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Financialisation, the Crisis and the Issue of Capitalist Growth: A Requiem for the Growth Society

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Contrasting views on contemporary capitalist economies and societies

<u>Growth critique</u>

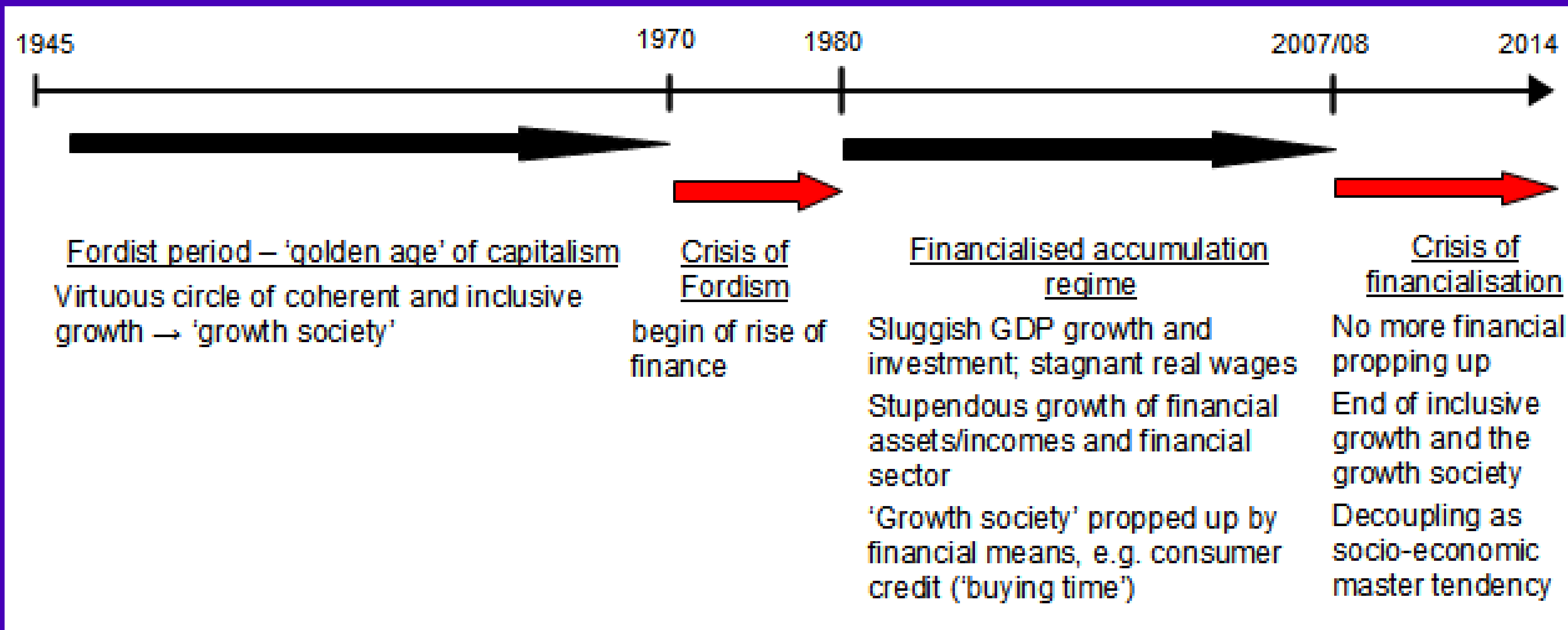
- capitalist growth as unstoppable juggernaut
- inherently infinite dynamic that knows no limits and involves entire societies

<u>Critical political economy</u> (Marxist and Keynesian)

- stagnation and sluggish growth as dominant tendency in *mature* capitalism (connected to rise of finance)
- low investment; insufficient aggregate demand
- inability to generate a new coherent *regime of accumulation* and inclusive growth
- capital as inherently self-limiting

→ ***Political economy is right! Growth critique risks misjudging socio-economic trends, leading to inappropriate strategies.***

An argument based on periodisation



(Regimes of) Accumulation

Accumulation at the level of individual industrial businesses is the driver of growth and development in the capitalist mode of production.

Accumulation ≠ profit-making

Accumulation ≠ GDP growth

Accumulation = reinvesting profits from previous period into additional productive capacity (fixed capital investment)

<u>Accumulation regimes</u> are relatively stable and coherent patterns of 'dynamic compatibility between production, income distribution and the generation of demand' (Boyer/Saillard).

Fordist accumulation regime

- Taylorist mass production
- Commodification of workers' consumption
- Wage growth and employment more regular than before; generation of mass purchasing power
- Capital-labour relation more compromise-based
- Strong productivity increases create distributional room for simultaneous growth of wages and investment

→ *Coherent ensemble of tightly coupled socio-economic variables; regularisation of macro-economic development; the system as a whole tends to grow*

Financialised Capitalism

Changes at aggregate level/rise of finance

- Higher financial sector share in total economy
- Growth of financial assets and incomes

Economic actors (act like financial institutions)

- Non-financial enterprises: look more towards capital markets; cash flow diverted into financial assets; low propensity to invest; fewer innovations
- Households: stagnant or declining real wages; increasing indebtedness (not all countries)

Structural deficiency of aggregate demand

Budget deficits also help to compensate deficient aggregate demand

→ *Regime of slow and fragile accumulation; weak GDP growth; less coherent*

Consequences of the Crisis

End of accumulation regime of financialised capitalism

- Household consumption weakened by recession, lower wages, slump in consumer lending, anti-labour legislation (some countries)
- Budget deficits likely to shrink due to fiscal controls
- Investment weakened further by uncertainty and weak demand
- Macro-economic strategy: German export-oriented model expanded to Eurozone; boosting ‘competitiveness’ rather than *domestic* demand and investment

Strategic dilemma for progressive politics exacerbated

- Organised labour and Keynesian advocate ‘growing out of crisis’
- Ecologically motivated degrowth may side with austerity and anti-Keynesianism

End of growth society: decoupling as master tendency

- End of last remnants of Fordist coherence and tight coupling
- Decoupling and divergence between socio-economic variables; end of inclusive growth
- Social inequality, exclusion, precarity to harden and/or befall previously secure social groups