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ACCUMULATING CAPITAL TODAY

CONTEMPORARY STRATEGIES OF PROFIT AND DISPOSSESSIVE POLICIES

Edited by
Marlène Benquet and Théo Bourgeron

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Foreword

Thomas Piketty

Accumulating capital: a research agenda

It is a great pleasure for me to introduce the reader to what I believe to be a very important book. Marlène Benquet and Théo Bourgeron have put together an impressive collection of essays emanating from a conference entitled "Accumulating capital: strategies of profit and dispossessive policies", which took place at Université Paris-Dauphine on 6–7 June 2019. A large community of scholars, coming from all fields of social sciences (sociology, anthropology, economics, political science, geography and history), convened for two days in order to present and discuss recent research related to capital accumulation. This book is inspired by what happened during these two days, but it ambitions to be something more by fostering the development of the "accumulation studies" stream of research. Many of us were not initially aware that this community and this academic field really existed; but it quickly became obvious during the meeting that they did.

In their introductory chapter, Marlène Benquet and Théo Bourgeron convincingly call for the emergence of the field of "accumulation studies". Let me make a couple of additional points on this crucial issue.

First, together with a new generation of young researchers (including Céline Bessière, Olivier Godechot, Sibylle Gollac, Camille Herlin-Giret, Hanna Kuusela, Philip Mader and many others), Marlène Benquet and Théo Bourgeron have managed to put together this highly international and pluridisciplinary group of scholars, demonstrating that we should not take the current state of social sciences as a given. Rigid disciplinary boundaries can, should and will be redefined and overcome.

"Accumulation studies", that is, the study of the process of capital accumulation in contemporary capitalist societies, require mobilizing the tools and research traditions coming from all disciplines. In particular, one needs to analyze the new sources of economic profits and assets, as well as the full set of public and private institutions and strategies through which the process of accumulating capital is able to perpetuate itself, and resolve (or not) its social, political and telluric contradictions. Such a comprehensive analysis of the forces at play cannot be achieved without a broad

transdisciplinary perspective. This is nicely illustrated, for instance, by Matthew Eagleton-Pierce and Samuel Weeks in their chapters on the construction of the City of London Corporation (Chapter 5) and the Luxembourg Investment Fund industry (Chapter 6). The liberalization of capital flows that was codified in European treaties during the 1980s and 1990s (probably one of the most decisive political shifts of the time) did not come in a vacuum. To a large extent, it was prepared by various actors and lobbying groups during the previous decades. Without such a sociological and historical perspective, it is impossible to properly understand the issues at stake and the prospects for change.

Next, it is obviously too early to define the exact boundaries of "accumulation studies". The chapters presented in this book follow a very diverse set of methods and research traditions, and this is fine. I want to emphasize that the emerging field of "accumulation studies" should also include, in my view, the study of the political, electoral and ideological coalitions that ensure (or do not) the perpetuation and the redefinition of capital accumulation. The strategies and institutions developed by the various actors of capital accumulation depend heavily on the legal, fiscal and social rules set by government and state actors, which themselves are determined by the electoral and ideological coalitions which led them, at least in part, to power. I have tried in *Capital and Ideology* (2019) to study some of these processes, especially the disaggregation of the social-democratic coalition of the postwar period and the rise of the "Brahmin left" in a large set of countries in recent decades. More generally, I have attempted to stress the key role of ideological mobilization and belief systems in the historical transformation of inequality regimes. But it is clear that a lot more needs to be done in this direction.

More specifically, it is important to study the processes of political and ideological mobilization both within the "pro-capital" and "anti-capital" camps. The role of conservative and social-liberal political parties, business associations and lobbying groups is obviously critical in the perpetuation of capital accumulation and pro-capital beliefs systems. But in order to fully analyze how capital accumulation manages to overcome its own contradictions, it is equally important to better understand the forms and limitations of anti-capitalist mobilizations. Such mobilizations were often very powerful during the past century, but after they took power, they did not always deliver the kind of emancipation that was expected. At the end of the day, the dramatic failures of Soviet communism and the semi-failures of democratic socialism have also contributed in a significant manner to the perpetuation of capital accumulation, albeit in a different way than the self-conscious strategies of mutual fund managers and City of London officials. For the same reason, it is critical to study today the strengths and weaknesses of the various anti-capitalist, socialist and ecological movements, and the extent to which their political platforms and strategies and the alternative forms

of economic organization which they promote are likely to exacerbate or to soften the internal contradictions of capital accumulation.

Finally, let me encourage future researchers in "accumulation studies" to delve deep into the study of core economic issues: the comparative evolution of incomes, wages and labour conditions; the global dynamics of private wealth and public debt; and so on. Mainstream economists often develop sophisticated mathematical models and econometric techniques in order to make themselves look scientific. But the truth is that they often have a very poor and unsophisticated understanding of the economic and social realities that they pretend to be interested in.

The positive side of this relatively sad state of affairs is that it is not too complicated to do much better. In other words, scholars of "accumulation studies" should not hesitate to occupy the space of economics. By carefully assembling comparative quantitative series on wages, working time, profits, assets and so on, without compromising their critical eye on the social construction of the empirical sources which they mobilize and by relying on a deeper historical understanding of the social and economic institutions under study, I am confident that they can produce much better economic research than what is commonly done by economists. In the long run, this is probably the greatest service that "accumulation studies" can offer to the social sciences and to the overcoming of capitalism.

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Introduction

Marlène Benquet and Théo Bourgeron

Accumulating capital

The breadth of the pressures exerted by capitalism on the environment and populations could signal that this mode of production has reached its limits. The exhaustion of natural resources, climate change, and the increasing inequalities in Western countries and in the world seem to threaten the minimum level of social and political stability required to extract profit. However, despite these crises, capital accumulation has not slowed. It has even accelerated. Social and environmental disasters generate new sources of profit. Former sources of profit are transformed, and new ones emerge, as capitalist actors use these crises to fuel new centers of capital accumulation. How is that possible? Does it reveal the existence of a new capitalism adapted to social and environmental collapse?

Identifying the mechanisms of accumulation has become a crucial question for social sciences and for societies themselves. This book aims to highlight how the social fabric of capitalist accumulation works in the 21st century. It describes the economic, technical, and political mechanisms that explain the transformation of capital accumulation and dispossession centers by investigating two main issues: the origins of profit in contemporary capitalism and the origins of the inequalities produced by these forms of accumulation.

In recent years, these issues have been the subject of increasing attention in the social sciences. They have been studied by scholars from several disciplines, including sociology, radical geography, and heterodox economics. Some of them have received significant attention, such as David Harvey's *The New Imperialism* (2003), Karen Ho's *Liquidated: An Ethnography of Wall Street* (2009), Thomas Piketty's *Capital in the Twenty-First Century* (2013) and *Capital and Ideology* (2019), and François Chesnais's *Finance Capital Today: Corporations and Banks in the Lasting Global Slump* (2016). Other less famous works are being developed in the United States (Nancy Fraser at The New School and Jason Moore at the Binghamton University), the UK (Julie Froud and Karel Williams at The University of Manchester), France (Marlène Benquet and Benjamin Lemoine at Paris Dauphine

University and Olivier Godechot at Sciences Po), and Germany (Wolfgang Streeck and Jens Beckert at the MPIfG). This book aims to make visible this new generation of researchers that rethink the political dimensions of contemporary profit strategies and the institutions that support these strategies. Using different scales of analysis, disciplines, and methods, all these works approach capitalism through the analysis of capital accumulation.

Since the 1980s, social sciences have focussed on the direct and indirect effects of the capitalist mode of production on societies (social stratification, the organisation of labor, the emergence of ideologies, and the forms of public action), leaving the understanding of profit extraction to neoclassical economics. This is no longer the case. The works presented here contribute to the re-appropriation of economic questions by the social sciences. They redefine capitalism through the imperatives of unlimited capital accumulation. They constitute a new interdisciplinary and materialist stream of research by relating capitalist accumulation to the analysis of the local transformations of labor, finance, and enrichment. They define a new field of investigation that we call *accumulation studies*.

Open and under construction, accumulation studies gather researchers that focus on the institutional and economic groundings of the new profit strategies to understand how capital is accumulated in a world threatened with social and environmental collapse. These approaches to capitalism differ from analyses focussed on actor networks (Granovetter, 1974; White, 1981; Lazega, 1999; Godechot, 2009), professions (Bessy and Chauvin, 2013; Cochoy and Dubuisson, 2013; Boussard, 2017), elite groups (Mills, 1956), and sociotechnical devices (Callon and Muniesa, 2003; Beunza and Stark, 2004; MacKenzie, 2006). These theoretical frameworks allow for an understanding of the local and observable ways in which professional norms, network structures, and calculation devices combine to shape the contemporary circuits of capital. Such analyses of the "series of transformations, translations and mutations" (Latour and Woolgar, 1988, p. 30) of the devices involved in capitalism are enlightening. However, these research streams seem to have repatriated the analysis of capitalism in the field of social sciences, but not the analysis of capital itself. Even though capitalism was being investigated and described, the focus shifted from the "how much" to the "how", from money to the beliefs, rules, and devices that frame its circulation. Capital and its accumulation have almost been reduced to a secondary effect of the functioning of the capitalist system.

Conversely, this edited collection does not focus on studying the occurrence and spread of a set of devices in the social world, but on capital itself, as it goes through a multitude of mathematical, legal, professional, and economic devices that allow for its accumulation. Accumulation is not envisioned as an externality of capitalism, but as its core reason. Far from being an adverse effect of the new calculation devices, professional norms, and financial technologies, accumulation is their primary cause and the engine of the transformations of capitalism.

By adopting this focus, this book echoes research streams in several disciplines that have investigated the issue of profit accumulation in capitalist economies, stemming more or less closely from Marxist analyses. In economics, the schools of regulation (Boyer, 1986) and social structures of accumulation (Kotz, McDonough and Reich, 1994) have sought to understand the link between the institutions of capitalism and the modes of accumulation. They have described these sets of economic institutions through the "accumulation regime" (Boyer, 2000; Stockhammer, 2007) concept. The radical geography stream that formed around David Harvey's work has focussed on how the processes of accumulation unfold in space, through uneven logics of dispossession. Other works belonging to the fields of economic history and social studies of finance have investigated some aspects of the strengthening of the accumulation logics, by studying the role of financialisation in the concentration of wealth (Godechot, 2016) and by developing a critical understanding of the shareholder value movement (Lazonick and O'Sullivan, 2000).

Therefore, this edited collection is not the first piece of research to focus on the issue of accumulation. It belongs to a tradition of major works that have been developing over the last 30 years.It aims to fulfil two important objectives. First, it fosters the dialogue between works dealing with accumulation beyond disciplinary boundaries. It gathers authors coming from diverse theoretical perspectives, but willing to share concepts and a critical approach of accumulation. It reveals a field of interdisciplinary and international research. Second, it aims to re-examine the theoretical approaches of accumulation in light of contemporary fieldworks and the new historical situation characterised by extreme levels of nature exploitation, the growing significance of the financial and technological sectors in the accumulation process, the social troubles resulting from the high level of inequalities, and the new forms of wealth protection.

Accumulation studies: a critical and materialist approach to accumulation

This book is an attempt to bring together the study of capital and the production of inequalities by taking the mechanisms of accumulation as a starting point. It defines them as both economic and institutional processes. Accumulation is the set of institutionally regulated ways in which the maximisation of profit is performed. Centers of capital accumulation are therefore indissociably tied to centers of dispossession and institutions that allow for their development by establishing the political rules of the circulation and distribution of capital.

This broad definition builds on a revisited version of the Marxist tradition. It contributes to a materialist approach to the social world by showing how economic relationships, that is, the way in which people organise to meet social needs, constitute the matter on which human

societies are constructed. However, it diverges from the Marxist tradition on two main points.

First, it gives a central place to the issue of the institutions that allow accumulation to take place. Even if Marx provides a partial description of the state apparatus in his analysis of Bonapartism, there is no systematic theory of the state in his work (Lefort, 1981; Keucheyan, 2015; Jessop, 2016). Capitalist accumulation and its central mechanisms are considered separately from the institutions that allow them. This difficult point has led to theoretical reconstructions of the role of the state in accumulation: this is the case for Antonio Gramsci in the 1920s and 1930s and Nicos Poulantzas in the 1960s and 1970s, and, more recently, John O'Connor on the fiscal crisis of the state, Giovanni Arrighi on the analysis of systemic crises of accumulation, and David Harvey on dispossessive policies. We aim to extend these materialist approaches by giving a central place to capitalist institutions. As opposed to works that evidence how capitalist actors "capture" public regulation (Becker, 1958; Huntington, 1962; Bernstein, 1967) and underestimate the interdependence between capitalist actors and institutions (Bourdieu, 2000; Woll, 2015), in this book, accumulation is analysed as the outcome of the regulations co-elaborated by policymakers and capitalist actors to organise profit extraction.

Second, the field of accumulation studies broadens the Marxist definition of accumulation by giving a central role to mechanisms of dispossession and commodification. It builds on the works of Rosa Luxemburg and, more recently, David Harvey. The formerunderlines two aspects of capitalist accumulation: the production of added value and the relationships between capital and non-capitalist modes of production, through the process of transformation of goods into commodities. She shows that capitalism is only able to overcome its crises by finding spaces that it can turn into commodities outside of its own borders. There should necessarily be something "out of itself" in order for capitalism to remain steady. David Harvey (2003) builds on this idea and indicates that the primitive accumulation described by Marx as a phase of plundering, the "original sin of capitalism", is not only the condition of its rise but also of its perpetuation. What David Harvey calls "accumulation by dispossession" is consubstantial to the development of capitalism itself. Dispossession thus happens through the transfer of productive public assets and natural resources from states to private companies. According to him, accumulation through dispossession has been the dominant form of capitalism since the 1970s. This results from the efforts of the former "communist" states to integrate themselves into the capitalist system, the financialisation of the economy, and the political success of neoliberalism as a doctrine aiming to organise the self-disempowerment of states. These works reveal how the movement of commodification redefines non-capitalist practices and natural resources into sources of capitalist profit.

Based on this framework's careful consideration of institutions and the diversity of accumulation sources, the field of accumulation studies aims to solve the enigma of the strengthening of capitalism in an increasingly devastated world.

The sources of capital accumulation: labor, finance, technologies, and wealth

These accumulation studies present new research perspectives, making visible research objects that were previously ignored by the literature by focussing on issues such as inequalities and the mechanisms of protection and perpetuation of wealth. They also allow for the re-addressing of fields that have already been studied before through the notion of accumulation. They reformulate these objects by inscribing them into the global analysis of accumulation and capitalism. The accumulation studies enable the re-contextualisation of dispersed analyses of society and economics in order to build an overall understanding of contemporary capitalism. The book re-interprets four main research topics through the lens of accumulation and its contemporary forms: accumulation through the new forms of exploitation of labor and nature; accumulation through financial investments; accumulation through digital technologies; and the conversion of accumulation into individual wealth.

Historically, exploitation of labor and nature have been the main sources of profit for capitalist actors. This part aims to re-interpret these two classical objects of social science so as to understand the origins of contemporary accumulation: what are the mechanisms through which workers with growingly heterogeneous statuses are linked to emerging centres of profit accumulation? How is nature transformed as a source of profit in a world where natural resources are being depleted?

Post-Fordist capitalism has changed the forms of labour exploitation. The rise of managerialism has transformed the way labour is exploited by introducing a new social class in the opposition between capital owners and workers. Focussing on the case of the United States, the chapter by Gérard Duménil and Dominique Lévy (Chapter 1) shows how a class of workers (the managers) finds itself in the position to exploit other workers and accumulate considerable fortunes. At the same time, the form that wage-earning labour takes is increasingly questioning the conceptual limits between the Marxist concepts of exploitation and dispossession. Guillaume Vadot's chapter (Chapter 2) focusses on wage-earning labour in Cameroon's large-scale plantations. It underlines that their employers are constrained to supply their workforce with a very low wage to get monetary resources, in an economy that is largely non-monetised. Given this constraint, it tempers the opposition between exploitation and dispossession, as wage-earning labour here constitutes a form of dispossession.

Recent Marxist works have underlined how accumulation relies on a similar process of transforming wage labour, unpaid labour, and natural resources into "cheap" commodities (Patel and Moore, 2017). Therefore, labour exploitation interacts with nature exploitation. Focussing on the relationship between these two kinds of exploitation, Matthew Soener's chapter (Chapter 3) outlines the debate between green growth and degrowth. It performs a quantitative analysis of the link between exploitation rate and carbon emissions, showing that the exploitation of labour is positively correlated to the exploitation of nature. It is not growth in itself, but the capitalist growth model that should be questioned with respect to climate change. Maura Benegiamo (Chapter 4) also deals with the relationship between agricultural labour, nature exploitation, and the dispossession of local populations. Applying the "bio-capitalism" concept to the African Green Revolution, she shows that post-Fordist capitalism results in the transfer of the environmental risk that stems from nature exploitation to local populations.

This book also extends the social studies of finance and aims to understand the role of financial investments in accumulation. Indeed, the financial sector has become a crucial element in the construction of inequalities and large individual fortunes (Godechot, 2016). Studying financialisation first raises the issue of its possible conditions: what are the institutional mechanisms involved in the accumulation of financial capital?

Since the 1970s, Western countries have been developing institutional arrangements favourable to the financial sector in such a way that Robert Boyer has talked about a "financialised accumulation regime". This new accumulation regime relies on the institutional work of lobbying groups, such as the City of London Corporation described by Matthew Eagleton Pierce (Chapter 5). This organisation is responsible for making the financial district of London thrive. He shows how it has accumulated assets to strengthen the centrality of the City in European financial activities and to influence UK politics. States and the financial sector together elaborate the legal mechanisms enabling financial accumulation to take place. Samuel Weeks's chapter (Chapter 6) details the construction of a legal device at the heart of Western capitalism: the Luxembourg Investment Fund. It shows how Luxembourg's administration served the interests of emerging financial markets of the 1970s and co-constructed legal mechanisms that allow for low-tax and shareholder-friendly asset management practices.

Financialisation also raises the issue of the relationship between finance and the productive sphere: do the profit strategies of finance rely primarily on the intensification of labour exploitation or on purely speculative strategies? Some authors have described financialisation as a disciplinary process that affects the balance of power in the economy, favouring an increase in the value distributed to shareholders and the exploitation of employees (Van der Zwan, 2014). Others have shown how financialisation results in dispossession processes that benefit financial actors (Harvey, 2005). Fabien Foureault's work (Chapter 7) participates in this debate by studying

the leveraged buyout (LBO) scheme, in which private equity funds make workers pay the debt that was used to buy out their company. He shows that LBOs result in both the dispossession of workers from the assets of their company and increased exploitation.

Financial accumulation is an expanding process: to maintain their level of profit, financial actors must constantly extend the perimeter of their investments. Natascha Van der Zwan (2014) underlines how financialisation consists of the colonisation of new spaces of social life, for instance, through the financialisation of everyday life in the United States. As Philip Mader and Lesley Sherratt's chapter (Chapter 8) shows, this extension is also geographical. It underlines how the financialisation of small companies in the Global South has been enabled by the lobbying activity of large philanthrocapitalist organisations, such as the Mastercard Foundation and Bill & Melinda Gates Foundation, promoting "financial inclusion" as a fundamental right.

The accumulation studies also allow for re-description of the emergence of digital technologies by adopting an alternative approach to science and technology studies. They show how these technologies create new centres of capital accumulation and transform existing ones. How do digital technologies participate in the renewing of the accumulation process?

Even if some of these technologies are designed to be instruments of emancipation regarding financialised capitalism's institutions, others are shaped to expand the limits of capital further into the material life of individuals. Moritz Hütten (Chapter 9) shows this ambivalence in his study of cryptocurrencies and blockchain. Initially designed as liberation techniques for workers and digital companies against venture capitalists, these technologies have been transformed by capitalist actors and used as new opportunities for financial speculation.

Within traditional sectors, digital technologies favour the emergence of new predation logics in global value chains. Cédric Durand, in Chapter 10, studies the role of intellectual property in algorithms in information technology companies using Veblen's concept of predation and Marx's concept of dispossession. While Marx defined dispossession as a characteristic of the pre-industrial period, Cédric Durand uses Veblen to underline how the new digital capitalism essentially relies on predation. In a similar way, Marc-André Gagnon's chapter (Chapter 11) focusses on the cogs of predation in large pharmaceutical companies. It emphasises how the economic model of pharmaceutical companies is based on the systematic use of ghost management practices to appropriate public drug funding.

Finally, capital accumulation requires the transformation of profits into personal wealth and the protection of these fortunes against redistributive tendencies. This new object of research intersects already existent fields: works on taxation and wealth advisors stemming from the sociology of professions and works on the wealthy stemming from social stratification studies. It rekindles these areas in relation to the following question: what are the processes that protect the capital accumulated by wealthy individuals?

To answer this, the last part of the book first quantifies and describes the accumulation of individual fortunes. Hanna Kuusela and Anu Kantola (Chapter 12) contribute to the debate on the role of owners by using a database of the wealthiest Finnish individuals. During the second half of the 20th century, economic works have emphasised the growing significance of managers in capitalism. Going back to the Marxist distinction between owners and workers, and echoing the works of Thomas Piketty on proprietarianism, Hanna Kuusela and Anu Kantola show that owned property remains central in the accumulation of large amounts of wealth in Finland.

To protect their capital, wealthy people employ wealth management and tax professionals. These actors define the way their fortunes are managed and inherited through generations. As Camille Herlin-Giret's work (Chapter 13) on wealth managers in France shows, wealth managers promote an accumulation oriented towards family inheritance and encourage owners to engage in the expenses needed to display their status. In Chapter 14, Silke Otsch studies tax managers in Germany. She investigates their involvement in recent tax evasion scandals and shows the role that these professionals have played.

Finally, reviewing the very broad field of research dedicated to gender inequality, Céline Bessière and Sibylle Gollac, in Chapter 15, highlight the "gender of capital". They evidence the structural sexism of the mechanisms through which capital is distributed and appropriated, for instance through the legal devices involved in divorce and inheritance that systematically disadvantage women in the distribution of wealth.

One hundred and fifty years after the writing of Karl Marx's *Das Kapital*, this book contributes to creating a research network on accumulation studies. It gathers researchers attempting to understand the global evolution of capitalism, using empirical cases to engage in a broader discussion and map the contemporary dynamics of capital accumulation.

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Part 1

Accumulating through the Exploitation of Labour and Nature

1 The dynamics of capital accumulation in managerial capitalism

The United States since World War II

Gérard Duménil and Dominique Lévy

The main features of capital accumulation in the United States since World War II are familiar, with the high rates during the 1960s and 1970s, the decline during the 1980s, the resurgence during the 1990s, and the low rates since the recession of 2001 (Section 1.1). The present study is an attempt at the deciphering of this historical profile.

