he sees a long-term structural change was happening. "What the choice of *disinflation competitive* fundamentally means is nothing other than the acceptance of the rules of the game of an opened-up and internationalized economy". In other words, the acceptance of the orthodox, neoliberal, macroeconomic policy. Which in the following years would produce very poor results, as Lordon shows in this paper. But the impression the distinguished French economist leaves is that France had only two possibilities: or the Maurois progressive economic policy, or the neoliberal policy. Or the country ignores the macroeconomic constraints and gets involved in an expansionary policy in a moment when the other rich countries were adjusting to the second oil shock and the Paul Volker's rise of the interest rates in 1979. The Mitterrand-Maurois policy was a radical and mistaken economic policy that contributed to the rise of neoclassical economics and the neoliberal ideology. In name of Keynes or of social justice a country cannot adopt policies that besides increasing inflation, reduces competitiveness of the national companies and exposes it to a currency crisis. This is not progressive but wrong policymaking with dire consequences for the people which the policy is supposed to serve.

A second central cause of the neoliberal turn was the increasing international competition which originated from globalization and the rise in the 1970s of the NICs – newly industrializing countries. The new contenders were South Korea, Taiwan, Singapore, Hong Kong, Brazil and Mexico. In the following decades, as globalization turned generalized, the competition coming from developing countries intensified. A second wave of "flying geese" included Malaysia, Thailand and Indonesia, which also began to export manufactured goods. From the 1990s, a third wave counted now with two huge countries, China and India. Neoliberalism was a response to this new competition – or to the increased competitiveness that globalization required of all countries. The neoliberal ideology emerged while globalization was making competitiveness a condition for economic development. This problem always existed, but while the competitors were all rich countries paying relatively high wages and trade liberalization was limited, this was not the pressing problem that would become with globalization and the newly industrializing countries.

Competitiveness is today a central concept that cannot be disregarded. It depends on three types of variables: on the supply or production side, it depends on the productivity of labour and on the level of wages;[8] "systemically", it depends on the "country cost"; and monetarily, on the long-term exchange rate. Countries where the wage rate is high, as is the case of rich countries, face a productive disadvantage. For long they assumed that such disadvantage would

be compensated by a high labour productivity, but there are limits for this trade-off, and there is no reason to productivity in developing countries is necessarily lower than in rich countries. By country cost I mean the comparative costs that companies confront in a given country due to distortions or insufficiencies in its infrastructure, in it tax system, and in its general level of education and health care. Monetary competitiveness, finally, depends on the long-term level of the exchange rate, which represents a competitive advantage or disadvantage depending on the exchange rate is overvalued, in equilibrium, or devalued for several years. Conventional economics assumes the volatility of the exchange rate, but believes that it will tend to float around the equilibrium rate that balances the current-account of the country. Yet, as the new-developmental economists have been arguing, it may rest overvalued in the long-term, for several years, on two main conditions; when there is a non-neutralized Dutch disease;[9] or when, as it frequent in developing countries and in the United States, the country adopts the policy of growth with foreign savings, i.e., of current-account deficits that must be financed by additional capital inflows.[10] And it may rest relatively depreciated in the long-term when, as is the case of Germany, Japan and China, when the country adopts as policy to exhibit a chronic current account surplus.

To keep competitive and grow, countries must, on one side, increase productivity while avoiding wages increase above productivity, and, on the, other, to adopt an exchange rate policy that keeps the national currency balanced. In principle, this could be obtained by letting the exchange rate to float freely. Yet, giving the pressures of the salaried classes for higher real wages and salaries, and the pressure of the rentier middle-class for higher real rents, the exchange rate tends to become overvalued. Conventional economics assumed that letting the national currency float freely this long-term overvaluation (or long-term depreciation) will not be possible. But floating is never fully free; although the liberal orthodoxy condemns any type of exchange rate policy, countries often practice it.

In the case of the rise of neoliberalism, exchange rate policy to neutralize the competition of low wage countries was not considered (although practiced at least by the countries referred). Instead, to assure competitiveness neoliberalism proposed to reduce real direct and indirect wages. It is impossible to understand the fiscal “austerity” that have been practiced by rich countries since the neoliberal turn if we don’t consider that such macroeconomic policy, as well as the neoliberal institutional reforms have as main objective to reduce wages of the workers and salaries of the employees or salaried middle-class.

Rentier-financier capitalism

The Neoliberal Turn, which took place around 1980, didn’t happen in a social void. It happened as the broad, developmental and social democratic Fordist dominant class coalition gave room to a narrow rentier-financier class coalition – a coalition where the capitalist rentiers replaced the entrepreneurs in the ownership of the corporations and called the managerial financiers to manage their wealth. Thus, it was not just neoliberal capitalism, but a rentier-financier neoliberal capitalism was dominant in the rich world from 1980 to 2008 and, since then, faces crisis. The class coalition specific to neoliberal capitalism is the rentier-financier class coalition, which associates the rentier capitalists, the financiers and the top executives of

the corporations – the last two originated from the technobureaucratic class who, as they are successful, turn into capitalists. These three groups are only a part, but a strategic and increasingly powerful part of what Wright Mills called "the power elite" and David Rothkopf, "the superclass".[11] In the new world of neoliberalism, rentiers play the key capitalist role, while financiers, the strategic role. The rentiers live out of capitalist rents: interests, dividends and real estate rents; they are the sons and grand-sons of the business entrepreneurs who had led the previous phase. The financiers are the managers of the financial institutions, the financial traders, and the financial speculators who manage investment funds of all sorts. Financiers, besides managing the wealth of the rentiers, assume an intellectual leading role. Given the obvious intellectual poverty and political inability of the rentiers, who are a leisure class devoted to conspicuous consumption, they had no alternative but calling the financiers to do more than just manage their wealth: to act as their organic intellectuals.

