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The Social Structures of Financialised Accumulation: a contribution to the analysis of capitalist finance.

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Abstract

Our purpose in this paper is to outline the general properties and significant relations of a financialised accumulation regime from a sociological perspective. As a contribution to the "financialisation" literature this paper focuses on the institutions and institutionalised relations that characterise such an accumulation regime as a social structure of accumulation, which it brings together in an "idealtypical" fashion. We propose drawing on Keynes' analysis of industrial and financial circulation as a principle that organises the structural relations between forms of financial relations and institutions and delineates their relationship to industrial – corporate accumulation and to the economy as a whole. Our argument implies that the interrelations between financial and industrial circulation, typical of a financialised accumulation regime, are not characterised by the disconnection or radical autonomy of finance; we rather argue that financial capital's dominance can be more appropriately understood through an analysis of its structural and hierarchical embeddedness in industrial circulation. We will explore in the paper the forms of structural and hierarchical embeddedness, linking a specific determination of industrial circulation by financial processes.

SER Keywords

Financialization, Social structure, Financial institutions, Institutionalism, Capitalism

JEL classification

B52, Z13, E44

Introduction

A growing literature in sociology and political economy argues that the fordist accumulation regime typical of advanced capitalist societies during the postwar era of the twentieth century has been succeeded by a "finance centered" form of advanced capitalism (Minsky, 1992, Krippner, 2005). Regulation school theorists such as Boyer (2000) and Aglietta and Rébérioux (2004) argue in their terms that a finance centered accumulation regime has developed amongst anglosaxon capitalisms as one of many outcomes of postfordist "regulation". Others have shown that continental European and Asiatic capitalisms are as well deeply affected by this process, which is intimately linked to globalisation (Morin, 2006, Crotty 2000). A number of more Marxist observers argue that the dominance of financial accumulation can only be understood at a global level and are deeply critical of any analysis of financialised capitalism that maintains methodologically nations and national economies as frameworks for their study (Chesnais, 1996, 2000 and 2004, Arrighi, 1994). More recently cultural economy approaches to financialisation (Froud, Williams et al. 2006), for their part have focused on the processes and narratives associated with the rise and centrality of finance, but are highly critical of the "epochal claims" of political economists concerning the demise of fordism and the emergence of a new and stable era of accumulation. Their main criticism concerns not the plausibility of such a historical transformation, but the fruitfulness of historical typologies in themselves, they also critique the overgeneralising tendency of the epochal method itself.

Though we do share the cultural economist's concern for a more sophisticated analysis of the current effective interrelations between financial actors and institutions and other generic economic actors and institutions, as well as a focus on the performative aspects of narratives in these interactions, we strongly believe that an empirically informed

sociohistorical distinction between accumulation regimes can effectively contribute to an understanding of the social structure that forms the institutional space in which the processes identified with financialisation are materialised and expressed. More precisely, we believe that the processes associated with financialisation are structured by a defined set of institutions and social relations that have on the one hand a specific mode of unity as an institutional regime, but on the other hand, this unity is historically contingent and does not obey an overarching teleological principle of evolution. Given this, we have found the idealtypical method to be a specifically fruitful approach in mapping out these relations. What follows uses this method to contrast two very different modes of unity of a capitalist financial system and two very different sets of relations between this system and industrial accumulation. To do so we have drawn in a free manner from postkeynesian and regulationist theoretical corpuses without adhering strictly to one or another approach. These insights have been combined in an economic analysis one can qualify as a “critical sociological institutionalism” as delineated by the work of canadian sociologist M. Freitag (2002).

Towards an idealtype of financialised accumulation

Financialisation can by defined as a social process whereby financial assets, relations and institutions become core features of a new accumulation regime in advanced capitalist economies. Sociologically one must think of financialisation, just like fordism, as a “total social process” which encompasses cultural and political spheres of society and comes together as an “Economy/society nexus” defining the general articulation of capitalism as a social system to society as a totality and to social subjects as identities. A nexus that establishes at the ideological level a link between economic development and the historicity of advanced Capitalist society which

legitimates the financial “régulation” of accumulation, social activity and individual status (Pineault, 2003a).

In a political economy perspective this implies a gradual shift of the institutional basis of capitalist accumulation from the wage-labour nexus of industrial capital to a new nexus based on financial capital (Boyer, 2000). Does this mean that capital accumulation, in this context, is somehow not dependent on the mobilisation of social activity as abstract labour? No. What it does imply is that wage labour as a social relation, though the effective base of any accumulation process totalized as a capitalist economy, is not, in this case, the determining factor of the *institutional* framework of the accumulation regime. Other economic relations have gained a greater capacity to structure the regime, such as the relations between “shareholders” and corporations, between banks as purveyors of credit and wage earners as mass consumers or between pension funds as financial investors and workers as mass savers. The institutional framework of social relations that regulate a given accumulation regime is necessarily a hierarchical structure (Boyer, 2004), in a financialised accumulation regime the wage labour relation and its related institutions are pushed to the lower rungs of the hierarchy as financial relations and institutions gain in prominence, importance, and structure. From a macro-economic standpoint, this inverts the fordist institutional configuration of “financial repression” imposed in the wake of the 1930’s crisis in advanced capitalist societies like as Canada and the U.S. through such measures as the Glass-Steagal act. Though wage-labour remains an essential institutional form in the new financialised regime, it has been theorized as an adjustment variable that dynamically adapts to a financial logic of accumulation (Boyer, 2000), and even acts, as in case of “stock market layoffs”, as a cushion absorbing financial shocks and smoothing out a speculative finance driven accumulation pattern (Crotty, 2000)[1].

