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Value Creation As a Historical Question: the Financial Turn of Late Capitalism  
DRAFT

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“There is nothing in the world like the cruel and cold-blooded beastliness of the American bankers”, Keynes, 1932

1. Introduction

The present worldwide crisis has made the process of valorization important again to economics and political economy. Here, furthering my past work on “capitalism as we know it” (see especially Micocci, forthcoming, 2008/2010, 2008a, 2008b, 2008c, 2006/2007), I shall concentrate on the connection between the transformation of values into prices, the processes of value creation and the present-day preponderance of finance. The hypothesis I shall put forward will subvert existing approaches, showing that a theory alternative to those accepted today is not only possible but inevitable. The epistemological and political questions entailed are well beyond the aim and scope of this paper.

Financial deals offer immeasurably higher surplus rates than material production. That is so because valorization is a metaphysical, intellectual mechanism that needs the simplest and most straightforward way to express itself. Finance grants that. That means that finance is not a sector: it is the very essence of capitalism as we know it, upon which material production is a parasite. The central question of capitalist life is valorization.

Production activities of the material kind are viable only if and when their pace (rate) of value creation is (like in the times of the industrial revolution) comparable or higher than any other type of activity. In all other circumstances, they are simply unviable. Only the presence of the state and of the institutions in general, with the entailed rhetoric (as metaphysical in nature as finance) of nationalism, self-sufficiency, GDP growth and similar rescues material production from the sharp and inevitable decline and withdrawal from the economic sphere entailed by the rise of other, more interesting forms of valorization.

I shall argue here that from the value creation point of view capitalism as we know it is based not on economic categories but on a general intellectual, cultural and institutional (flawed) logic. Precisely such logic is the reason why value can be understood, used and institutionalized, and the means whereby this takes place. This is perfectly compatible with a Marxist perspective, but the Marxists are, for reasons I am unable to fathom, unable to see that the creation of a monetarily denominated surplus is not univocally tied to material production and labour exploitation. We shall therefore describe the present approach as simply materialistic.

The intellectual nature of the value question makes the solution of the concrete – metaphysical – abstract relationship crucial to political economy. In capitalism as we know it in fact we move in a metaphysical environment, unable to intellectually grasp both the concrete and the abstract, and nonetheless capable of coercing the former through economic thought and action (Micocci, 2002, 2008/2010).

Section 2 works out the differences between abstract and metaphysical, and the consequences on the concrete and on its apprehension.

Section 3 deals with the transformation of values into prices, opposing to its traditional and misconceived approaches an alternative, historical and empirical account that grounds capitalism in the intellectual, metaphysical base introduced in section 2.

Section 4 argues that valorization (monetary denomination) is the essential mechanism, and nature, of capitalist intercourses, economic and not. Monetary denomination of items and activities is just a form of expression of a much more general structural trait. Finance is the most efficient way to achieve direct monetary denomination. This creates on the one hand finance’s excesses and the so-called crises, while on the other it obviously undermines the productive sectors.

Section 5 shows that both the excesses of finance and the management of the material production sectors depend on the presence of institutions and of their obsolete, pre-capitalist tools and ideas.

The conclusions summarize the argument: finance is, at the present time, the best way to achievevalorization as direct monetary denomination. Crises are much more than systemic: they come from the difficulty to control, with the tools of economics and political economy, the perverse interaction of valorization, material production and pre-capitalist institutions.

2. Metaphysics

There is in economics, as well as in marxist political economy, a basic, common and parallel confusion about the meaning of abstract and abstraction. Mainstream theorization is considered to be abstract and to produce
abstractions, while many if not all readings of Marx’s Capital Vol.1 understand money and hence capital as an abstraction. The dialectical method in general is also taken to be an abstraction. The consequences of this fundamental misunderstanding of what abstract means are momentous: the capacity of these disciplines to see reality as such have been completely distorted, thus misleading theory’s reading of reality, and hence reality itself.

Given the materialistic stance of this paper, the object of our investigation, as well as its starting point (Micocci, 2002, 2008/2010), is the concrete (the material). To apprehend the concrete we must devise a method that does not separate us from it, does not start from preconceived ideas, and does not intervene on it changing its appearance, nature and behaviour.

The description of such method is well beyond what we can do in this paper (see Micocci, 2002, 2008/2010). We can instead notice that existing theories that claim to study the concrete can be either abstract or metaphysical. Abstract theories are such as logies or arithmetic: we work out in thought an abstract conception of series, and apply to them abstract operating rules, such as the well known arithmetical relationships. We can then count, enumerate, in perfectly theoretical environments. We can also apply such capacity to the study of reality, and count, sum, subtract, multiply and divide actual material items. Such material items are, however, completely unrelated to our enumerating tools: being countable is not an intrinsic endowment of the material, but a property of the abstraction we have invented and called arithmetic.

