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Finance capital: Why financial capitalism is no more "fictitious" than any other kind

ByPlatypus Historians Group

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Finance capital: Why financial capitalism is no more "fictitious" than any other kind The Platypus Historians Group October 2008

With the present financial melt-down in the U.S. throwing the global economy into question, many on the "Left" are wondering again about the nature of capitalism. While many will be tempted to jump on the bandwagon of the "bailout" being floated by the Bush administration and the Congressional Democrats (including Obama), others will protest the "bailing out" of Wall Street.

The rhetoric of "Wall Street vs. Main Street," between "hardworking America" and the "financial fat cats," however, belies a more fundamental truth: the two are indissolubly linked and are in fact two sides of the same coin of capitalism.

It would be no less reactionary "that is, conservative of capitalism" to try to oppose "productive" industrial manufacturing or service sector capitalism to "parasitic" financial capitalism.

As Georg Lukács pointed out in his seminal essay "Reification and the Consciousness of the Proletariat" (1923), following Marx's critique of "alienation" (in *Das Capital*, 1867) (and echoing the at-the-time yet-to-be discovered writings by Marx such as the 1844 *Economic and Philosophic Manuscripts* and the *Grundrisse*, 1858), modern society structured by the dynamic domination of capital gives rise to "necessary forms of appearance" that are symptomatic of capital.

These reified "forms of appearance" include not only forms of "exchange" such as monetary and financial systems, but also, more fundamentally, forms of wage labor and concrete forms of production, which are just as much a part of capital's reproduction as a social system as are any conventions of exchange.

This means that one cannot oppose one side of capital to another, one cannot side with "productive labor" against "parasitic capital" without being one-sided and falling into a trap of advocating and participating in the reproduction of capital at a deeper level. Lukács recognized, following Marx, that capital as not merely a form of "economics" but a social system of (re)production.

But most varieties of "Marxism" have missed this very crucial point, and so take Marx to mean rather the opposite, that industrial production embodies what is true and good about capital, while exchange and money represents what is false and bad about it. Such pseudo-"Marxism" has falsely (and conservatively) vilified the supposedly "fictitious" nature of "finance capital."

Following Marx, Lukács, through his concept of "reification," sought to deepen the critical recognition of the social-historical problem of capital, to recognize that modern society as structured and dominated by capital exhibits specific symptoms of this domination. Such symptoms are the attempts by human beings individually and collectively to master, control and adjudicate the effects of the social dynamism that capital sets in motion.

However, in Marx's phrase (from the 1848 *Manifesto of the Communist Party*), the dynamic of capital ensures that "all that is solid melts into air." The modern society of capital is one in which all concrete ways of life, social organization and production, are subject to revolutionization through a cycle of "creative destruction." But Marx did not simply bemoan this dynamism of capital that ends up making transient all human endeavors, mocking their futility.

Rather, Marx recognized this dynamism as an "alienated" form of social freedom. The creative destruction engendered by capital is the way capital reproduces its social logic, but it also gives rise to transformations of concrete ways of social life the world has never before seen, engendering new possibilities for humanity—the past 200 years of capitalism have seen more, and more profound changes, globally, than previous millennia saw. Unfortunately, the reproduction of capital also means undermining such new human potentialities (for instance, new forms of gender and sexual relations) as soon as they are brought onto the ever-shifting horizon of possibility.

With the current financial collapse, the temptation will be to retreat to what many on the pseudo-"Left" have long advocated, a "new New Deal" of Keynesian Fordist and welfare-state social-security reforms. The temptation on the "Left" (as well as the Right) will be to see what some have called "saving capitalism from itself" as "progress." But such attempts to master the dynamics of capital will not only fail to achieve their aims, but will also entail unexpected further consequences and problems no less potentially destructive for humanity than so-called "free-market" practices of capitalism.

If the neo-Keynesians as well as others, such as the more radical "socialists" on the "Left" are mistaken in their hopes for reformist solutions to the problems of capital, it is not least because they don't recognize capitalism as a (alienated) form of (increasing the scope of) freedom. Rather, their nemeses among the "neo-liberals" such as Milton Friedman (in the 1962 book *Capitalism and Freedom*) and Friedrich Hayek (in his 1943 book *The Road to Serfdom*) have given expression to this liberal dimension of capital, which they opposed to what they took to be the worse authoritarianism of (nationalist) socialism.

Opposed to this have been thinkers such as Karl Polanyi (*The Great Transformation*, 1944) and John Kenneth Galbraith (*The Affluent Society*, 1958, which warned of the effects of private-sector capital outstripping the public sector). Polanyi, for instance, complained that capitalism commodified three things that supposedly cannot be commodities, labor, land and money itself. In such a one-sided opposition to capital, Polanyi neglected to realize that what makes modern society what it is, what distinguishes modern capitalism from earlier pre-modern forms of capital, is that it precisely entails subjecting these supposedly not "commodifiable" things to the commodity form. Modern capital is precisely about the radical revolutionizing of how we relate to forms of social intercourse, labor, and nature.

So no one should be fooled into thinking that supposedly better forms of politically managing (e.g., under the Democrats) the social investment in, and thus preserving the value and promoting the improvement of material production, infrastructure, or forms of knowledge represents any kind of sure progress. No one should mistake for even a moment that such efforts will not be a windfall and lining the pockets of the capitalists (on Main Street) through upward income-redistribution schemes any less than bailing out Wall Street will be.

The presently bemoaned deregulation of financial institutions that occurred under Bill Clinton in the 1990s was not meant (merely) to enrich the rich further, but to open the way for new forms of economic and social relations, both locally and globally. Such neo-liberal reforms were meant to overcome, in Milton Friedman's phrase, the tyranny of the status quo sentiment any emancipatory Left ought not to regard with excessive cynicism. For the neo-liberals found a hearing not only among the wealthy, but also among many left out of the prior Keynesian/Fordist arrangements; see, for instance, the 2006 Nobel Peace Prize winner Muhammad Yunus's social activist work in microfinance in Bangladesh.

A Marxian approach to the problem of capital, as Lukács warned with his concept of reification, recognizes that labor and its forms of production are no less reified and ideological in their practices under capital, no less unreal and subject to de-realization, with destructive social consequences, than are the forms of exchange, monetization and finance.

An authentically Marxian Left should take no side in the present debates over the merits and pitfalls of the bailout of the financial system. One can and should critique this, of course, but nonetheless remain aware that this is no simple matter of opposing it. This side of revolutionary emancipation beyond capital, a Marxian politics would demand to better finance capital no less than to support labor. Finance capital is no less legitimate if also no less symptomatic of capital than any other phenomenon of modern life. So it deserves not to be vilified or denounced but understood as a way humanity has tried authentically to cope with the creative destruction of capital in modern social life.

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