It is an ambitious endeavor. The method is not the building and estimate of an "investment function" that would "explain" the ups and downs of accumulation with reference to a set of arguments. The dynamics of accumulation are, in our opinion, the outcome of a broad set of mechanisms, in which historical tendencies, social relations, and the technicalities of macroeconomics are intertwined. In all of these respects, a close relationship must be maintained with empirics. Our analysis is grounded in the Marxian interpretation of social relations, a mix of "fundamentalism" and "revisionism": the basic principles of Marx's theory of history are center stage but prolonged to the consideration of developments that Marx perceived but could not master. One must also acknowledge that the methods of economics were deeply altered since the mid-19th century, including the availability of data of which Marx could not even dream. In our opinion, this fundamentalist-revisionist approach is the unique alternative to the so-called deconstruction of Marxism. The most recent synthesis can be found in our book *Managerial capitalism: ownership, management, and the coming new mode of production* (Duménil-Lévy, 2018). The analysis hinges on two pivotal notions:

1 *Modes of production.* Contemporary societies are hybrid social formations, the combination between capitalist-managerial social relations along the road from capitalism to "managerialism" as new mode of production. Three fundamental classes can be distinguished, namely, capitalists, managers, and the popular classes of workers and subaltern employees. Thus, two upper classes exist side by side, capitalists and managers, manifesting a significant degree of merger at the top.

2 *Social orders.* Moving from class structures to power relations, the class pattern of managerial capitalism is susceptible of variegated political configurations of domination and alliance between classes: (i) *The first financial hegemony* from the managerial revolution to the Great Depression, under the hegemony of big capitalists like the Morgan or Rockefeller; (ii) *The post-World War II compromise* up to the 1970s–1980s, marked by the alliance between managers and popular classes (consequently, manifesting the repression of the traditional capitalist component); and (iii) *Neoliberalism as second financial hegemony,* since the 1970s–1980s, whose main feature is the alliance struck at the top between the two components of upper classes, capitalists and managers. Despite the "crisis of neoliberalism" in 2008–2009, this social order is still under way (Duménil-Lévy, 2011).

We are presently working on macroeconomics, and the present study considerably borrows from this investigation, both theoretically and empirically. The analysis is limited to the United States, though many of the mechanisms considered are also at work in other countries (with the necessary specifications).

The first section is introductory. The focus is on what must be explained, namely, the rate of accumulation in the US economy since World War II. This section also gives the outline of the remainder of this study devoted to interpretations.

1 Capital accumulation and its analysis

The rhythms of capital accumulation in the US economy since World War II are briefly sketched, prior to the introduction of the general outline.

1.1 Accumulation and growth rates: profiles

The field of analysis is the US Nonfinancial corporate sector (NFC sector). It is the main sector at the origin of firms' investment in fixed capital. The variables in Figure 1.1 are the growth rates of the stock of fixed capital and the gross value added (GVA) in the sector. The GVA is as in the national income and product accounts (NIPA). The stock of fixed capital is from the Bureau of Economic Analysis (BEA) after the adjustment described in Section 4. This figure separates between periods of steady course of outputs or "gravitations" (denoted by continuous or dashed lines) and periods of perturbation combining recessions and recoveries (denoted by dotted lines). Averages values during gravitations are singled out by horizontal segments.

1 *Historical trends.* In the assessment of historical trends since World War II, the averages during gravitations are the relevant observations: they move in tandem for capital stocks and the GVA, with limited discrepancies.

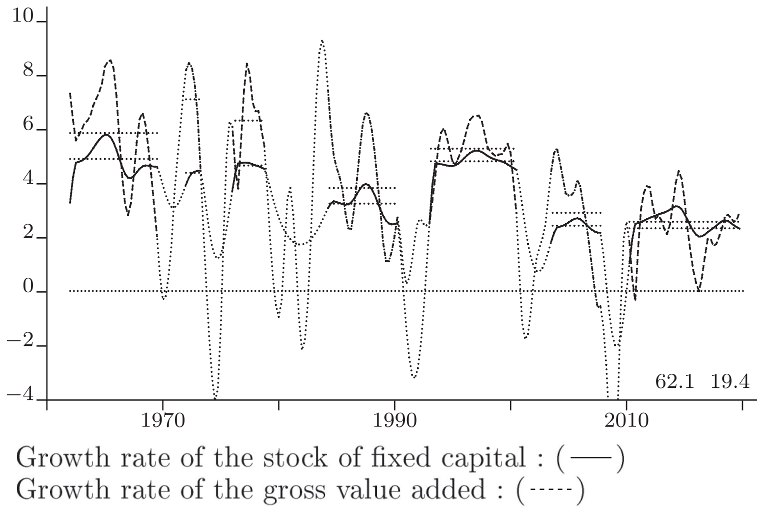

Figure 1.1 The growth rates of the stock of fixed capital and output (gross value added) in the Nonfinancial corporate sector, 1962–2019 (percentages). In the course of fluctuations, we distinguish between periods of *gravitation* (steady courses of output) and *perturbation* (recessions and recoveries). The variables during gravitation are identified by continuous lines for the growth rate of fixed capital, and dashed fine for the growth rate of output. The horizontal dotted lines denote average values during gravitations. This figure abstracts from the 1950s, the period of stop-and-go.

Sources: The stock of fixed capital is our own estimate based on BEA data. The gross value added is from NIPA, Table 1.14.

2 *Gravitations.* During gravitations, the two growth rates are still correlated, but the growth rate of the stock of fixed capital is almost constant in comparison with the growth rate of the GVA, manifesting wider short-term ups and downs.

3 *Perturbations.* Large fluctuations are observed during perturbations, broader in the growth rate of the GVA.

1.2 Accounting for complexes of reciprocal interactions: outline

Section 2 compares the postwar compromise, from the 1950s to the 1980s, and neoliberalism, since the 1980s, as the two latter social orders in managerial capitalism, in two respects: (i) exploitation, as the capability to extract a surplus from popular classes, actually, the extraction of surplus labor;[1] and (ii) the comparative trends of accumulation and consumption. (In the present study, exploitation is always restricted to the appropriation of surplus labor as fueling the income of upper classes.) Section 3 analyses the broad fluctuations observed in the channels of funding of

accumulation by either firms' retained profits or borrowing. There is an important policy aspect in these mechanisms, and the link is specifically established with macroeconomics. Section 4 deals with the breaks – actual steps down – observed in the course of accumulation during recessions; these breaks have important consequences regarding the estimates of the stock of fixed capital and capacity utilization rates. Section 5 examines the historical trends of accumulation in an even longer perspective, beginning during the late 19th century. Basic traits of Marx's theoretical framework are vindicated, but the rise of managerial capitalism temporarily reversed historical trends during the first half of the 20th century and the 1990s.

2 Exploitation and accumulation: the postwar compromise and neoliberalism

The hybrid nature of the mode of production and the switch from the postwar compromise to neoliberalism are the two keys to the interpretation of the trends of accumulation in Section 1.1. We first consider the changing forms and degrees of exploitation that shaped upper incomes and, then, address their puzzling consequences on accumulation.

2.1 Capitalist and managerial surpluses

In a hybrid social formation such as managerial capitalism, surplus labor is squeezed out through two channels (within nonfinancial corporations):

1. *The capitalist surplus.* The capitalist surplus is equal to the NVA of the sector minus taxes and wages. The resulting profits can be broken down into four components: (i) interest, (ii) dividends, (iii) share buybacks net of the issuance of new shares (as discussed below), and (iv) retained profits. Interest is a cost; the three other flows are the consequences of decisions regarding the use of profits.
2. *The managerial channel.* Upper wages are paid to managers. (We classify retained profits within capitalist income although they also provide the foundations of potential expanded forthcoming upper wages of managers.)

With the exception of share buybacks, which were forbidden during the postwar compromise, this pattern of exploitation was observed during the two social orders. Within specifically neoliberal managerial capitalism, corporations repurchase their own shares, thus feeding a flow of income in favor of shareholders supplementing dividend payouts. An important aspect of neoliberal deregulation to the benefit of upper income layers was the authorization of share buybacks in 1982 (Securities and Exchange Commission

Rule 10b-18). In the remainder of this study, share buybacks are always approached net of the issuance of new shares. (Buybacks can be negative if issuances are larger than repurchases.)

The present section is an attempt at the empirical estimate of the flows of surplus conveyed through these two channels. A number of obvious approximations must be made. Beginning with the managerial surplus, there is no criterion allowing for the separation between the wages of managers and popular classes. Studies locate a border between, broadly speaking, upper and lower classes, at around 3% of income hierarchies, not specifically wage income (Banerjee-Yakovenko, 2010 and Tao et al., 2016). We place the boundary at 5%, since this is the first fractile for which we have access to the necessary data for a broader group than the top 1% (which is certainly too narrow). There is no breakdown of wages within the corporate sector. We use the general hierarchy of wage incomes in the entire US economy (from Thomas Piketty's and Emmanuel Saez's data). The percentage for the top 5%, thus derived, is applied to the total wages paid within the NFC sector. We consider the figures obtained as broad estimates of the managerial surplus. Data are available regarding the capitalist surplus, that is, the total of retained profits, interest, dividends, and share buybacks. The sum of the two components is the total surplus.

The resulting estimates are presented in Figure 1.2, beginning in 1929:

1. The upper variable is the percentage of the total surplus in the after-tax value added of the NFC sector. We take 1968–1976 as reference years (marked by the horizontal dotted segment), at 27.7%, in line with the share of surplus prevailing since World War II. The upward trend in income distribution, beginning during the 1970s, was the expression of the class features of neoliberalism. The percentage reached 38.3% between 2015 and 2017, manifesting a gain of 10.6 percentage points of the after-tax NVA (rounded up to 11% in the figure).
2. The lower variables break down the total surplus into its two components, namely, managerial and capitalist. The percentages fluctuated jointly at about 15% to the 1970s, prior to the hike in managerial income up to 20%, manifesting the sharp increase in upper wages during neoliberal decades. A "comeback" of the capitalist surplus is then apparent.

The gain of 11 percentage points of NVA by the total surplus must be related to the well-known stagnation of the purchasing power of lower wages. The profile of the hourly purchasing power of the income of "production and nonsupervisory employees" as in Figure 1.3 is familiar: a complete stagnation between 1970 and 2019, with a dramatic transitory fluctuation downward.

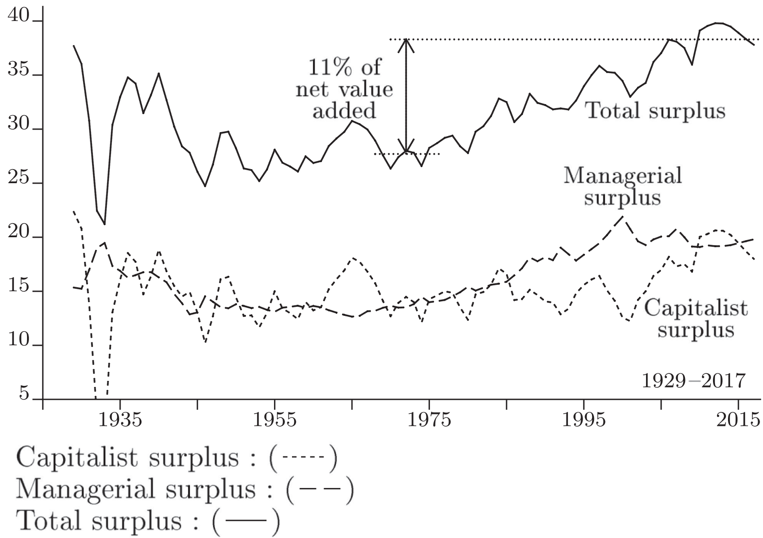

Figure 1.2 The total surplus (capitalist and managerial surpluses) extracted within the US Nonfinancial corporate sector, as percentage of the total after-tax net value added in the sector, 1929–2017.

Sources: Table 1.14 in NIPA, and Table B2, Top Wage Income Shares (Piketty-Saez, 2003).

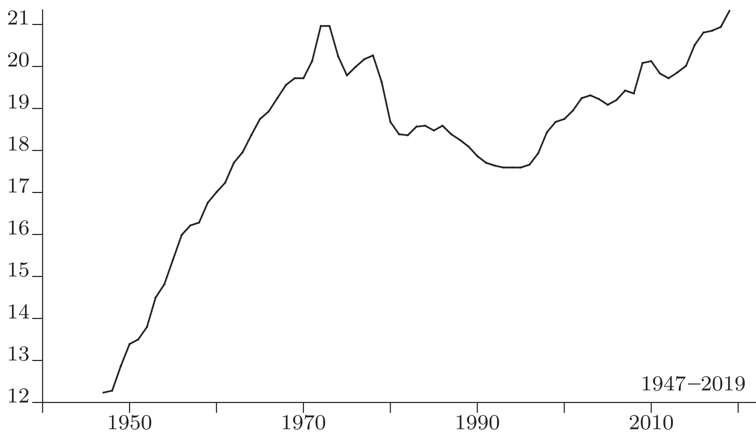

Figure 1.3 Hourly earnings of production and nonsupervisory employees, 1947–2019 ($2012). The hourly nominal wage of production and nonsupervisory employees has been deflated by the Consumer price index. The number of production and nonsupervisory employees amounted to 88% of employees in 1947 and 82% in 2019.

Source: BLS, Employment, Hours, and Earnings from the Current Employment Statistics survey.

2.2 Accumulation and consumption during the two social orders

The rise in the total surplus during neoliberalism as compared with the postwar compromise did not materialize into larger rates of accumulation as could have been expected. Figure 1.1 shows that the opposite occurred: the steady rise in the managerial surplus from the mid-1970s to 2000 is associated with diminished rates of accumulation. The final upsurge in the capitalist surplus in the wake of the crisis of 2008–2009 did not result in larger accumulation rates: these hikes in upper incomes were at the origin of dramatic increases in consumption.

This is shown in Figure 1.4. The two variables are the personal consumption expenditures of households and their residential investment, as percentages of GDP, but the two variables have been normalized to 0 in 1952.1. The consumption of households gained about 10 percentage points of GDP.

A more detailed analysis shows that the bulk of this rise was concentrated in the purchase of services. The comparison between this figure and Figure 1.3 reveals that the increase in consumption expenditures cannot be imputed to popular classes, since their purchasing power stagnated. This rise must be pinned on upper classes, matching the hike in their income.

3 The funding of investment – managing the macroeconomy

For accounting reasons, the spending of all economic agents are equal to the sum of their income and what we call their “financing”:

Demand = Funding = Income + Financing

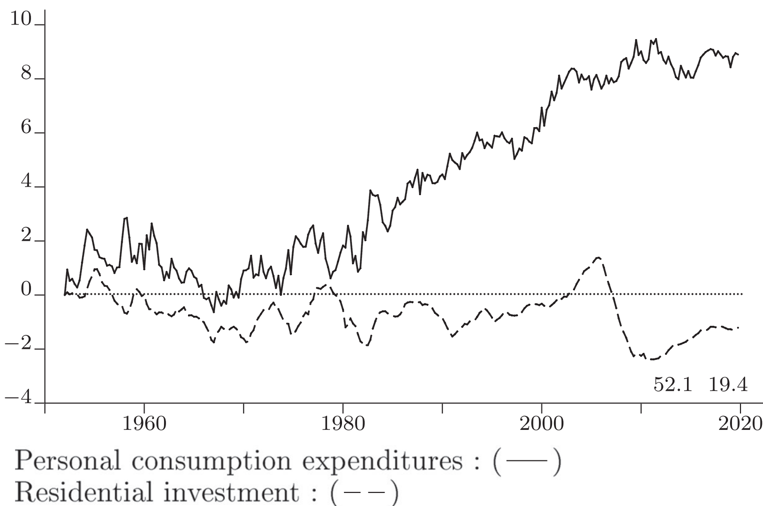

Figure 1.4 The consumption and residential investment of households (percentages of the GDP, normalized to 0 in 1952.1).

If this spending is larger than the income of the agent, an additional financing is required, typically a borrowing; if this spending is smaller than the income, the agent may, symmetrically, pay back its debts or increase its saving. Other financial transactions are also involved: the necessary total funding may result from the selling of earlier financial investments if a positive financing is required, or a new financial investment may be realized if a financial saving exists, beginning with deposits (and these flows may be combined).

3.1 Retained profits and borrowing in the funding of investment

Only fixed capital was considered in Section 1.1. In the study of the funding of accumulation, we define production capital as the sum of fixed capital, inventories, liquidities, and trade credit.[2] The bulk of firms' production capital is, however, fixed capital (78% in 2019).

The income component of the funding of investment in production capital is retained profits; the financing is obtained by net borrowing. Three variables are shown in Figure 1.5: (i) the total funding, (ii) retained profits, and (iii) the borrowing. The three variables are ratios to the stock of production

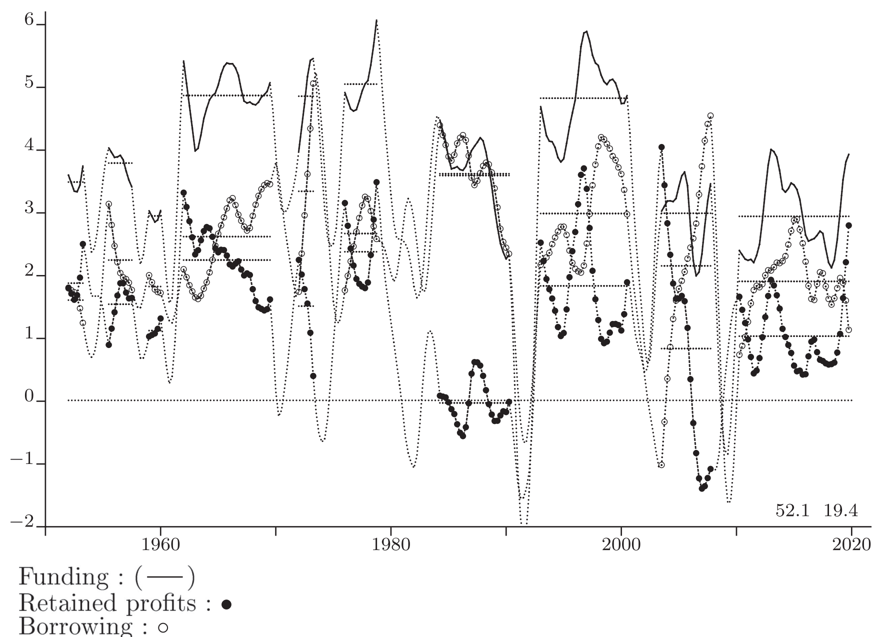

Figure 1.5 Total funding and its two components, retained profits and borrowing (percentages of the stock of production capital). Profits and investment are net of discards. Thus, the ratio of funding and the stock of production capital is equal to the growth rate of the stock of production capital.

capital. For example, a percentage of total funding of slightly less than 5% during the 1960s indicates that the stock of production capital grew by this percentage. Thus, the first variable in Figure 1.5, the ratio of funding to the stock of production capital is the growth rate of production capital, very similar to the growth rate of fixed capital in Figure 1.1.[3] The two components of funding add up to this total.

In this analysis, we abstract from financial investments or disinvestments, and foreign direct investments (from the United States to the rest of the world and reciprocally), whose net values are small.

3.2 Trans- and intra-gravitational patterns

Figure 1.5 conveys a rich information which must be carefully deciphered. The profile of the first variable in Figure 1.1 is recovered, and there is no additional commentary to be made. (We abstract from the 1950s.)

1 *Average values during gravitations.* Investment is typically financed by a rather balanced mix of retained profits and borrowing. This is true of the 1960s, the second half of the 1970s, the 1990s, the gravitation prior to the crisis of 2008–2009, and after the crisis. Two major exceptions are, however, apparent: (i) during the first half of the 1970s, retained profits were low, and borrowing surged to unprecedented levels, allowing for the comparatively large rates of accumulation; (ii) the most dramatic development occurred during the 1980s, with retained profits to the floor and rates of accumulation supported by outstanding borrowing.
2 *Variations during gravitations.* Borrowing clearly acts as a substitute for retained profits during the phases of gravitation in which declines of retained profits are observed: (i) such diverging trends are manifest during the 1960s, with the steady decline of retained profits and the rise of borrowing, allowing for the maintenance of rather constant rates of capital accumulation; (ii) this same pattern is, actually, continued during the first half of the 1970s; (iii) sharp declines of retained profits are observed during two periods, the second half of the 1990s, and prior to the 2008–2009 crisis: in these two instances, rates of accumulation were maintained to almost constant levels.

A preliminary conclusion of this investigation is that it would be unrealistic to expect the identification of a clear-cut and unique mechanism accounting for the historical profile of capital accumulation. Retained profits are a determinant of investment, but the "compensating" effect of credit mechanisms is striking.

The role of dividend payouts and share buybacks during neoliberal decades is spectacular, even hard to believe. It is the basic root of the so-called long stagnation, that is, low rates of growth in the contemporary US economy. The first variable in Figure 1.6 is the share of profits after the payment

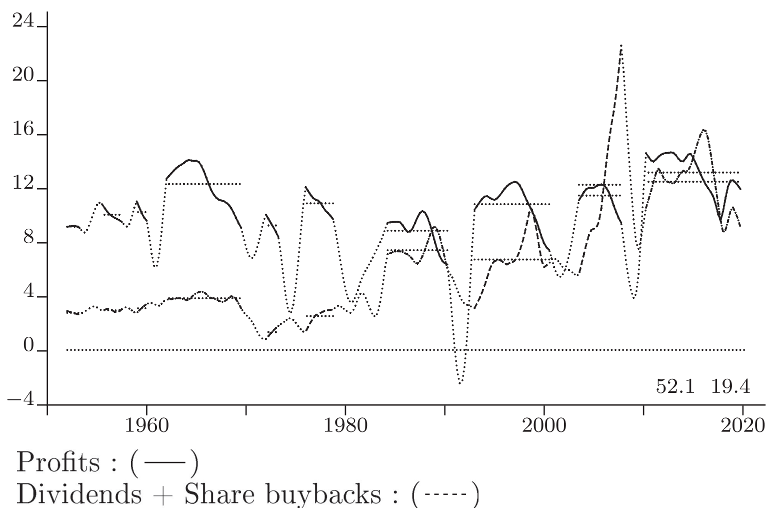

Figure 1.6 After-tax and after-interest profits and the sum of dividends and share buybacks in the sector (percentages of the NVA).

of taxes and interest in the NVA of the sector. (The potential uses of these profits are dividend payouts, share buybacks, and retained profits.) One can, first, observe that this share of profits fluctuated around 10% from the 1950s to the 1980s, with the exception of the bulge during the first half of the 1960s. An upward trend is, then, apparent up to about 15% after the 2008–2009 crisis. Thus, the share of profits in this measure was comparatively high during the last 30 years. The spectacular development is, actually, the profile of the share of profits paid out as dividends and used to finance share buybacks, in the second variable. The surge began during the 1980s, with the establishment of neoliberalism. All profits are nowadays paid out to shareholders as dividends or repurchases.