Metaphysics instead, to our purposes here, hangs in between the abstract and the material, and is supposedly tied to both in the sense that it claims to be so. Metaphysics is any discipline that asserts to be able to a priori connect the nature and tendency of the material with a set of theoretical properties that are not, like arithmetic, conceived in the abstract, but are supposed to be theoretically related to those very material, natural items. The *Homo Oeconomicus* of mainstream economics and its emphasis on exchanges are metaphysical contrivances, just like the Marxist conviction that value comes from labour exploitation only, or that history proceeds dialectically (Micocci, 2002, 2008/2010).

Thus, social and institutional arrangements not only are perceived as the outcome of metaphysical reasoning, but also are metaphysics. Nation-states claim to historically represent the will of the individuals who compose them on such metaphysical grounds; worse, such metaphysical arguments are compatible, and identical in nature, to arguments in economics and politics. The fascist organic state and society are epistemologically identical, say, to the *Homo Oeconomicus* or the Pareto Optimum, and identically unwarranted if we look directly at the concrete, or remain in the abstract (Micocci, 2002, 2008c, 2008/2010, forthcoming).

What just said means that society, the state, the economy, and all the other concepts that appear and act, are metaphysical entities which depends on metaphysics (a general metaphysical intellectual frame) to be recognized. They depend on a general and shared intellectual frame that makes them look real, plausible and wickedly logical¹ (Micocci, 2008/2010).

The above is the necessary condition for states or institutions to appear and act as the outcome of historical evolutions and of a choral longing. These claims are in fact produced by looking at what we have and by making out explanations based on their existence (i.e., hypostatizing), their logic and their apparent trends of behaviour rather than the thorough examination of the concrete and/or the creation of abstract (logically impeccable) schemes (Micocci, 2002, 2008/2010).

In other words the presence, dignity, authority and even the materiality of the present political, economic and social reality are granted by a diffused, general metaphysics that conceives of them in the metaphysics, practices them in the metaphysics and cannot bear to distinguish the concrete and the abstract (lest the whole construction crumbles down) and cannot therefore conceive of alternatives. The metaphysics is all there is; even material entities correspond to it. The capacity to think “other” is instead the capacity to think “abstract”. The whole of reality is metaphysics because it is acted, and thought about, in metaphysical terms².

The main consequence for us is that:

a. A general, homogeneous intellectual rules over our economic, social and political reality. It is metaphysical and hence in need of continuous interactions conceived as mediations. It is incapable of recognizing, let alone conceiving, ruptures with disappearances (Micocci, 2002, 2008/2010).

b. Capitalist economies, societies and polities amount to the same metaphysics. This reduces all intercourses to continuous reciprocal recognition implemented as a mediation of conflicts. Conflicts are dialectical in the vulgar Hegelian sense, while real oppositions (ruptures with disappearance) are banned.

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¹ This means that their being material is not a necessary condition (take society) for existence; they can be immaterial, and yet able to control material things (e.g. the state, with its police).

² For a thorough demonstration see Micocci (2002, 2008/2010). For the incapacity of “normal” ideological positions to see it, for they have all collapsed around a fascistic frame of mind, see Micocci (2008c, forthcoming).
Hence, revolution is banned: this is the root of the vulgar Marxist mistake that a dialectical method is needed, and that such method is revolutionary.

c. The social sciences comprising Marxism amount to metaphysics too ("rational mysticism", Marx would say). That is why they are compatible with capitalism even when they purport to be against it (marxism’s dialectical method being the most important evidence of this). They are functional to capitalism, both when their ideas and policy prescriptions produce positive results and when they do not. They are based, as Marx noticed, on hypostatizations a la Feuerbach of the most common ideas and structures of thought of capitalism itself.

In such a general environment it is easy to see how the most fantastic contrivances of the metaphysical mind can look plausible, for they are indeed realistic. A most useful and enduring example is the well known and much abused idea, first put forward by Adam Smith, of “commercial society”4, from which the basis of the theory of markets as well as of Marxist theory descend. Once such metaphysical notion is brought to life, it can only appear realistic, for it automatically has (regardless of its material concreteness) a material existence, true or presumed.

Now we can examine the items of economics and political economy. Once they are brought to life, they are part of reality (of the metaphysics), and no amount of realism and materialism can make them go away. They exist not because they are plausible, or material, but because they enter the continuous, iterative network of intercourses of reciprocal recognition and mediation capitalism as we know it comes down to (Micocci, 2002, 2008/2010, forthcoming). No point for a child to scream “the king is naked!”, for a scientist to prove a logical or empirical alternative, for a priest to exorcize such demons, for a revolutionary to wipe them out by force.

Capitalism as we know it is a continuous bustle of activity that endlessly and continuously recycles its working items. Eliminating one, or two, or even ten thousands of such items is perfectly irrelevant. Just think, to mention the most obvious instance, about the various cries that the market does it better. These have survived the multiple failures of Neoliberalism (shown for instance in Stiglitz, 2005, Galbraith, 2009, Harvey, 2005) and are even informing of themselves the post-sub-prime policies of all states. Nobody even says that there is no such thing as markets in reality, and even if anybody did it, that would sound unrealistic and impertinent, or it would just go unnoticed5.