Does this mean that the control and exploitation of wage labourers is no longer an issue for financialized capitalism ? Again no. As shown by Froud et al. (2000) the nature of the wage labour relation is an omnipresent concern in financialised accumulation, but the politico-economic context has "disorganised" wage-labourers collective capacity of resistance to claims by corporate capital for flexibility and wage-income reductions. Thus social conflicts between organised workers and capital over the nature of the wage-labour relation are not (currently) a structuring mechanism in the accumulation regime, rather we will adopt the working hypothesis, shared by most analysts of financialisation that financial capital's power is directed at the corporate economy as a whole, often taking wage-labour's submission as given. Though class dynamics haven't been evacuated from such a regime the classical conception of a capital labour conflict embedded in the sphere of industrial production cannot be the obliged point of departure or foundation of a critical analysis of financialisation.

2. The Institutional structure of capitalist finance

The point of departure of our institutional analysis of capitalist finance will be the banal sociological proposal that financial capital does not exist in itself as an "objective thing" it is an institutionalised being and thus is a sociohistorical and cultural construct. At this point we could follow a path that would lead us from this basic sociological intuition directly to discourse, radical constructivism, deconstruction and eventually Foucault... This is not the direction we wish to give to our inquiry, our institutionalism being more "classical". Let us rather start from Simmel's proposal that money and derived financial assets existing as "things" are reified social relations that act as objective *mediations* of day to day practice. Put another way, financial capital exists as the reification of a financial relation.

Secondly in advanced capitalism, and in capitalist economies since the inception of modernity, financial relations are institutionalised in certain precise and defined ways: the production, reproduction and reification of a defined financial relation is an "institutionalised process" to use an expression taken from Polanyi[2]. Finally, financial relations are directly related to money as an objective social *institution*, their possibilities and characteristics are derived from the nature of this institution. We can't here present a thorough argument concerning the institutional nature and properties of money, a rapid summary will have to suffice drawn from Geofrey Ingham's (2005) as well as our own work and that of French economists Jean Cartelier and Michel Aglietta (1999). It is important to note that much of this work on money concurs with the "horizontalist" approaches to endogenous money developped by postkeynsian and circuitist schools of thought (Rochon, 2000, Lavoie, 2006).

i. liquidity and money as a social institution

For the purposes of our argument it is important to accept the following postulates concerning money as a social institution. Money though endogenous to the economic process depends on a form of legitimacy outside of the economic sphere, this socio-political legitimacy is the basis for money's "ideal" economic effectivity as an unequivocal right on social wealth and as means of payment of debt. Money exists in the economic process primarily as unit of account and as a means of payment. The means of payment, whatever its form – commodity, paper, electronic – materialises a recognised amount of units of account and can actually extinguish debt (Pineault, 2003b). Money as an institution thus exists independently from commodities and markets. The above properties define monetary liquidity, financial capital is liquid in reference to this more fundamental form of liquidity, which in the last instance depends on a extra-economic form of

legitimacy (Orléan, 1999).

Furthermore money, as attributed units of account that can be materialised into means of payment, not only circulates, but is produced as credit and can be destroyed through final repayment of this credit. The production of credit money is an endogenous economic process that takes place in specific institutionalised relations, following Aglietta and Cartelier (1999) these relations can be theorised as a defined set of "moneying regimes" typical of different sociohistoric forms of capitalism. These regimes spell out the specific rules that govern the production and reproduction or destruction of money in the economy. This act of production is never a unilateral act, it is always a socioeconomic interaction between economic subjects or actors. In modern and contemporary capitalist economies, other then the State, Banks hold an institutional monopoly on the production and destruction of credit-money, they are thus not only a party involved in the social relation of moneying, they tend to have the capacity to define the specific rules which govern and regulate this relation. The moneying of capital: the production or reproduction of credit-money for capitalist enterprise, is thus an important power banks hold over the economy and it is an asymmetrical relation. If, on the one hand, this power is not *sui generis* - it depends on the higher institutional framework of monetary liquidity produced and legitimated by the State and Society – Banks do have an important autonomy in the actual formation of the rules governing the production of credit-money, and this autonomy has been substantially reinforced in the current neoliberal context.

To sum up, money has been defined as liquid quantitative rights on social wealth and as a means of payment of debts. In a capitalist context this also signifies that money is a right on social activity as labour. We postulate that money does not exist in itself as a natural entity (gold), nor does it have an exogenous origin, money is produced in defined social relations, and in a

capitalist context moneying implies the creation of “uncommitted” present rights on social activity as labour or on social wealth as commodities. Moneying, though an asymmetrical relation, can transform the debtor into a capitalist, just as the reproduction of credit-money can insure the survival or perenity of capitalist enterprise. Finally, this endogenously created monetary liquidity depends on an external source of legitimacy in the form of political authority as well as cultural habit.

Financial capital, like monetary liquidity is produced, reproduced and destroyed, it implies power and represents claims on social wealth but indirectly as claims on an other actor’s income or capital, this mediation is an essential dimension of financial liquidity. Like money, financial capital is produced in the context of an interrelation but its liquidity is much more fragile and implies a whole different set of institutions and processes. Financial capital’s liquidity not only depends on its articulation to monetary liquidity but also on constant institutionalised process of “valuation” (valorisation). It is to these relations and institutions that we will now turn.