Summing up, (i) rates of accumulation are subject to the dynamics of retained profit rates independently of the roots of their varying trends, namely, the rise of costs, the features of technical change, and/or the payments to shareholders; (ii) these trends are corrected or, one might say, "rendered possible," by credit flows. The eagerness of the upper classes in neoliberal managerial capitalism to increase their incomes reached such degrees that the correction could not be thoroughly accomplished, but it was very large. This "greediness" is the pivotal root of the diminished rates of accumulation in neoliberalism. Human psychology is not at issue, but class struggle. There was, obviously, a "collaborative" effect between upper classes and central authorities in line with the political features of social orders.

4 The destruction of fixed capital during periods of perturbation

In the traditional approaches to capital accumulation, the distinction between trends and fluctuations is based on a depiction of the course of variables in which long-term trend lines cross variables in a straightforward manner. Two fields of analysis are thus delineated, namely, the theories of *growth* dealing with trends and *fluctuations*: (i) the slow inflections of trends are the effects of the changing pace of accumulation and technical change; (ii) the upward or downward deviations from the trends are described as the effects of the fluctuations of capacity utilization rates. Correlatively, (i) what happens during a period of steady growth is supposed to be the continuation of the course observed during the previous period; (ii) recessions are seen as temporary departures, and recoveries as returns to the trend, as typically manifested in a downward V pattern.

We, conversely, believe the phases of steady course of output prior to and after perturbations are not in line but separated by stepdowns, affecting values and growth rates. These breaks are, we believe, as old as the mode of production. They were limited during the first decades after World War II, but they are large since the 1980s.

The crisis of 2008–2009 played a key role in the identification of this mechanism within mainstream cycles, but interpretations remain questionable.[4]

4.1 The broken line of steady states

The consideration of breaks between periods of gravitation leads to a profound reassessment of business-cycle fluctuations. The present section deals with results; methods are discussed in the next section and the comparison is made with approaches ignoring breaks.

The first variable in Figure 1.7 is the stock of fixed capital from 1984 to 2019 in constant dollars, as resulting from our estimates. Three full cycles are apparent, followed by the final steady course beginning in 2010. The second variable is employment in the Bureau of Labor Statistics (BLS) series. (The two variables are indices normalized to 1 in 1984.) A log scale is used so that a growth at a constant rate is represented by a straight line whose slope is proportional to the growth rate.

The followings are noteworthy:

1 *Gravitations of the stock of fixed capital and employment around linear growth trajectories.* Gravitations are marked by continuous lines. As could be expected from the almost constant growth rates of fixed capital in Figure 1.1, the gravitations of capital can be approximated as linear courses, as suggested by the straight segments in the figure. The same is true of the number of employees.

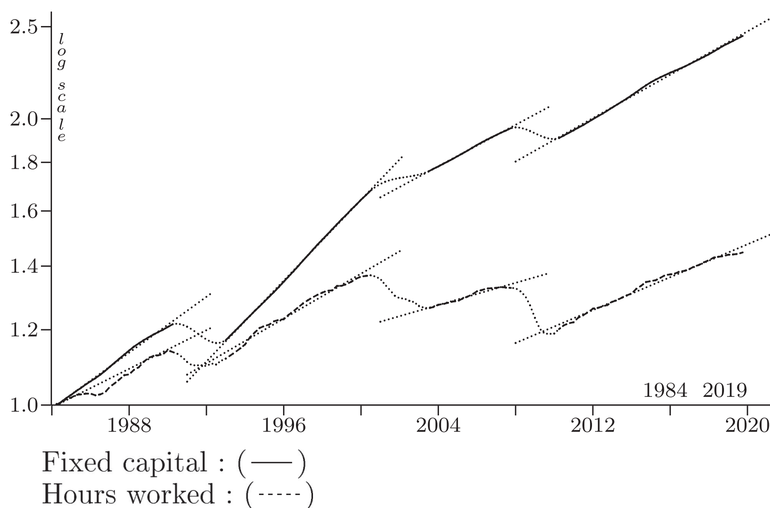

Figure 1.7 The stock of fixed capital and employment in the NFC sector, 1984–2019 (1984=1).

Sources: The stock of fixed capital is the result of our estimates. Employment is as in BLS data (Major Sector Productivity and Costs, Business and Nonfarm business sectors).

2 *Stepdowns during perturbations.* In between gravitations, one can observe the occurrence of perturbations, with more or less acute declines in the stock of fixed capital and employment.
3 *Stepdowns as "breaks."* We interpret these stepdowns as breaks in a broken line: the dotted lines accounting for trends are shifted downward from one gravitation to the next. The reference to breaks points to the fact that these stepdowns are not "surmounted" as such in a shortly ensuing recovery: only the new steady shifted growth trajectory allows for the attainment of values larger than the previous apex. The breaks in employment are larger than in the capital stock.
4 *Growth rates.* Growth rates are also subject to breaks.
5 *Capital/labor ratio.* The steeper trends of the capital stock compared to employment manifest the rise of the capital/labor ratio (a substitute for the composition of capital).

Breaks are the combined outcomes of two mechanisms during perturbations: (i) the slowdown of gross investment, and (ii) the destruction of segments of production capacities manifesting accelerated discards. Lines of production may be abandoned or firms go bankrupt. Marx pointed to this "destruction" in Chapter 15 of Volume III of *Capital* devoted to the internal contradictions of the law of the tendential fall in the rate of profit.[5]

Once acknowledged the existence of accelerated discards during recessions, our estimates of the stock of fixed capital at the beginning of gravitations are

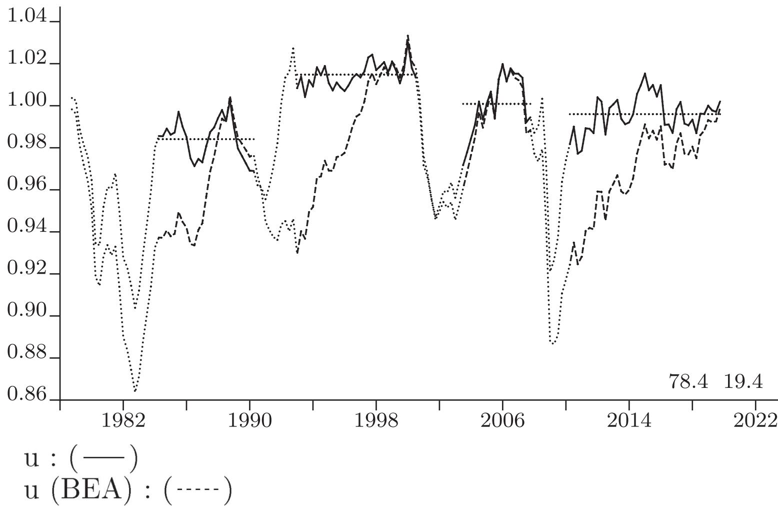

Figure 1.8 The capacity utilization rate in the NFC sector using the stock of capital from BEA series or from our stock of capital corrected for breaks, 1978–2019. The horizontal dotted lines denote average values during gravitations.

diminished. Under the assumption of a slow and steady course of technical change, the same is true of production capacities. Correlatively, estimates of capacity utilization rates at the beginning of gravitations are increased by the consideration of the destruction of production capacities during perturbations. Our series of capacity utilization rates, based on these estimates, are shown by the first variable in Figure 1.8. By construction, they fluctuate around 1. The deviation between the average values during gravitations oscillates within a bracket of −2% or +2%. Their fluctuations during gravitations are limited and about of the same amplitude. Conversely, capacity utilization rates as resulting from the BEA estimates of capital stocks manifest ample phases of recovery in the first stages of gravitations (during three gravitations out of four), which we interpret as the effects of the overestimation of stocks of fixed capital after recoveries, as explained in Section 4.2.

This analysis, considered in combination with the effects of credit flows in Section 3.1, points to the crucial role of policies (in a broad institutional perspective) in the profile of business-cycle fluctuations, notably their stabilizing action during periods of gravitations:

1 Credit flows compensate for the hectic course of the flows of profits paid out to shareholders in the advance of accumulation, thus accounting for the limited variation of investment rates between gravitations in Figures 1.1 and 1.5.
2 They also regulate the course of output or, equivalently, capacity utilization rates during gravitations as manifest in the almost horizontal

course of our estimates of capacity utilization rates during gravitations in Figure 1.8.

The conclusion is, thus, reached that the sequence of phases of gravitation are not the results of autonomous private behaviors (alleged "market mechanisms") but, to a large extent, the product of centrally built-in macro procedures. This does, not change, however, the fact that the macroeconomy and, thus, capital accumulation recurrently plunge into recessions (associated with capital destruction).

4.2 The measurements of the stocks of fixed capital and capacity utilization rates

This section provides additional information regarding the empirical analysis in the previous section. We first explain the estimate of our corrected stock of fixed capital and, then, make explicit the methods and results regarding production capacities and capacity utilization rates:

1 *Our estimates of stocks of fixed capital.* The BEA determines series of discards independent of the phases of the business cycle (straightforward averages). It, then, calculates the new capital stock adding the gross investment during one period to the existing stock and subtracting the discards as determined. Our calculation of fixed capital, as in Figure 1.7, does not question the values of discards by the BEA as averages, whose total is finally equal to 100% of the investment, but their profile in time:

    i We emphasize the existence of accelerated discards during perturbations as a stylized fact. (Consequently, our estimates of discards are larger than BEA discards during recessions and smaller during gravitations.)
    ii Thus, our estimates of capital stocks are always inferior (or equal in the absence of accelerated discards) to those by the BEA at the beginning of gravitations. Stocks of fixed capital converge toward the BEA series during the last stages of gravitations.

2 *Estimates of production capacities and capacity utilization rates.* By definition, production capacities are equal to the product of the stock of fixed capital by a parameter, the technical productivity of capital, defining the production technique. (By productivity of capital, we always mean the ratio output/capital.[6]) The capacity utilization rate is the ratio of the output and production capacities. This calculation can be made on the basis of our capital stock or the original series by the BEA.

The first variable in Figure 1.8 is our series of capacity utilization rates, and the second variable, the estimate derived from the stock of capital by the

BEA. As could be expected, the entrance into steady courses of output occurs, in this latter approach, for lower capacity utilization rates than in our calculation, for rates varying between 0.92 and 0.94; these rates, then, rise to 1 during steady courses, often reaching 1 only in the middle of the period.

Two interpretations are, therefore, in competition: (i) either the destruction of production capacities during perturbations, or (ii) low capacity utilization rates at the beginning of gravitations.

In the choice between these two options, a close attention must be paid to employment. The series in Figure 1.7 is the BLS series without adjustment: no bias can be pinned on corrections, since no correction is made. Our view is that the steady trend of employment is the combined effect of the basic steady courses of capital and output, given the slow variation of the technical productivity of capital. If the durable declines of employment during recessions prolonged to the early stages of gravitations were the effects of falls in capacity utilization rates, two phases would, then, be observed in the course of the variable during the ensuing gravitation: (i) phases of recovery, followed by (ii) phases of steady growth. No such transitions are apparent between two elementary phases. At the trough of contractions, new steady courses are straightforwardly enforced (or extremely limited phases of restoration are observed). We, consequently, interpret the downward steps of employment during perturbations as the effects of the sudden destruction of production capacities simultaneously affecting employment and capital stocks.

5 Historical dynamics *à la Marx* in managerial capitalism

The previous sections fully abstract from the historical trends of technology and distribution as in Marx's theory of historical tendencies, notably the tendency of the rate of profit to fall. Marx's analysis was based on assumptions regarding technical change and distribution at a high level of generalization as conditioning the fate of the mode of production. Marx's conclusion was, somehow, puzzling regarding accumulation, as declining profit rates were associated with increased rates of accumulation. It is also important to stress that the tendency of the rate of profit to fall is defined with respect to what we call "routine" patterns of technical change in which the progress of labor productivity is paid by the implementation of costly structures and equipment, not periods of radical revolution in production techniques and organization.

This analysis was one of the axes of our research during earlier decades (Duménil-Lévy, 1993 and 2010). Technical and organizational developments must always be considered jointly, as in Taylorism and Fordism in the workshop, but broader managerial achievements are involved in other fields such as trade or financial mechanisms. This work led us to the conclusion that the emergence of the managerial features of capitalism was, and is still, the main historical counteracting factor to the falling profit rate. This interpretation

is well in line with Marx's view regarding the relationship between the falling profit rate and the superseding of the capitalist mode of production, once the basic revision has been accomplished, acknowledging that capitalism is not the ultimate antagonistic mode of production: falling profit rates were basic factors in the progress of managerial dynamics.

Section 5.1 argues that the historical profile of technico-organizational change was deeply affected by the rise of management along the phases of managerial capitalism. Section 5.2 deals with the relationship between this interpretation and the observations in previous sections: the imprint of the historical dynamics of technico-organizational change *à la Marx* – duly revised by the consideration of successive waves of increased managerial efficacy – can still be identified after World War II: they conditioned the growth of output. (We take "efficacy" in its strictly productivist implications, independently of any judgement regarding its damages with respect to human relations or the environment.)

5.1 Secular tendencies since the Civil War

The historical perspective in the present section is based on a broader sector than Nonfinancial corporations. Simple aggregate variables must be considered. (For example, no separation can be made between the wages of managers and production employees.) The methods used and the resulting estimates are presented in our study "The historical trends of technology and distribution in the U.S. economy. Data and figures (since 1869)" for the nonresidential private economy (Duménil-Lévy, 2016). Despite these limitations, we believe important properties can be derived with respect to technical and distributional change along the phases of managerial capitalism, notably during the first half of the 20th century.

We define "profit rate *à la Marx*" as a profit rate in which (i) all wages are lumped together, and taxes and all payments to shareholders are still included. (Profits are the NDP minus total labor compensation.) (ii) Capital is the stock of fixed capital (nonresidential capital). Despite the occurrence of breaks as described in Section 4, the stock of capital is rigid and the ups and downs of output are manifested in upward and downward swings from which it is necessary to abstract in the study of tendencies. This profit rate can be expressed as the product of the share of profits and the productivity of capital.

In these definitions, the share of profits remained about constant up to the 1990s. Thus, the historical profiles of the productivity of capital and the profit rate are almost identical. Trajectories *à la Marx* can, actually, be best identified on the basis of capital productivity – the ratio of the NDP and the stock of fixed capital (a substitute for Marx composition of capital) – both in nominal terms, as shown in Figure 1.9. The general trend line shows that the historical profile of the productivity of capital was horizontal. The same is true of the profit rate.

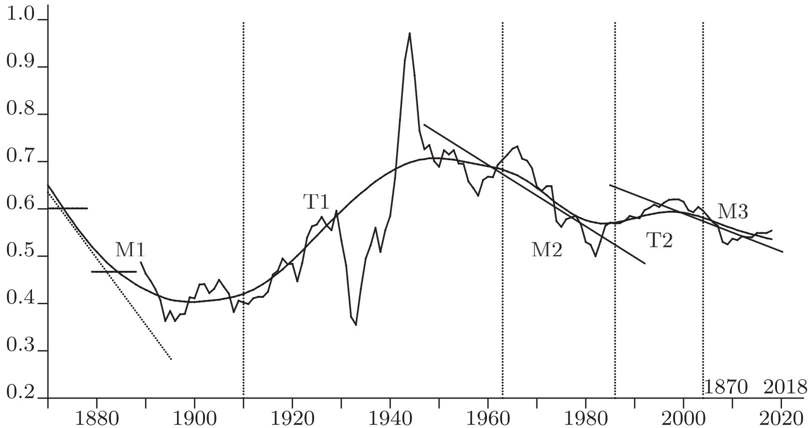

Figure 1.9 The productivity of capital and its trend in the nonresidential private economy, 1870–2018. The historical profile of the profit rate is almost identical to the above, at least to 1990. (The horizontal segments in this figure signal that only decennial averages are available during early years.)

Source: Duménil-Lévy (2016).

Various subperiods must be distinguished, and this is where the explanatory power of Marx's analytical framework must be sought. The four vertical lines in 1910, 1963, 1986, and 2004 separate between five periods denoted with letters: (i) M, for Marx (during periods of decline marked with downward-sloping straight lines), and (ii) T, for Traverse (during periods of rise). These trends must be combined with the variations of labor productivity (the ratio between the NVA and the number of hours worked). There is no decline of labor productivity (abstracting from recessions), but phases of slow or rapid growth. A correspondence is observed between the upward and downward trends of capital productivity, on the one hand, and the larger or lower growth rates of labor productivity, on the other.

1 *Patterns* à la Marx*, M1, M2, and M3.* The simultaneous decline of capital productivity and the lower growth rates of labor productivity signal tensions on the conditions governing technical change (the high "cost" of gains in capital productivity requiring comparatively large investments in equipment and structures): if the dynamics of labor compensation are not strictly checked, a downward trend of profit rates follows.
2 *Traverses.* The productivity of capital is trended upward and the growth rates of labor productivity are larger. The growth rate of labor compensation was above its historical trend during T1, but this rise was compatible with the upward trend of the profit rate. T1 was the truly dramatic transition, the expression of the emergence of the new mode of production, over about 50 years (by and large, the first half of the 20th century).

We, thus, pin the outstanding technico-organizational performances during T1 on the managerial revolution. As promoters of increased efficiency, managers were the architects of the new techniques and organization. The features of these technique and organization spread, in the terminology of Alfred Chandler, from industries with high "throughput" (Chandler, 1977: Ch. 8) to most of the large economy, including mass distribution (in department stores).

Information and communication technologies were at the origin of a second major wave of technical-organizational efficiency as manifested in T2. Telegraphs and telephones began in the early 20th century. New trends prevailed after World War II, introducing to the so-called boom in information and communication technologies during the 1990s, with key tools such as computers, software, and internet. Information and communication techniques are the instruments of contemporary managerial organization. The exhaustion of this new wave led to the new downward routine trajectory observed during M3 (Duménil-Lévy, 2018: Fig. 13.3).

5.2 The imprint of historical trends on postwar patterns

With Figure 1.10, we return to postwar decades and the NFC sector. The first variable is the growth rate of the GVA, and the second variable, the productivity of capital in this sector (similar to the profit rate *à la Marx*). Two trend lines are shown. Comparing with the growth rates of value added in Figure 1.1, one can easily recognize the two bulges of growth and accumulation during the 1960s and early 1970s, and the 1990s. Thus, despite (i) the gap between profit rates *à la Marx* and retained profit rates, and (ii) the compensating effect of credit, the relaxation of the mechanisms leading to the tendential decline of the profit rate, as manifest in the rise of capital productivity, are associated with favorable courses of growth and accumulation. The difficulty in this analysis is the identification of the mechanisms accounting for a potential causal relationship. The productivity of capital, as substitute for Marx's composition of capital, is, we believe, the key variable.[7]

Periods of "traverse" have always been favorable to investment since the early stages of the industrial revolution: during periods of revolutionary transformation, implementing the new technique and organization is at the origin of a process of selection. Strong forces of expansion are in action in the sector measuring up to the task, while the lagging sector is, sooner or later, doomed to elimination.

Larger investment rates is one feature of traverses among others. Empirical analysis in the United States since World War II shows that the trade-off between profits and wages is relaxed during traverses, as the ratios of wages and profits to the stock of fixed capital simultaneously increase; these periods are associated with larger profit rates prior to the payments to shareholders and increased upper wages. The most dynamic firms scale up their investment under these favorable circumstances. As contended in Section 4.1, under the

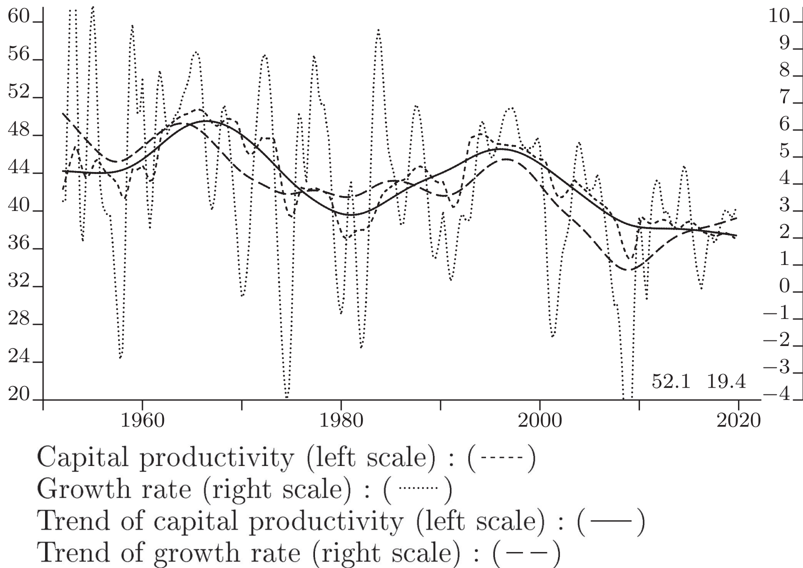

Figure 1.10 The productivity of capital and the growth rate of gross value added in the NFC sector. The productivity of capital is the substitute for Marx's composition of capital. It is the key variable.

sway of central monetary authorities, lenders support these dynamics or renewal: they accommodate firms' borrowing in the aim of investment independently of potential large flows of income in favor of upper classes. (The control of the general level of output – capacity utilization rates – is targeted to the demand of consumers, that is, the government and households.)

The adjustment to on-going technical and organizational trends is no less necessary during periods *à la Marx* but the conditions are more difficult. This is how Marx understood the basic dynamics of matured industrial capitalism as the combination of the declining profit rate and more frequent and deeper recessions with severe destruction of capital. But there are also traverses, whose ultimate expression is the renewal of relations of production.

Notes

1 The concept of surplus value is a category of the theory of capitalism. A broader notion must be used.
2 This broaden notion matches the three forms of capital – money, commodity, and productive capitals – in Marx's Volume II of *Capital*. The consideration of "net" trade credits echoes the fact that firms lend to one another; this reciprocal lending must be cancelled out to avoid double counting.
3 Two differences exist: (i) Production capital is considered instead of fixed capital; and (ii) the procedures used in the calculations of growth rates are distinct, either the growth rate of stock of capital in constant dollars in Figure 1.1, or the

ratio of the net investment in constant dollars and the capital stock at replacement cost in Figure 1.5.