In this general framework economic and political (and social, and personal, but this would take us too far) intercourses are not valid because of the material object that is dealt with. Production or exchange acts are themselves the true objects of the interchange, whatever it is that has been produced or exchanged. Material, concrete objects and relationships are intellectually transcended into metaphorical entities whose function, and goal, is that of furthering the validity of the metaphysical transcencion itself by representing continuous acts of reciprocal recognition within the - intellectually determined - frame of “capitalism”. Capitalism in itself is a vague, generic concept that indicates that mixture of material, metaphysical, emotional and delusional items, well rendered by Adam Smith’s commercial society or by any of the definitions of economics textbooks.

It is evident that this whole game is nothing but a vulgar Hegelian (and Marxist) dialectical collective dance. It is precisely the dialectical nature of all these relationships and objects (Micocci, 2002, 2008/2010) that allows the metaphysics to stand up and work itself out. The most important consequence of this last aspect for us here is that it entails that economics (mainstream and heterodox alike)6 and dialectical Marxist approaches partake of this overall dialectical frame: they are perfectly communicable and compatible with the general nature of capitalism as we know it, and can then work out, debate and implement policy analyses and prescriptions. They also are, like the rest, metaphysical: logically flawed.

The socialized flawed logical nature of both the facts of reality and of their analyses and narrates makes all types of economics and political economy concentrate on the metaphysics with metaphysical means. Instead of going straight to the concrete, they rest contented with – and within – the metaphysics. Thus they make enormous mistakes in their perception of reality. For instance, they believe that they concentrate on exchanges, or on commodities, when instead they simply see neither of the two. They study their metaphysical transcencion.

Thus, to come to a rather concrete thing of fundamental relevance here, economics and political economy deal with revised versions of Adam Smith’s “commercial society”. Their main actor is the capitalist, the

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3 See note 1.
4 “When the division of labour has been once thoroughly established [...] Every man thus lives by exchanging, or becomes in some measure a merchant, and the society itself grows to be what is properly a commercial society” (Smith, 1999, Book 1, ch.IV, p.126).
5 Stiglitz (2005) notices (a Nobel-prized noticing) (p.86) that it is silly of entrepreneurs to want more market until perfect competition is reached, for at that point (like every first year student of economics knows) profits are zero.
entrepreneur, who, pushed by that mysterious force often referred to as “animal spirits”, invests the money he earns in “productive” activities. This is well worth some consideration.

The term productive in fact is, in such a context, rather empty, ambiguous and contradictory. It often means actual material production (for mysterious reasons the capitalists accumulate capital with the purpose to invest it, not necessarily in production plants); that obviously poses the problem of the separation between money capital and physical, productive capital, and the origins and means of multiplication of the former. But productive can also mean the capacity to increase or multiply the value of capital itself. In this case, the difference between money capital and productive capital is lost: financial speculation can then be thought of as a productive economic activity.

The simultaneous presence of these two meanings generates a further, third degree mistake. Financial money capital, and productive capital embodied in production plants, are attributed human capacities (embodied, though rarely explicitly, in the capitalist or manager) and are seen as “sectors”, and a connection among them is taken for granted because of the fragile reasoning illustrated above. The financial sector is supposed to feed, after it has undergone some kind of accumulation/multiplication, the material production sector. This is the basics of economics and Marxist political economy in general, and naturally of supply side economics, monetarism and Neoliberal approaches. The evident lack of the desired connection between the two sectors has produced the undeniable disasters we all see (Harvey, 2005, Galbraith, 2009, Stiglitz, 2005, CJE, 2009) in recent times, although it has always been there.

Yet it has not touched the widespread, mistaken feeling that finance and production are two “sectors” of the metaphysical invention (imagined as material production) called the economy. This happens because economic analyses have not been able to shed the mistaken (and often unmentioned) belief that economic activity is about production, witnessed for instance by the definition of GDP/GNP and the growth imperative. We have seen instead that in the metaphysics economic, political and social intercourses are about reciprocal recognition that must take place together with the recognition of the general framework of the “commercial society”. The tool to do so is what we shall call “monetary denomination” (Micocci, 2010).

3. The Transformation

Being based on the fictitious “productive capitalist”, economics and political economy have been pursuing their basic mistake further, concentrating, respectively, on exchange and on production. This has helped both of them to remain in the wrong conviction that finance and material production are two interdependent sectors within a generally coherent “capitalism”, whatever their respective conceptions of capitalism (or commercial society, or what have you) are. Hence, the vexed question of value and of the transformation of values into prices.

If capitalism is made of continuous reciprocal recognitions between the various persons and objects involved in the intercourse, and if these in turn must serve to represent a formal legitimation of the whole intellectual apparatus (the metaphysics, Adam Smith’s commercial society), than we need a viable, simple and straightforward system to do so. This is easily supplied by commercial society itself, for which, however strange that may seem to a dispassionate observer, money is supposed to be, in Samuel Johnson’s words, “the equivalent to the necessities of life”.

