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Reference:

Versieren Jelle.- Richard Westra's theory of financialization and the renewal of the Uno-Sekine approach to the dialectic of capital

The review of radical political economics / Union for Radical Political Economics - ISSN 1552-8502 - 49:4(2017), p. 680-687

Full text (Publisher's DOI): <http://dx.doi.org/doi:10.1177/0486613416669341>

To cite this reference: <http://hdl.handle.net/10067/1477810151162165141>

Richard Westra's theory of financialization and the renewal of the Uno-Sekine approach to the dialectic of capital

The Evil Axis of Finance: The US-Japan-China Stranglehold on the Global Future. Richard Westra; Atlanta: Clarity Press, 2012. 244 pp., paperback

Exit from Globalization. Richard Westra; London: Routledge, 2015. 203 pp., paperback

Unleashing Usury: How Finance Opened the Door for Capitalism Then Swallowed It Whole. Richard Westra; Atlanta: Clarity Press, 2016. 238 pp., paperback

Abstract

Kōzō Uno and Thomas Sekine advanced two significant ideas about modelling a Marxian economic theory of capitalism. First, they reconstructed the logical exposition of Marx's *Capital* as conceptually homologous to Hegel's logic of the self-affirmation of the Absolute. Second, they emphasized that the logical determinateness of capital is an abstraction of capitalism that cannot coincide with the intricate and open-ended economic and extra-economic processes of historical capitalism. Uno and Sekine therefore developed three distinct levels of analysis – the logic of capital, stage theory of capitalism, and history/empirical study of capitalism – and considered the early post-war stage as a qualitative divergence from the structural characteristics of capitalism resulting in a gradual ex-capitalist transition. In the 1990s, Robert Albritton reconsidered this claim by introducing a fourth stage of capitalism (1945-1980), the stage of consumerism or “Fordism”. In the early 2000s, Sekine and John Bell simultaneously accepted and rejected the idea of a fourth stage. They have agreed that the notion of consumerism clarifies the global restructuring of the political economic processes, while incorporating it into an overall theory of capitalist disintegration according to three subsequent sub-stages. Westra in his latest three books reiterates the

general idea of capitalist disintegration, but situates the divergence after Albritton's fourth capitalist stage. For Westra, the disintegration happens when self-commodified money capital in the money and capital markets disintermediates itself from the value augmentation processes in the production sphere. His contributions add great novelty to the Uno-Sekine approach and he thereby develops a theory of financialization of globalization distinctive from the post-Keynesian notion of finance-led growth regime or the classical Marxist notion of finance capital.

Keywords

Kōzō Uno, Thomas Sekine, Richard Westra; Financialization; Karl Marx; Dialectics; Globalization

Introduction

The international research community still has no full access to all the translations of Uno's original works. Four decades ago, Thomas Sekine translated Uno's outline of the dialectic of capital in *Principles of Political Economy* (Keizai genron, 1964), while other works *Studies in Capital* (Shihonron no kenkyū, 1949) and *Types of Economic Policies under Capitalism* (Keizai Seisakuron, 1971) remain un-translated. Nonetheless, *Principles of Political Economy* does give a general insight into Uno's reconstruction of Marx's *Capital* in which capital, as a logical self-affirming economic notion, has to be considered as a conceptual homology of Hegel's dialectic of the Absolute: The Doctrine of Circulation is founded upon the Doctrine of Being, The Doctrine of Production parallels the Doctrine of Essence, and The Doctrine of Distribution resembles the Doctrine of Notion.

The Uno-Sekine approach to capital as a pure logical concept thus demarcates the epistemological boundaries between a dialectical analysis of capital as the theoretical object of economics from Marx's other historical materialist studies of the concrete historical