ii. Basic financial relations

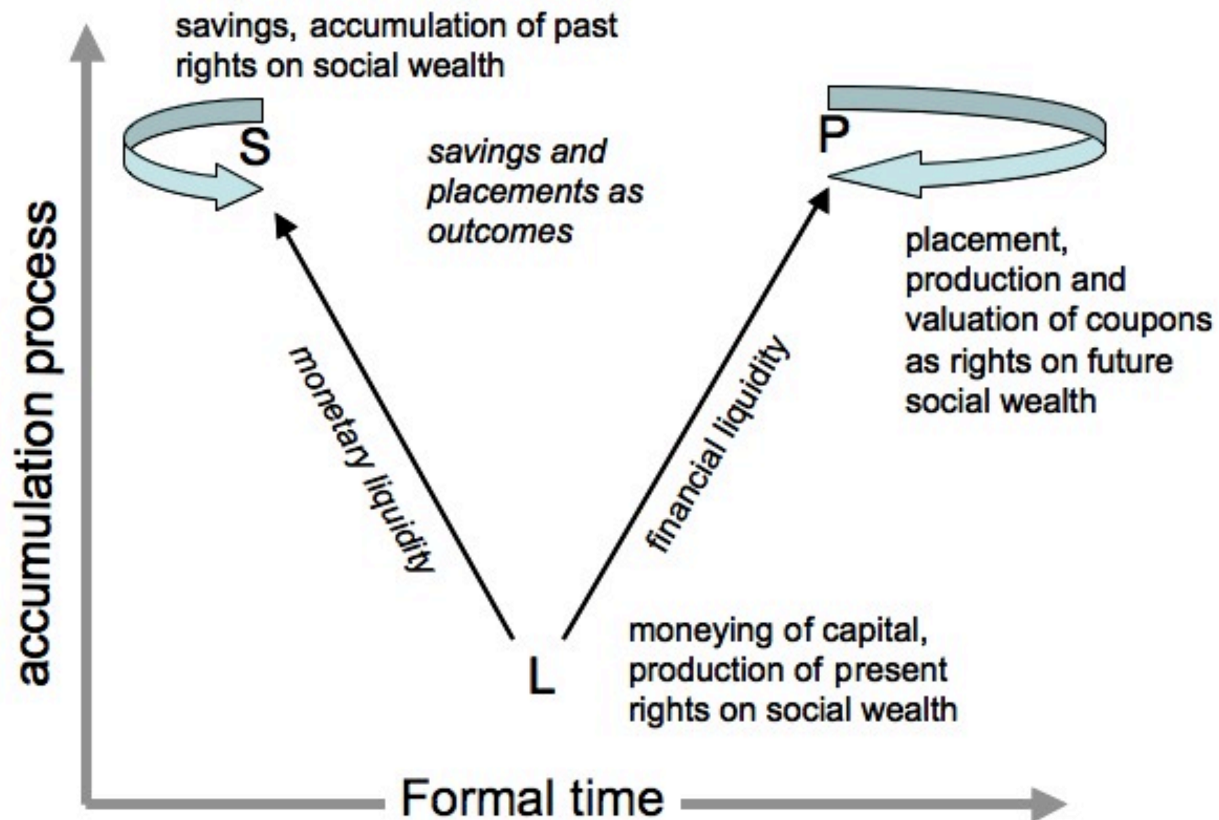
The institutional structure of a capitalist financial regime rests on three basic financial relations, drawing on keynesian literature - essentially Keynes (1953), Joan Robinson (1956) and Minsky (1975, 1986) - we have reduced the diversity of financial relations in capitalism to three generic forms.

- *Savings*: the preservation of money as money
- *Bank credit*: the moneying of capital in its diverse forms
- *Financial Investment / Placement*: producing liquidity of debts, stock and other financial assets as coupons (Froud and Williams, 1999). Drawing on Robinson (1956) we explicitly distinguish “placement” from investment,

and as will be argued further below these two forms of economic activity obey radically different logics. These three relations represent modes of financial accumulation and thus of asset formation, they determine differently capitalist reproduction and are hierarchically structured in different regimes. A distinctive financial regime implies the dominance of one these forms or of the articulation of these forms.

To illustrate the different nature and properties of these basic financial relations we can project them on a figure built on the distinction between two temporal structures, at the bottom a horizontal axis representing formal (projected) time and a vertical axis presenting the actual historical process of accumulation. In this figuration of financial relations savings and placements appear as outcomes instead of *sui generis* assets, and their existence depends on two distinctive forms of liquidity. "*L*" as endogenous money creation is the base relation, which can then project itself into the past as savings "*S*" or into the future as placements "*P*". Each projection reflects an accumulation process, drawing on Keynes we can define the materialisation of this process as distinctive forms of circulation.

