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Reseña / Review

Costas Lapavitsas. *Profiting Without Producing: How Finance Exploits Us All*. London: Verso, 2014.

Exploitation for Everyone: Finance, Production, and Profit since the 1970s

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It is a commonplace in the post-crisis United States that the last thirty years have been defined by the rise of finance. The claim of Costas Lapavitsas's important and thought provoking book *Profiting Without Producing: How Finance Exploits Us All* (Verso, 2014) is that, despite all of the ink that has been spilled on this topic, we still lack a rigorous understanding of what finance is, how it profits, and what exploitation means in an age of financialization.

Lapavitsas is one of the foremost writers in the Marxist tradition on finance and he brings a wealth of experience and knowledge to this project (his other works include, with Makoto Itoh, *Political Economy of Money and Finance* [1999] and *Social Foundations of Markets, Money, and Credit* [2003]). For Lapavitsas, the problem with most prior approaches in the heterodox tradition (Arrighi, *Monthly Review*, Greta Krippner) is that they fail to specify why entities have turned to seeking financial profits and that these authors have no consistent definition of financial profit (20). As Lapavitsas writes, "To demonstrate both the nature of the sources of financial profit, it is necessary theoretically to examine the activities of

non-financial corporations, banks and individuals—precisely the agents whose conduct defines financialization” (20).

The remainder of the book’s first (more theoretical) half is concerned with developing a conceptual structure, primarily out of the work of Hilferding and Marx, to specify both who profits from finance and how. Lapavitsas makes two important interventions here. First, he re-centers discussions of finance on the category of exploitation. Throughout the book, Lapavitsas is critical of approaches that seek only to explain fictitious capital or which focus on the hi-tech end of financial innovation, as these approaches tend to see finance as merely speculative. The core of Lapavitsas’ argument about finance is that it is a form of “profit from alienation or expropriation” (141).

Lapavitsas’ second intervention is to develop a coherent theoretical explanation for financial profit which he divides into three categories: profit from advancing loans, profit from holding equity, and profit from trading financial assets. I think for persons who are casual readers of the literature on finance, this will be one of the more interesting sections because it contains the seeds of the argument that Lapavitsas develops in the book’s data driven section: namely, that much of recent financial profit is a result of banks expropriating worker’s wages. For Lapavitsas, while certainly recognizing the occasionally speculative and frequently predatory nature of finance, the specificity of finance in our historical moment is how receding public provisions (of housing, health, and pensions) have opened up new avenues for lending to workers and how financial intermediaries have come to profit from these claims upon workers’ future wages.

This is not a new narrative, but Lapavitsas’ contributions are, first, to concretely theorize what financial profit is and then in the data driven second half of the book to give a historical account of the turn to worker financial exploitation. In a nutshell, Lapavitsas’ argument is that competitive pressures starting in the 1960s and 70s forced banks to find other revenue streams, which they did by increasing lending to workers. One of the single strengths of the data sets Lapavitsas has created is their comparative nature. He tracks stocks of financial assets, value added from FIRE, employment in the financial sector, and financial profit across the US, UK, Japan, and Germany. Part of Lapavitsas’ argument and another critical contribution to research on finance, is to demonstrate that banks have been driven to find other sources of profit as corporations have relied primarily on retained earnings for capital

investment.

Lapavistas tells a powerful story about financial exploitation and has the data to back that story up. There are, however, a number of issues that crop up as one moves through the work, most of which have to do with Lapavistas' desire to craft a narrative of finance that ultimately centers on workers and exploitation. The focus on exploitation, while a welcome break from writing on finance that sees it as merely speculative or parasitical on the "real" economy, tends to leave out of the analysis a number of conceptually and historically interesting issues which are fundamental for the rise of finance, namely speculation, the production of fictitious values, and the proliferation of new financial instruments (derivatives are mentioned in Chapter 1 but play no significant role after). After railing against speculative accounts of finance, it is a light irony that Lapavistas ends in the same place as many of those very accounts: the last chapter calls for public banks and a Tobin tax, that is for more "regulation" as if deregulation or the uncorking of the speculative "bad" side of finance were the only problem of the present.

There is also a split in the book between the opening theoretical chapters and the latter data driven ones. The opening chapters seem to have their ambition to recreate all the categories of contemporary finance from out of texts in the Marxist tradition. While occasionally useful (the insights into the difference between financialization in Hilferding's time and our own time are an excellent example) and while the literature review in Chapter 2 is a great resource for anyone seeking to deepen their knowledge of current discussions, these sections frequently feel overly descriptive with little historical or sociological detail and are hard to link up with the later data driven chapters.

As well, the book's approach to "workers" as the objects of financial exploitation feels at times rather naïve. In the US, less than 50% of all workers have pensions or individual retirement accounts.¹ Moreover, 40% of mortgages bought in 2005 were bought for investment purposes (i.e., "workers" looking to profit off of other "workers" through rent or house flipping).² While clearly

¹ <http://money.usnews.com/money/blogs/planning-to-retire/2013/08/30/half-of-workers-lack-retirement-benefits>

²

http://www.money.cnn.com/2007/04/30/real_estate/speculators_fleeing_housing_mark

finance is making more and more claims on the future wages of workers, it is surely important not to lump all wage earners together, which is something with which Lapavistas' text flirts.

The same is true of Lapavistas' approach to financialization in "developing" countries, which he reads broadly as one of their exploitation via finance by dominant powers. In place of this broad brush, one would want instead of a careful analysis of who profits and how in the periphery and the mechanisms that have promoted financialization there. In the final analysis, Lapavistas insistence on reading finance through the category of exploitation opens onto interesting conceptual horizons and excellent and compelling sets of data but one has a sense of his limitations due to a lingering theoretical orthodoxy that refuses to fully open itself to the historical particulars of finance's rise.