4 These difficulties are met in the calculation of the potential GDP, subject to endless correction (Congressional Budget Office, 2015).

5 “One capital lies idle, another is destroyed, a third experiences only a relative loss or simply a temporary devaluation.” (MARX, 1894: p. 362).

6 Independently of the naive view that the use of this phrase would contradict the labor theory of value.

7 Marx’s ratio *Constant capital/Variable capital*, *c/v*, since an increased ratio is compatible with a larger profit rate if the total *c+v* per unit of output is diminished (and symmetrically). There is also a confusion between flows and stocks.

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2 Dispossessive wage labour

Understanding accumulation and its crisis in contemporary Cameroon large-scale plantations

Guillaume Vadot

Wage labour (re)mobilization and current capital accumulation in Africa

Located in Central Africa and endowed with a wide access to the Atlantic Ocean, Cameroon has a long experience with large-scale agriculture. It hosts today several giant complexes, the largest of them (the Cameroon Development Corporation, CDC) dating from the colonial era (Konings, 1993; Ndobegang, 2010) and the others from early postcolonial development schemes (Barbier, Courade, and Tissandier, 1980). As a whole, the agro-industrial complexes hire around 60,000 workers, a figure that has been rising in the past decade and would have continue to do so without the development of a civil war in the anglophone regions of the country since 2017. Plantations as a whole conform the largest sector among private formal employment in Cameroon. Three of these form the basis of the present investigation: the CDC (palm oil, rubber and banana trees, state-owned, 20,398 workers and 42,027 Ha cultivated during the investigation), SOSUCAM (sugarcane, 8,180 workers, 21,000 Ha, French parent company) and HEVECAM (rubber trees, 6,911 workers, 20,000 Ha, Singapore-based parent company).

What about labour in the value extraction process which these enterprises rely on? Despite the frequently high labour intensity of capitalist agricultural schemes in Southern countries, most of the literature about global land-grabbing implicitly suggest land dispossession and ground rent to be the sole accumulation mechanisms at stake (Li, 2011). Drawing on a long-run ethnographic survey (2013–2018), this chapter seeks to reopen the discussion about the way wage labour contribute to capital accumulation in contemporary capitalism, especially in the global South.

After decades of over-focalization on (mostly industrial) wage labour and workers, fuelled by teleological versions of Marxism and other modernity narratives, labour history has indeed deeply benefited from the reinsertion of wage labourers into the multitude of "subaltern workers" (Van der Linden, 2008). The current recompositions affecting worlds of labour for sure demonstrate how much wage work ceased to be the alpha and omega of

value extraction and capital accumulation (Breman and Van der Linden, 2014). In Sub-Saharan Africa in particular, it always remained a minor phenomenon, even when the "working class" was core to prominent imagined futures (See Eckert in Bellucci and Eckert, 2019).

We argue here, however, that *new investigations are needed in order not to miss out the complex and entangled forms of wage labour (re)mobilizations*, even by the most recent occurrences of capital investments in Africa. Among other sectors such as construction, security and even mining (Rubbers, 2018), capital intensive agriculture has been responsible over the past decade for the creation of tens of thousands of new jobs (Vadot, 2019). And, contradictory to what has become a sort of common sense about labour in contemporary Africa as well as to very influential synthesis such as James Ferguson's ones (Ferguson, 2006, 2015) which portrays current capitalism on that continent as almost completely disentangled from societies and the need for labour, International Labour Organization's estimations shows a constant growth in wage earners among employment situations during the past decade. From 2008 to 2018, this proportion rose from 21.7 to 23.4% in average, a largely distributed growth as only nine countries out of 47 encountered an opposite trend.[1]

The following analysis thus depict the way wage labour contributes to the value extraction process on which Cameroonian industrial plantations draws on. In a dialogue with recent works which have ever more insisted on the importance of dispossession for current capital accumulation, and argued the phenomenon is continuous rather than correspond to a "primitive" stage of capitalism as hypothesized by Marx (Sanyal, 2007; Kasmir and Carbonella, 2014; Moore, 2015; Harvey, 2019), *we suggest here that exploitation and dispossession should not be considered as opposed and mutually exclusive notions.* The agro-industrial firms here at stake offer on the contrary an example of the way labour can itself be a vehicle for dispossession, through a specific, historically built and constraining configuration which shall be described. As we will see, the scarcity of money in the poorly monetized social spaces inhabited by the labourers is of key importance in that peculiar combination, and in the ways salarization is perceived and experienced. In that sense, the chapter is also a contribution to the study of the various temporalities through which exploitation is lived and traduced into concrete and living labour (Chakrabarty, 2000).

1 Wage employment on Cameroonian plantations: the job of the poor

As seen through the criterium of labour, large-scale agriculture in Cameroon is of fantastic interest to the study of capital accumulation in a context of limited diffusion of strictly capitalist relations of productions. In a country where 91% of the working population relies on informal jobs and activities (Institut national de la statistique – INS, 2018: p. 1), most of them

in family farming and petty urban activities, industrial plantations appear as one of the rare capitalist employers accessible for the working classes. They pay the lowest official wage rates in the formal sector and most of the positions they offer do not require any formal education or professional training. Mostly located far from urban areas, they employ a majority of rural poor but also a significant proportion of workers commuting from towns (one third in my sample[2]). Guard services in the main cities are also a top migrant labour attractor, but they strongly differ from industrial plantations for their lack of concentration in the labour force and the high monetization of their urban context. None of the mines and factories of Cameroon require a comparable manpower and their workforce turnover is far lower. Large-scale plantations also constitute, with portage, the oldest form of labour monetization in Cameroon, dating from the early stages of German colonization (Le Vine, 1961: pp. 47–48).

It is such a context that led us to label the employment offered by large-scale plantations as the "job of the poor". That is to say, the main contact point between wage-work and popular masses. This expression is also an attempt at seeing the social world in which plantation workers evolve through their own eyes, drawing on ethnographic observation and with the help of a sociology and anthropology of work and popular lifestyles.

Taking into account large-scale plantations' needs in constant supplies of cheap labour is also helpful if one wish to understand the constraints which shapes these enterprises. The enthusiasm for large-scale agricultural investments in the past 15 years, though massive, has indeed often proved to be based on unrealistic expectations (Edelman, Oya, and Borras, 2016). In Cameroon, several projects even ended in dramatic failures[3] and the few that did materialize were almost all driven by local agro-industry insiders. Among with the public denunciation of their land deals, they experienced strong difficulties in establishing the new social and political relationships necessary to the recruitment and settlement of thousands of workers. This shows how much needed is a study of labour as a social relation embedded in life trajectories, calculations and lifestyles, and of labour force mobilization as a historically-built ability of each complex. If big plantations are not as much flexible ventures and easy-cash providers as they are often depicted, it is in large part because they constantly have to struggle to mobilize and stabilize their workforce, much more than other economic sectors which positions are more sought out.

2 The building of a marginal wage-labour force: plantation worker profiles

The composition of each and every plantation's complex workforce is the result of diverse social and historical constraints. Observing its evolution in time and its synchronic diversity offers valuable clues to define who is mobilized by large-scale agriculture in Cameroon, and how. Despite the

important geographic distance between the three enterprises (hundreds of kilometres), CDC, HEVECAM and SOSUCAM show decisive commonalities in terms of their subaltern workers' profiles.

At the present time, two recruitment pools provide the majority of each estate's labour force. The first is located in the Far North administrative region (in the so-called Duck's Beak zone), the second in the Northwest region (the anglophone "Grassfields" around Bamenda). These are areas who share a very strong demographic growth and the highest rates of population density for rural spaces. "Bamendas" and "Northerners" – as they're locally called – who work in the plantations are overwhelmingly young single men, even if the decades-long history of these work migrations has led to the increasing perennial settlement of migrant families in the production areas. HEVECAM, which is the most isolated complex, is the only one that continues to promote organized hiring operations, using stable workers from these regions as intermediaries. That specificity, which is indeed a reminder of different historical forms of forced and indentured labour (Cooper, 1997; Stanziani, 2014), should nonetheless not be exaggerated: even if it expresses the harshness of constraints that weigh on the rural poor's life choices, joining the plantations is always the result of a calculation, or more accurately of a gamble (due to the low reliability of information on work conditions). As a minority social destiny among local populations, wage migrant labour is always measured against other opportunities considered better or worse. For that reason, HEVECAM and its peers face constant departures and are virtually recruiting every day.

Studying the evolution of this geography of plantations' recruitment in the past decades is another way to understand its logics. In HEVECAM for instance, the Far North is slowly displacing the Northwest region as its first supplier, a shift that began towards the end of the 1990s. When the complex was launched 20 years earlier, it was French-speaking labourers from the West administrative region who composed the majority of the workforce. The explanation about this historical evolution given to me by a recruitment agent ("contractor") is pretty clear: recruitment works well in the less monetized and economically diversified areas.

> Back in the time it was possible to hire there [in the West] but now things have developed there. Elsewhere it's even worse, in village 6 there is a contractor who went to hire in Littoral, that was a mistake, all his workers left quickly. No, to have a good operation here you need to go to really remote areas. If I take for instance Bafoussam [West], the guy can't. He will come here and say "What is this for?". Because the West region is already well developed. Ok, whereas in the Far North region people don't even know how to say hello. The guy comes here he's satisfied.[4]

Through different patterns, SOSUCAM and CDC have seen similar evolutions over time, which led to a progressive diversification in the regional

origin of their workers. However, each complex continues to resort mainly to the energy of young workers who stay only a few months or years and thus to externalize most of reproductive costs. That is also why plantations are so sensitive to any change in the economic context. During the last decade, a steady growth and the multiplication of job opportunities for the working poors (+43,5% between 2009 and 2018, fuelled in particular by a construction boom – INS, 2010, 2018) led them to face several phases of labour scarcity, to which they tried to respond through rises in direct and indirect wages and through the attraction of a growing number of precarious female labourers.

3 Coping with money's price: plantation worker motives

Once established in the plantation, the workers who can access land supplement their wages with petty agricultural subsistence activities. In my sample, 56% of them grow their own small field, and, after adding other income-generating activities (taxi-motorbiking, petty trade, clearing for individual farmers, etc.), the proportion of the workforce involved in pluri-activity reaches 70%. As this diversification is most prevalent in the stabilized portion of the workforce, whereas the so-called target workers[5] rely mostly on their wages (but more temporarily), this clearly demonstrates another expression of the incomplete salarization at stake here. Hierarchy excepted, the ones who cannot afford to either leave the plantation after a while nor to build this kind of diversified activity inside of it constitute the most oppressed group in the workforce (which includes notably old single women), everywhere a consistent minority.

Despite the differences between each estate, which can be summarized as different allocations between direct and indirect salary (SOSUCAM, contrary to the other two, offers almost no permanent status to its fieldworkers but pays more than its peers, a combination that enables it to maintain a younger workforce but incurs higher costs linked to instability), the motivations expressed by the workers for their engagement into the plantations are very similar. "Money" was the key word, and access to goods that typically belong to the selective world of cash commodities: schooling for the children, and basic health care. Besides, as far as money is concerned, one detail was striking: compared to other activities available for the workers, plantation employment was not necessarily the most profitable, and, very often, was explicitly said to pay less. This is without speaking of the harshness of the work itself, frequently summed up as "labour exceeds the money". Therefore, if the plantation is selected and frequently preferred to alternative options, it is for its payment schedule, which workers believe will allow them to truly access to cash money and the specific "life chances" (Weber, 1978: p. 375) that are linked to it among popular destinies.

SUGARCANE PICKER, WOMAN: Yes, cassava sticks pay good, it pays even more than Sosucam [...]. *So why do you go on with Sosucam?* Because

when Sosucam pays you it keeps the money to give it to you all at one time. Whereas when you do cassava sticks you spend everything little by little. It's different with Sosucam, even if they give you only 30,000 they give you everything in one time and you can solve your problem. It's like money kept in the bank. Even if you have a problem you cannot take that money, it's kept. With the sticks it's different you solve only the little problems. Each time a problem comes you spend.[6]

SUGARCANE CUTTER, MAN: When at school you see that it's not good [you go to Sosucam] you can buy things little by little and little by little you'll become a responsible man, you'll get married in order to become a father to your home. [...] But if they don't increase just a little people will not make it here. You stay here but you see that pay is a disaster so you'll prefer to go back to the village, there you work at least you feed your family. *But don't you lack land to grow your farm in your village?* No at home we work we fish.[7]

Being able to "solve your problem" (a dowry to get married, a roof to change or upgrade with metal sheets, a medical treatment, school fees in order to complete education, etc.), or the desire to "launch a little something" (a marketable crop that needs investment, a petty trade, a taxi-motorbike, a callbox, etc.), these are the motivations to endure the plantation experience. All of them are distinctive assets in the symbolic worlds inhabited by the workers. All of them require an important amount of cash money, hardly possible to gather and to keep outside of wage work. Even if dangerous, highly uncertain and often failed, attempts at plantation work cannot therefore be understood through miserabilist interpretative frameworks (Olivier de Sardan, 2005: pp. 117–124), at least if one wants to shed light on the life arrangements that make the agro-industrial extraction process socially possible. It's far better analyzed when considered as a socio-economic boundary arrangement, between diversely monetized worlds. An arrangement built on the workers' need for cash money and their readiness to pay a specific "price" to access it.

4 Task work and the grip on gendered bodies: exploiting an incompletely available labour

In the plantations, payslips are only a very indirect reflection of the work activity and pay regime experienced by the labourers. This comes from the translation of workers' achieved tasks into accounted "working hours", a formal unit which enables each company to conform to the national collective convention of the agricultural sector. Cane cutters, for instance, have to chop three lines of 100 meters each to be clocked in for eight hours, regardless of their actual working time. Task exceeding is translated into extra hours (on the payslips but also in management's discourse), even if duration is never measured. This camouflage of task-based work under the legal

vocabulary of hourly rated wage labour is another testimony of the hybrid situation we began to describe.

It can also be seen as the price of money's enforcement in the field of work organization. In that sense, the present analysis differs from Marx's conclusion that "piece-wage is the form of wage most appropriate to the capitalist mode of production", and that its diffusion is a step forward in the process of capitalist development (Marx, 1992: pp. 697–698). Task work, on the contrary, appears here as the most suitable work regime when the labour force is incompletely salarized and forced to constantly struggle on two fronts (plantation work and side-activities). As a CDC tree nursery overseer told me, "if they don't have tasks the job won't go [*i.e. fast enough*]",[8] since everyone would save their energy for the second day that begins just after clocking out from the plantation. In fact, the near absence of any minimal guaranteed wage (attendance bonuses are ridiculously low) and the indexation of pays on achieved work quantities ends up materializing money's price, entrenching it into the workers' bodies.

The individualizing effect of task-work is core to Michael Burawoy's investigation on an engine factory in the 1970s (Burawoy, 1979). In the industrial plantations of Cameroon, the influence of such a working regime on others and self-perception is also undeniable, and the discriminant effect it gives to "different degrees of skills, strength, energy and staying-power" (Marx, 1992: p. 696) is constantly evoked by the workers. What's specific in this incomplete salarization situation is that these classifications are repeated through the individual character of side-activities themselves, also viewed as a testimony of individual strength, ability or intelligence. The employer's grip on bodies is thus strengthened in such a configuration, as the workers develop an ethic of constant (self-)calculation about the allocation of their own energy. The interviews we conducted are full of expressions of these calculations, as every labourer tried to retain control over the harsh plantation work experience, that is to say to find a way to maintain his or her work ability despite the threat of exhaustion, and therefore to maximize his or her access to cash money.

CDC SUPERVISOR, MAN: Take for instance harvesting [bananas], it's a very strong work, very bad sometimes. You get up at 4 am you prepare to work, you go to the bananas. […] At 1 pm we have a break, we are provided with food that cost 300 francs. […] So it's not easy, workers fall sick all the time.

CONTRACT WORKER, MAN: Or he wakes up and feels sick or sooooo tired that he doesn't go to work. When you harvest you can feel pain all over your body.

And how much money do they earn? One of them talked to me about 85 000, is that average?

CW: 85 000 is when he has woooooorked! It can kill him.

SUP: He will be absent.[9]

What about wages, how are they?

CANE CUTTER, MAN: To have your 50 000 you need to suffer. If you can reach 100 000 then it's pure death. If you have 100 000 next month you'll have to go to the hospital. […] There you lose your money, you lose the money you earned.[10]

And you, do you take extra tasks?

CANE CUTTER, MAN: Yes we try. Because if we cut too little salary won't be good.

Is it hard?

Yes it's hard my brother it's hard. If you don't have strength and if you don't have technique you cannot make it. You have to have strength and to eat well.[11]

The efficiency of this working regime, common to all the plantations, therefore comes from its ability to fit into the workers' constraints and expectations. The direct relationship it sets up between working intensity and money joins the pre-existing one between money and social success, through an integrated narrative about strength and resourcefulness. "You work according to your strength", a common adage among the workers, is for instance extended in another saying: "you drink according to your strength" (through the buying power you conquered).

Why does it work like that, through tasks, whereas pay is officially counted in hours?

FIELD OVERSEER, MAN, SOSUCAM: In fact it's a way to play on their psychology

CANE CUTTER, MAN: They've taught us that when you work all the way [*normal task + 4 extra tasks*] it's 5,000 francs [a day]. The 5 first workers in a month they give us 10,000. It's motivation to have us work like beasts.[12]

CANE CUTTER, MAN, SOSUCAM: You see when someone gets his money he first looks to satisfy his belly, so he eats well and then he finds a place to drink something. And we say: "it's the sweat of my blood I'm drinking". The sugarcane field's sweat is blood.[13]

To put it in a nutshell, task wages can be seen as a technology historically built to maximize the mobilization of an incompletely salarized labour force and to limit the costs incurred by this only partial availability of the labour force. Deepening the comment made earlier about Marx's view on task labour, every consideration that pictures industrial plantations as an incarnation of "savage capitalism" should now be rejected. Rather than a free outburst of capitalist greedy forces, the agro-industrial complexes studied here show a peculiar pattern of labour exploitation, and their viability is based on their adaptation to the context in which they develop. As strictly capitalist relations of production remain a minority (despite the undeniable domination of mostly foreign capitalist needs on Cameroon's

economy), large-scale plantations manage to decisively draw on the specific constraints that face the working poor, and to root their grip into the latter's tactic world. For sure, however, being "incomplete" rather than "savage" does not imply that plantation capitalism is softer.

The gendered allocation of positions in the plantation complexes is clearly an illustration of that historical adaptation of work regimes to their manpower. By hiring mainly petty farmers for agricultural work, these companies can benefit from the mobilization of pre-existing skills but also identification regimes. Cane cutters, the best paid plantation labourers in the country, but also the most exposed to accidents and physical exhaustion, are a typical example of this work regime's mobilization and use of popular representations and identities. Like banana or palm nut harvesters, and (until recently) rubber tree tappers, they are exclusively male workers, and they're the ones granted most access to extra tasks and wage variability. In this way, the competitive resources of masculinity are largely solicited to sustain work performance. And the equivalencies between work, money and consumption extend the male games developed in the field (racing for extra tasks, making fun of those who give up) to town (notably through beer competitions).

The gendered division of labour in each plantation is ordinarily justified through the evocation of differentiated skills and abilities between men and women: the latter are said to be more diligent, and thus better for planting and maintaining the plants; to have stronger hips, so they're allocated the very harsh task of manually spreading fertilizers. Despite the fragility of these discourses (women are also allocated hard labour, such as vegetation clearing) and the current evolution of this occupational hierarchy (in CDC, I witnessed the first test of banana harvesting by women), it's undeniable that the mobilization of pre-incorporated gestures and postures (what Marcel Mauss called "techniques of the body") also contributes to the legitimation of the plantations' work regimes and their grip on bodies. Before planting and gleaning were allocated to female workers, they were constantly lacking personnel and were badly done, as these tasks in a bent-over position are considered to be especially disgraceful for men. The social learning that women received since childhood of carrying on their back is also solicited for all the tasks requiring to wear a backpack device. In that sense as well, plantation work regimes are a testimony of the specificities of the workforce they mobilize and of their intimate connexions with the popular social worlds outside the enterprise.

5 Wages that dispossess: an exploitation pattern and its grip on daily lives

The hold cash money has on daily lives in the plantation complexes is another illustration of the consequences of incomplete salarization and monetization. Its punctual and regular arrival on payday sharply changes local landscapes, as an urban world enters the estate's reserved area in the form

of traders and their goods, but also the nicest clothing and looks (while day-to-day appearance, deteriorated by hard work, is resented as a degradation). The strong consumption of alcohol is a cliché in the existing narratives about payday, despised by the managers, mourned by Cameroonian sociologist Jean-Marc Ela (1990: p. 245), or brilliantly contextualized by Philip Bourgois with regard to Guaymi banana workers in Central America (Bourgois, 1989: p. 139). But the phenomena cannot be entirely understood without paying attention to the specific alcoholic product consumed on payday: industrial bottled beer, which cost 500 francs each (one third of the average workday pay). Contrary to the latter, palm or millet wine, accessible during regular times, is much more related to village life and is not used to as a way to show off by those who have received a good pay. Bottled beer is thus a local symbol for money, strength and success, a testimony to both the originality and anchoring of the plantation experience in popular worlds. The temporalities and geographies of its diffusion are directly linked to monetization, as one of the two local duopolistic distributors puts it in SOSUCAM,

> We know that on the 20th [advance day] and the 5th [payday] the demand is very high. […] Here the county is huge but sparsely populated, but despite this we sell approximately the same quantities than other deposits. It's even higher here because drinking is a hobby. […] Our strategic stake is here [around the plantation]. […] Today there are new populations arriving, cocoa farms, banana farms, for instance […]. This is what brings labor force and activity. Even if it's seasonal it's already interesting, the time they spend here they consume.[14]

The symbolic investment industrial beer is subjected to is an expression of the intrinsic value of money that configures local relationships. Despite its centrality in foreign observer's accounts, however, people do not first and foremost drink on payday. Chronologically, the delivery of the salary is directly followed by the contributions to informal insurance and savings associations. These are a reflection of the absence of affordable and secure banking. They're used to multiply the condensation effect wage-work has on money availability. Workers dedicate up to one third of their monthly pay to that purpose, for instance to fund, in groups of three to fifteen, a pot that is earned by one of them each month. The winner will thus be able to realize an otherwise unattainable project.

Paydays are also when rents are paid, when most of the food is bought once for the entire month, and when debts are redeemed. Indebtedness, so widespread in the plantations (where usury is a common activity and where basic goods prices are particularly high outside of paydays), is in fact another phenomenon that can be better understood when taking into account the price of money. When using almost all their money on the very day they obtain it, thus exposing themselves to monthly interest rates up to 50% for borrowing later, the workers don't prove to be unable of any forethought.