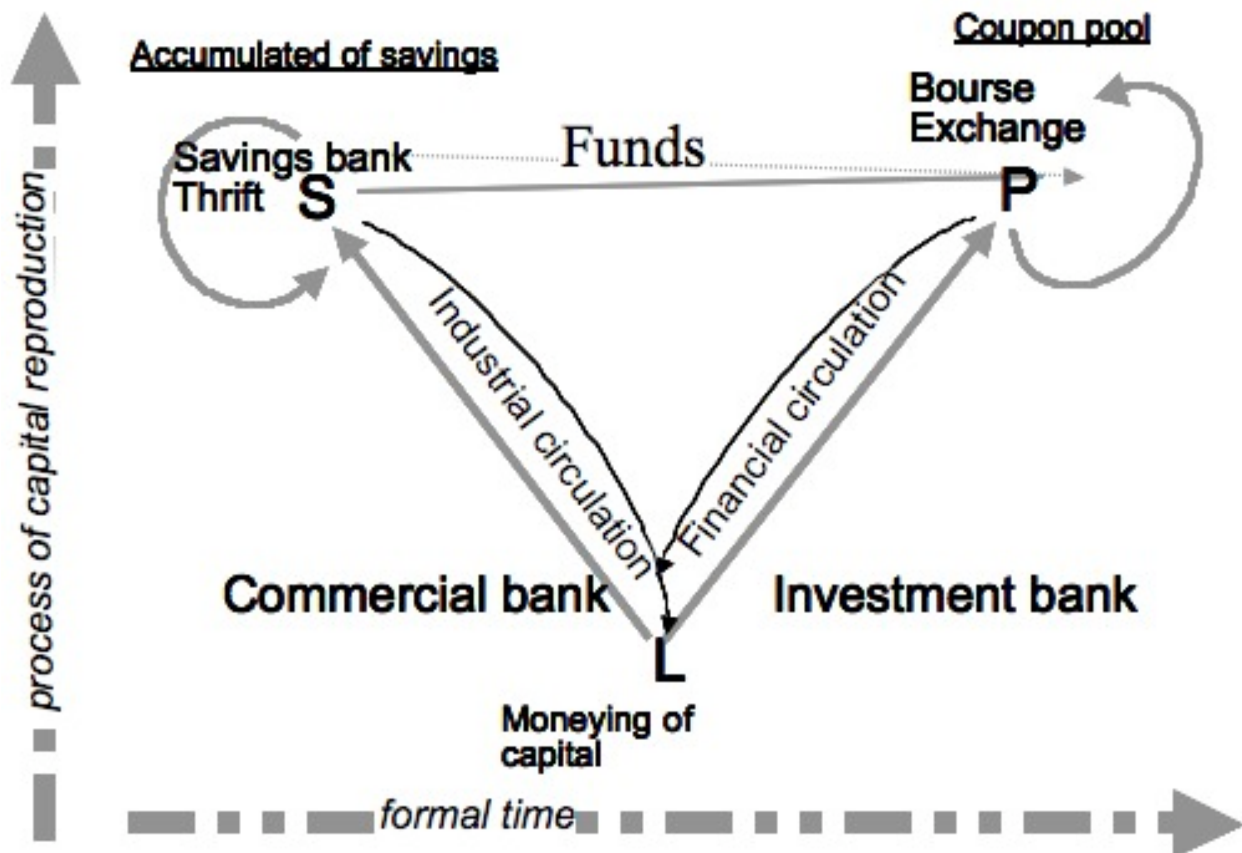
Figure 3



Before turning to these distinctive forms of circulation which form the core of our ideal type we can use the above figure to define the generic financial institutions of an advanced capitalist economy. These are conceptualised as organisational forms that produce and legitimately reproduce these relations as "their" form of capital accumulation. Actually existing financial organisations, such as *Citigroup*, often combine these various institutionalised activities. *Commercial banks* produce monetary liquidity through the moneying of industrial and commercial capital and reproduce savings, *Investment banks* produce and reproduce financial liquidity, that is they "money" financial capital, produce coupons and participate in their valuation. A last and very important generic type of financial organisation is

the *Fund*. Its particularity is the absence of the capacity to money capital, the type of financial relation it produces is not tied to a process of endogenous money creation. It can be defined as the metamorphosis of savings into placements, which is a very paradoxical relation since acquired rights on social wealth are transfigured as uncertain rights on projected future social wealth. Figure 4 places these three forms of financial institutions on the structure of figure 3.

figure 4



A defining characteristic of the current financialised accumulation regime is the predominance of funds and the “massified” nature of the relations they produce (Harmes, 2001). Pension funds, mutual funds and to a certain extent hedge funds, can be defined as collectors of mass savings which are then transformed into mass financial investment, this process of metamorphosis produces an organisational veil between the two dimensions of their activity, the social power of fund managers in contemporary capitalism is, among other things, a function of this veil interposed between wage earning mass savers and the conversion and mobilisation of their savings as financial capital. The paradoxical situation of the unionised worker being laid off due to the financial pressure of his own pension fund can be explained in this context.

iii. The institutional system as a whole: industrial and financial circulation

We can now gather together the above observations concerning financial relations and institutions into an idealtypical presentation of a capitalist financial regime as a whole, as a system of interrelations structured by two circuits, industrial circulation and financial circulation, as shown in figure 4. Our system has three poles L, S, P, two of which, S and P, depend on a base, L. The base of the system is dominated by banks and their sociopolitically recognised and institutionalised capacity to produce money endogenously whether for industrial or financial circulation. Such an understanding of the centrality of banks in any financial regime was first proposed by Keynes in his analysis of the legitimate activities of banks in his *Treatise on Money*, which we will cite at length:

> In actual fact the banking system has a dual function-the direction of the supply of resources for working capital through the loans which it makes to producers to cover their outgoings during period of

> production (and no longer), and of the supply *pari passu* of the current cash required for use in the Industrial Circulation; and, on the other hand, the direction of the supply of resources which determines the value of securities through the investments which it purchases directly and the loans which it makes to the Stock Exchange and too the persons who are prepared to carry securities with the supply *pari passu* of the savings-deposits required for use in the Financial Circulation to satisfy the bullishness or bearishness of financial sentiment. (1953: 347)

The Keynesian view implies the primacy of credit money over other forms of money and over liquid financial assets, the production of endogenous money linked to either industrial or financial circuits. In this perspective, a distinction between "bank" based financial regimes and "market" based financial regimes is in fact a distinction between two forms of bank based regimes, a first structured by monetary liquidity and a second structured by financial liquidity. In the first instance actually existing banking organisations tend to define themselves through the institutional functions of a commercial bank, their mode of accumulation is intimately tied to producing and maintaining monetary liquidity and industrial circulation, in the second instance, "financial market" regimes imply the dominance of the institutional functions of investment banking. This distinction is not absolute, it must rather by understood as a dynamic polarity between two forms of liquidity, one predominating over the other. Thus in market based financial regimes, financial liquidity tendencially becomes the precondition for monetary liquidity, bank credit is coupled to the capacity to produce, circulate and valuate coupons as in the commercial paper or asset backed securities markets[3]. The relative dominance of one form of liquidity over another has important consequences on the general trajectory of capital accumulation as we shall see. To understand these consequences we must refine our analysis of both forms of circulation.