Money in fact, in this vulgar Hegelian environment, is, to use Marx’s words, “the Jesus Christ of commodities”. To say it in the precise and effective words of John Rosenthal “physical items are placed in the value-relation by virtue of a certain sort of social practice” (1998, p.163, emphasis in the original).

“Actual transactions serve merely to confirm the value-relation, the prevalence of which is precisely the condition […] of their orderly occurrence – of, in brief, the coherence of each exchange in the context of the totality of exchanges” (ibid., p.165, emphasis in the original).

In designating, operating and even modifying the things of capitalism as we know it, economic, social and political activities, being performed in the metaphysics, also identify, and operate, those very social, economic, political and institutional relationships of capitalism that only can exist in the metaphysics, i.e., mediated by things.

The economic individuals, who are – it is well worth remembering – perfectly homogeneous to each other, appear only in their economic, political, social and institutional persona. Economic exchanges are the tool

7“The prince had […] been taught the use and nature of money; but the ladies could not, for a long time, comprehend what the merchants did with small pieces of gold and silver, or why things of so little use should be received as equivalent to the necessities of life” (Johnson, 2007, p.42). The first edition of this book came out in April 1759, the year of the first edition of the Theory of Moral Sentiments of Adam Smith. The Wealth of Nations came out in March 1776.
to acknowledge and legitimize the only way homogeneous individuals can live a singular life, in the sense of reciprocal indifference within the total equality and homogeneity. There is in fact no individuality. They can only surreptitiously and vicariously live by being declared alive and capitalist by the mediation of things. Reciprocal institutionalized recognition replaces individuality. Such recognition is performed, for obvious reasons of functionality (and respondeace to the metaphysics of capitalism), by monetary exchanges.

Money in our sense (monetary denomination) represents much more than the means of exchange, unit of account and store of value of textbooks: it is the universal symbol and currency and guarantee of capitalist relationships, i.e., of their flawed, metaphysical logic. Also, it is the only way value can be calculated, stated, operated upon and multiplied, or alternatively destroyed.

All this is both completely new (in the sense that it gives a new picture of the general logic of capitalism as we know it) and not new (it in fact simply puts together what Adam Smith and Karl Marx had said. See Micocci, 2002, 2008/2010). It is worth returning to the central point: “Every man thus lives by exchanging, or becomes in some measure a merchant, and the society itself grows to be what is properly a commercial society” Smith, 1999, Book 1, ch.IV, p.126).

In fact “men, to do so, seem at last to have been determined by irresistible reasons to give the preference for this employment [exchange money], to metals above every other commodity” (ibid., p.127).

Money in our sense (monetary denomination), even in its virtual form, is that metal. Smith goes on noticing (ch.V, p.133) that once the division of labour has “thoroughly taken place”, the labour of other people produce each man’s supply. So the point is to “command or purchase this labour”.

“Labour, therefore, is the real measure of the exchangeable value of all commodities” (ibid.).

“But though labour be the real measure of the exchangeable value of all commodities, it is not that by which their value is commonly estimated. It is often difficult to ascertain the proportion between two different quantities of labour” (ibid., p.134).

In exchanging, all types of allowances have to be made. This happens “not by any accurate measure, but by the haggling and bargaining of the market, according to that rough sort of equality which, though not exact, is sufficient for carrying on the business of common life” (ibid.).

But once you are started on this path, Smith continues, you are more likely to compare a commodity to other commodities, and “when barter ceases, and money has become the common instrument of commerce” (ibid.), it is “more obvious” to estimate value by the quantity of money. This type of estimation becomes “more frequent” than the estimation in comparison to labour or other commodities. Money has variable standards, so labour remains the “ultimate and real” (p.137) standard for value estimation, the “real price; money is their nominal price only” (ibid.).

You thus get the real/nominal price difference, but labour value can allow us to estimate “from century to century and from year to year” (p.140). Smith diffuses himself on the value of metals and labour, and in chapter VII he tells us at last that there is an “actual”, market price which could be above or below the “natural” price, and that there can be great fluctuations “between the two” (p.161). Smith notoriously goes on explaining the functioning of the market and the possibility of “enhancements” of the market price. That brings us back to where we started, the “haggling and bargaining” of the market, which both in conditions of barter and of monetary exchange determine the value of things in “commercial society”, as a matter of fact and regardless of the logic of the labour theory of value.

While we should not forget that Smith, like his epigones, confuses economic activity with material production even more than present-day practitioners8, we should also be clear that this interpretation of Smith does not endorse in any way the mainstream theory of utility value. This is based on the flawed marginalistic logic, which makes it useless. There remains to notice that for Smith “Money […] like all instruments of trade, though it makes a part and a very valuable part of the capital, makes no part of the revenue of the society to which it belongs; […] the metal pieces of which it is composed, in the course of their annual circulation, distribute to every man the revenue which properly belongs to him […] [but] make themselves no part of that revenue” (Book 2, ch.II, p.388).