After the 2008 global financial crisis, Gabriel Palma (2009: 833, 840) remarked that "ultimately, the current financial crisis is the outcome of something much more systemic, namely an attempt to use neoliberalism as a new technology of power to help transform capitalism into a rentiers' delight". In his paper, Palma stresses that it not sufficient to understand the neoliberal coalition as responding to its economic interests, as a Marxian approach would suggest; besides, it responds to the sheer Foucaultian demand for power on the part of the members of the political coalition, which has been using neoliberalism as "a new technology of power" or as a "system of truth" that first has gained the support of the elites, and, second, achieved societal dominance. Rentiers' capitalism is a form of capitalism where a narrow class coalition formed of rentier-capitalists, financiers and the top executives of the corporations are dominant, is another name for neoliberal capitalism that we discussed in the previous chapter. It is a radical form of economic liberalism defined by the processes of privatization, deregulation, globalization and financialization, characterized by the increase of economic inequality, and legitimized by the neoliberal ideology and orthodox (neoclassical and Austrian) economics. It is a form of technobureaucratic capitalism, because the financiers and the top executives are part of the managerial class.

Rents and rentier-capitalists

The rentier capitalists are the idle owners of the capital. The capitalist class is divided into the business entrepreneurs who command productive capital, and capitalist shareholders, money-holders,[12] and landowners, whose revenues are, respectively, the dividends, interests, and real-estate rents. While the entrepreneur founds or develops decisively its company and the technobureaucrat assumes its management when the company changes into a corporation, the rentier has no role in production. While the logic of entrepreneurs' capitalism was the logic of capital and profit, and the logic of managerial capitalism is the logic of organization and high salaries and bonuses, the logic or rentiers' capitalism is the logic of rents disconnected from production.

The rentiers are *not* just the very rich, the 1 per cent richest individuals, which, in the US, appropriate 20 per cent of the income. They are likely to be the biggest part of the capitalist class if we take into account that the upper middle-class families holding university degrees

are also part-time rentiers: their revenue originates both from salaries and rents. They are a politically powerful class not only because they are the owners of capital, but also because they are a numerous class. To the extent that they are part of the upper middle-class – a mixed middle-layer, partly capitalist, partly professional – their revenues are a combination of salaries and rents. A survey of European investors or rentiers, for instance, showed that around half of them are employed full-time; while around 60 per capita had higher education[13]. The ones that are purely rentier-capitalists and are idle tend to be culturally unsophisticated people, while the members of the upper middle-class, who have usually university education, are relatively cultured and influential people. In capitalism, rich people are prestigious people, but the fact that the rentier has no real role in the economic development process, the fact that his revenues have no work to legitimize them is a problem. Neoliberal capitalism must justify the rentier capitalist; more than that, it must also change him into a hero – the new capitalist hero. For that, the first thing is its denomination. Rentier-capitalists prefer to be called "shareholders" or "investors".

What I am understanding for capitalist rents? This concept was central to the classical political economy school. Michael Hudson (1998: 5), who was one of the first economists to study modern day "rentier capitalism", which he defines as "the drive for capital gains in real estate and the stock market. Whereas the old industrial capitalism sought profits, the new finance capitalism seeks capital gains mainly in the form of higher land prices and prices for other rent-yielding assets." In the same line, the Wikipedia has an excellent entry on "rentier capitalism", which opens with the following definition: "Rentier capitalism is a Marxist term currently used to describe the belief in economic practices of monopolization of access to any (physical, financial, intellectual, etc.) kind of property, and gaining significant amounts of profit without contribution to society." A definition that is faithful to Marx, who in *Theories of Surplus Value* (written 1862-1863), states that interest (in contrast to industrial profit) and rent (the income of landed property) are not necessary to capitalist production. Thus, following a Hudson (2017: 85) more recent book, economic rent is "the excess of market price over intrinsic cost (value); rent was the classical term for income that has no counterpart in necessary costs of production". Yet, Hudson as well as the Wikipedia entry have a too large concept of rent when they view as rents all revenues originated from monopoly power, ignoring that Schumpeter defined the business entrepreneurs' innovation as the achievement of a monopolistic advantage. When we discuss the investment function, we must take into account that the "satisfying profit rate" that companies require to decide to invest – this conventional rate of profit defined for in each moment and industry – is bigger than the "normal profit" of neoclassical economics. They are supposed to benefit from the innovations that involve, by definition, monopoly power. Schumpeter, however, supposed that this monopoly was always transitory, soon competitors would appear, but in rentier capitalism the large corporations falsify such assumption. Are the respective revenues, profits or rents? This is one of the many quandaries of capitalism.