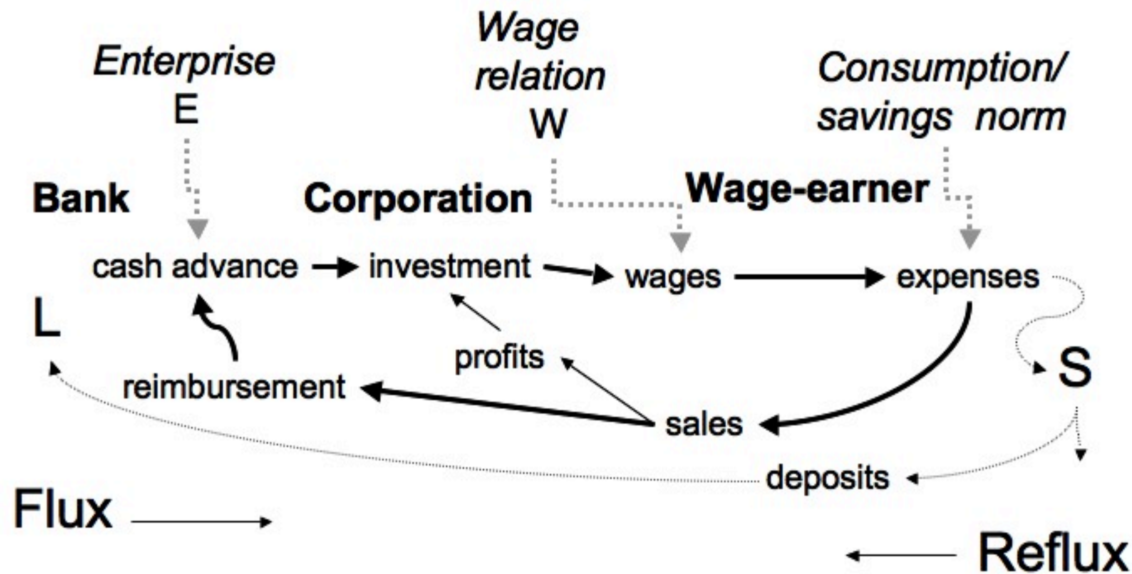
Social structures of industrial circulation

Our model of the social structures of industrial circulation completes

Keynes' concept with institutional insights from regulation and postkeynsian theory. Industrial circulation can be defined as a classical circuit[4] where endogenous money is produced in a relation between a firm and bank, circulates as flow marked by a series of structuring moments from efflux of money in the circuit to reflux of money back to the banking sector where it will be destroyed, the whole tying together the L and S poles of industrial circulation. We have retained three defining moments in industrial circulation, each theorised as an instutionalised relation marking the efflux part of the circuit. These moments are "Enterprise" the initial bank – firm relation that launches industrial circulation, the second is the "wage-relation" as theorised by regulation theory and the third is the consumption norm, at which point the circuit comes around on itself in the reflux phase. As depicted in figure 5 below Savings "S" appear as a function of the consumption norm, in the sense that this relation, in terms of the form of savings and their amount, depends on the institutionalised norm.

figure 5

Industrial circulation: instituted socioeconomic relations



In this model, enterprise (E) governs the level and orientation of investment and production, the wage-relation (W) governs the level and nature of employment, productivity and profitability (wage-profit trade off) and the consumption norm (C) governs effective demand and the level of savings (S). During the fordist accumulation regime, characterised in North America by what Minsky (Minsky, 1992) has described as a "managerial capitalism" the various relations of industrial circulation where strongly interlocked with one another in a sequential manner and rather insulated from claims and dynamics of financial capital, financialisation, as will be shown shortly can be understood as an inversion of this relationship, the sequentiality of industrial circulation is broken and each relation is determined by the logic of financial accumulation, the unity of industrial circulation is thus the product of financial circulation.

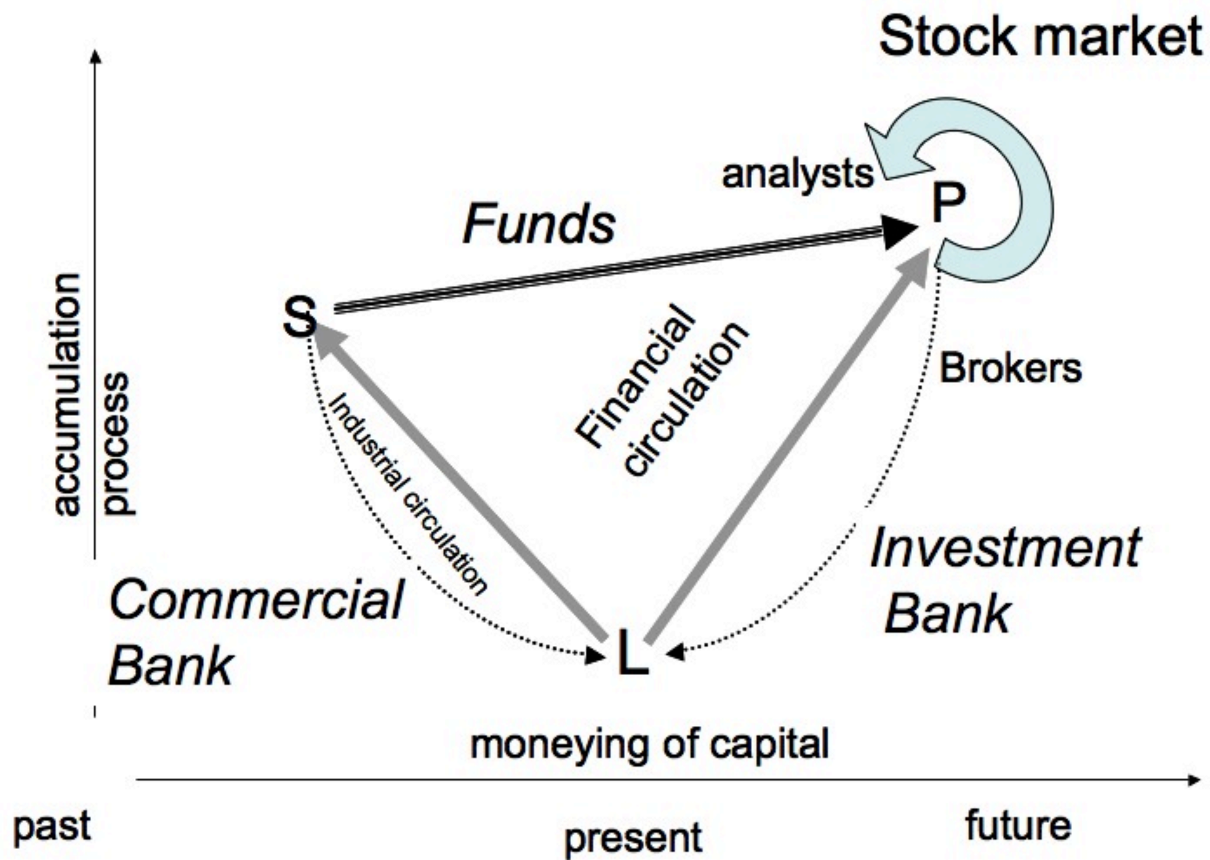
Social structures of financial circulation