The widest part of the money will be re-deployed in economic activities of material production. “Money is neither a material to work upon, nor a tool to work with” (ibid., p.392).

Wages for instance are not the money itself, but the “money worth”, not the metal, but what you can purchase with it (ibid.).

What so far described using Smith’s Wealth of Nations is, I believe, in common with what Marx had to say, with the proviso that Marx had a much more sophisticated understanding of everything, and in particular of the role of finance capital. Unfortunately, given the systematic dialectical perversion of Marx’s thought and the

ecominist deviations of Marxist political economists, the discussion of Marx cannot be undertaken here, for it would need an erudite discussion of the literature9.

From the present materialistic point of view (see Micocci, 2002, 2008/2010) we can fit everything we have found in Smith in the capitalist metaphysics and its intercourse determined by monetary denomination. Monetary denomination sanctions economic, political and social intercourse, giving singularity (not individuality) to individuals, and singularity to individuals and institutions alike. Monetary denomination, however, in the framework of the metaphysics, is independent from material production. While in Smith and Marx the process of valorization has to pass through the phase of material production, in our present-day case material production is secondary to the metaphysical dance.

The complete transcendence of money makes it the most univocally metaphysical thing: unlike bodies and commodities10, its actual being the means whereby market transactions happen (Smith’s haggling and bargaining), and the fact that it “signifies” anything else, enables it to concentrate all the economic qualities that capitalist relationships can afford.

The description given above through Adam Smith is nothing but the transformation of values into prices (an empirical, not theoretical thing), in the presence of the mistaken conception of material production as the essence of economic activity typical also of present-day economics and political economy. To get the actual, historical transformation we need to remove that mistake, introducing the metaphysics framework. The transformation is an empirical occurrence that goes on all the time, and it is compatible with a labour theory of value, and of course with a theory of exploitation. Only, it places them in a different framework: value does not come exclusively from labour, but from the monetary denomination all capitalist intercourses come down to, given its unique (metaphysical) qualities (starting from its capacity to yield a rate of interest Marx marvelled at).

Monetary transactions, i.e., all transactions denominated in money, i.e., all types of capitalist intercourses, operate continuously, by their very taking place, the transformation. There is no mystery involved11. The transformation is an intrinsically inaccurate, iterative set of operations, whose rate of yield depends on the circumstances, and of course on the haggling and bargaining of commercial society12. The most obvious outcome is that, inevitably, the highest yield rates are those under those circumstances when money can work in perfect freedom. Direct monetary denomination without (especially material) intermediaries is such set of circumstances.

What just described is what we are used to call finance capital. In this framework finance cannot be thought of as a sector of the economy. What we call finance is simply a form of the general mechanism of functioning of the metaphysics of capitalism. Capitalism tends to purely financial deals (monetary denominations) which, at least at the present stage of its historical evolution, best represent occasions for direct, unmediated monetary valorization (i.e., denomination). We shall see next section the parasitic role of the material production economy, while in section 5 we shall explore the crucial role, in all this, of the institutions and of their pre-capitalistic features.

Lastly, it is evident that if the transformation is what we have just described, the various “solutions” that have been offered so far are simply the result of a misconceived understanding of the problem. The transformation is not a pseudo-mathematical conundrum to be solved with a mathematical sleight of hand. Also, the labour theory of value remains valid even if labour is not the only, nor the main source of valorization13 (Dimsky, 2009, Lapatitarris, 2009, Palma, in CJE 2009). But the transformation of value into prices is not what it has been said to be, and even less the particularly incompetent single system approach (see Mongiovi, 2002, Micocci, 2008b, 2008b, 2006, 2007, 2006).

4. The Financial Turn
The long and painful decades of Neoliberal dominance have unveiled the true face of capitalism. We do not witness the “revolutionary” Schumpeterian world that Adam Smith and Karl Marx predicted, in which technology determines mass production, thus “destroying all Chinese Walls”, insuring endless growth, despite

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10 It is well worth noticing that the difference between body and commodity blurs (does not fully disappear) in the case of wage labour.
11 Though the practise is intrinsically sufficiently inaccurate and volatile to “carry on the business of common life” (Smith, p.134) by compelling it to iterate itself continuously in order to overcome the inaccuracy itself (this is often mistaken as uncertainty, or worse as the working of the market forces). See Micocci (2008/2010).
12 Not of the market, that in its free competition form does not exist in reality.
13 In fact true wealth is made of material items, just like for the ancient. Monetary wealth that cannot be spent (e.g. the enormous bonuses and retirement endowments that chief executives receive), i.e. transformed into material commercial objects, is not wealth. Not only it does not go into material production, but also it does not afford its owner any enjoyment, apart from the silly pride of being a millionaire.
the looming dangers of underconsumption, falling rate of profit, overaccumulation. The role Neoliberal prescriptions have played has been in a sad way useful: by believing that letting the rich get richer would have helped the accumulation of capital to be used by material production sectors, they have shown the absurdity of this view (which, however idiotic, is basically shared by economics and Marxist political economy) and the true role of finance.