Marx has a fascinating chapter on "interest bearing capital" in the Third Volume of *Capital*, but in his time what I am calling "rentiers' capitalism" did not exist historically. At time, the paradigmatic capitalist was the industrial capitalist. And, as Hudson (1998: 9) remarks, "as envisioned by Marx, industrial capitalism was characterized by a class war between the

workers and their employers. But industrial capital, as well as labor, is victimized by today's finance capitalism" and, I would add in the spirit of Hudson, by rentier capitalists. In the concept of the rentier that we find in Hudson and in the Wikipedia, the rentier is rather a function or a characteristic of the capitalists, is the person that gets every income that is not the outcome of productive work, while for me the capitalist rents are an income that does not derive from innovation and risk, as is the case of the entrepreneurs' profits, or of managerial capability, as it is the case of the salaries and bonuses of the top executives, but derive from the sheer ownership of capital; are an income that differently of the entrepreneurs' profit, the managers' salaries and bonuses, and the workers' wages, are not linked to production. Dividends, interests and real estate rents are not just "situation rents" originated from some privilege or monopoly, nor just the aristocratic landowners' "differential rents" or the Ricardian rents achieved on the condition of falling productivity, but are simply capitalist rents – the pure income of capital distinguished from the entrepreneurial or innovation profits. In the time of Ricardo, in the UK, the capital on the form of land represented half of total wealth; today, it represents 2 per cent.[14] Thus, the definition of rent as a differential revenue of landowners ceased to be relevant. Land is a fixed capital with a market price as buildings and machines and as liquid money. In the price of land is already the differences in productivity. Interests, on their hand, following Marx, are the part of the profits that the productive capitalist pays to the passive or rentier-capitalist for the use of their capital on the form of loans. Dividends and real-estate rents follow the same rule: they are the part of profits that entrepreneurs pay to shareholders and to real-estate owners for the use of their capital on the form of stocks and real-estate. The three types share the fact that their beneficiaries are an idle or leisure class. Thus, profits are either entrepreneurs' profit, shareholders' dividends', money capitalists' interests. In this line of thought, David Harvey (2006: 74) remarks that "a 'class' or rentiers that lives entirely off interests on their money capital is not to be confused with industrial capitalists who organizes the production of surplus value".

Thus, I am distinguishing the profits of the entrepreneurial activity from the rents. Is this a reasonable distinction? Don't the later depend on the former? Yes, distribution of dividends depends on the realization of profits, but they are not directly proportional to profits, nor have relevance for the working of a capitalist system. Economic growth depends on investments which depends on profits, both because they finance investment and they are essential to motivate the companies to invest. Governments may tax differently profits and dividends. In principle, governments should not tax profits if they are reinvested, while they should tax heavily dividends as well as interests and real-estate rents.

Notice that the concept of capitalist rents that I am using is different from the rational choice's normative concept of "rent seeking" – the unproductive action of increasing one's share of existing wealth without creating new wealth – which Philippe Askenazy adopts in his book, *All Rentiers* (2016: 13). For him, "rents are advantages economic actor (capitalists, financiers, owners, salaried people, independent agents, entrepreneurs, may durably capture, states…) can capture via economic, political, or legal mechanisms which they can eventually influence". A normative or moral concept because rent seeking is viewed as a capitalist distortion, while capitalist rents are an inevitable consequence of long-term capital accumulation and the inheritance institution.

Financial markets prefer to call "investors" what I am calling rentiers. It doesn't matter that they no say in the decision to invest, to accumulate capital and increase the productive capacity of the country. What they really do is to apply their money in this or in that financial asset according to the recommendations of his financier – the specialist that he hires to manage his wealth. The noblest activity in the process of wealth creation is the decision to invest. Being called investor, the rentier gains a new status. The same thing is obtained by the adoption of the "principal-agent theory", which is just a truism: the claim that the subordinate must obey the chief. Thus, logically, the shareholder is the principal, the manager is the agent, who is supposed to follow the policies defined by the principal. The only problem is that this is not what really happens. When shareholders are able to get organized, they achieve some influence. But a limited influence. The power remains, essentially, with the managers, the top executives.

Why only in the second half of the twentieth century to speak of the new power of rentiers, why to claim that a rentier class became the ruling class together with financiers only from the 1970s or the 1980s? For sure, rentier-capitalists have existed since the dawn of capitalism, and it would be reasonable to predict that the incessant capital accumulation would soon lead to an excess of accumulated capital. But three historical facts *stopped* the chronic and radical destruction of capitals: the end of major financial and economic crises, the high inflation episodes that usually accompany the crises, and the end of major or world wars. The 1930s Great Depression was the last major crisis, and the Second World War, the last major war. The consequence was a huge accumulation of capital in the hands of heirs.