Financial accumulation is marked by a tension between Investment Banks as producers of financial liquidity *L* and financial markets and formal exchanges as sites of valorisation of placements *P*, what Froud and Williams

name “coupon pools”. As shown in figure 6 below between these two poles that mark the limits of financial circulation, one finds a number of intermediary sites and organisations such as brokers, analysts, arbitragists all responsible for the reproduction of financial liquidity. Inside this structure circulate a number of assets that can be classed according to their degree of distance from monetary liquidity and the increased dependence for their valuation and the reproduction of their value as liquid financial capital on various communicational/cultural processes. In all their forms these coupons represent claims either on actors and elements of industrial circulation, or represent claims on elements and actors of financial circulation themselves through layering or derivatives. As claims they represent directly or indirectly power over income and assets, and this as we shall see is an essential dimension of the interactions between financial and industrial circulation.

Figure 6

Social structure of financial circulation



At the L pole of financial circulation one finds the investment banks who not only produce the various coupons by transforming a debtor/creditor or investor relation into an asset able to circulate, but who also finance the brokers and arbitragists who will initially purchase these coupons and convey them to exchanges, markets or portfolios of financial investors, in particular to various funds. The endogenous production of money is, in this context, as important as the production of the financial liquidity of coupons for financial circulation. At the other end of the circuit is the P pole characterised by the ensemble of actors and institutions that together form various interlocked sites of valuation and reproduction of financial assets in a liquid form.

Given the anticipatory nature of the P pole, this process of valuation as argued by Keynes in the General Theory and more recently by Orléan (1999)

is a self-referential and conventional process dominated by "communicative" practices. But in no way is it "disconnected" or "fictitious", financial capital represents claims on assets or income streams, and though they can be valorised through their liquidity they can also be valorised through the enforcement of these claims. Financial capital's power over industrial circulation is not only a function of its liquidity, it is also a function of its capacity to enforce the claims on assets and income implied in the financial relation constitutive of a given coupon such as commercial paper, bonds and shares. This enforcement, as an alternative or complementary means of valorisation to liquidity, is not exercised in a vacuum, it is neither an abstract principle as often depicted by critical analysis of "shareholder value", it is exercised precisely on the structuring relations of industrial circulation, that is on the enterprise relation, the wage relation and the consumption/savings norm.

We can now sharpen our idealtype by opposing the formal properties of "industrial" accumulation to those of financial accumulation. The former is characterised as being determined by the division of labour and the irreversible metamorphosis of money as capital as a point of departure, the latter has the opposite characteristics, financial capital is a form of valorisation that projected itself in a sphere of "indetermination" and reversibility. The social structure of financial circulation leads precisely to the institutionalisation of sites and practices of valorisation characterised by these formal properties. The interactions between the two circulations are characterised by the tensions between the opposed and even contradictory formal properties of each process of accumulation. This is not an opposition between abstract principles, it must be analysed as a very real tension between different processes.

3. Interactions between financial and industrial circulation in

financialised accumulation

Contra approaches based on radical autonomy, dichotomy or disconnection of both forms of circulation we stress the need to develop an approach that examines their interaction. We propose to do this by mobilising the notion of hierarchical embeddedness. In a financialised accumulation regime one can posit that financial capital interacts with industrial capital by embedding itself in the key moments of industrial circulation. This embeddedness is hierarchical: the sequentiality of industrial circulation comes to depend on specific processes and relations inside financial circulation, and in this specific context where *financial capital mediates the reproduction of industrial capital's social structure* the former acquires the capacity or power to orient and determine, according to its own logic, industrial circulation and its structuring relations. One can further posit that generic economic actors (corporations/wage-earners) can engage in activities in both industrial and financial fields, though they enter a space where these sites and relations are controlled and produced by powerful financial actors. Such interactions involving power and control generate important structural interdependencies between industrial and financial circulation and valorisation, which is exactly the opposite of perspective implied in the disconnection thesis.

The elements delineated above, just as the concrete representations below, are first and foremost valid as methodological tools that can be used to observe empirical events and occurrences and interpret their significance in a wider macro-institutional framework. In themselves they do not have validity as a theoretical macro-economic model. The idealtypes which we will now present are proposed as guides to this empirical work and to the interpretative task that follows.

i. The minskian typology of finance regimes: managerial capitalism and money manager capitalism