development of capitalism (Sekine 1986a: 39). For Hegel, the abstract universal has to be taken as the point of logical departure because it is a totality absent from determinations and the positing movement of concepts. This abstract universal at the outset of the logical exposition of capital is absent in Marx's *Capital*. For Marx, the simple abstract of the commodity(-form) is the universal quality of all value being circulated. Sekine gives two distinct reasons why the Uno-Sekine approach nonetheless has to start with a pre-given Hegelian universal abstract capital instead of the Marxist simple abstract commodity(-form) (Albritton 1986: 41). On the one hand, Sekine states that the pure logic of capital is at the same time its inner logic. The Uno-Sekine approach accepts the market ideology as the pure internal totality in which unbounded circulation of exchange value takes place. The only agency within circulation is the capitalist agency. This chrematistic agency of the capitalist and the fetizished hypostatization of a pure commodity circulation are identical mirrors of infinite expansion of value. Sekine derives this abstract universal from the tendency of capital to self-abstract as a material process in reality. The capitalist agency is driven by its desire to transform the real world according to its own hypostatization (Sekine 2013: 16-57).

The second reason of a priori positing a universal abstract as the infinite expansion of value circulation entails rendering labor and the concrete material side of use value as finite concepts mute, passive, and totally commodified in order to facilitate the possibility of expanding circulation (Uno 1980: 10-1; Sekine 1997a: 132; Kuruma 2009: 92-3).

This infinite gives ground to Marx's analysis of the general equivalent and the money-form that enables the capitalist agency to recognize the simple abstract commodity as qualitatively universal and immediate exchangeable in quantitative terms. In short, with the general equivalent the implicit infinite becomes explicit and necessary:

When a commodity is demanded by all commodity owners as a general means of purchase it becomes a Hegelian infinite because such a use value, being wanted by all commodity owners, can automatically purchase quantities of all commodities ... The development of the general equivalent marks a Hegelian-style sublation of the use-value restriction in the expression of value ... [within] an idealized use-value space ... wherein capital can perform its own abstractions without being impeded by ... use value (Bell 2009: 8-29).

The sphere of circulation can thereby logically develop themselves in a determined necessary logical sequence of value-forms. In the Doctrine of Production, these value-forms are being discovered as the world of appearances reflecting itself into the value substance and being determined by it. It is here that capital logically confronts use value and labor power and becomes a mode of production that necessitates the capital-labor relation in order to produce value and make profit (Sekine 1997a: 83-4).

Distribution signals the end of the formative moments of the capitalist mode of production. The distribution of surplus value – profit, rent, interest – is necessary in a manner “that is most congenial to capital’s own rationality” and that establishes “appropriate relations with landed property ... money capital and commercial capital” (Sekine 1986b: 2-10). Capital in distribution resembles the Hegelian Notion as the self-enclosed unity of the subjective actuality of being-in-itself – circulation and production – and the objective transcendence of being-for-other – subsuming and determining that which lies beyond the value augmenting process. As such, capital becomes itself a commodity according to the concepts of commercial capital and money capital. This is in effect the latest qualitative movement of capital as it undergoes a new self-conceptualization as a commodity.

Capital can be bought and sold as any other commodity, “the fetishism of capital consequent upon its reification as a property” (Bell 2009: 174). It has a price and therefore can be quantified in the money-form distributed by rent and interest. This qualitative metamorphosis into purely monetary quantitative terms supersedes its material-physical qualities or use-value restrictions as commercial and money capital occupy the initial circulatory space of the value-forms (Bell 2009: 161). Capital now becomes a totality being mediated and determined by its own posited concrete concepts, “exposing the inner logic of capitalism, leaving no thing-in-itself unknown” and appears to be “a pure chrematistic ... and these distributive forms of surplus value ... are fetishized as entrepreneurial ... or ownership rewards” (Bell 2009: 170-2). In particular, the historical-institutional existence of money capital as commodified capital – the current capital market and its investment funds and investment bank – can fundamentally divert from its logical function of making loanable funds for industrial capital available. While the logical sequence demands the centrality of “productive” industrial capital sharing the surplus value in money-form to other forms of capital, historical conditions can overrun and reverse the necessary logical relations.

Uno-Sekine approach and the stage theory of capitalism

The overturn of the logical sequence becomes apparent at the end of the imperialist stage and during the Fordist-consumerist stage. Self-commodified money capital in part successfully penetrated the sphere of production by means of the creation of the joint-stock firm and the “fictitious” commodification of industrial capital as equities in the stock market generating dividends:

In manufacturing industries ... joint-stock ... emerged ... in the final imperialist stage ... The consequent centralization of capital, however, reversed the tendency of historical capitalism to move toward its pure form ... Capitalism's mode of accumulation too had to change, and this meant that finance capital became the dominant form of capital ... The operation of capital markets presupposes a class of rentiers in possession of idle funds, which arise independently of the motion of industrial capital ... whose continued existence does not depend on the necessary unfolding of commodity-economic logic (Bell 2009: 174-5).