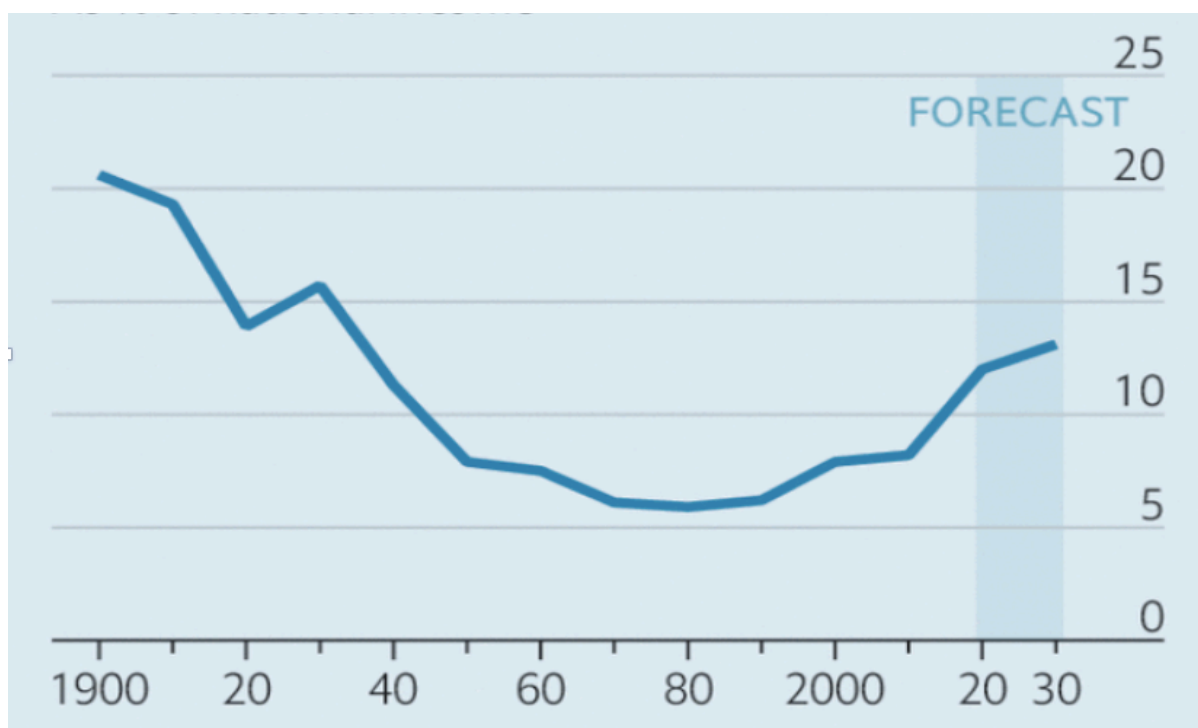

Figure 9.1: UK' annual flow of inheritances as a percent of national income

Source: Thomas Piketty, Anthony Atkinson, Resolution Foundation HMRC, *The Economist*, April 2019. Observation: pre-tax, includes gifts.

The inheritance flows from one generation to the next depend on two factors: the amount of wealth in an economy; and the rate at which the owners of that wealth die. The ancient capitalist entrepreneurs amassed fortunes in the nineteenth and first part of the twentieth century, but the major crises, inflation and the first and second world wars put paid to many of them. According to Thomas Piketty and Anthony Atkinson and as we see in figure 9.1, "between 1910 and 1950 the value of capital in the British economy fell from nearly 700 per cent of national income to 250 per cent. Britons had less to pass on to their descendants, and so the significance of inheritance fell." After that, however, the wealth as a share of output has risen. In Britain, in the past 20 years the total value of estates has more than doubled in real terms, as we can see in Figure 8.1. Inheritances are making a comeback (see chart). In the past 20 years the total value of estates has more than doubled in real terms.

With the rise of rentier-financier capitalism there is a fight for power in the corporations: the shareholders and the financiers at one side, the top executives in the other side. It is the "shareholders' revolution", which counts with the support of the neoliberal ideology. *The Economist* (2013) is a key journal voicing this self-denominate revolution: "Activist shareholders are on the march. About time, too. Shareholders own companies. Managers and directors should serve them." Colin Crouch (2011: 103) called this fight the "Anglo-American shareholder maximization concept… under it, and in opposition to stakeholder concept that for some time prevailed in Europe, the sole goal of the corporation is to maximize value for the shareholder". Christian de Montlibert notes that "the main shareholders were successful in imposing to the companies the *corporate governance* - the system where the top executives are supposed to act first on behalf of the investors."[15] Up to 2008, there was an immense growth of the financial sector's share of GDP, of its profits, and of its influence – a growth experienced not only by the major banks, but by the much larger financial system, their financiers and their economists. The prototype of financiers is Warren Buffett. In a recent article, Robin Harding (2019), from *Financial Times*, notice this fact and commented:

> He pushed companies to expense stock options, warned of danger in derivatives and taught the public to invest long term in low-cost index funds. But however much you admire the man, his influence has a dark side because the beating heart of Buffettism, celebrated in a thousand investment books, is to avoid competition and minimize capital investment in the real economy".

The rentier-capitalists, either the very rich or the members of the upper middle-class, tend to be conservative.[16] More precisely, they tend to be liberal-conservatives – liberal because reject state intervention in the economy, conservative because rents are beneficiaries of kind of privilege (inherent to capitalism) that they must protect. Thorstein Veblen's (1899) concept of "leisure class" is not exactly what I am defining as the rentier class, but their members have in common the fact that they are idle, devoted to conspicuous consumption, and conservative. Veblen is not compassionate with them: "The office of the leisure class in social evolution is to retard the movement and conserve what is obsolescent". But, differently of what is usually done, he does not impute to them unworthy motives or interested calculation of material advantages. Instead, he sees in the leisure class "an instinctive revulsion at any departure from the accepted form of doing and of looking at things". This ingrained conservatism derives from the fact that it sheltered from the economic exigences of modern societies. "The difference in

this respect between the wealthy and the common run of mankind lies not so much in the motive that prompts to conservatism as in degree of exposition to the economic forces that urge change" (p.131-132). Although Keynes, prudently, didn't offer explanation, it was not by chance that he, in the last chapter of the *General Theory*, asked for the "euthanasia of the rentiers".