It is funny to have to notice that everybody should have known better:

“But, when a man economizes in consumption, and lets the fruits of his economy pile up in bank balances or even in the purchase of existing securities, the released real resources do not find a new home waiting for them. In present condition their entry into investment is blocked by lack of confidence. Moreover, private economy intensifies the block. For it further discourages all those forms of investment – factories, machinery, and so on – whose ultimate purpose is to make consumption goods. Consequently, in present conditions, private economy does not transfer from consumption to investment part of an unchanged national income. On the contrary, it cuts down the national income by nearly as much as it cut down consumption. Instead of enabling labour-power, machine-power and shipping-power to be turned to a different and more important use, it throws them into idleness” (Letter to The Times, 17 Oct.1932, signed by D.H.MacGregor, A.C.Pigou, J.M.Keynes, W.Layton, A.Salter, C.Stamp, Keynes, pp.138/139).

“This conception, though since its burial by Adam Smith it has enjoyed many resurrections, is an illusion. The resources out of which work people and all other persons are paid in any year consist almost entirely of what is produced – either directly or through purchase abroad – by the brains, hands, and capital equipment of the country. Insofar as this labour and capital are idle, the resources available for paying income to their owners are not conserved; they simply do not come into existence” (Letter to The Times, same signatures as above, 21 Oct. 1932, reply to a letter by T.E.Gregory, F.A. von Hayek, A.Plant, L.Robbins, pp.139-140).

The changed role of the manufacturing sector is shown by the de-industrialization of the West and the re-location of the plants in areas of the world where labour cost is ludicrously, and obviously temporarily, low. The process of financialization of the Western economies has soared to dizzying heights (see e.g. Lapavitsas, 2010, CJE, 2009), while the capacity to invent financial products has remained the very same: derivatives of all types and hedge funds are just cunning variations on well rehearsed themes, while Ponzi schemes had obviously existed long before the man Ponzi himself.

What has changed is the way finance is looked at: governments run to its rescue at every hint of a crisis, and common people look at it with both awe and envy, and long to try their hand at it at the first occasion. The already vague and abused umbrella term of “market” has been extended to cover financialization too, and the TV News have a mandatory supplement on “the markets” which instead deals with finance. Needless to say, when “markets” go wrong common people are required to understand the situation and contribute to the restoring of satisfactory rates of gain for the wealthy financial operators14.

Those precious few entrepreneurs who have remained in manufacturing and the primary sector (which still, after all, contributes around 30% of GDP in countries like Germany, Italy, Spain) obtain in the average rates of profit that are not even comparable to those of their colleagues in finance (who, as noticed in section 2, are thought of as “productive” with regard to capital). Thus the question is: why should manufacturing and agricultural entrepreneurs contribute their material production, if transferring their capital to the financial sector (direct monetary denomination) would be much more profitable? In the metaphysics of capitalism, in other words, why should anyone choose the most clumsy and indirect way to valorize his/her money15?

Here we can justly marvel at the splendid historical luck that has made capitalism into an intellectually homogeneous, limited and limiting metaphysics. In a world where all intercourses mean acknowledging capitalism, and all intercourses consist in monetary denomination (and hence, inevitably, monetary valorization, positive and negative, at different rates according to the personal and sector circumstances), in which therefore the transformation of values into prices is a continuous process inaccurate by nature and heterogeneous in its yields, economics and political economy share in intellectual terms everything. As a consequence, and as already said, they can, and in fact they do so, confuse and collapse together financial and material “productivity”. To economics and political economy, all types of activity are productive.

In such night, where all cats are grey, agriculture and industry can compete with the tertiary sector, redistributing the respective share of GDP. Finance can be thought of as yet another sector, where deals are made that multiply capital. Capital, inevitably, can do but two things: keep revolving in the financial sector, or be used

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14 While I am writing these lines, the American President Obama has pledged to make BP (a materially productive firm) pay for the damage wrecked on the Gulf of Mexico (Il Manifesto, June 17, 2010). This after having given away a much more relevant figure to the banks and financial firms that had just caused to the whole world the misery we know as the present crisis.

15 Given that capital can be “productive” any way.
(invested) in the other sectors. It follows that crises appear, in their recurring irregular regularity, as mismatches between the sectors. As the sectors are interconnected by definition, such mismatch can only come from incidents, mismanagement (by the markets or by politics), international disturbances, or dishonesty/foul play.

Mistaking the notion of productivity, and basing economic analyses and policies on the growth imperative, rescues the sectors of material production. The day after a crisis has struck we invariably find governments, economists, Tradievisionists, intellectuals, common people and even bankers and financiers wondering how to re-start growth. This needs some discussion.