Uno and Sekine were convinced that the interbellum period signaled the final end of the capitalist production-centered logic. Their theory of capitalist stages constituted a specific field of knowledge both informed by the pure logic and the empirical economic and extra-economic processes:

Stage theory is ... a dialectical approach in contrast to the abstract impressionism of empiricist average-types or of Weberian ideal-types ... theorizing the type of capital that is actually dominant in each stage of capitalist development, and thereby represent the externalization of the dialectic of capital in history ... displaying a determinant relationship between the inner logic ... and its historical development (Albritton 1986: 89).

Initially, the Uno-Sekine approach developed a three stage model of historical capitalism. Mercantilism was the initial stage of mercantile capital penetrating pre-capitalist communities of production and gradually encroaching upon them from the outside by means of extensive trade networks. Liberalism signaled the transition towards industrial capital subsuming production of technically simple commodities. In this stage the social form of capital closely approximated its theoretical ideal. Imperialism, reiterating Lenin's famous dictum, is the

highest stage of capitalism. Financial capital enters the stage as the capital form that reorganizes the mode of accumulation in a fashion suitable for the production of heavy capital goods, and wields the accumulation funds by organizational means of transforming small firms into monopolistic joint-stock companies (Sekine 1986a: 66-72; Sekine 1986b: 4).

In the 1990s, Sekine still held to Uno's view that the end of the imperialist stage fundamentally initiated an ex-capitalist transition and the end of the capacity of the market to self-regulate the capitalist economy. Albritton, on the other hand, was convinced that production-centered capitalism was reconstituted in the 1950s. Sekine and Bell have made their case for defending Uno's original thesis by accepting Albritton's arguments for reconfiguration of post-war capital yet maintain the Fordist-consumerist era is not a *stage* of capitalism in the strict sense. The phase of ex-capitalist transition is divided into three sub-phases: a. the interwar period of the "great transformation" b. the Keynesian period of the age of consumerism-Fordism c. the current neoliberal period of Post-Fordism and domination of capital markets. The "great transformation" laid the foundations of an economy bypassing the logic of capital and its traditional economic policy of the gold standard by introducing extensive extra-economic supports for capital, while it simultaneously broke up the external interrelation between industrial capital and land, thereby ignoring the natural limits of the latter, leading to the current ecological calamity (Bell 2009: 206). The Fordist-consumerist sub-stage embedded new technologies of commodities in a distinctive non-capitalist institutional policy framework of direct state regulation of business cycles, effective demand for durable consumer goods, and the contradictory relation between capital and labor. In short, shoring up effective demand and capital saving techniques were the product of non-market and thus non-capitalist forces (Bell and Sekine 2001: 42-46).

Albritton confirmed the existence of these essential mechanisms of the post-war economy, but draws different conclusions. Fordism-consumerism is a capitalist mode of

accumulation in which the profit motive was still present, and in which the market forces and state policy rather uphold each other than that the case where the latter cancels out the former. The regulation of production and effective demand had intensified the commodification of the historical world. Although state intervention in the regulation of the labor-capital regulation in effect partially decommmodified labor by social welfare programs and legal protection from the bare market forces, production still happened on the material basis of value augmentation (Albritton 1991: 225-65).

Richard Westra, financialization and globalization, and the disintegration of capitalism

The different interpretations of the Uno-Sekine approach converge in the analysis of financialization and globalization since the 1970s. Sekine, Albritton, and Westra agree that financialization cannot be conceptually articulated as a new mode of accumulation. It fundamentally departs from the capitalist material basis of a production-centered system and therefore it signals an unbridgeable divergence from the logic of capital determined by value augmentation processes. Sekine regards financialization as a new sub-phase of ex-capitalist transition:

As the economy remained sluggish under stagflation, corporations had little incentive to expand the scale of their operation, which, together with their compelling need for downsizing, meant that their demand for outside funds remained weak. Not only did they borrow less from banks and raise less money from capital markets, but they also supplied their own idle funds for investment in securities ... In the age of post-Fordism and casino capital ... production of material wealth no longer dominates our economic life ... there is too much productive capacity relative to demand ... there is

an excess supply of unloanable, idle funds, i.e. funds inconvertible into real capital. (Bell and Sekine: 47; Sekine 2001: 9-11).