For Schumpeter, at the beginning of the twentieth century, the innovative entrepreneurs were the heroes of capitalism. At the peak of the American hegemony, after the Second World War, the new heroes of capitalism in the schools of business were the top business executives. Since the rentiers replaced the entrepreneurs in the ownership of the corporations, financial markets and the neoliberal ideology enthroned them as the new heroes. In special, the activist shareholders and their representatives, the activist hedge funds, that search to control top executives' abuses and inefficiencies. According to *The Economist*, they have been around since the 1980s, but the scale of their insurrection in America is unprecedented. Activists run funds with at least $100 billions of capital, and in 2014 attracted a fifth of all flows into hedge funds. Last year they launched 344 campaigns against public companies, large and small. Some believe that the cult of short-term shareholder value is disgrace. They are stripping cash and assets and loading firms with debt. Their enemies are the, good or bad. That is not the view of *The Economist*: Activist investors are "capitalism's unlikely new heroes… Wherever there are stockmarkets you will find underperforming companies, clubbable bosses and lazy capital. The public company was never meant to be a bureaucracy run by distant managers accountable to funds run by computers. The activist revolt will help give it a new lease of life." A view that we find also in the book, *The Sociology of Financial Markets*: "The figure of the investor is tied to the legitimacy of the capitalist order… The heroic mode of representing grand investors is much alive today."[17]

The profusion of capitals

The 1930's Keynesian revolution offered governments a new and powerful weapon to reduce the severity of economic crises and the accompanying high inflations, while, the high cost of the two world wars have been a negative sum game where all lost ended. These three new historical facts were instrumental in keeping relatively balanced the supply and the demand for capital, and, in consequence, ceased to make sense to speak of "scarcity of capitals". Instead, capitalism is today characterized by the *profusion* of capitals, owned by rentier-capitalists and managed by financiers. The involvement of the Japanese, American, British, and European central banks in a major process of printing money after the 2008 global financial crisis – the "quantitative easing" process – and the accompanying very low interest rate just accentuated this profusion of capitals and the huge liquidity of financial markets.

The excess of capitals is an old problem of capitalism. John A. Hobson (1902), who was the first economist to define modern imperialism in the end of the nineteenth century, explained the imperial expansion as is driven by the abundance of capitals at home and the search for new markets and investment opportunities overseas. As the time passes this problem only tended to become more challenging, because the accumulation of capitals net of depreciation tends to supersede the rate of growth of GDP: in the long-term, investment rates in rich

countries are around 16 per cent of GDP against growth rates around 3 per cent. The expansion of multinational enterprises from the 1950s occupying the domestic markets of developing countries is the manifestation of this profusion of capitals and the contradictory present form that economic imperialism – contradictory because this expansion involves the transference of capitals from capital rich to capital poor countries that would contribute to their industrialization, but actually finance current-account deficits associated to overvalued currencies in developing countries which encourage consumption and discourage investment in the manufacturing industry.[18]

The profusion of capitals is already present in John K. Galbraith's, *The New Industrial State* (1967) as one of the reasons why capital was losing its strategic role to knowledge. First Galbraith argues that there is a tendency of investments (the demand for capital) to be lower than savings (the supply of capital). This is the Keynesian tendency, which is intrinsic to capitalism. Galbraith realized this plethora of capitals fifty years ago. After that, the tendency got more and more accentuated, and, together with the deregulation of financial markets, were the two main causes of the 2008 Global Financial Crisis. I mean by this abundance of capital the increase in the stock of capital and the dramatic increase in its liquidity. The increase in the stock of capital was negatively caused by the absence of great wars and depressions. As Thomas Piketty (2013) noted, before 1945 two great wars and the Great Depression destroyed capital on a large scale, thus for a time neutralizing the incessant process of capital accumulation that characterizes capitalism. After the 1970s' crisis, the profit rate recovered and the stock of capital resumed growth, now in a more stable way. The 2008 crisis could have been a major episode of capital elimination, had the governments not adopted strong countercyclical or Keynesian macroeconomic policies. The fact that corporations relentlessly continue to buy back shares and to increase dividends is an acknowledgment of excess capital in relation to investment opportunities. On the other hand, the *access* to capital is under the control of the enterprises. Contrary of what mainstream economics suppose, capital markets have only secondary importance in the capitalization of enterprises. In general, they are self-financed, as more than three-quarters of the investments of the modern corporations originates from their own profits. Thus, as capital turned abundant, it is losing its strategic character and capitalists are losing relative power and prestige. Neoliberalism was a reaction of rentier-capitalists to this.

The investments of the multinational enterprises are a way out of the excess of capitals of rich countries, but they don't solve the domestic problem that rich countries face – the lack of investment opportunities caused not only to the Keynesian tendency to the insufficiency of demand that haunts capitalism, but also by the increasing competition coming from developing countries, which have low cost of labour as a competitive advantage. This competition dates from the 1970s, when the first Newly Industrializing Countries (NICs) appeared exporting manufactured goods to rich countries instead of just primary goods. The reaction of the multinational corporations was to increasingly invest abroad benefiting from the low wages in these countries, while they occupied the domestic markets of developing countries. Yet, given the fact that, except in the East Asian countries, the direct investments financed current-account deficits (called "foreign savings"), this was minus than one game, as the poor and the middle-classes in the rich countries were left without jobs, while the additional capital inflows and the

ensuing long-term overvaluation of the domestic currencies in the developing countries caused deindustrialization – the foreign direct investments moving from the manufacturing industry to the non-tradable domestic industries.

In the rich countries the consequence of investments abroad combined with the digital revolution, which reduced the demand for non-skilled labour and with the neoliberal reforms aiming to “flexibilize” the labour market was the depression of wages and the huge increase of inequality that defined the Neoliberal Years. The way out for the depressed demand was to increase the credit of the working class, which, together with the deregulation of financial markets, was one of the causes of the 2008 global financial crisis.