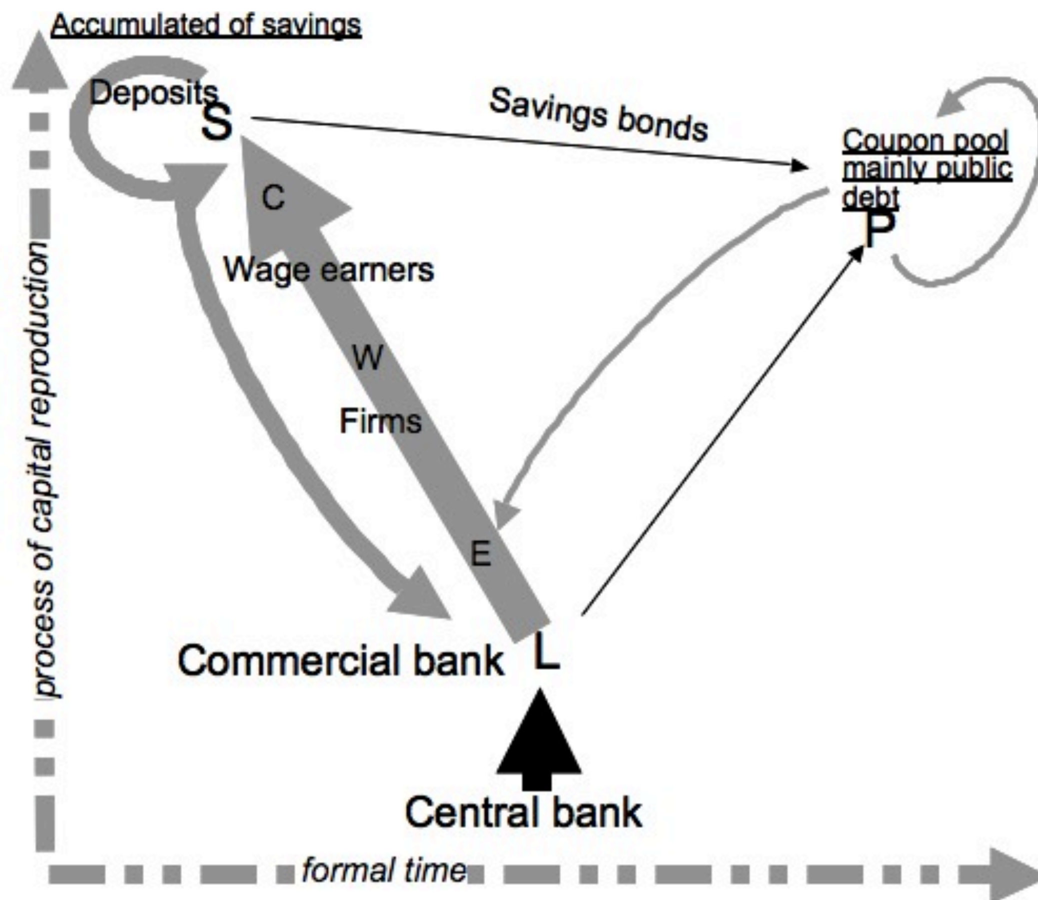
Rather then examining the interactions between industrial and financial circulation in the abstract we will ground this analysis in history by constructing two opposed idealtypical financial regimes, a first associated with managerial capitalism and a second with financialised capitalism. The second regime of capitalist finance will retain most of our attention, the first will actually function as a "backdrop" against which the nature and properties of financial accumulation will more easily be exposed. The institutional characteristics of these two regimes of capitalist finance are drawn from Hyman Minsky's later work during the eighties and early nineties on different historical forms of financial capitalisms (1990, 1992, 1996). They roughly correspond to the regulation school distinction between fordist and postfordist accumulation, but emphasize the financial aspects of these accumulation regimes.

Managerial capitalism as depicted in figure 7 below is structured by the strong coherence of industrial circulation and the relative marginality of financial processes in the accumulation regime. As argued by Aglietta (1997), Boyer (2004) and others, a defining aspect is the structural coupling of the three moments of industrial circulation - the relation of enterprise, the wage-labour relation and the consumption norm - in a coherent and self-reinforcing manner. From a financial perspective, the logic of the accumulation regime is dominated by monetary liquidity: the significant actors in this context are commercial banks and the money market, largely under the control of the central bank. Sites of financial capital valorisation are paradoxically, in this specific context, largely "disconnected" and the main financial asset exists in the form of public bonds and short term paper such as T-bills, claims on the public debt, rather then as claims on private enterprise. As argued by Minsky these public instruments do intervene directly in the industrial accumulation process by acting as a source of liquidity for banks engaged in the financing of long term investments or

engaged in short term revolving finance for productive purposes. In the North American context this idealtypical form of capitalist finance was predominant from the postwar years up until the early eighties.

Figure 7

Managerial finance regime and fordist accumulation



Financialised accumulation is aptly understood in its opposition to this first idealtype, not only on theoretical grounds, but more precisely on historical grounds. The financial regime that Minsky defined as "money manager capitalism", based on the centrality of funds and financial markets, was constructed in *political* opposition to and through the deconstruction of the

previous regime. A first defining mutation was the transformation of the status of wage earner savings. These gradually - through the development of mass savings mechanisms such as life insurance and more importantly pension funds and then mutual funds - autonomised themselves from regulation by the consumption norm. Their nature and volume, as mass savings, answered a new logic of the organised capture of wage earnings and their metamorphosis into mass and passive/organised financial investment. Placement, and its logic of financial valorisation thus gained a first grasp on industrial circulation. More importantly, a steady and predictable flow of mass savings was in ever greater volumes, being converted into financial capital, and a significant aspect of this institutional development was the capacity of a small number of financial actors to concentrate the management of this financial capital. For if the "mass savers" hold claims on funds, they do not normally have the capacity to exercise the power created by the conversion of their organised savings into financial capital[5]. Legally the fund exercises the claims of financial capital for the benefit of the mass saver redefined as mass investor. The manager's activity is function of the unitholder's passivity.