On the contrary, they do what the plantation experiment demands from their point of view: they defend their money, they literally "save" it from up-coming threats, even against their own immediate wealth. As this operation is risky, the estate workforce is full of people who have gone below the line of solvency. Besides, management takes advantage of this dependent relationship to money to stabilize the labourers, as many authors have shown (see for instance Van Onselen, 1982; Bletzer, 2004) … and together fears paydays as they're the best time for exit options.

The Cameroonian plantation workers therefore accept to pay a specific price for accessing money. The scarcity of the latter is key to the viability of these agro-capitalist enterprises. The plantations' lack of productivity gains and its position as first and most basic link to an often-long supply chain indeed limits its ability to withstand the cost of full salarization. For that reason, they are ready to endure the disadvantages linked to the only partial availability of their workforce: "You as the boss you cannot be so exigent when you pay so bad", CDC's head of strategy told me.[15] Every complex has to face constant unexpected departures (when individual economic goals are reached or abandoned) and absenteeism (when a worker's field needs attention or when a punctual opportunity is seized).

Yet at the same time, this price of money forms the lever of a particular accumulation mechanism. When the workers consent to it, they indeed offer something to their employer – and also to housing owners, creditors and so on. Something that goes beyond classic added value. Their quest for cash money leads them to provide their employer with a significant "labour rent", as the wage rates to which they consent are far below reproductive costs. These later are sustained by families and by aside activities which remains the major supplier of basic goods, whereas cash money, as said earlier, is as much as possible allocated to specific distinctive expenditures. And, as Marxian anthropologist Claude Meillassoux puts it, "the labor rent does not show itself as such because the worker does not supply in succession his employer with one period of free labor and one period of paid labor: he only supplies one period of cheap labor time" (Meillassoux, 1981: p. 115).

Conclusion: labour ethnography and the study of accumulation

Because they mobilize a (mostly rural) popular labour force, industrial plantations in Cameroon are deeply entangled with the constraints and life chances, the imaginaries and the tactic universes inhabited by subaltern classes in Cameroon. The accumulation pattern they historically built, engaging with wider economic and political dynamics as well as workers struggles, can be described as an attempt at taking advantage of the restricted monetization of these latter daily lives. As shown by the study of worker profiles and motives as well as the one of plantations' work and pay regimes, their ability to extract value rely on dispossession and not only on exploitation. This conclusion emerged from the empiric observation of

workers' constrained agency, and from the reconstitution of their perceptions of wage work and salarization through field interviews. The specific effort their provide in order to pay what we called the "price of money" and thus try to enlarge their life chances is the ground for the dispossessive nature of wage labour which fuels capital accumulation in the agro-industrial sector in Cameroon. In that sense, not only does this chapter illustrate the need for a reconstruction of wage work in Africa as an empirical and theoretical object, at a time when new occurrences of this employment situation are emerging, but it also argues for the importance of labour ethnography in the study of capitalism and accumulation, as the methods and achievements of grounded social sciences are key to what Henri Lefebvre calls the "critique of everyday life" (Lefebvre, 1991). Complementary to the benefits of supply chain studies, our inquiry suggests that accumulation, probably the most powerful social motive in our time (Moore, 2016), can be advantageously studied at the empirical level through the broad and localized perspective that monographs allow.

Notes

1. See https://data.worldbank.org/indicator/SL.EMP.WORK.ZS?end=2018&locations=ZF&start=1991&view=chart, (visited January 23rd, 2020).
2. Prevented from accessing statistics in two complexes out of three, I built a sample of 212 wage-earners (including 156 hand-labourers), using a method based on the variation of discriminatory factors (wage category, position, age, gender, seniority, region of origin, marital status, living space in the plantation).
3. It was the case of at least three controverted and huge projects: Herakles Farm (oil palm, 73,000 Ha initially planned), Justin Sugar Mills (sugarcane, 15,000 Ha), Iko Ltd (rice, 10,000 Ha).
4. Fieldwork interview, Hévécam V7, July 2014, my translation.
5. The expression, forged in the 1930s, was once frequently used to describe migrant African workers.
6. Fieldwork interview, Mbandjock, May 2013.
7. Fieldwork interview, Mbandjock, June 2013.
8. Limbe, August 2016.
9. Tiko, September 2016.
10. Mbandjock, June 2013.
11. Ibid.
12. Ibid.
13. Ibid.
14. Fieldwork interview, Mbandjock, May 2013.
15. Fieldwork interview, Limbe, September 2016.

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3 Between green growth and de-growth

Locating the roots of climate change in capitalist accumulation[1]

Matthew Soener

Global climate change is the most significant challenge of our time. Scientists warn too that the rate of change makes the problem particularly alarming. A recent Royal Society report showed that consequences of climate change are increasing at a rate faster than previously thought including methane emissions, temperature volatility, and more extreme changes in precipitation (Wolf et al., 2017). However, as the pace of climate change has increased in recent years, so too has political momentum. Concern is no longer a niche "environmentalist" issue. It is even losing some degree of partisanship. For example, despite the extreme climate denial of the Republican Party leadership in the United States, an astonishing 44% of registered Republican voters support a Green New Deal (Leiserowitz et al., 2019). Yet, while support for doing *something* about climate change is the consensus, the real question is what.

The Intergovernmental Panel on Climate Change (IPCC) says economic growth is one of biggest contributors to greenhouse gas emissions (2014). Perpetual growth is a problem because it requires continual resource use and a system of production that is overwhelmingly fueled by fossil energy. Naomi Klein highlights this irrationality in her recent book, *This Changes Everything* (2015). By focusing on the politics of growth, Klein's book is part of an important shift in climate change discussion. Public debate is (finally) moving from narrow concerns about whether or not we should believe scientists or supporting tepid reforms to larger social, moral, and economic questions. Most importantly this includes economic growth because unlimited growth with finite resources poses a clear obstacle for a sustainable future.

How should growth be addressed politically? There are sharply contrasting proposals for dealing with this question. On one end, neoliberal advocates of "green growth" contend that growth is compatible with a sustainable future so long as there is investment and proper market incentives for efficient technologies, renewable resources, and less wasteful consumption practices. On the other end, advocates of "de-growth" call into question the entire growth paradigm. They seek instead a more radical socioeconomic alternative. The problem is green growth is too optimistic about the

market's ability to become more energy efficient. De-growth proponents, while laudable for their political ambition, lack a clear strategy for scaling back growth in the short-term. The larger issue with both proposals, however, is that they overlook the inequalities driving capitalist growth.

To clarify the relationship between growth and greenhouse gas emissions, I suggest we look instead at *capital accumulation*. The need to increase profits and continuously reinvest these surpluses is at the heart of the accumulation process. It is inherently expansionary and therefore fundamental to growth, but because profits are earned when capitalists lower the cost of labor, it draws us to the inequality within this process. We should therefore not be pigeonholed into choosing between growth or no growth as a mitigation strategy. Rather, we need to address power and inequality within capitalist social relations. Our centuries' ultimate challenge of decarbonization fits hand in glove with political ideals of decommodification. This importantly includes ostensibly progrowth "Green New Deal" strategies like public spending initiatives and full employment policies not only because of its green agenda but because the more progressive versions of this policy will empower labor and reduce exploitation.

This chapter is organized as follows. First, I discuss the relationship between growth and environmental problems during the 1970s which produced contrasting ideas about these concepts. I discuss the neoliberal version of "green growth" and the more radical de-growth concept, noting their limitations. Then I discuss accumulation through the lens of ecological Marxism and critical political economy. In light of this discussion, I show empirically that the rate of profit and exploitation closely track greenhouse gas emissions in a sample of rich states in the Organization of Economic Cooperation and Development (OECD). I conclude by briefly discussing the significance of this.

Greening growth or ending it?

In the early 20th century, Max Weber predicted that a rationalized drive, or *geist*, for profitability would not stop until "the last ton of fossilized coal is burnt" (Weber, 2005: p. 123). For the German social theorist, the relationship between endless growth and fossil fuel energy marked the beginning of capitalist modernity. The rate of carbon emission since the Industrial Revolution has been extraordinary. In 2015, humans have put 9,500 million tons of carbon into the atmosphere per year – a rate that is more than 3,000 times that of 1750 (McNeill & Engelke, 2016). Figure 3.1 charts both global greenhouse gas emissions and total per capita GDP since 1945 – a period environmental historians refer to as the "great acceleration." With few exceptions, growth and emissions have proceeded closely.

Scientists, activists, and government officials began to seriously consider economic growth and environmental problems during the 1970s. This notably included burgeoning environmental movement as well as the Club of

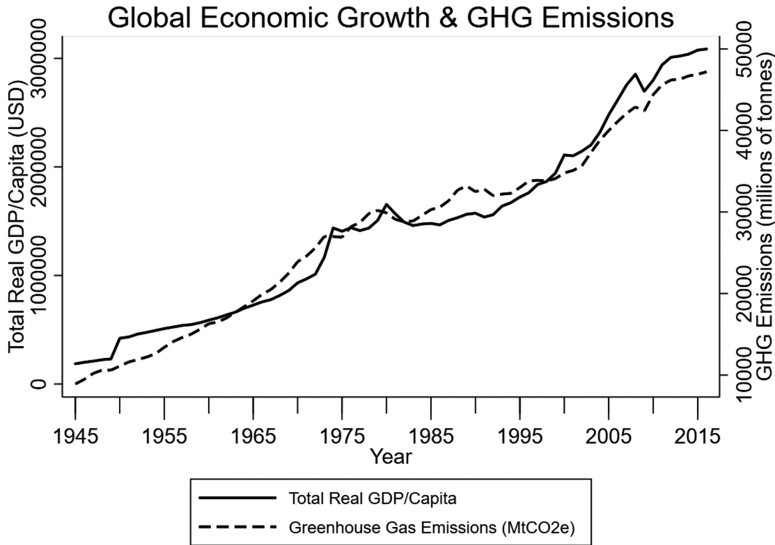

Figure 3.1 World GDP per capita growth and greenhouse gas emissions, 1945–2016.
Source: The Madison Project Database and PRIMAP Historical Emissions.

Rome's report in 1972, *The Limits to Growth*. I consider two sets of ideas that emerged in this period to help us understand climate change today. These are green growth and de-growth. "Green growth" is an admittedly broad concept that could include, for example, progressive ideas such as the Green New Deal. Here, however, I refer to the dominant *neoliberal* variant premised on the idea that we can "economize" natural resources by more efficiently using them through proper market incentives and regulation when necessary. I focus on this version of green growth because of its hegemonic status in climate discussions in the past several decades, but briefly discuss the Green New Deal at the end.

The mainstream green growth concept emerged in the 1970s amid three important changes and events. The first of these was the neo-Malthusian fear about overpopulation that Paul Ehrlich (and his uncredited wife, Anne) popularized in *The Population Bomb* in 1968. Second, the development of a neoliberal ideology premised on individualism, a protection of property and markets, and disdain for any form of planning. Third, the proliferation of a highly mathematized practice of orthodox economic science. These intellectual and social changes have shaped how we think about climate change solutions. Economists, for example, triangulate growth, population levels, and natural resource inputs and outputs to calculate optimal levels of resource use. Policy makers and some environmentalists have also accepted that "human nature" drives us to ceaselessly consume, breed, and waste and that we lack the cognitive capacity to deal with the "largest collective

action problem" we have ever faced. Meaningful solutions therefore lie in redirecting individual behavior and changing market incentive structures to push us in the right direction.

These ideas laid the groundwork for many of the environmental solutions we see today including emissions trading schemes, pollution permits, tax incentives or penalties for fuel prices, recycling, and market incentivizes for renewable energy. International institutions such as the United Nations, the World Bank, and the OECD back these proposals in the hope they boost growth while reducing environmental harm (e.g., OECD, 2011). Businesses also promote environmentally friendly consumer products thereby shifting the burden of change to personal choices including especially *consumer* choices like "green" products and buy local movements (see for example Huber, 2019). This same emphasis on individual responsibility was reflected in the Kyoto Protocol (after heavy American pressure) in 1997 and the Paris Agreement in 2015 because both agreements hold individual states responsible for their own actions.

Since economic growth and emissions have grown together steadily, it is easy to dismiss the effectiveness of green growth. However, this is not entirely fair to their argument. It may be true that the global level is the only level that matters in the end, but green growth advocates very legitimately consider development status. It is, after all, the wealthy countries plus China (a country that is by most conventional measures highly developed) that consume the most energy. Western Europe, North America, Japan, and Australia account for a little under half of cumulative emissions since the Industrial Revolution. On a per capita basis, North America alone accounts for the overwhelming share of historical emissions (Chancel & Piketty, 2015).

The green growth hope is that more developed states will invest in cleaner energy and technology because they have the wealth to do so. This follows from mid-century theories of modernization. In the 1950s, the American economists Simon Kuznets proposed that economic inequality rose as countries transitioned from an agrarian to an industrial economy but then later fell as workers organized to protect their interests and states had fiscal capacity to redistribute wealth. This so-called Kuznets curve has been refashioned with a green twist. According to the "Environmental Kuznets Curve" hypothesis, emissions and ecological damage increase with development. Eventually, however, they will be "decoupled" from growth as greater environmental awareness and pressure from civil society pushes states and businesses to invest in more efficient technology, infrastructure, and products.

The environmental Kuznets curve has a historical basis. Environmental movements rapidly came on the political scene in the late 1960s and 1970s and achieved real successes. Within OECD states, McNeil and Engelke report that "the number of major environmental laws doubled in 1971–1975, compared to the five previous years" (2016: p. 198). These states made concerted efforts to reduce energy dependence at this time, resulting in marked increases in energy efficiency until around 1986 (Pirani, 2018). Despite even

Table 3.1 Economic growth, investment, unequal trade, and energy use

	1995	*2005*	*2015*	*% change 1995–2015*
Real GDP[a]	$22.7	$36.5	$52.9	+132%
Gross fixed capital formation[a]	$5.1	$8.4	11.4	+123%
Final nonrenewable energy consumption[b]	2558.2	2887.8	2696.5	+5.4%
Imports from “low & middle-income economies”[c]	17.8%	26.6%	32.0%	+80%

Source: [a]OECD. Values are expressed in trillions of US dollars. [b]International Energy Agency. Values are expressed in millions of tons of oil equivalent. [c]World Bank. Values are expressed as a percentage of GDP.
Note: All values refer to OECD countries.

the orthodoxy of marketization in the last four decades, there are even impressive top-down political initiatives. The Danish government, for example, now boasts that renewables generate over half of their electricity.

The trouble is that the forward march of these moves represents only half of the historical dialectic. The forces of global capital and growth pressures have outmatched the greener side of recent history (Hickel & Kallis, 2019). As Table 3.1 shows, in terms of growth, investment, and nonrenewable energy consumption, the OECD states have not slowed down. That is, we do not see “decoupling” between emissions and growth. More rigorous empirical evidence shows there is not decoupling between per capita emissions (emissions intensity) and growth in developed states (Jorgenson & Clark, 2012). This owes to numerous factors like energy path dependencies as well as global trade. When firms offshore production, they also offshore their emissions. This is important considering how much developed states depend on trade from less developed ones. The last row in Table 3.1 shows, for example, that imports into the OECD from “lower and middle-income” states rose 80% between 1995 and 2015.

In contrast to neoliberal green growth, degrowth advocates see systemic problems in growth as a whole. Their aim is to take *The Limits to Growth* to its logical conclusion. The earliest progenitors of ecological economics emerged around the time that report was released, but some were expressly opposed to the discipline’s neoclassical framework. This included those like Romanian born Nicholas Georgescu-Roegen who combined concepts from thermodynamics and systems theory into the study of economics. Georgescu-Roegen’s work demonstrated that growth degraded and depleted natural resources. His American protégé, Herman Daly, developed his own vision for a non-growth economy through “steady state economics.” Their work helped inspire the degrowth movement, particularly in Europe where it is most popular.

De-growth proponents seek a progressive vision for the future that prioritizes human development. Their orientation is motivated just as much by excessive energy throughput as the social problems associated with a growth economy including a highly materialist culture and the psychological strains from

overwork (e.g., Schneider et al., 2010). Accordingly, one possibility for a non-growth economy is simply scaling back how much we work and of course how much we consume; putting it in common cause with those pushing for universal basic income schemes. There is also an antiwar element to this movement – especially after the invasion of Iraq in 2003 – due to increasing anxiety over "resource wars" fought to satiate the growth paradigm (Schneider-Mayerson, 2015). De-growth rightfully emphasizes what feminists have long argued: unpaid gendered work is not counted in national statistics. These aspects of de-growth depart from the softer criticisms of growth embedded in mainstream green growth ideas. Indeed, leftists like André Gorz are often credited with inspiring the more radical inspirations of the *décroissance* movement. For Gorz, de-growth was not just a necessary step for sustainability but an emancipatory critique of capitalist modernity and liberation from wage labor.

The ambition of de-growth is on par with the kind of systemic transformations we need to make to address climate change. There is now well-documented evidence showing significant declines in carbon emissions after the 2008 financial crisis and in early 2020 during the Covid-19 epidemic (e.g., Huang, 2018). These experiences speak to the inherent ecological problems of growth. They also remind us that declines in growth can cause dramatic political and social consequences – often for the worse. That is not to say, of course, that those in the de-growth camp intend for these negative consequences. But these cases of actual de-growth raise questions about how this project would be carried out in a socially just way in the short to medium term. For this reason, de-growth has been criticized for not offering a meaningful socioecological strategy (Haapanen & Tapio, 2016). Even those nominally associated with de-growth like Herman Daly have criticized the movement as a "a slogan in search of a programme" (2018).

Thus, while green growth offers a tepid but clear-cut strategy, de-growth offers an ambitious but vague strategy. Both, moreover, share in an important analytical shortcoming: they overlook the underlying social relations and processes that generate growth. Output components, whether individual consumers, small renewable businesses, large-scale manufacturers, state owned oil companies, or publicly funded grid networks are all collapsed together. These differences are important, however, for thinking about immediate mitigation strategies. So too is unequal distribution. Research by Lucas Chancel and Thomas Piketty shows that the top 10% of households are responsible for almost *half* of all carbon emissions (2015). What needs to be specified is how the balance of social forces and social institutions shape the trajectory of growth. Capital accumulation is a more helpful point of departure for understanding these dynamics.

Specifying growth through capital accumulation

The ecological Marxist tradition emphasizes power and inequality by linking the labor process with environmental relations. Humans have always

performed work and depended on natural resources to reproduce social life. For Marx, labor was "a process by which man [*sic*], through his own actions, mediates, regulates and controls the metabolism between himself and nature" (1976: p. 283). The historical development of private property and private ownership separated paid workers not only from their produce but also their natural "metabolic" relations with nature with the rise of urbanization, land enclosures, and agricultural industrialization (Foster et al., 2010). Moreover, Marx recognized that the profit motive distorted biophysical processes. For example, through his study of the German chemist, Justus von Liebig, Marx argued that competitive pressure in modern agriculture compelled owners to withdraw nutrients at increasingly higher rates, eventually weakening soil fertility. Capitalist modes of production undermine ecologies and undermine human-nature relations. Accordingly, Marxist ecologists argue that capitalist accumulation creates a metabolic "rift" in nature-society (Foster et al., 2010).

Capital accumulation clarifies how abstract concepts like growth lead to more emissions. Coal, oil, and natural gas are not inherently harmful to the climate. Only when they are repeatedly exploited and burned does this become a problem. Since the industrial revolution, capitalism has institutionalized social relations to do precisely this. Andreas Malm, for example, shows that capitalists transitioned from water to coal-fired steam power in early 19th-century England because fossil energy gave them more control over the labor force (2016). From a slightly different perspective, Jason Moore argues that a capitalist "world-ecology" developed in the early modern era that devalued extra-human nature, especially in colonial hinterlands (2015).[2] Regardless of the historical starting point, capitalism established a straightforward dynamic. For capitalists to remain competitive, they must continuously reinvest in new technology, labor, and infrastructure. This requires sufficient levels of profitability which is ultimately secured by restructuring the labor process and keeping wages as low as possible.[3] The continuous cycle between investing in labor and production, generating profits, and then reinvesting profits is *capital accumulation*.

By continuously reinvesting, we can appreciate why capitalism is so dynamic and transformative, but also why it uses natural resources at such alarming rates. With increasing interest in growth in environmental discussions, this may be obvious enough. But the relational qualities of accumulation alert us to something more specific. Growth and greenhouse gas emissions are not automatic or inevitable. They hinge on the way people in powerful positions organize the production process to their benefit. As the radical economists Basu and Vasudevan contend, "the rate of expansion of a capitalist economy is limited by the general rate of profit that it can generate" (2012: p. 5). That is, the rate at which profits can be extracted from labor, how this is maintained (i.e., labor organization and technological use), and how profits are distributed determine the rate of expansion. If capitalist expansion depends on unequal control over resources, it means that

the way expansion proceeds changes as the balance of power changes. We could imagine very different scenarios in this regard. For example, in some industrializing contexts, wage growth is highly suppressed giving capitalists huge surpluses to reinvest into new capital stock. Conversely, when labor power and wage growth is high, capitalists have fewer surpluses and less discretion about what to reinvest in. Potentially, labor could choose to invest in renewable energy or in facilities and transportation systems that harm their health less. This latter scenario is not hypothetical either. Countries with higher union densities have lower carbon emissions net of other factors used to explain this (Hyde & Vachon, 2019).

We can express the accumulation circuit more formally through Marx's formula, *M—C (L + MP)—M'* where money (*M*) at $time_1$ is used to buy commodities, labor power (*L*) and means of production (*MP*), to generate more money at $time_2$. For capitalists to generate more money than they started with, they have to keep commodity costs low. Thus, the ability to maintain profits comes in this middle section – the costs of labor and production. Capitalists can invest in labor-saving technology or implement methods to increase productivity. The simplest way to increase profits, however, is to pay workers less for the work they do through *exploitation*. This relational dynamic frees up earnings for reinvestment.

What Malm and other ecological Marxists point to is that capitalist accumulation leads to environmental problems like emissions. By controlling how work is organized, capitalists also control how resources are used and distributed including fossil fuel resources. Indeed, fossil fuels are an essential productive commodity – one that accounts for 86% of global energy consumption today (Pirani, 2018: p. 154). Fossil fuels give capitalists more mobility to offset labor costs (e.g., offshoring and increasing labor market competition) and reduce turnover times through transportation and supplier networks. Malm therefore suggests we append this to Marx's formula. He does so by adding fossil fuels, *F*, within the production process, *P*, so the formula becomes $M—C\ (L + MP(F))\ldots P^{CO2}\ldots—M'$. From this vantage point, we see more clearly how fossil energy and exploited labor together keep production costs low and generate CO_2 emissions in the production cycle.