But the rise of the rentiers does not mean that the role of the entrepreneurs was over. In a first moment, the managers have replaced them in the management, while entrepreneurship ceased to be an individual to be a collective endeavour achieved by professionals within the great corporations. In a second phase, the rentiers substituted them in the ownership of the corporations. But at the same time a technological revolution was taking place which opened room for a new wave of young and creative entrepreneurs. In most cases, the corporations bought the startups, but some of them changed into giants as Google or Facebook. These business entrepreneurs were originally bright technobureaucrats; their respective companies, are a dramatic evidence of the power of new ideas and of entrepreneurship. They showed the weight of knowledge and managerial capacity in contemporary capitalism. And introduced a horizontal and relatively chaotic way of organizing work, which is in itself a historical new reality requiring further study. Do these companies, which have been associated to “work clubs” or “coworking”, represent a change in the relations of production that either capital or organization are unable to explain?[19] Most likely, yes, but it is too soon to respond to this question. Another exception was the resilience of entrepreneurship in the medium-sized German manufacturing firms show that entrepreneurs will not disappear. But we should not be mistaken. Today’s capitalism is a rentiers’ capitalism, where capital is owned by rentiers, not by entrepreneurs, and two types of technobureaucratic elites share with rentiers power and privilege – the top executives and the financiers.

The financiers

Who are the financiers? Why to refer to them as a new historical actor when we know that finance is a profession as old if not older than capitalism? In the middle age there was already many references to the financiers. From the sixteenth century, with the formation of the nation-states, classical financiers or capitalist financiers played a major role in financing the merchants and, mainly, the absolute monarchs who played a founding role in the rise of capitalism. John Scott, studying seventeenth century England, says that a “ruling oligarchy of magnates and financiers collectively exercised many of the powers of the monarchy”.[20] With the help of financiers, they were waging wars to expand the frontiers of their realms and transform them into nation-states – into sizable and secure domestic markets whose existence was a condition for the industrial revolution in each country. While the merchants were involved in long-distance trade, where quantities were small, the goods traded were luxury goods, and profit margins, industrialization required a large and secure domestic market to turn economically

viable the cheap production of manufactured goods. Then, the capitalist financiers – most of them Jews – played a major but "not legitimated" role in so far that the Catholic Church identified banking with usury. With capitalism the status of financiers changed. In the nineteenth century, Alexander Gerschenkron (1962) showed the key role they had in financing the late industrializing countries like Germany, Austria, Sweden and Russia – financiers now fully legitimated members of the European bourgeoisie. Christian de Montlibert shows that today the top executive of the banks form a distinguished aristocratic bourgeoisie whose families are characterized by "notoriety, ancientness, and strong family and social relations".[21] We already saw that in the beginning of the twentieth century, Hilferding (2010), taking Germany as reference, developed the concept of "financial capital", which would be the outcome of the fusion of the industrial capital with the banking capital under the command of the later.

Today, the word "financier" is seldom used, and when used they refer to very rich men that made money in finance. Not in the big commercial banks, who are managed by top executives not called financiers. But to refer to persons like George Soros and Warren Buffet, who own large investment funds. A dictionary definition for them is: "a person who has control of a large amount of money and can give or lend it to people or organizations".[22] Here I am proposing a *semantic enlargement* of the concept of financier, comprising not only the top financial managers the major financial institutions and the chief financial officers of the corporations, but also a large number of traders, financial operators, the financial analysts, fin-techs experts, the financial staff of the corporations – young and not so young technobureaucrats formed in the best MBAs in the major universities – men and women that learned the science and the "philosophy" of modern finance. More than just conceding credit, they are charged of directly or indirectly managing the wealth of rentiers and the finance of the corporations, they are involved in financial speculation with the treasuries of banks and companies, in the financialization process were money produces more money, being autonomous of production.

The financiers are the agents of the financialization, a historical process that made finance a source of income and of valorisation of capital independent of production. They are very well remunerated. In France, for instance, they represent just 0.3 per cent of the active population, but control 4 per cent of the salaries received by people making more than 300 thousand euros per year. Why? Due to their high level of education? But they make more than persons with same formation working in other industries. Because their work is very hard? This is part of the explanation. The traders' work is an exhaustive work that involves intense thinking and permanent tension. Instead of dealing with other people and with material things, they deal with financial reports and economic news, and with expected numbers, outcomes that are changing permanently. But the hardship involved in the financiers' work explains only a part of their income. The basic reason for high bonuses and the fortunes that many financiers make is the nature of financialization. It is the fact that in this game income is disconnected not only of production but also of capital. The pure financier does not work with its own capital, but, as if he was an entrepreneur, he looks for "profits" – gains for the rentiers he is working for and commissions and bonuses for himself – which are not the outcome of Marx's non-paid work, nor of Schumpeter's innovation, but of the *bets* he makes on the future prices of stocks, securities, the interest rate, the exchange rate, buying now, buying and selling in the future,

making hedges. Thus, the financier's remuneration is not for his work but for his bets. When the bets are bad, the rentier loses money, the financier, just reputation; when they are goods, rentiers and financiers share the gains. As Godechot remarks:

> The remuneration, including the bonuses, i.e., the yearly payments to the financial operators – usually as the outcome of a subjective evaluation by the superior – seem to be the sun around which gravitates the financial world… The analysis of the case of the financiers allow us to understand the inequlities in the post-Fordist societies. The capital-labour relation loses some of its centrality due to the fragmentation of the salaried people, and the increase of the power of superior strata sometimes called the 'creative class' or the 'the manipulators of symbols' class'.[23]

Many financial institutions have trading rooms where traders buy and sell a range of products on behalf of the company or of their clients, rentiers. Each trader is given a limit as to how large of a position he can take, the position's maximum maturity and how much of a mark-to-market loss he can have before a position must be closed out. The company has the underlying risk and keeps most of the profit; the trader receives a salary and bonuses. Most people who trade on their own account work from home or in a small office and utilize a discount broker and electronic trading platforms. Their limits are dependent on their own cash and credit, but they keep all profits. The financiers are the inventive creators of the "financial innovations" – of the securitization and other forms of financial derivatives that increased powerfully the gains of rentier-capitalists while providing them with high bonuses and commissions and their financial institutions with profits. As the entrepreneurs of the nineteenth century were the "robber barons" who did not hesitate in recurring to corruption to enrich, the financiers also involve in financial fraud quite naturally, or "innocently" – in the words of John K. Galbraith (2004).