While in fact it is easy to see why governments (once the powerful financial sector, the mother of all capitals, has been obliged) would want to do what mainstream economics prescribes, it is quite hard to imagine why entrepreneurs would want to enter sectors that are not only highly troubling in the engagement they require of managers and capitalists, but also promise low rates of return. A few factors are obvious: there might be a family tradition to live up to; the separation of management and ownership and the high compensations of managers might be appealing; offshoring might be a nice way to make overprofits similar to those of finance with the surplus\(^\text{16}\); waves of mergers and acquisitions such as that which swept the world in the 1980s might transform multinationals and conglomerates into mighty power centres; sheer passion and true madness might lead somebody to start business in a given sector; local and national governments might fool some to become entrepreneurs by lavish concessions; last, there is the by now considerable mass of people who have been laid off during the years of Neoliberal restructuring on the delusion that they would become “entrepreneurs of themselves”, getting consultancies by the very firm that laid them off in the first place.

But in general it would be very unlikely that somebody in his/her right mind should become a material producer, in the developed West and in the long run about everywhere. Figures from the worldwide growth of financial deals powerfully confirm this easy guess (see Lapavitsas et al., 2010, CJE, 2009). But there are two powerful factors at work: on the one hand the optical illusion that there is a connection between all the sectors. On the other, and as a consequence, there is the rhetoric about markets and entrepreneurs, which the financial turn itself has transformed, while governments have been following meekly. Entrepreneurs in fact now are “creative” people who (given the cut-throat dangers of the financial world) have the right to be ruthless. Thus, primary and secondary sector managers too can operate, to be “productive”, being ruthless at their leisure\(^\text{17}\).

They are helped by their indispensability to governments (to re-start the growth process, or simply to feed, shelter and cloth the population, and last but not least as a rhetorical device to prove that the governments care about “markets”). Governments thus concede about everything, even in terms of workers’ rights and product quality\(^\text{18}\). The entrepreneurs can bask in the light they receive from the misdeeds of finance and the benevolence of governments, and if they earn less than their financial counterparts, that is because they are less ruthless, greedy, dishonest and colluded.

In any case, the very existence of a continuous process of monetary denomination perceived as the operating of the various sectors of the economy begets the concept of crisis. Every time finance capital goes too far a crisis takes place in the rest (manufacture, agriculture, plus the other bits and odds), which must be resolved by re-starting the “correct” type of economic growth. This is a recurrent, general type of iteration within the metaphysics (Micocci, 2008/2010) The mistaken conception of market and productivity produces the monster of the crisis, which destroys obsolete plants and switches on government intervention (already at work all the time, it goes without saying), while the share of material production keeps inevitably shrinking.

But to re-start manufacture and agriculture by government intervention, you must start from helping finance first. Such is the absurdity of the metaphysics of capitalism as we know it.

5. Institutions

Material production is, in other words, parasitic on the financial “sector”. It is well worth, at this point, having a last look at finance in the framework of the general metaphysics.

If finance is the place of unmediated monetary denomination where valorization can take place with no limitations to its endless potential, and we can potentially reach a virtual status for its variables where anything can happen, what are the elements that keep it (and capitalism itself) from exploding into unlimited and high

\(^{16}\) See for instance Millberg/Winkler (2010) for the American case.

\(^{17}\) While I am writing these lines the FIAT management (Il Manifesto, June 17, 2010) has imposed on workers a blackmail hypothesis of agreement that rescues some jobs at the costs of annihilating the liberties guaranteed by the Italian Constitution and sectoral legislation.

\(^{18}\) This applies at all levels and for all types of products. See for instance the EU regulations concerning organic farming, which simply allow about everything to be called organic, or the local regulations in Italy about DOC/DOP typical local productions.
speed entropy? What makes it viable, and even useful, to the less fortunate sectors of material production? The trick is played once again by the metaphysics of capitalism as we know it.

The very nature of the metaphysics in fact is a mixture of intellectual and material objects. It positions itself in an intermediate position between the two. Its being logically flawed makes it into, rather than a logical reasoning, an intricate and continuously restless (see Micocci, 2002, 2008/2010) network of connections. In an empty and pompous dialectical style, everything is continuously shifting and relating itself to everything else. Nothing can stand on its own, because only singularity (the acknowledgement of being, at least temporarily, an item that is single and yet is homogeneous to the rest) is allowed, while individuality (the endowment of “otherness”) is unthinkable.

Finance, like everything else, cannot and must not stand on its own, but must continuously relate itself to everything else. Hence the optical illusion of the interdependence between “sectors”, and of the reciprocal benefits accruing from a sane management of finance. But remember: in the metaphysics there is no difference between what is material and what has been contrived in thought, and mediated by things, along the permitted lines. Everything is “mediated by things”. The reciprocal benefits exist.