The twin use of fossil fuel energy and labor exploitation helps explain why specific strategies for maintaining profitability contribute to emissions. Consider, for example, the kind of responses to declining profit rates in the 1970s. One strategy was to offshore industry through global production networks. We know that offshoring increased environmental pollution in the global south and more value captured in the global north (Prell et al., 2014). Wage restraint policies at this time also restored profitability at the cost of greater inequality. We know too that inequality rates are empirically associated with greater emissions (Jorgenson et al., 2016). Even the growth of the service sector, another strategy for maintaining profitability following deindustrialization, has contributed to emissions because it relies on global productive inputs (York et al., 2003).

More fundamentally, capitalist profitability was restored by preserving global petroleum markets. The liberalization of the international monetary system coincided with America's support for Israel during the 1973 war. This upset key oil trading partners like Saudi Arabia. To sooth tensions, an envoy from the American Treasury Department brokered a special sale of treasuries to ensure petroleum continued to be traded in dollars. This safeguarded American monetary power and gave a pretext for providing military support for allied Gulf states. The larger story to this history is that the "petrodollar" system increased the circulation of dollars in the world economy. These found their way into Western banks and allowed the US government to run huge deficits unconstrained given the dollar's reserve currency status (Spiro, 1999). In Vijay Prashad's words, it was "a royal flush for the moneyed" and provided critical leverage for Western multinationals (2012: p. 22). More specifically, these changes paved the way for cheaper oil in in the 1980s as Riyad adopted a market-based system for oil trading firmly integrated into global financial markets. The institutionalization of this system was highly important for maintaining accumulation. Without accessible and affordable oil, it would not be possible for firms to offshore production to stay competitive or for rich states to keep imports cheap so that workers with stagnating wages could continue to consume them.

We can see the relationship between capitalist profitability and greenhouse gas emissions from national accounts statistics in OECD states. I follow critical political economists in defining both the "profit rate" and the "exploitation rate" (e.g., Basu & Vasudevan, 2012). The profit rate is the ratio of gross-operating surpluses to fixed-capital stock while exploitation is the ratio of surpluses relative to wages and salaries. Because exploitation is a key factor in generating profits, the two measures are highly correlated but are nonetheless qualitatively distinct.[4]

Figure 3.2 shows the average exploitation and profit rates in relation to average greenhouse gas levels from 1995 to 2016 in the OECD. The rates of exploitation and profit refer to the total national economy and include all sectors including the financial sector. Both the rate of exploitation and profits track emissions closely. Between 1995 and 2007, the average rate of profit rose 3.4%, the exploitation rate 8%, and average greenhouse gas emissions 5.5%. Most strikingly, emissions collapsed during the financial crisis of 2007–2008 at the same rates as profits and exploitation. This shows, somewhat surprisingly, that emissions are responsive to short-term changes. It also underscores how coupled emissions are to a system of profitability.

In the postcrisis period, we see profit rates were restored but quickly began to flounder. Emissions fell from 428 million tons in 2010 to 400 million tons in 2015. That it fell with profits again points to coupling. And while both declined, there is some discrepancy between them that becomes wider after the crisis. This perhaps owes to offshoring or growth through financial or intangible accumulation (which increased in this period). The discrepancy is

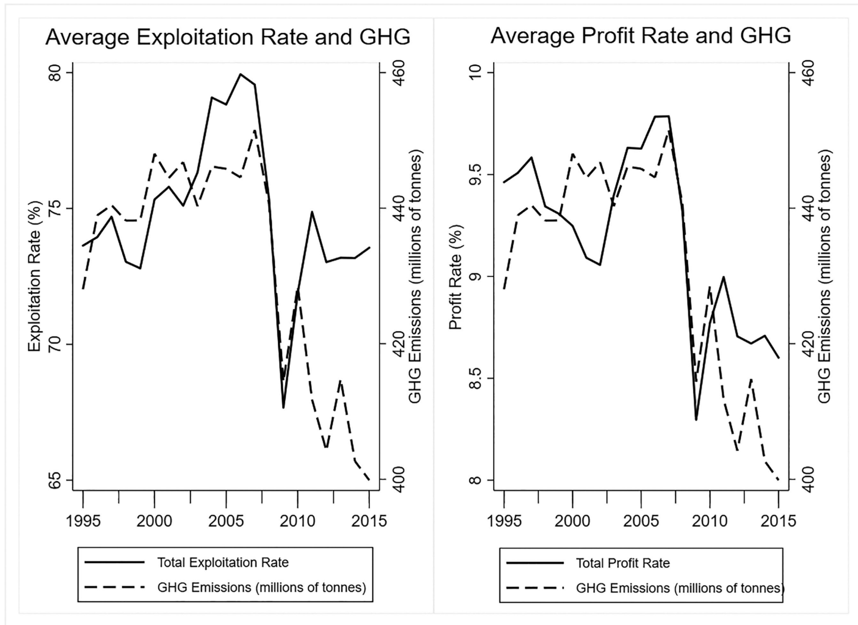

Figure 3.2 Average exploitation rate (left pane) and average profit rate (right pane) and average greenhouse gas emissions (shown in the right axis of both panes) for OECD states, 1995–2016.

Source: OECD.

wider for the exploitation rate. Here we see some difference with this measure as compared with the profit rate. Exploitation rates increased sharply after the crisis and rose much faster than emissions. This points not only to the increased levels of exploitation in this period but also to the fact that emissions are more responsive to profits, which of course bear more directly on reinvestment rates.

I also compare industry values in Figure 3.3. Here I chart the profit rate for four industries as well as greenhouse gas emissions in those industries for my sample of OECD states. While each industry pane shows distinct trends, we see that profitability and emissions closely track each other in each case.

One industry where the correlation is less strong is in manufacturing and construction. Here, the profit rate increased by 20% from 1995 to 2007, whereas emissions fell in this sector. The most likely explanation for this discrepancy is that these measures do not pick up offshoring. Manufacturing (construction much less so) is a highly globalized sector, especially within this sample of OECD states. By offshoring, manufacturing firms sustain profits and increase exploitation while also increasing their

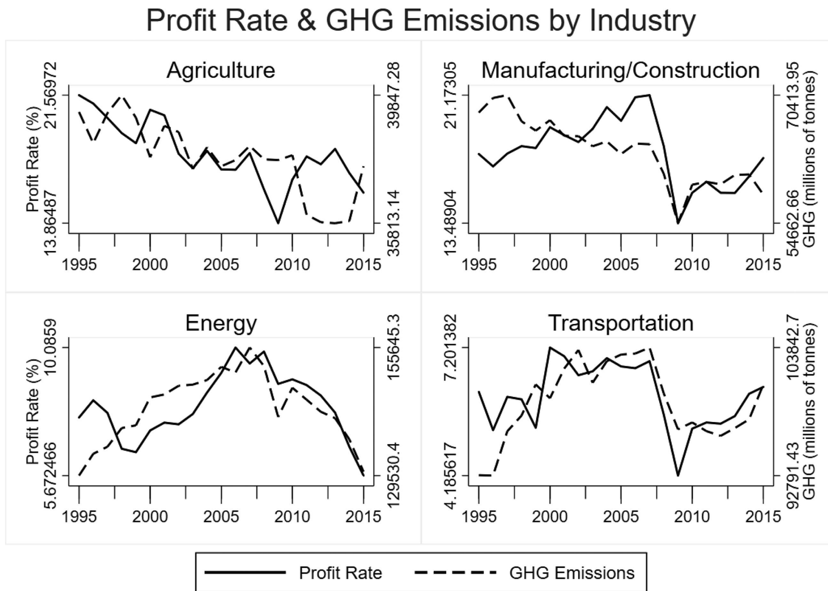

Figure 3.3 The profit rate (left axis) and greenhouse gas emissions (right axes) for four industries in the OECD, 1995–2016.

Source: OECD.

emissions. Hence, there is some divergence between the two measures. There is also significant offshoring of agriculture in these states which may explain declines in both exploitation and emissions over time. The issue of offshoring is important and one that is undoubtedly connected to both profits and emissions (see Prell et al., 2014). My data is unfortunately limited in this regard. The trends presented here nonetheless show that greenhouse gas emissions are inseparable from capitalist exploitation and profitability.

Conclusion: decarbonization + decommodification

One of the most distressing aspects of climate change for people is that doing something about it seems completely out of reach. Even under the most optimistic scenarios, the future hardly looks comforting. The problem seems so intractable to us because climate change calls into question the whole growth economy that modernity is built on. The growth economy has to be unpacked. We have to understand what drives growth and who benefits from it. Thinking about it in these critical terms is less overwhelming. It gives us a more concrete roadmap for how to intervene in a socially just way.

What I have proposed in this chapter is to think about emissions through capital accumulation. Capitalists continuously accumulate by generating surpluses. They do so by keeping costs for workers low and profits high. I have empirically shown that this dynamic is associated with greenhouse gas emissions meaning the problem of climate change is directly connected to unequal social relations within capitalism. The choice we are sometimes presented with between growth and no growth is somewhat misleading. What is important is the inequality embedded within the capitalist growth economy. *That* is what needs to be immediately addressed for a fast, fair, and meaningful mitigation strategy.

Our starting point should be to demand decarbonization with decommodification together. We know that commodification accompanies carbonization because a small number of people control the allocation of profits for their own interests. Reversing this would mean that workers or other stakeholders outside of the formal economy have a say in how profits are distributed. This means ordinary people can reinvest those surpluses in ways that benefit their community and the climate we all depend on. Linking decarbonization with decommodification can also broaden how we analyze and politically mobilize around the climate crisis. If exploitation and private control of profits are climate issue then by extension racial labor market discrimination, gender pay gaps, lacking money in social services, precariousness, and daily coercion in the workplace are also climate issues. Addressing these problems with tactics familiar to students of labor history and antidiscrimination action while simultaneously orienting that action around energy use can be doubly productive.

This type of thinking is certainly part of plans for a "Green New Deal" (GND) which has increasingly become part of discussion in states like the United Kingdom and the United States. The GND would admittedly fall under a green growth agenda and would have its own limitations and blind spots. Even the most progressive versions would, for example, require new resource inputs. But while still growth oriented, policies like the GND differ in important respects from the green growth paradigm discussed here. The GND would provide a full jobs program, wage increases, a focus on low-carbon "care work," and efforts to protect vulnerable "front line" communities (Aronoff et al., 2019). In a word, it challenges the unequal social conditions at the heart of climate change. These distinctions regarding social inequality are highly important and are not always sufficiently addressed on the Left in debates about the GND versus de-growth (see for example Burton & Somerville, 2019; Pollin, 2018). This chapter argues that the inequalities within the accumulation process are central to understanding greenhouse gas emissions. This social relation gets to the heart of the more abstract problem of growth. Intervening within the accumulation cycle to reduce capitalist inequalities provides a more direct and immediate way to mitigate emissions and build up a more transformative social and energy mix.

Notes

1 This chapter is based off an earlier study of mine, Soener (2019). Thank you to participants at the 2019 Accumulating Capital conference in Paris including Paul Lagneau-Ymonet. Thanks also to Benjamin Bürbaumer, Cedric Durand, and others at Paris 13's CEPN for inviting me to present my paper there. The comments I received improved this chapter. Finally, many thanks to Marlène Benquet and Théo Bourgeron for putting this book together and helping improve this chapter. All other mistakes are mine.

2 To be sure, there are important theoretical differences between Malm and Moore though both are part of an ecological Marxist lineage. Malm draws influence from the "political Marxist" tradition while Moore draws from a combination of world-systems theory and feminist Marxism. I note both because of their important contributions. For more details on these differences see Malm (2018) and Moore (2017).

3 Emphasis should be put on the phrase "low as possible." This discussion overlooks the complex economics of wage-led growth and "Fordism." While capitalism is clearly capable of growing with higher wages, higher paid workers are still exploited and there is a threshold to wages. The postwar experience tells us this threshold can be quite high, but it's not sustainable over the long term. It still relied on segmented (typically racialized) labor, exploitation in postcolonial zones and unpaid feminized labor.

4 For more discussion on these measures as well as more detailed quantitative analysis between them and greenhouse gas emissions, see Soener (2019).

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4 Exploring accumulation in the New Green Revolution for Africa. Ecological crisis, agrarian development and bio-capitalism

Maura Benegiamo

In recent years, agrarian development policies in sub-Saharan Africa have been an area for experimentation with linking global food security and climate change mitigation with growth objectives. This became particularly evident in the aftermath of the 2007–2008 food and financial crisis, which helped to accelerate concerns about a new 'global food challenge for the 21st century'. The subsequent reintegration of agriculture into the global development agenda has therefore been accompanied by the idea that the agro-industrial system should respond to a growing demand for food while addressing climate change and environmental degradation (World Bank, 2007).

These initiatives differ from those of the past, such as those carried out in the context of sustainable development, in that they place greater emphasis on nature's regenerative and productive capacities and on the exploitation of these capacities by new biotechnologies, genetic engineering and climate financing mechanisms. Concerning the sub-Saharan Africa development context, these purposes also bases on neo-colonial rhetoric about the alleged abundance and availability of African resources and in response to the continent's high rate of poverty and malnutrition; they are furthermore in accordance with the principle that the greatest gains in climate change mitigation and food security will come from investments by the main players in the agri-food market.

New public-private partnerships have been promoted to address these goals, most of them based on the 'venture philanthropy' model. The *New Green Revolution for Africa* is a clear example of these dynamics; older interest in rising yield gaps comes together here with attempts to bring conservation aims and natural capital exploitation into the agrarian sector. A further rapidly expanding trend is that of bioeconomy, which, according to the Food and Agriculture Organization, defines the idea of 'knowledge-based production and the utilization of biological resources, biological processes and principles to provide goods and services'.[1] Promoted by the Organisation for Economic Co-operation and Development since the beginning of the 2000s, bioeconomy is increasingly advocated as a preferred strategy for the development of sub-Saharan African economies (Morris, 2014; Poku et al., 2018).

The political ecology debate has helped reveal the progressive transformation of critical environmental issues into sources of profit (Smith, 2007). This process is largely understood in the context of a post-Fordist neoliberal regime marked by increasing financialization of the economy and the crisis of capitalist ecology (Pellizzoni, 2016). Scholars also widely resort to the Marxian idea of primitive accumulation or the updated version of accumulation by dispossession. Debate on the 'new enclosures' is prominent, especially in the context of the new land and green grabbing phenomena (White et al., 2012). Resource appropriation dynamics are consequently seen as driven by economic, speculative and security concerns. However, the growing transfer of the burden of commodity production to the natural world also requires greater attention to be paid to the role of 'non-human productivity' and the increased commodification of biological processes in the development of capitalism.

These operations raise new questions about the accumulation of nature, but also about the nature of accumulation in the context of multiple capitalist crises and reactions to them. This necessitates questioning about how the intensification and incorporation of 'non-human production' is reshaping the relationship between capitalism and nature within the process of accumulation, generating new models of exploitation and exclusion. To shed light on this issue, this chapter builds on the emerging debate around bio-capitalism (Cooper, 2011; Fumagalli, 2011), which focusses on the forms of valorisation involving bio-materials as well as cognitive and biological processes produced by human and non-human living organisms. Originating within the Italian tradition of *workerism,* this literature also revisits Marx's labour theory of value to highlight the specificity of the post-Fordist political economy. Such questions have mainly been explored in the context of the knowledge economy (Corsani, 2013), the biomedical industry (Cooper and Walby, 2014) and the financialization of the life sciences (Birch, 2017), where they have been related to the issue of surplus-value formation and the emergence of new labour subjectivities. The processes addressed here include the human capacity to produce data information based on cognitive, emotional and clinical labour. In this chapter, I use some of the insights that arise within this debate to examine current capitalist expansion through nature, driven by the entanglement of financial capitalism with ecological issues and the climate crisis. What is happening when capitalist development seems to move towardsforms of valorisation that blur the boundaries between production and reproduction and between human and nonhuman relations in the process of accumulation?

The next section defines capitalist accumulation and its relationship to crises and provides the framework for understanding emerging production paradigms such as climate-smart agriculture, the green economy and the bio-economy. The third section builds on my research experiences to explore how these paradigms influenced labour and exploitation at the local level in the context of sub-Saharan agrarian development. The fourth section resumes the

debate on bio-capitalism and discusses the connections between this and the explored dynamics of agricultural development. The conclusion returns to the notion of commodification and its relationship to Marx's labour theory of value to clarify the hypothesis that a mutation in the form of capitalist accumulation (i.e. the way in which value is accumulated in its historically specific social forms) is underway, driven by the intertwining of financial capitalism with ecological questions.

Production-reproduction, rethinking the boundaries

As demonstrated by feminist and post-colonial debates (Barca, 2020), to grasp the logic of accumulation, one should consider the structural relationship that binds together 'inclusion through exploitation' and 'exclusion through expropriation' under capitalism development. Accordingly, both the continuous reproduction of primitive accumulation and the subordination of social reproduction are functional elements in the process of capital valorisation. Though formally located outside commodities production proper, such processes functions as its condition of possibility. Eco-Marxism added to this debate the role of nature as a further condition of capitalism reproduction (O'Connor, 1988). Building on the main insights from this literature, Jason Moore's idea of capitalism as a world ecology (Moore, 2015) proposes an ecological reading of Marx's labour theory of value: it acknowledges the role of unpaid work in determining the value produced by abstract wage labour and argues that not only care work but also 'cheap natures' are necessary conditions for the realization of the valorisation process manifested in the commodity. This means that the production of nature under capitalism does not simply illustrate the effect of (capitalist) society on nature; rather, it illustrates a process in which the organisation of nature as a space for appropriation determines the possibility of the organisation of the society as a space of exploitation. As value operates through a dialectic of exploitation and appropriation, increasing labour productivity depends on the continued expansion of the commodities frontiers: spaces where capitalism can appropriate new forms of cheap labour and cheap nature.

As Moore claims, financialization under neoliberalism failed to extend nature productivity, including land and agrarian productivity, and generally restricted wealth production to allow the growing of (financial) value. This explains, for example, the failure of the 'biotechnology revolution' to raise agricultural production and overcome yield gaps. This reasoning requires revisiting the current debate on the post-Fordist ecological regime and its relationships with climate and ecological crises. If these crises manifest socially through ecological and health impacts caused by escalated appropriation of the natural world, they become relevant to capitalism because they drag it into a negative value phase, in which opportunities to further expand the frontiers of appropriation while maintaining the costs for reproductive factors are drastically reduced. Against this backdrop, dynamics as diverse

as the ongoing agricultural intensification, genetic engineering experimentation and the development of green and climate financial markets lead to questions about how, and on what terms, nature is being accumulated and becoming pivotal to the expansion of capitalism, and about the new patterns of exclusion and exploitation that emerge. To address these issues, and recognising, in line with the world ecology approach, that financialisaton has profoundly restructured the mechanisms and logic of accumulation and production, my analysis addresses how financial neoliberalism has transformed the commodification of nature by orientating the production of value in the fields of social, biological and ecological reproduction.

According to Melinda Cooper (2011), a turning point came with the alarm about resources limits to growth following the 1973 oil shock, which increased interest in new explanatory paradigms within dominant economic theories. The idea – established in the life sciences debate – of expansive biological ecosystems, in which systemic limits are only momentarily defined and evolve with increasing systemic complexity, has thus provided the theoretical backbone to a neoliberal regime determined to pursue growth beyond its limits. This project, explains Cooper, is driven by financial debt combined with technoscience intent on extracting value through biological reproduction. These dynamics, which emerged from the crisis of Fordism, are central to understanding current capitalist development as a project that aims to shift the ground of growth 'on the cusp between the petrochemical and biospheric modes of accumulation, the foregone conclusion of oil depletion and the promise of bioregeneration' (Cooper, 2011: p. 70).

It is against this backdrop that I address nature accumulation in the context of agrarian development following the global crises of 2007–2008, with global partnerships (such as the G8's New Alliance for Food Security and Nutrition) and private foundations (such as the Alliance for a Green Revolution in Africa [AGRA] promoted by the Bill & Melinda Gates Foundation) engaged in transforming the nature of African agrarian production. Aimed at promoting a 'New Green Revolution', these programmes are endorsing broader approaches to agriculture such as climate-smart agriculture, the green economy and the bio-economy in order to simultaneously address yield gaps, climate change and biodiversity conservation concerns. In general terms, climate-smart agriculture merges climate change mitigation with water and soil conservation concerns in agrarian production. However, climate-smart agriculture is also a contested notion on the battlefield between different conceptions of the future of food and agriculture (Holt-Giménez and Altieri, 2013; Taylor, 2018). Mainstream developmental initiatives range from attempting to develop new drought-resistant crop varieties to encouraging the application of data science to agrarian production (here the idea of climate-smart agriculture is often associated with that of precision agriculture).[2] Green economy and climate financing initiatives such as payment for ecosystem services, carbon-credit schemes and REDD+ are also a growing trend in the context of sub-Saharan African development,

often promoted by international donors to raise funding for projects and attract international investors (FAO, 2014). Finally, agrarian development is also delineating an umbrella under which experimenting and promoting bio-economy. Similarly to climate-smart agriculture, there is no universally agreed on definition for bio-economy, however, the concept mainly refers to the idea of further exploiting bio-based resources and processes in the move to a post-carbon mode of production in order to rearticulate the relation between biology and (petro)chemical in the production process. Accordingly, bio-economy promotes the use of genetically modified raw materials and living technologies such as modified crops and bacteria to optimise production efficiency and develop new produce. Proponents of bio-economy are also interested in exploring new uses for recombinant DNA techniques such as intelligent life technologies, which are technologies that show similar properties to those of life, including self-organisation, adaptability and the ability to evolve.

Exploring bio-capitalism: enclosure, debt and 'bio-labour'

As the feminist and post-colonial debates have highlighted, when capitalism values something, it is always devaluing something else. In current African agricultural development, devaluation reproduces the old idea of the abundance, availability and underutilisation of African land and biological resources, which require the intervention of western science in order to be 'properly valued'. This is also associated with the idea that small farmers are less suitable than agro-industrial investors to achieve the objectives of sustainable development and economic growth (Benegiamo, 2020). This also results in that, although the engine of growth and development is found in the productive potential of nature and life properly valued, the increasing concentration of resources, labour indebtedness and new extractive processes remain the principal material bases on which capitalism develops. Indeed, the reintegration of the agricultural sector into economic development strategies has been accompanied by the acceleration of land and biological resources grabbing. For instance, insistence on climate-smart seeds or climate-resilient crop varieties is combined with attempts to expand control over Africa's genetic resources through restrictive seed laws and genetic privatisation, which further threaten the capacity of small farmers to access seeds and other agricultural inputs (Ignatova, 2017). Similarly, global demand for biomass is largely responsible for increasing pressure on land in sub-Saharan Africa (Ashukem, 2020).

