

Book Reviews

FINANCIALISATION AND MACROECONOMICS. THE IMPACT ON SOCIAL WELFARE IN ADVANCED ECONOMIES, BY GIOVANNI SCARANO, 214 PAGES, ROUTLEDGE: NEW YORK, 2023, ISBN 9781032121321.

Contemporary capitalism, besides being globalised, is marked by increasing financialisation, and the volume of research on this topic is now extensive. Nevertheless, there is no unanimity on the definition of financialisation. According to Fama and Miller, in the mainstream perspective, financialisation refers to a mechanism of resource allocation based on a cost-benefit calculation over a given time horizon: 'finance is concerned with how individuals and firms allocate resources through time'. In this theoretical framework, finance is considered to be a locus of savings allocation and to generate macroeconomic stability. Indeed, any increases in the propensity to save - resulting, for example, from changes in the demographic structure - translate into greater availability of funds for private investment and, thus, into greater economic growth. By contrast, Post-Keynesian economists, believe that financialisation originates from financial market liberalisation measures and is destabilising. They also point to the structural change in the way large companies are run (the managerial revolution), with internal conflict between ownership and management and a propensity - on the part of the latter - to make profits through speculative activity.

According to Scarano, the post-Keynesian theses - and their emphasis on the shift in political power brought about by financialisation - are conditioned by nostalgia for the Golden Age of the pre-globalisation phase of the 1980s-1990s. In Chapter 2 the author dwells on the French school of regulation and highlights that the 'modes of regulation' postulated in this approach are based on 'institutions, norms, organisational forms, practices and individual and collective behaviour patterns historically determined that accompany an accumulation regime and provide the conditions for its long-run social reproduction (see Jessop, 1997; Boyer and Saillard, 2002; McDonough, 2010). Both modes of regulation and SSAs provide consistency to a set of decentralised decisions, without any need for the agents to be aware of the principles governing the overall dynamics of the system (see Boyer and Saillard, 2002). In other words, they are a social 'invisible hand', alternative to the market relations assumed by mainstream

economics'. In this approach, it is emphasised that financialisation imposes a mode of reproduction based on profit without investment. In Chapter 3, the issue is approached from the perspective of Marx and Marxism. Hilferding, Bucharin and Lenin as well as the American Marxists (Baran and Sweezy) are the main authors discussed. The last chapters delve into the role of money and banking in the Marxist theoretical framework, with a re-reading of further contemporary contributions. Scarano notes that: "There is, therefore, probably a link between the financialisation of Western economies and their current structural crises. However, it would be a mistake to think that there is a one-way cause-and-effect relationship, i.e. the rise to dominance of money capital has halted economic growth and generated stagnation. Many neo-Marxist scholars, in fact, insist on the reverse causal direction. According to them, it is the long-term trend towards stagnation of monopoly capitalism that improved the primacy of finance. The latter, in turn, acted on the cause, reinforcing the paralysis of Western economies, but we must not lose sight of the original causal sequence if the aim is to promote adequate political intervention" (pp.123-124).

The main merit of Scarano's book is that it restores the phenomenon's purely political dimension, which is left in the shadows in both the mainstream and post-Keynesian literature. In addition, contrary to both the mainstream and post-Keynesian approaches, the thesis of exogenous financialisation is rejected. The clear conclusion is that: "Financialisation, in our view, is the result of a natural propensity of the capitalist mode of production, which is founded on the circuit of capital. This circuit, in fact, always starts from money capital which is financial capital in its own right and by its very nature. Money capital has to pass through the production process, in the form of productive capital, due to the fact that its apparent self-valorising ability is founded on the appropriation of the surplus value that results from this process. However, money capitalists are periodically seized by fits of giddiness in which they try to increase their capital with no commitment to production and the simplest way to do this is by transforming money capital into interest-bearing capital" (p.191).

This book is of extreme interest, since it proposes a largely new interpretation of contemporary capitalism. It can be recommended for advanced courses in Heterodox Economics and the History of Economic Analysis and, for further study, is suited to all readers - even non-professionals (apart from the mathematical formalisation of the last section) - interested in the analytical and theoretical developments of Marxism.

Guglielmo Forges Davanzati
Università del Salento



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