The double movement of capitalist disintegration encompassing the break-down of the production capacity of large corporations and the tendency of commodification of industrial capital as equities in the capital markets are the main research topics of Westra's trilogy *The Evil Axis of Finance* (2012), *Exit from Globalization* (2015), and *Unleashing Usury* (2016). For him, financialization and globalization entail a disintegration of the logic of capital by four distinctive phenomena: a. money capital as commodified capital in the capital markets disarticulates itself from the value augmenting processes b. corporations become equally commodified as sources of interest-bearing equities c. corporations disinvest and channel their own idle funds to the capital markets d. corporations are "not-at-all manufacturing" firms that monopolistically superintend "value chains" facilitating the outsourcing of their value augmenting processes to less labor and capital efficient production sites in low wage countries.

Westra agrees with Albritton that the Fordist corporate-consumer mode of accumulation still, more or less, functioned according to the laws of value production. At the same time, as already has been pointed out by Robinson or Kalecki, this mode of accumulation in effect neutralizes the liberal price competition and, in concert with the regulatory state, successfully cancels the upheavals of capital widening and deepening. The business cycles "instead oscillate around expansions to full capacity utilization followed by contractions of output with maintenance of overcapacity where price levels of key consumer durables fluctuate minimally ... and with acceding of capital and state to unionized collective bargaining over wage/benefit packages partially decommodify labor power ... in order to maintain labor power as a commodity" (Westra 2015: 51).

Financialization entails a fundamental shift from the capitalist “productive principle of wealth-augmentation” to wealth augmentation displacing production by an auto-circuit of money capital’s globalized idle money funds. Westra pinpoints the birth of these self-enclosed auto-circuits during the American stagflation period of the 1970s. This stagflation was a perfect storm of economic contradictions that both undermined the Bretton Woods international monetary system and America’s own Keynesian regulatory policy: saturated consumer markets and the start of debt driven consumption, stagnating American capital efficiency lowering the profit and investment rate, faltering control of international capital markets by American legislation in combination with price and money inflation depreciating the store of value of the dollar as the world money unit and cutting into the profit margin of foreign dollar denominating export, the unravelling of the class accord between industrial capital and labor, the start of relocation of production sites to lower wage regions in combination of rising unemployment, and deficit spending and low interest rates not being transformed into means of investment but further bolstering the auto-circuit of international capital flows (Westra 2012: 73-7).

American policy makers had to make a fundamental choice between resuscitating the Fordist-consumerist mode of industrial accumulation – US policy “taking its own medicine” of devaluation and stimulating domestic investment – or giving up its position as the leading manufacturing nation and relying on international dollar seigniorage in burgeoning money and capital markets. Nixon’s decision to end the Bretton Woods monetary system in the beginning of the 1970s, opening the doors for unhindered currency speculation, and Volcker’s monetarist shock in the beginning of the 1980s creating spiraling debt for industrial capital and giving impetus to further rentier activity of the idle money funds, demonstrates the choice of the second option. As such, financialization equally transformed the international production chains of non-financial multinational corporations (NF-MNC) into globalized value chains

that *de facto* externalized their value augmenting production processes and transforming enterprises into “not-at-all-manufacturing” rentier vehicles:

The golden age was brought to a close ... by dramatically increasing US interest rates ... there was no longer any pretense of resurrecting the US production-centered economy. The “Volcker coup” had the sole purpose of swiftly fortifying US dollar global supremacy ... the US rates ... held out a “risk premium” for foreign investors. This galvanized the role of Wall Street as the center of global finance and bolstered the 1980s ascendancy of the options and futures markets ... and the rising coterie of institutional investors. The high valued dollar priced US exports out of foreign markets ... interest rates exceeded rates of profit further bloated global credit and money markets ... siphoning ever more liquidity from productive investment ... these financial pressures on international corporations led to ... the globalization of NF-MNC. This entails the effectively disarticulating or disassembling global production into complex geospatially dispersed value chains ... paralleled by an accelerated disintegration or deverticalization of NF-MNC enterprises ... while their market eschewing internalizing financial transactions now have emerged as the central strategy of capital flight and business tax evasion. NF-MNC turned to the capital markets ... and the massive volume of funds raised ... were diverted away from investment ... toward paying out dividends and paying down equity (Westra 2012: 78-105).