While the wave of land deals in the early 2000s was largely driven by agrofuel production targets, green grabbing (i.e. the appropriation of land and resources for environmental purposes) is also a growing trend. This is mainly linked to projects involving biodiversity conservation, carbon sequestration, ecosystem services or ecotourism (Fairhead et al., 2012). These trends influence the more traditional production process and the general dynamics of agricultural development. The different opportunities for land

development play a central role in understanding the economic rationale behind land transactions, especially where investments are not supported by a clear business plan. In all these cases, when land is not directly alienated, the restructuring of rules and authority for access, use and management of resources can have the same deeply alienating effects (Peluso and Lund, 2011). Scholars have also highlighted both the indirect competition that these operations create with the cultivation of food crops and their involvement in the creation of a form of surplus labour (Li, 2011).

Economic exclusion and expropriation of resources are not the only effects of the current dynamics of nature commodification. It also subjects inhabitants of rural areas to different forms of exploitation and extraction of value, among which debt is one of the most pervasive. This is the case with public-private partnerships that encourage small farmers to adopt new agricultural inputs or seeds. In Gilgil County, Kenya, for example, AGRA is working with a local university to apply breeding techniques to develop drought-resistant chickpeas. Seeds are tested in the field under agreements that require farmers to buy seeds and sell the crop to a local university, which is committed to buying it. In my field research conducted in February 2018 (Benegiamo and Borrelli, 2020), I interviewed the members of the Makongo farmer group who had committed to this contract. When the harvest did not go as planned due to unusually heavy rainfall, the group found itself with nothing to sell to the university. Without an income, the farmers were unable to buy back the seeds. The university withdrew the contract, which left the farmers without resources to pay the debts that they had already contracted. These arrangements have provoked opposition from scholars and civil society because they promote forms of debt that may prove unsustainable for small farmers (Shiva and Jalees, 2006). Moreover and with respect to the past, instead of state subsidies encouraging the use of transgenic seeds and thus rendering farmers dependent on corporation monopolies, current development programmes often provide tailored financial services directly to farmers to enable them to access the credit market and purchase the ‘input packages’ needed to grow commercial seed.

A similar pattern can be found in the application of the data economy to pro-poor smart agriculture through a mix of financial instruments and information and communication technologies, ranging from mobile information systems buying climate information to micro-insurance programmes insuring against climate risks (Isakson, 2015). In this context, farmers are also incorporated into development programmes and global value chains more as customers than as workers and end up being linked to the financial system. Take the case of the World Bank’s Enhancing Agricultural Productivity Project for Kenya, which received €19.13 million from the European Union and is working with the Syngenta Foundation and its Kilimo Salama programme to support the Syngenta crop insurance scheme (Sygenta, 2010). The project, which is based on a partnership between the Kenyan government, the International Fund for Agricultural Development, the Alliance

for the Green Revolution in Africa and the Equity Group Holdings Ltd,[3] aims to assist small farmers by increasing access to agricultural inputs, included the use of indigenous crops among very poor farmers. While the World Bank rated the overall outcome of the project as moderately satisfactory, the project evaluation report (World Bank, 2013) states that thanks to the Kilimo Biashara programme, Equity Group Holdings Ltd was able to identify new clients, thus expanding its agricultural portfolio.

A third trend that demands attention is inhabitants of rural areas becoming linked to global value chains as a result of their involvement in global medical trial circuits. Within the experimental model of the bio-economy, an increasing number of public-private research projects are combining the extraction of soil and of human body materials under the same framework. This is, for example, the case for the expanding research on bio-fortified seeds and highly nutritious crops, which is based on evidence from collections of blood or urine samples. This dynamic involves people (especially poor farmers) lending their bodies – or parts of them – as part of the process of validating and building a patentable technology, which is, according to Catherine Walby and Melinda Cooper, a form of bodily embedded clinical labour (2014; see also Rajan, 2006). A striking example is the Target Malaria project,[4] which was founded with $36 million by the Bill & Melinda Gates Foundation as part of their AGRA programme. The project involves the release of thousands of genetically sterilised mosquitoes into the environment, where they are supposed to spread a genetic variant inducing sterility, theoretically resulting in a significant reduction in all mosquito populations (mosquitoes being the first malaria vector). To verify the effectiveness of the experiment, the project requires local populations to do blood tests to verify the actual reduction in the incidence of malarial contagion. The research consortium, active in Burkina Faso, Mali, Uganda and Ghana, was sharply criticized as the project raises, inter alia, safety, ecological and ethical issues. Activists from Burkina Faso, who had already experienced the negative effects of genetically modified cotton on their economies, strongly opposed the project and contested the use of eugenics technology, which, they claim is turning away funding from more effective public health policies. They claimed that the spread of mosquitoes could alter ecological systems and food networks and accused the programme of not having adequate community consent for its experiment.[5] Civil society organisations denounced the experimentation with genetic technology on animals in the wild (Dressel, 2019), claiming that the profit-driven will of the agri-food sector to develop new methodologies for the direct handling of agricultural pests was behind this voluntary charity operation.

Understanding value in (bio) accumulation

The labour theory of value is among the most debated aspects of Marx's theory. Much of the debate around it centred on verifying its correctness in

quantitative and 'economistic' terms, following the idea that the substance of value (the Marxian notion of abstract labour) could be translated into a measure of value, thus defining value's magnitude. An alternative approach to this relies on the Marxian theory of value to understand the logic and form of the reproduction of capitalist society. In this sense, the law of value is useful because it enables a political understanding of capitalism development and the process through which abstract market relations translate into the real world, becoming concrete social relations. This latter is the approach adopted by most of the feminist and eco-Marxist theorists. Under this framework, the idea of value is separate from the idea of exchange value and related to the historical and political process that allows some heterogeneous operations to be compared and – in practice – commodified, while others are devalued and substantially expropriated. It is from this second perspective that the debate on bio-capitalism examines the shifting of accumulation towards new processes and functions, whose 'capture' seems to happen outside the wage constraint and be unrelated to time-productivity measurement, and whose 'output' does not take the classical form of industrial commodities. The first formulation of these issues can be traced to the Italian tradition of workerism, where it leads to the hypothesis of cognitive capitalism, further labelled as bio-cognitive (Fumagalli, 2011). This provides a Marxist reading of the theories on human capital and the driving role of knowledge for corporate growth in post-Fordist economies, which also led to a discussion of classical Marxist analytical categories in the light of the new forms of labour exploitation and property-relations on which the post-Fordist mode of accumulation seems to rest.

Though most of this debate concerns the transformation of industrial production and the rise of business-platforms, current pattern of nature accumulation also strongly recalls the legal, financial and technological devices already at work in the knowledge and data economies analysed by scholars in bio-cognitive capitalism. Here, again, the relationship between production and appropriation is leveraged on advancement in technological development and private seizure through monopolies, privatisation and restrictive laws on intellectual property. To create a market for a resource (from labour-power to natural capital), it is necessary to convert it into a commodity. In the context of 'bio-environmental markets', what we witness is the rise of a particular type of commodity, consisting of a property right emptied from its material content. Take, for instance, the carbon markets or the ecosystem services markets. In both cases, what is being traded is not the resource itself, but rather the specific property rights that have been attached to it. The private property of data, seeds or genes, which constitute the main source of value, are also often behind the idea of climate-smart agriculture. Smart technologies introduce a new market for environmental data by introducing artificial intelligence to farming and trading climate and biological information. Again, in green-grabbing dynamics, such as the enclosure of forests or wetlands for conservation purposes, what it is traded

is also the intangible green-value that is attached to the ecosystem being protected (Neimark et al., 2016, Birch 2017). Robertson (2012) highlights how the very features of circulation under financial markets turn materiality into a limit: overcoming it requires creating social abstractions of nature that make nature's exploitation compatible with financial circulation. Similarly, for the biotechnology sector Sheila Jasanoff (2012) explains how the US judicial system has promoted a conception of nature compatible with its economic exploitation basing on the principles of specificity and circulation. Specificity is needed to ensure ownership over something that is distinguishable and replicable. At the same time, the 'bios' can be converted into a commodity, provided that it is able to circulate.

Building on these insights, the logic through which the intangible and reproductive capacities of the ecosystems and genetic matter have been subsumed under financialised capitalism are traced back to the process of 'cognitivisation of labour' first developed by the Italian tradition of operaismo (Birch, 2017; Leonardi, 2019). However, alongside these dynamics there is the emergence of other forms of value extraction, which occupy an important place under neoliberal exploitation and require us to go beyond the classic Marxian conception of labour. These forms of value extraction also necessitate further moving the debate on bio-capitalism to take into account the multiple and situated dynamics of enclosure, value-extraction and dispossession that sustain bio-accumulation. This article dealt with three of them, namely the centrality of enclosure, debt relationships and the direct involvement of human bodies in the process of bio-commodities production. Debt is spreading even more intensively as a structural element related to agrarian work, acting as a prelude to the involvement of small farmers in global commodity chains. This is often the case for contract farming, for which the work relationships begin on debt relationships of farmers buying the seeds they are asked to produce, but it also concerns the spread of micro-financing services and climate insurance devices. On the other hand, the bio-economy field is promoting the involvement of inhabitants of rural areas in global value chains through their participation in clinical trials, in what Melinda Cooper and Catherine Walby have defined as a form of bio-labour. Here, human cells and blood are extracted for use in the production process of bio-commodities and patents.

Though it is not clear that these processes will be able to overcome ecological limitations (the negative value issue) and allow capitalism to move towards a new ecological regime, they are definitely influencing capitalism and its development dynamics in local contexts. This requires a better understanding of how these processes relate to the variegated patterns of inclusion and exclusion that characterise capitalist development today. Indeed, once workers are no longer associated with (dead) machinery but rather with (live) organic matter and financial extraction, the very distinctions between production and reproduction radically changes - and so do notions such as subsumption and exploitation.

Conclusions

This chapter built on the bio-capitalist hypothesis of commodification being increasingly redirected towards the sphere of social, biological and ecological reproduction to examine accumulation in the context of agrarian development. It focussed on the New Green Revolution for Africa, understood as a particular field of experimentation of new production paradigms linked to the ecological crisis, such as climate-smart agriculture, green economy and bio-economy. Commodification is a key Marxian concept that allows a better understanding of the law of value as a historically determined force. For Marx, commodification determines the form of value, or the way in which value is manifested in its historically specific social forms, which are the forms of capitalist domination.

While the law of value defines the abstractions that lie at the base of capitalist accumulation, for Marx, it is in the process of commodification that the law of value assumes its specific characteristics of abstract labour. In other words, it is the process of commodification (its particular constitution) that establishes the equivalence between labour and value, which allows commodities to assume the double form of use-value and exchange-value. Addressing commodification as the historical crystallisation of the law of value defies an interpretation of the law of value as a form (the abstract labour) that subsumes an ontologically pre-existing substance (the labour that produces value). Rather, it is the form of the commodity production, under the regime of industrial production, that gives the law of value its specific features of abstract wage labour measured in working time. This requires that a large part of labour – care work and natural work – be unpaid, and thus not be recognised as labour.

However, what this article has illustrated is how today capitalist limits have been transformed into peculiar spaces of accumulation where new processes of commodification are at play, which upon the sphere of reproduction both social and ecological. Here, the increased blurring of the boundaries between the logic of appropriation and the logic of exploitation related to the natural world also engenders a renewed relationship between human and non-human productivity. These processes seem supported by three main shifts in the abstractions of the law of value. First, the generative capacities of biological matter are converted into specific sources of value in a way that renders production a 'more than human' processes. Second, as the new sources of value are outside of the industrial production systems and cannot be measured by time, their capture depends on enclosure processes and techno-scientific manipulations rather than the classic wage relationship. Finally, the value generated by the non-human world at work and the exploitation of cognitive and biological processes are preferably carried out through financial markets. This requires a reformulation of relations in the production processes. While the debate on bio-capitalism focusses principally on the new bio-cognitive dimension of labour and the related dynamics of knowledge and resource appropriation, this chapter also underlines

the role of multiple knowledge and resource enclosures in resituating value extraction into bodies and through debt.

Notes

1 See: http://www.fao.org/energy/bioeconomy/en/, last access 26 June 2019.
2 See for instance the Food and Agriculture Organization website: http://www.fao.org/e-agriculture/news-and-events/topics/1237.
3 For further information see https://www.reuters.com/companies/EQTY.NR, accessed 23 June 2020.
4 For further information visit https://targetmalaria.org/, accessed 23 June 2020.
5 On the consent issue, watch the video documentary “A Question of Consent: Exterminator Mosquitoes in Burkina Faso” produced by the ETC group with villagers and activists in Burkina Faso, link for the vision https://zahra-moloo.com/a-question-of-consent-exterminator-mosquitoes-in-burkina-faso/ accessed 23 June 2020.

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Part 2

Accumulating through Financial Investment

5 Constructing a favourable environment for financial accumulation

The case of the City of London Corporation

Matthew Eagleton-Pierce

The City of London has historically been among the largest financial centres in the world, from its facilitation of early capitalism in the 17th century, to its *entrepôt* role within the British empire from the 19th century and, onwards, to its post-imperial, international reconfiguring in the past half century (Ingham 1984; Kynaston 2002, 2011; Cassis 2010). According to one major ranking, London is currently second to New York City as the leading financial location, with strengths in banking, insurance, and related professional services (Z/Yen 2020). 'The City' is, at one and the same, a bounded local jurisdiction in the oldest part of London and a transnational, virtual space facilitating flows of financial services, with notable offshoots in havens such as the Cayman Islands (Palan 2015). As the top exporter of financial services in the world, it plays a crucial but controversial role in the ongoing contemporary reproduction of money and power (CityUK 2019). Due to its systemic importance in the capitalist system, the City thus serves as an excellent object of analysis for uncovering and critiquing wider patterns of capital accumulation examined in this volume.

This chapter takes up the concept of capital accumulation in two ways. First, the discussion is informed by what can be viewed as a conventional reading of capital accumulation as the increase in commercial assets derived from investments or profits with an aim of realising a return on investment. In my examination of the institutional governance of the City here, I have a particular focus on the deep history of these capital accumulation processes in London, such as the original capture and ownership of land and property. In addition, the notion of capital accumulation always requires attention to the variety of institutions who authorise, guide and support the larger process of capital formulation undertaken by private firms, although one often encounters difficulty delineating the boundaries between 'public' and 'private' organisations. Second, the issue of how to motivate actors to engage in productive accumulation activity is an enduring problem in the history of capitalism. In this chapter, I complement the mainstream understanding of capital accumulation with a richer sociological sense attentive

to the labour of justification and legitimation in social relations. Borrowing from Pierre Bourdieu (1985, 1989), I suggest that material and symbolic forms of power are intertwined together in the ongoing process of capital accumulation, in respect to the organisational politics of the City as a case here, but also more widely in capitalism.

The inevitable space constraints necessitate a particular focus. My chief attention in this chapter is on the main municipal, local authority with capacity to shape financial governance: the City of London Corporation (referred to henceforth as the Corporation). The chapter argues that the Corporation has been unnecessarily overlooked in existing accounts of the City and financial politics. The discussion is organised into two parts. In the first part, I contextualise the argument through an introduction to the institutional politics of the City and how scholars have tended to examine such dynamics. In the larger second part, I explore in more detail how the Corporation reproduces and deploys its powers for the purpose of capital accumulation processes. The argument uncovers some of the major sources of financial power of the Corporation, including funds and property acquired over centuries that it continues to manage. In turn, this helps to explain the Corporation's expanded role as a facilitator of financial profit-making within the UK, as well as transnationally (such as via lobbying, networking, and hosting functions). In a cultural analysis, the chapter also examines the importance of elite-specific rituals and symbols, many derived from the medieval guild system. The objective of this theme of analysis is to reveal how the Corporation tries to justify and cultivate its symbolic power, often through conflating its particular interests with the universal. In sum, despite receiving little academic attention and public scrutiny, I argue that the Corporation continues to be a powerful entity in respect to the socio-political life of the City and the reproduction of capital within larger processes of financialisation.

I Institutional financial politics in the City of London

As the largest exporter of financial services in the world, the City of London plays a vital but controversial role in the modern reproduction of money and power (CityUK 2019).[1] Understanding the institutional governance of this core international financial hub has been a preoccupation of many scholars. Among prominent enquiries, authors have examined the City's global role in the financial system and its domestic influence on British capitalism, often in tension with manufacturing industry and debates on the post-imperial character of the UK economy (Anderson 1964; Longstreth 1979; Ingham 1984; Michie and Williamson 2004; Kaika 2010; Kynaston 2011; Talani 2012; Palan 2015; Norfield 2016). A number of these authors cluster around neo-Marxist or 'new left' political positions, but by no means all. Geoffrey Ingham's (1984) work has been particularly influential in pointing towards what he argues is a 'core institutional nexus' in rulemaking between private

financial companies, the Bank of England, and the Treasury (Ingham 1984: 9). In Ingham's structurally informed, sociological analysis, the Bank and the Treasury are independent centres of power in the City, but at the same time closely bound together with private firms in institutional and elite social class networks (including lineages to public schools, Oxbridge, and family ties). Nearly 40 years later, this framework still contains a lot of merit, but is also in need of obvious revision to account for the major economic and social restructuring of the City and finance more broadly.

One major problem in this wider literature on the institutional political economy of the City concerns how it accounts for the role of sub-state organisations in the remaking of financial politics. Remarkably, within both scholarly and mainstream debates on finance, we know comparatively little about the main municipal authority with significant capacity to shape financial governance: the City of London Corporation. In most studies on London and UK finance it tends to pass under the radar. For example, in the final volume of David Kynaston's (2002) classic study on the City, the Corporation features only fleetingly, most notably on 1980s planning law. In Tony Travers's *The Politics of London*, the Corporation is referenced as 'the most remarkable business-based organization involved in London governance' (Travers 2004: 150), but explaining how precisely it works is absent. More recent research on the City and its mechanisms has contained some interest in the organisation, including its lobbying capacity and the promotion of a 'social value of finance' narrative following the global financial crisis (GFC) (Engelen et al 2011; Baker and Wigan 2017). Closest to my aim here, Jeremy Green has argued that the institution plays a 'networking and market-making' role for UK financial interests by 'stitching together private and public actors' (Green 2018: 297). Nonetheless, overall, these existing debates have tended to miss a more rigorous examination of the Corporation and its capacity to create a favourable environment for financial accumulation, both for itself and the wider financial sector.

In part, this lack of attention probably stems from the unusual institutional form and history of the Corporation. As a basic definition, the Corporation is the local governing body of the City of London.[2] The organisation functions similar to any other local authority in the UK political system, issuing taxes and raising investment income to spend on a variety of services, particularly cultural activities and its role as a port inspectorate. The Corporation also funds its own police force which is separate from the wider Metropolitan Police Service of Greater London. The resident population of the City is very small, around 7,500, but the daytime population swells to around 513,000 as commuters travel to work in various firms and organisations within its boundaries. The financial sector has consistently been the leading employer, accounting for 34% of jobs, with other professional jobs (such as law, accounting, and consulting) making up an additional 27% (City of London Corporation and PwC 2018; City of London Corporation 2018). Separately, the City of London forms part of the Cities of London and

Westminster constituency, electing one member of parliament to the House of Commons.

At the same time, the Corporation has a number of unique characteristics which distinguish it from other structures of governance in the UK. The longevity of the institution is immediately striking: with roots in Anglo-Saxon England, it claims rights and privileges since at least 1067 following its first Royal Charter (Corporation of London 1950). As many have noted, this is 'a remarkably long period of continuous evolution, even in Britain, with its ancient Monarchy and Parliament' (Travers 2013). Moreover, since the 13th century, its geographical limits and bounded identity have remained very stable.[3] The configuration of its 25 internal wards – reflecting the medieval system of self-governing units – has changed only three times in history. Each ward consists of voters who elect between two to ten councillors to serve as Common Councilmen, as well as one alderman who serves on the Court of Aldermen (broadly approximate to an upper chamber). Together, these officials make up the Court of Common Council which constitutes the main decision-making body of the Corporation and can be considered analogous to a London borough council. Since the Common Council has been elected since 1384, this can be viewed as possibly the oldest municipal democratic system in the world, although assessing the quality of such democracy and how the Corporation has reproduced forms of oligarchical rule remains a running debate (Matson 1997; Power 2001; Latham 2012). Importantly, the head of the Corporation, the Lord Mayor of the City of London, is not elected through a wider franchise but by via the City livery companies (the Merchant Taylors, the Goldsmiths, the Solicitors etc.), the oldest of which can be traced back to the 12th century (Doolittle 2010; Melling 2012).[4]

In the following two sections, I explore the political economy of the Corporation in further detail with a view to illuminating how it tries to create a favourable environment for financial accumulation, both for its own existential reasons and the wider interests of financial and professional services in the UK and beyond. The argument is structured into two themes which examine the material and symbolic foundations of power of the Corporation. The discussion has a particular interest in exploring how the reproduction of contemporary financial capitalism in London partly rests on the wealth of its medieval and pre-modern history, both economically and culturally. In this sense, I explore how one can understand the powers of the Corporation as drawing on different 'temporal layers' of its history, as well as designing particular policy strategies fitting of a modern political organisation (Koselleck 2002).

II Material foundations of power in the Corporation

In terms of material forms of power, an interesting aspect of the Corporation is what is called City's Cash, a private account which is one of three funds enabling the Corporation to pay for its work.[5] City's Cash features

properties, land, bequests and transfers that have accumulated since the 15th century.[6] How the Corporation came to acquire land in the City and begin the process of extracting financial value is a complex historical question, sometimes vaguely explained as a legacy of 'ancient liberties', but more precisely as the outcome of struggles against rival jurisdictions (such as ecclesiastical authorities or Middlesex County) and, most importantly, the symbiotic, at times fraught, relationship with the Crown. As London became wealthier, the Corporation gradually assumed authority to govern via a series of charters which, in sum, tended to involve the sovereign of the day granting privileges of self-government in return for generous loans (Williams 1963; Sheppard 1998; Barron 2004; Sewell 2009). Although much has clearly changed in the subsequent history, I highlight this original capture of jurisdictional control by the Corporation to illuminate the deep legacy of how the organisation draws on older financial assets and, in turn, uses such material power as a platform for further accumulation activity.