The sociological studies of the financial industry or of the financiers is poor. The economic sociology practically ignored them. An exception is Olivier Godechot with his two books – *The Traders* (2001) and *Working Rich* (2007) where he studied the market trading rooms of the financial institutions. The financial institutions have as policy to hire juniors, who just left the university, and take charge of their technical formation. "They avoid employing seniors who, according these institutions, tend to have a 'mercenary behaviour', who use to inflate their gains and realize their bonuses in the first year and leave the company".[24] The financiers and the "working rich", who respond for the large increase in salaries' inequality from the 1980s. "In mid 1980s, the press, the documentaries, essays, films, novels presented a new figure, the one of the *golden boys*. The media, mixing envy, denunciation, and fascination are especially interested in the salary levels of these people." On the other hand, "the media realize that their command of finance gives them a power they do not know how to use."[25] In the financial institutions, the hierarchy is complex and permanently moving. But, "behind the plurality of hierarchies there is a constant hierarchy: the hierarchy of money, although the revenues and bonuses are quite secret."[26] Examining the social origins of the traders in a major French financial corporation, Godechot found that they are "very high once we compare avec the social origins of the population or of a given sector, the engineers and the medium managers below 36 years old of the private enterprises". The wealth and the professions of the fathers as well of the mothers of the traders show that their "initial capital" is high.[27]

When the financier holds a PhD in economics, besides being an academic he is apt to play a second role – the role of the organic intellectuals of rentier-financier capitalism. While in entrepreneurs' and in managers' capitalism the lawyers or the jurists played the role of legitimizing the domination system, in rentiers' capitalism the orthodox economists – academic as well as financial economists – play this role. They are apt to that because in the departments of economics of the universities they learned neoclassical economics and also Austrian economics, which, more than two schools of economics, are the core of radical economic liberalism. Based on the general equilibrium model and on the concept of rational expectations, PhD economists defend the neoliberal reforms – to liberalize and deregulate markets, to reduce direct progressive tax and increase indirect taxes.

Rentiers and financiers are not really interest in production and growth, but in capital gains, increasing indebtedness of the companies, the household and the nation-states, and high interest rates. They are for "free trade" and make speeches against the monopolist power of the corporations but, in practice, defend them because they are in the core or rentiers' capitalism. In this line, they support the intellectual property rules defined in the 1995 TRIPS which are a source of monopolist power for the corporations.[28] Thus, although the orthodox economics that rentiers and financiers share are said to represent pure rationality, it lives a permanent contradiction. Their organic intellectuals defend free trade but protect monopoly, and, as we will see in the next section, defend fiscal discipline, but they are deeply interested in increasing debt as much as possible the private and the public debt.

The logic of maximum debt

Financial markets are permanently subject to conflicting interests and straight fraud. In *Darkness by Design* (2019), Walter Mattli presents a dark picture from which the New York Stock Exchange is not saved. In his sober and objective book, he argues that the problem is new. He shows that "good governance prevailed, on the whole, during most of the twentieth century (see chapter 3). Over the past decade, by contrast, bad governance has been on the rise (chapters 4 and 5)." In relation to the NYSE, before 2006, "it has uncovered many instances of improper trading, and was faulted by the Securities and Exchange Commission for not following through robustly". But things deteriorated from this, when "NYSE began operating as a for-profit, public owned company in a rapidly fragmented market. Less than a decade later, the new NYSE become target of three major SEC enforcement actions."[29]

Financiers and rentiers are the agents of one of the main logics of neoliberal capitalism: "maximum but controlled debt". They wish that the companies, households and the state get indebted the greatest possible without incurring in insolvency. Demand for their loans is not faltering, because there always people ready to get indebted. Thus, rentiers are interested in the interests and financiers, in the commissions and bonus that go together with debt. While the companies search to achieve profits above the normal profit with innovations and increased monopolist power, the financiers' success depends on how good the bets are when they make direct loans, or deal with securities, stocks and foreign money – bets that are often powered by internal information and fraud. The general strategy is curiously contradictory. Is to increase the public and the private indebtedness so as to make the individuals, the companies and the

state paying the maximum volume of interests and dividends to rentiers, while asking the state to act with "prudence", in "austere" way. The large commercial banks found other sources of profit, but they, the as well as the financiers and the rentiers in other sectors count on increasing debts of all sort to maximize their revenues. Thus, despite the severe austerity preached by the liberal orthodoxy, debt has increased enormously in rentiers' capitalism. Adair Turner (2016: 22, 74), who is a firm critic of debt, underlined that the 2008 crisis was essentially a problem of the private debt of advanced economies, which increased from 55 percent in 1950 to 160 percent of GDP in 2010. As he puts it, "…the big problem we faced was not an impaired financial system but a severe debt overhang in the real economy". Actually, rentiers' capitalism faces internal contradiction: debt must always increase, because rentiers must have an application for their capitals, but debt must be controlled, because the ghost of financial crises and of default is permanently overhanging.