From the Uno-Sekine perspective, money capital as the moment of self-commodification of capital within the dialectic of capital historically disengages from commodity production. The idle money circuits undermine capitalism as a mode of production by the principle of financialized wealth augmentation as they determine, dominate, and transform the structural agency of industrial capital. The function of money capital goes beyond external financial

mediation (commercial banks during liberal stage), monopolistic cross-holding of equities between superintending banks and industrial companies (finance capital during imperialist stage), or the complex form of financial intermediation organized by investment banks that reconfigures the relation between industrial and money capital by means of creating capital markets (Fordist-consumerist stage). In the age of globalization, these capital markets create auto-circuits of commodified industrial capital and institutionalized idle money funds that undergird the financialization of industrial capital and private consumer debt in the form of global securitization. These capital markets create the conditions for further disintegration of capitalism as financial intermediation becomes fundamentally disintermediation when the qualitative differences between NF-MNC, banking, and speculative idle money funds have been erased (Westra 2015: 179-85; Westra 2016: 175-7).

Westra's reformulation and innovative application of the "pure logic/stage theory" dialectic has generated a new analytic framework with its own specific conceptual tools for determining the conceptual status of globalization and financialization in historical and stage articulated terms. Westra has succeeded in conceptually differentiating himself from other Marxist or post-Keynesian frameworks without excluding their own valuable insights. Financialization cannot be regarded as simply a return to the imperialist stage dominated by finance capital (Westra 2016: 94). It likewise cannot be considered as a recurrent facet of modern capitalism that engenders fictitious capital circulating in stock market exchanges:

Unlike these idle money funds, stock markets develop outside the circuit of industrial capital under the auspices of a financier class and equities are not produced in capitalist economies in response to "demand" for them ... because idle money funds are never being converted into real capital ... While capital markets spawn in conjunction with money markets, whether shares or bonds/securities are being traded their prices are not rates of interest as established in the money market in the relation

between supply and demand for funds. Rather stocks are traded in the capital market according to fictitious values; fictitious, in that equity market activities occur independently of the motion of real or productive capital ... Further, while equities constitute an asset entitling their owner to an income stream or return on their “sale”, unlike idle money funds held by banks, stock actually become a commodity only indirectly in the circumstance when a business is closed and its parts physically sold off (Westra 2012: 96-7).

Westra’s conceptualization of fictitious value in the current financialization process departs from the classical Marxist thesis of dominant finance capital tying together rentier activity to bank mediation of liquidity demand by industrial capital in the form of various complex credit vehicles. In the era of financialization, fictitious values are not the consequence of institutional reforms according to the rhythm of capital accumulation or simply an “endogenization of capitalist financial norms” (de Brunhoff 1999: 55-7). Westra likewise is pointing to the fact that the Keynesian presupposition of the inverse relation between stock markets and money markets only apply to production-centered modes of accumulation; the interest rate cannot resolve the contradiction between the speculative liquidity preference of the auto-circuits of money capital, the stagnant investment rate, and the fictitious growth of national income.

Conclusion

Richard Westra has developed a theory of financialization and globalization as the disintegration of the pure logic of capital informed by analysis of idle money funds unravelling any possibility of resuscitating a mode of accumulation as a value augmenting

process. This happens when self-commodified money capital in the money and capital markets disintermediates itself from production and in effect forces industrial capital to become not-at-all-manufacturing” rentier vehicles. His contributions add great novelty to the Uno-Sekine approach, and his analysis is fundamentally distinctive from the post-Keynesian notion of finance-led growth regime or the classical Marxist notion of the dominance of finance capital.

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