The financial “sector” does feed the material production sectors. These have many feedback chances which benefit the financial “sector” itself, such as for instance the chances of valorization offered by shares, bonds, commercial successes and failures, and all the rest. The similarity in structure and behaviour of the various “sectors” comprising finance, and the betrayal of the hopes and predictions of Smith and Marx of a production-based capitalism with an economic base to which a “cultural” superstructure corresponded, and where free competition would have granted benefits for all (it would have even granted, at the end of its history, a revolution), needs a few words of explanation.

In fact, this whole game is dependent on a set of simplified, homogeneous rules of behaviour. What to operators of the sector is known as “herd behaviour” is not a mere characteristic of finance. As above explained, if all individuals did not behave homogeneously finance would not stand up, nor would material production. But if there were not, on top of this already nightmarish situation, a whole set of “moral rules” mistakenly passed for ethics, intellectual homogeneity would not be sufficient. The incapacity to conceive of novelty would produce such a stress on the bodies and minds of the people involved that the system would soon crumble down. Ethics (such mistaken ethics) caters for that.

It would seem that we are widening the range of things that are involved in the reasoning too much. But this is just an impression. In fact, all this apparently complex maze of morality, ethics, individual and mass behaviours and everything that goes with them is easily summarized by another well known economic and political concept: that of institutions and the state. The whole set of concepts and illusions that are needed is embodied in theory and in practice (in the metaphysics) in the state and the institutions.

Without the nation-state with all its perversions (nationalism, imperialism, protectionism, self-sufficiency, growth, just to mention a few telling instances) everything we have been describing so far would not be possible. Finance would not be able to exist, and the material production sectors would not be able to be rescued by governments in times of crisis. The very existence of crises would not be acknowledged. Without regulations, finance would not be able to develop its innumerable pseudo-variety of products and of rates of profit (which run, most of them, on the edge of legality, and anyway depend on laws and regulations to be defined and devised), and there would not be anything or anybody to take the blame when a crisis strikes.

There would be no solutions to the crises. There would not be, simply, conceptions of crisis, and all the general and mistaken concepts we have been seeing.

It is finally well worth noticing that the state and its institutions, with the corollary of ideas that they bring in their wake, are obsolete and pre-capitalist in conception and in fact (see my 2002, 2008/2010 and my forthcoming). They are not, once again, what Adam Smith and Karl Marx had predicted when they had noticed the potential revolutionary power of the market – if and when it would fully develop. Here is the root of the moralistic attitude that states and institutions contribute to capitalism as we know it. Such moralism is thoroughly alien to both liberal and communist approaches (see Micocci, forthcoming), and typical of the fascist management of the economy.

Whatever argued thus far means that the financial turn of late capitalism was simply inevitable. It depends on the core capitalist activity, the monetary denomination of all and every relationship. This is, of course, the process of valorization itself. Its working is the continuous, inaccurate and variable solution to the so-called transformation problem. Nothing of this would happen if capitalism as we know it were not a metaphysical place with a metaphysical, homogeneous intellectuality, and a pre-capitalist set of institutions.
6. Conclusions
The roots of the present economic crisis are attributed to the financial “sector” (see the bibliography for some works whose reading has helped the alternative theory here presented). Yet, as argued so far, there is no such thing as a crisis, nor such thing as a financial sector. There is no (free) market either, but this we all knew. What we have instead is the fact that capitalism is a metaphysics.

The metaphysics of capitalism is obscured by the homogeneity at the intellectual level that characterizes capitalism as we know it and hence the social sciences. This means that the essence of capitalism, the metaphysics of valorization and its widespread and continuously restless operation goes unacknowledged. People keep searching for a culprit for things, the crises, which are the essence of capitalism itself\textsuperscript{19}. To the known, useless iteration of what is misleadingly believed to be the market further iterations are added. The crisis in fact contains, in its intellectual apprehension, the tools for recovery\textsuperscript{20}.

But if what I have argued so far is correct, we should not be bothered, as scientists and/or philosophers, by the question of deciding a recipe for recovery. The possibility and degree of the recovery itself is already written in the continuity insured by the intellectual homogeneity of the metaphysics of capitalism. This is not to say that we are not hit by the crisis, or should not fight for justice and equality. That everybody should do anyway.

Scientists and philosophers (or whatever the term is for those who spend their life studying and seeking to understand reality without the vices of the intellectuals) should break free of the dominant mentality, and should not be afraid of offering alternatives, revolutionary options. I hope I have shown the relevance, to this purpose, of the question of valorization and of economic value in general. If the account given here and in my other works is valid, economics and Marxist political economy should be replaced by a new, materialistic and historical discipline. But this is a matter which can only be hinted at here.

Finally, it is worth signalling that if everything here argued is valid finance is just one way for the metaphysics of capitalism to maintain the preponderance of monetary denomination in the form identified by Adam Smith and Karl Marx. But other, so far invisible forces might replace monetary denomination as the basis of capitalism.

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\textsuperscript{19} Hence, they are not systemic. They “are” capitalism.
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