At the other end of the axis of financial circulation, large commercial banks favoured by a series of deregulatory policies where able to redefine themselves as investment or quasi-investment banks. The moneying of capital was thus gradually diverted from its immediate articulation to industrial circulation and rearticulated to financial circulation. The floating of securities on the markets and exchanges became the condition of possibility of industrial finance[6]. The enterprise relation, which defines the level, volume and nature of investment and production, depends in this context on the dynamics and requirements of the valorisation of financial capital. Moreover this determination of enterprise by financial capital is not a static process, it is self-expanding in the sense that each determination

leads to new enforceable claims. An extreme version of this dynamic is the explosion of mergers and acquisitions. Another important aspect of this dynamic is the communicative infrastructure developed by financial actors to observe, evaluate and orient enterprise in function of the liquidity and valorisation requirements of financial capital. Whether it be quarterly conference calls, analyst reports or financial journalism these cultural practices developed by large investment banks all act as performative mechanisms that orient and monitor industrial activity.

Figure 8 presents the significant relations inherent to financialised accumulation.

Figure 8

The social structures of financialised accumulation

We close this paper with an example of the mode by which financial capital determines industrial circulation in this idealtypical accumulation regime.

iii. Financialised capitalism and the concept of hierarchical embeddedness

As mentioned above we propose to understand the interaction between finance and industry in financialised capitalism with the concept

hierarchical embeddedness. Our thesis, which we consider primarily as an interpretative tool, is that financial capital's actual strength lies in its capacity to determine the structural moments of industrial circulation and it thus mediates the unity of this circulation according to its own logic. More importantly each act of mediation is, from a financial circulation perspective, a process of financial valorisation. Put another way, the unity of industrial circulation comes to depend on the unity and processes of financial circulation. The following example will help illustrate our interpretation. A central characteristic of fordism is the dynamic coupling of the wage relation to a mass consumption norm, productivity gains are rapidly validated by changes in the consumption norm and the level of real wages (defined in the wage labour relation) is an important mediation between these two norms. In financialised accumulation the validation of production levels and of productivity by a changing mass consumption norm (though segmented) remains a defining constraint on accumulation. But the "virtuous" relationship between "W" the wage labour relation and "C" inherent to industrial circulation has been redefined by the hierarchical embeddedness of financial capital in both relations. Both are determined exogenously in function of the specific logic of finance.

On the one hand wages levels (and employment volume) are no longer tied to productivity growth, they are rather understood as a variable cost to be controlled in function of the requirements of shareholder value (which in Canada imply high levels of profits that are used either in share buybacks or are saved by corporations as liquid cash, but either way not distributed as dividends which, all in all, remain low). On the other hand, the mass (but segmented) consumption norm is now regulated by the capacity to generate consumer credit through securitisation and this aspect of financial circulation has assured the validation of production levels by consumption levels. Ideally in a entirely financialised economy, finance would

intermediate entirely the relation between wage income and consumption. Wages would be used to sustain a certain level of indebtedness through minimal payments, and (securitised) credit would be used to consume. If the level of credit regulates the level of consumption, rather then it being regulated by the level of real wages, industrial circulation's coherence is totally dependant and determined by financial circulation. This is a concrete example of our concept of hierarchical embeddedness of finance.

Conclusion

Our objective in this paper was to outline the general institutional characteristics of a financialised capitalism, focusing on the structure of its financial regime which we analysed using an idealtypical method. The idealtype is meant to serve as an interpretative tool able to guide empirical research. Empirical research can with this interpretative framework structure its observation and analysis of financialised accumulation by focusing on four elements:

1. a shift of banking activity from a close articulation to industrial circulation to an articulation to financial circulation and the consolidation of this sector.
2. the system of actors, institutions and practices that reproduce and valorise financial capital by constructing claims on industrial circulation.
3. the organisational features of funds, in particular the process of metamorphosis of mass savings into financial capital and the oligopolistic nature of this sector.
4. the study of the embeddedness of financial capital and of the subsequent integration of elements of industrial circulation in financial circulation through the financial determination of the enterprise relation, the financial determination of the wage labour relation and the financial determination of the consumption norm.

On a more political note, we have examined the processes and relations created by financial capital without taking into account the political and ideological forces that accompanied their development. Financialised accumulation, though based on the mobilisation of very powerful economic institutions such as stock exchanges, global financial networks and even quasi state institutions such as the Bank of International Settlements and International Monetary Fund, on effective economic and legal paradigms such as shareholder value, remains nonetheless a very incoherent and unstable system, one might even say that it's strength is its very *lack* of systematicity. Its hegemony and grasp remains partial and inherently precarious because of the very speculative nature of its organisation. Speculative in both the sense that it is based on the constant outguessing of others and in the sense that ideologically and operationally it is by definition a self-referential sphere of social action. One should thus not presume a financialized accumulation regime's stability, viability and longevity, nor overestimate its domination as something all-encompassing and incontestable. But one should not either under-estimate the symbolic and material power that it has harnessed and can use to re-orient the investment projects or current operation of major corporations, to impose the cost of financial accumulation on labour by flexibilisation and real wage-stagnation, to nourish mass consumption through skyrocketing levels of household indebtedness, nor its capacity to induce freaky variations in the prices of energy or major currencies and finally by the occasional but also regular irruption of major monetary and financial crisis in peripheral or "emerging" economies and now in the very core of the global economy, North American credit markets. All these economic realities are banal and normal products of a financialized accumulation regime.

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[1] The concrete interrelation between working conditions and finance remains an empirical question that must be analysed in its own terms through case studies that compliment the macro-economic reasoning presented above. Not enough of which have been conducted.

[2] But contra Polanyi we can understand this process in a non-functionalist manner.

[3] This can help us understand recent developments in american real-estate finance.

[4] See Rochon, op. cit.

[5] Exceptions such as labour union controlled pension funds do exist but most research tends to show that even these funds adopt a norm of behaviour similar on most accounts to that of other money-managers. The reason for this behavioural convergence could be attributed to a number of factors : legal and regulatory requirements, omnipresence and authority of orthodox financial experts on pension fund boards, divergent age based interests among workers themselves.

[6] A standard practice is to finance through the dual mechanism of revolving loans and securities, the sale of which is used to pay back credit margins.