Why debt don't stop increasing. Why, after increasingly enormously before the 2008 crisis, they soon resume explosive growth while the real economy recovered slowly, hesitantly? Aren't the households, the companies and the state unable to control their debt? In the more developed countries, the control over the public debt was clearly more successful than the control on the private debt. Politicians and economists know well that the public debt must be firmly controlled if the country is to grow orderly. They know that this rule can only be suspended for a short period to make fiscal policy countercyclical. Thus, the huge increase in public debt in the European countries after 2008 was not a consequence of irresponsible spending (except Grecia) but the result of the high cost in bailing out the banks in 2008-09 and of the countercyclical policies that all rich countries correctly adopted in 2009. Was not for that, the Great Recession (2009-2015) would had turn into a new Great Depression.

In the private sector, which orthodox economics assumes the market will coordinate efficiently, debt is necessary to finance trade, the investments of companies and the purchase of homes, but the increase of the private debt after 2008 went far above these requirements. powered by the high interests of rentiers, the high commissions of financiers, and the high profits of the banks. Before 2008, mainly in the US, the huge increase in the debt of households was a perverse way of keeping the demand strong while wages stagnated. In other words, advanced capitalist countries are usually successful in keeping the public debt under control – more successful than in controlling the private debt, because governments and the public opinion are concerned about the problem, and governments have the instruments to keep public sound finance. The problem is more complicated in the private sector. Neoclassical economists assume that the market keeps the private sector always under control, but the reality falsifies consistently such belief. Minsk's Ponzi finance (1986), Kindleberger's manias and panics (1989), Soros' reflexivity mechanism (1998), Galbraith's innocent fraud (2004) as well as herd behaviour and asset bubbles are part of day-to-day capitalism. In Fordism, governments were able to countervail such type of behaviour, and financial stability was achieved, but once rentiers and financiers came to power, after 1980, financial deregulation and crises were back, and financial instability skyrocketed. The 2008 crisis brought back regulation, but the resistance of banks to achieve the required capital ratios remains strong, the stock markets soared again, and the financial markets remain unstable, ready for a new financial crisis.

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[1] Guenaëlle Lenoir (2019: 15).

[2] https://en.wikipedia.org/wiki/Colloque_Walter_Lippmann, consulted at March 23, 2019.

[3] Serge Audier (2008) wrote a full book on Walter Lipmann Colloquium and the birth of neoliberalism.

[4] The paradigmatic analysis of this crisis is in Carlos Diaz Alejandro (1981).

[5] Crouch (2019: 8)

[6] Quoted by Serge Audier (2008: 11).

[7] Harvey (2005: 3).

[8] In other words, it depends on the unit labour cost (wage rate divided by productivity) of the country compared with the unit labour cost of its main competitors.

[9] The Dutch disease is a long-term overvaluation of a national currency because it exports commodities which, benefited from Ricardian rents or from commodity booms, can be exported with a satisfying profit rate at an exchange rate substantially more appreciated than the manufacturing industry in the country that utilizes the best technology available in the world requires to be competitive. It is a major competitive disadvantage the variable tariffs, varying according to the international price of the commodity, neutralize regarding the domestic market (Bresser-Pereira 2008).

[10] Bresser-Pereira, Marconi and Oreiro (2014), Bresser-Pereira (2008; 2016; 2019@#).

[11] Wright Mills (1956), Rothkopf (2008: IX). For the later are members of the superclass "heads of state, CEOs of the largest companies, media barons, billionaires who are directly involved in their investments, technology entrepreneurs, oil potentates, hedge fund managers, private equity investors, top military commanders, a select few religious leaders, a renowned handful of writers, scientists, and artists, even terrorist leaders and master criminals.

[12] Money holders or, in Marx terminology, the owners of "interest-bearing capital".

[13] Werner De Bondt (2005: 168). Full-employed: Belgium, 4d8; Britain, 36; France, 42; Germany, 42; Italy, 61; Spain, 53 per cent. High education: Belgium,70; Britain, 46; France, 47; Germany, 61; Italy, 72; Spain, 46 per cent.

[14] Piketty (2013: 188).

[15] Montlibert (2007: 9).

[16] Following Bourdieu (1976), with the exclusion of the intellectuals or the university professors, who tend to be progressive. But this is a relative exception. Most of them end up being organic intellectuals of neoliberal and rentier-financier capitalism.

[17] Alex Preda (2005: 147; 155).

[18] Without real reciprocity because, in the case of developing countries, they offer their domestic markets to rich countries without that the later offer their domestic markets in return. The reciprocity would come through their investments, but what experience and developmental macroeconomics show is that there is a high rate of substitution of domestic for foreign savings, and, in consequence, the increase rather of consumption than of the total investment rate (Bresser-Pereira, Marconi e Oreiro 2014).

[19] The Wikipedia defines cowering as "a social gathering of a group of people who are still working independently, but who share values[2] and who are interested in the synergy that can happen from working with people who value working in the same place alongside each other". (Checked, 28.3.2018)

[20] Scott (1982: 56). By "magnates" Scott does not mean the rich merchants but the "landed magnates", the chief barons whose interests "lay in reducing the king to the position of first among equals" (p.22).

[21] Montlibert (2007: 20).

[22] Cambridge Dictionary, https://bit.ly/2H86ZUl, May 8, 2019.

[23] Godechot (2007: 13-14).

[24] Olivier Godechot (2001: 135).

[25] Godechot (2007: 11).

[26] Godechot (2001: 243).

[27] Godechot (2001: 140).

[28] Since 1995, the TRIPS (Trade Related Aspects of Intellectual Property) bind all members of WTO (World Trade Organization).

[29] Mattli (2019: 5; 109 and 110).