What is the composition of the City's Cash estate today? According to one official survey, the fund consists of 251,000 square metres of building stock, 43.4% of the entire Corporation portfolio (City of London Corporation 2013).[7] This includes its core Square Mile holdings; prized office space in many major locations; and educational buildings.[8] The Corporation also owns property in London's West End on Tottenham Court Road and the Conduit Mead estate in Mayfair (New London Architecture 2013). Most of this property portfolio is freehold. In addition, the City's Cash account administers much larger land holdings, of particular note being Epping Forest and Hampstead Heath, both beyond central London. In 2017, the total value of the City's Cash fixed assets was £2,924 million, which included £1,818 million in investment properties and £700 million in non-property investment handled by external fund managers (City of London Corporation 2017). According to the Corporation's accounts, almost half of the annual income for the City's Cash was derived from investments and an additional 34% from school fees. Almost half of the expenditure is returned to education (in the form of grants, salaries, and other resources), with the remaining money distributed among other activities.

Some core themes can be drawn from this brief overview of City's Cash and, in turn, its relevance for thinking about patterns of capital accumulation today within the UK financial system, as well as more broadly. First, the Corporation's stake in properties within the City, combined with its planning powers as a local authority, has enabled it to shape the build environment in ways that have tended to favour financial capital and related professions. Since the 1980s in particular, the organisation has been closely connected with wider spatial power relations when approving or denying development initiatives in the City. The Corporation reconceived itself as an outward-facing institution, open to transnational elites, with a particular concern for approving new office space. The rebranding took the form of approving iconic skyscrapers (such as the Gherkin, 30 St Mary's Axe) and

other office environments which could accommodate the precise demands of private finance. Major banks and other businesses requested that the City have office sites with large trading floors, space for new computer technology, and cultural amenities suitable for a diverse, international workforce (Pryke 1991; Jacobs 1994; Kaika 2010). It was the Corporation that facilitated the legal approval of these office projects which, in turn, led to a rising number of businesses locating their operations in the City in the past two decades. In this sense, therefore, the Corporation offered itself as a gateway and facilitator for private sector actors to use London as a base for their accumulation interests.

Second, beyond the outlays to three private schools, City's Cash finances an expanding agenda on lobbying and enhancing City-driven processes of financialisation (filed under 'City representation' and 'economic development'). Here we see how the organisation builds on its deep history to chart strategies for enabling accumulation in many different forms in order to defend the City as a 'vibrant and thriving' centre for financial services. The Lord Mayor acts as the figurehead of this work, serving as an international ambassador promoting the interests of the City overseas in partnership with business executives and the Foreign Office, along with hosting visiting Heads of State, business delegations, and other dignitaries. As a sign of political authority, the Lord Mayor has an equivalent rank to members of the UK Cabinet. Among other positions, the chairman of the Policy and Resources Committee is another important figure who engages with politicians, business players, and other opinion makers.

The Corporation defines itself as a key actor representing and defending financial services in relation to the UK Parliament, EU agendas (it established an office in Brussels in 2004), as well as other major centres (the United States, China, and India).[9] This includes expressing a stake in major issues concerning financial policy, notably taxation; investment regulation; and newer debates, such as fintech, green finance, and cybersecurity. Together with TheCityUK, a prominent private sector advocacy association set up in 2010 following the global financial crisis, the Corporation also established the International Regulatory Strategy Group (IRSG), a forum which brings together political actors, regulators, and businesses to enhance financial security and identify ways to keep capital markets competitive (Boleat 2014).[10] The Corporation produces and sponsors a range of research publications which seek to promote London and financial interests in particular (for instance, on the contribution of private finance to UK tax income, see City of London Corporation and PwC 2018). In short, one can now say that the Corporation assumes an increasing role in coordinating and defending the financial power of London and UK services more broadly (Boleat 2014).

III Symbolic foundations of power in the Corporation

Since its emergence to the present, the Corporation has been bound up with ceremony and ritual as a means to maintain its legitimacy. I suggest here

that these practices are not divorced from its material foundations of power but, rather, interconnected with the larger desire to create favourable conditions for accumulation. Such practices can be considered homologous to other ancient British institutions, such as the monarchy, the Houses of Parliament, or the colleges of Oxford and Cambridge. In the case of the Corporation, as argued by Hanawalt (2017) in her study on medieval London, ceremonies worked to justify hierarchy and assimilate newcomers into the socio-political order. From the Lord Mayor's sword and the gilded mace to the elaborate regal costumes and expensive banquets, 'Londoners were masters of the symbols of power and their ritual use' (Hanawalt 2017: 160). In many instances, similar social mechanisms continue to operate in the life of the Corporation today and, I would suggest here, are bound up with its contemporary efforts to conserve wider political influence. Thus, describing the Corporation's cultural practices as 'antiquated', 'pompous', or 'strange' is, in one sense, apt but in another respect too quickly glosses over how such power circulates in complex ways between the modern and the residual temporal layers.

There are many such customs that can be invoked for illustration. The home of the Lord Mayor, the 18th-century Mansion House, plays host to a range of events in the name of commerce and politics. The major annual banquets include the Judges, where the Lord Chancellor and the Lord Chief Justice speak; the Easter Banquet, attended by many Ambassadors, where the Foreign Secretary speaks; the Merchants and Bankers Banquet, where the Chancellor of the Exchequer and the Governor of the Bank of England speak; the City Banquet, where the Chair of the Financial Services Authority speaks; and the London Government Banquet, where the Mayor of London speaks (Stuttard 2008). The grandest event is the Lord Mayor's Banquet in the company of the prime minister, which has taken place annually since 1501 at the Guildhall, the administrative centre of the Corporation. The Lord Mayor's Banquet is tied to a set of events to mark the incoming Lord Mayor and the two associate Sheriffs. The new leadership is sworn in at the so-called Silent Ceremony where no speeches are made and the outgoing Lord Mayor transfers the mayoral insignia – the sceptre, the sword, the purse, and the seal – to the incoming Lord Mayor. As one former mayor expressed it, the ceremony is 'a magical, almost religious experience' (Stuttard 2008: 47). Following the Silent Ceremony, the Lord Mayor's Show represents the public procession of the new mayor from the City to the Royal Courts of Justice in Westminster, at which point they swear allegiance to the Crown. Since its more formal organisation from the late 16th century, the Lord Mayor's Show has been marked by pageantry and a carnival-like atmosphere (Barron 2004; Hill 2013). Although the political significance of the Show is clearly not the same today as in the early modern period, it remains a key cultural event in London which attracts large crowds and, in a minor sense, enables the Corporation to legitimise itself to popular audiences that may be unaware of its activity (Bowen and Reid 2015).

The livery companies are another example of the importance attached to historical customs in the contemporary life of the City. As trade associations which evolved from the older medieval guilds and mysteries, the liveries were established to ensure that a member was trustworthy and qualified in their chosen craft and, in turn, that the goods they produced were of reputable quality (Doolittle 2010; Hanawalt 2017). Now totalling 110 companies, including newer associations such as the Worshipful Company of Tax Advisors and the Worshipful Company of Information Technologists, the liveries exist as a relatively autonomous, at times furtive, social ecosystem in the City (Palfreyman 2010; Connell 2011; Melling 2012). Most liveries are heavy in symbolic meaning-making: 'some liverymen – like freemasons, clergymen and peers – can lose themselves in the traditions, the arcana and the anomalies' (Engel 2012). Such associations tend to justify their existence through appeals to business, fraternity, and charity, of which the latter has assumed particular importance in the modern era (Engel 2012).[11] Some have little power and can seem to be ghosts of a former age, but others, such as the Goldsmiths or the Mercers, remain central to their commercial spaces of concern in the City, such as shaping industry standards.[12] A newer initiative formed in 2006, called the Financial Services Group of Livery Companies, aims to bring together companies that are particularly focussed on promoting the financial industry in cooperation with the Corporation.[13] As noted, the most important linkage between the livery companies and the Corporation is the election of the Lord Mayor and the Sheriffs each year, whereby senior representatives of the livery cast their votes. Beyond this, the Corporation also works through a Livery Committee to maintain relations and encourage wider awareness of the liveries.

To borrow from Bourdieu, one could therefore suggest that the symbolic power of the Corporation is an ongoing, historical process of demarcating its socio-political jurisdiction, before glorifying this claim on the world via a panoply of rituals and techniques. This ceaseless, often arduous, social struggle for recognition makes and consolidates the group, giving its members a sense of superiority via the master mechanisms of identity formation (insiders vs outsiders, elites vs commoners, etc.) (Bourdieu 1985, 1989). Indeed, due to the Corporation's exceptionally long history, the symbolic power of the institution has a kind of soft intimidatory aura. My argument is that the imprint of these residual historical structures can be underappreciated in how we understand contemporary patterns of accumulation, in the sense that the Corporation is often dismissed as a 'quaint relic' of the past. Rather, '[i]t is in the incorporation of the actively residual – by reinterpretation, dilution, projection, discriminating inclusion and exclusion – that the work of the selective tradition is especially evident' (Williams 1977: 123). This work of legitimation is clearly seen in the organisation of events at the Mansion House, whereby the Corporation offers itself as a 'neutral' hosting and networking space for the major fields of elite power. Such representations are mirrored in how the Lord Mayor, along with the vast majority of

members of the Court of Common Council, define themselves as 'apolitical' or 'independent'. Of course, this symbolic alchemy of power has been, since the earliest beginnings of the Corporation, intertwined with its strategies of material accumulation. By plotting these relations, we can illuminate the multiple temporalities at play in how the Corporation today tries to create favourable conditions for capital accumulation and, moreover, see how such frameworks on time can deepen our understanding of this particular social world of financial capitalism.

Conclusion

This chapter has explored how the master mechanism and idea of capital accumulation can be understood in relation to the City of London, a key global hub within transnational capitalism. The argument has examined how accumulation consists of both material and symbolic dimensions of power. I have suggested that the Corporation serves as a significant agent constructing a favourable environment for financial accumulation in London, both for its own intrinsic survival interests and the wider industry. It is worth concluding with two possible pathways for further research inspired by this discussion. First, in order to better understand the structures of capital accumulation today, the chapter has demonstrated the importance of political economy analysis which examines deeper historical patterns (Piketty 2013, 2020). The Corporation is an example of an organisation that has endured over an exceptionally long period of time, but also prompts the question of how other corporate entities have survived over multiple generations in the pursuit of capital accumulation (e.g. Berenberg Bank, Barclays, or Citibank, among old banks). Second, and specific to my case, a more extended examination of the Corporation would explore the forms of cooperation and contestation between it and the variety of other agents in the City ecosystem. The extent to which the Corporation makes itself valuable to City firms and other government agencies would be an important enquiry to explore. Overall, such scholarship into the changing fortunes of the City requires drawing together insights from a range of fields, including economic and social history, urban geography and planning, as well as global political economy. In such ways, we would be better placed to excavate the patterns and exceptions in this significant centre of financial accumulation.

Notes

1 According to TheCityUK, an industry advocacy group promoting UK financial and related professional services, the UK is the largest global net exporter of financial services, recording a financial services trade surplus of $82.7bn in 2018. Source: TheCityUK, *Key Facts About UK Based Financial and Professional Services 2019* (London: TheCityUK, 2019).

2 The full legal title is the Mayor and Commonalty and Citizens of the City of London. In 2006, the name was changed from the Corporation of London to

avoid confusion with the wider London local government, the Greater London Authority. The other major cluster for financial services in London is around Canary Wharf in the east of the city. Additional centres of activity in the UK include Manchester and Edinburgh.

3 For an attempt to examine why the City of London Corporation did not significantly expand to govern beyond its main jurisdiction, see Doolittle (2014).

4 Although the Lord Mayor is the head, considerable responsibility is assumed by the Policy and Resources Committee Chair, who is also elected annually. The Policy and Resources Committee is the key decision-making body within the Corporation and is preoccupied with supporting the financial services industry in London and the UK. The Lord Mayor of the City of London is separate from the office of the Mayor of London, the executive of the Greater London Authority.

5 The other two funds are the City Fund, which covers the activities of the Corporation as a public local authority; and the Bridge House Estates, which manages the five bridges which cross the River Thames into the City (Blackfriars Bridge, the Millennium Bridge, Southwark Bridge, London Bridge, and Tower Bridge).

6 The oldest accounts of City's Cash date to 1632.

7 The public City Fund account encompasses 56.3% of building stock, with the remaining 0.3% contained in the Bridge House Estate. See City of London Corporation (2013).

8 The Corporation also runs Billingsgate Fish Market and New Spitalfields Market. In addition to the City of London School, the Corporation manages the City of London School for Girls, the City of London Freemen's School (in Surrey), and the Guildhall School of Music and Drama.

9 In public communication, the Corporation prefers the term 'representation', rather than 'lobbying'. A dedicated India office was set-up in 2006, followed by a China office in 2010. See Boleat (2014).

10 For details see, International Regulatory Strategy Group (IRSG), https://www.irsg.co.uk/. The Corporation is the largest individual funder of TheCityUK.

11 Robert J. Blackham, a member of three livery companies in the early 20th century, argued that fellowship of a livery consisted of 'five great points': charity, citizenship, commerce, comradeship, and conviviality. See Blackham (1931).

12 For example, the Goldsmiths runs the London assay office in the UK, charged with testing the purity of precious metals, along with reviewing the authenticity of coins in conjunction with the Royal Mint. The Mercers own an extensive property portfolio, including the Royal Exchange opposite the Bank of England.

13 For further details, see the Financial Services Group of Livery Companies, http://www.liveryfsg.org.uk.

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6 Collective effort, private accumulation

Constructing the Luxembourg investment fund, 1956–2019

Samuel Weeks

> Capital grows to a huge mass in a single hand in one place, because it has been lost by many in another place.
>
> Marx, *Capital, Vol. I*, chapter 25 (1992: p. 777)

In chapter 24 of *Capital, Vol. III* – in which Marx famously likens the ability of "money to create value [to that] of a pear tree to bear pears" (1993: p. 516) – he discusses the central role played by the accumulation of financial assets within the capitalist mode of production. This tendency, perceptively noted by Marx in the early 1860s, has since become a defining characteristic of contemporary capitalism – best seen in the current proliferation of "investment funds," or administrative vehicles ensuring capital accumulation. Insofar as this process has been part of a longer-term trend, its result has, nonetheless, entailed major structural changes in political economies worldwide.

As industrial bases in the Global North shrank throughout the 1970s, the governing elites of these countries chose to swap an economic model based on production for one premised instead on financial expansion, ushering in what Dörry has called "securities capitalism" (2016: p. 22). Indeed, during the 1980s and 1990s, growing employment and profits in the FIRE sectors[1] ensured overall economic growth, even if this took place in a deeply uneven fashion. The transition to a FIRE-led economy also resulted in the owners of these new financial assets experiencing, inter alia*,* a "wealth effect" from the accruing capital gains (Foster, 2010: pp. 11–12). While in absolute terms much of this accumulation benefited only a small number of very rich asset holders, large sections of the middle and upper-middle classes within the Global North also experienced it via price inflation in housing and securities markets.

In this chapter, I seek to add to the growing body of literature in the social sciences that documents the economic (see Ho, 2009; Lépinay, 2011), social (Harmes, 2001; Knorr Cetina and Preda, eds., 2012), legal (Riles, 2011), and political ramifications (Harrington, 2016) of the post-1970s shift to securities capitalism. More specifically, I will examine the development of one of contemporary capitalism's most utilized administrative vehicles ensuring financial accumulation: the Luxembourg investment fund, in which is housed at present a staggering $4.7 trillion in accumulated assets (Luxembourg

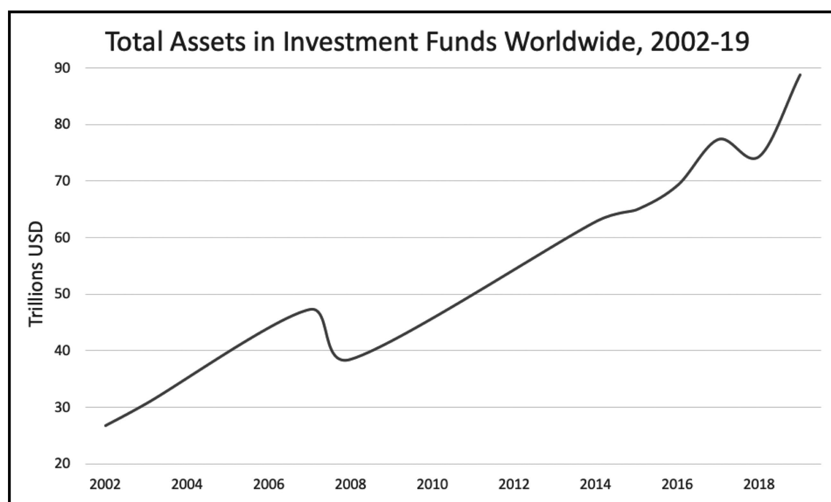

Figure 6.1 The rise of "securities capitalism."
Source: Boston Consulting Group, 2020.

Fund Industry, 2020). This eye-popping figure makes tiny Luxembourg the world's second-leading domicile jurisdiction for accumulating fund assets after the United States – a country that is 550 times more populous than this Grand Duchy.[2] Before I place the Luxembourg investment fund into a historical context, however, I will briefly outline how the "investment fund" more generally came to be such a significant instrument of financial accumulation, currently home to some $90 trillion in assets worldwide (Boston Consulting Group, 2020; see Figure 6.1). Additionally, I will also show how the activity predicated on this process has transformed the global economic order since the 1970s.

To aid my analysis, I draw inspiration from the approach of the "regulation theorists" – a group of mostly French political economists working within, and alongside, the Marxist and Durkheimian traditions from the 1970s onward. Propelled by the seminal texts of Aglietta (1976, 1998), Chesnais (2004), and others, the so-called regulationists sought to explain one of capitalism's trickiest of paradoxes: how capitalist economies are able to preserve their processes of accumulation and reproduction amid all the social contestation that arises from this mode of production. Having established this problematic as a basis for analysis, the regulationists went on to assess in impressive detail the institutions, procedures, calculations, and norms in countries such as France and the United States that have enabled the accumulation of capital and thus its reproduction. It should not come as a surprise, therefore, that finance became an area of particular scrutiny and concern for the regulationists, who surveyed its activities both as a *regime of accumulation* and a *mode of regulation* (Brenner and Glick, 1991). While the former process prompted study of the economic and social factors assuring long-term capital accumulation, the latter one steered them to

analyze extant monetary and financial regimes, including currency controls, systems for international payments, and securities markets.

It is in this historical and conceptual nexus in which I situate my present analysis. While later versions of "regulation theory" (see Chesnais, 2004) came to address the increasingly globalized and deregulated versions of finance capitalism taking shape during the 1980s and 1990s, the classic scholarship from this tendency remained preoccupied with the conjuncture of the post-1968 period and the 1970s – years marked by growth deceleration, the fraying of the Fordist economic model, and the steel and oil crises in the Global North. In this light, in order to analyze the Luxembourg investment fund as an exemplary vehicle of contemporary accumulation processes, it is necessary to expand on the impressive conceptual and historical apparatus that Aglietta and colleagues have left for us.

Indeed, the late 1970s saw the consolidation of the post-Bretton Woods global financial architecture, one characterized by floating exchange rates, free capital movements, and market deregulation. By the 1990s and 2000s, the breakneck growth of India and China, technologies such as the internet, and the surging concentrations of income and wealth among the top percentiles in the advanced capitalist countries had raised the demand for complex financial instruments. Investment funds – an umbrella term that includes mutual and hedge funds, and funds investing in real estate and private-equity schemes – have become the preferred means by which individuals and institutions can store and grow their accumulating assets without, of course, needing to assume a management role. In this regard, Marx might cite the contemporary investment fund as a "fetish of capital" *par excellence*, in which capital gains seemingly grow of their own accord. Via investment funds, "investors" need not know who their debtors are or how their returns are made; they "only want to know if the markets will remain liquid" (Chesnais, 2004: p. 31; cited in Paulani, 2010: pp. 364–365).

As was detailed to me by a former senior Luxembourgish regulator, the "investment fund" has become such a remarkable economic success because the idea behind this financial product is simple and compelling: to diversify the assets in which one can invest and accumulate the principal and returns (interview, March 2016). The result is that one investor can spread an investment, even a small one, across many companies, sectors, and jurisdictions, as opposed to the ostensibly riskier strategy of buying entire shares in a single company on a national stock exchange.

The ensuing accumulation of financial assets via investment funds among companies and individuals also entailed a shift in the form and practice of elite power, notably the rise of what I call "legal entrepreneurialism" (Weeks, 2018). In particular, the rapid growth and complexity of securities capitalism – which is premised on a guiding ideology of "shareholder value" – has worked in the favor of politically active financial and legal professionals who were able to exploit the regulatory tensions and fiscal gaps between the laws of individual nation-states (Harrington, 2016: p. 272). It is in Luxembourg, as I argue, where these two tendencies have evolved alongside one another: on the one hand, the emergence of behemoth investment-fund

companies with global reach – on the other, a new brand of "legal entrepreneurialism" practiced by an internationally connected financial and policy-making elite. For the case of the Grand Duchy, this union of interests began in the late 1980s and intensified throughout the 1990s and 2000s.

In the beginning

For the full story of accumulation via Luxembourg investment funds, however, one must look further back, to the mid-1950s. During this time, key players in the Grand Duchy began to recognize the vast and untapped market for *investment funds*, a financial instrument that became popular in the 1920s in the United States. Dörry believes that this moment represents "a unique conjuncture of local conditions and intentional decision making [when] a small group of influential individuals in Luxembourg embraced and exploited the new opportunities of the internationalizing financial markets" (2016: p. 21). The ensuing cooperation between Luxembourg's policymakers and foreign executives with regards to investment funds was not without precedent; the Grand Duchy, after all, had prior experience dealing with foreign finance capital after the passage of its permissive holding-company law in 1929, the so-called H29 – a structure designed to bring together, and avoid double taxation on, the sprawling assets of large foreign economic groups.

Thus, two developments took place concurrently from the mid-1950s to the early 1960s. On the one hand, representatives from the growing investment companies, mostly US in origin, came looking for a European domicile in which their products – funds largely consisting of blue-chip US stocks and bonds – would be subject to as little tax as possible. On the other hand, key politicians in Luxembourg sought to attract large Euro-American finance-related institutions into the country (see Figure 6.2). It was a marriage of convenience that would, in the coming decades, prove to be enormously lucrative.

An industry under development

Wasting little time, a select group of local attorneys (*avocats d'affaires*) began to alter in piecemeal fashion the H29 holding company with the intention of creating a legal structure for funds whose administrative domicile would be in Luxembourg. The first fund to be listed on the Luxembourg Stock Exchange dates to 1962, after the country's regulator approved the marketing of collective investment funds (*fonds de placement*) in 1959. The driving force behind these efforts, however, was not a Luxembourger but rather an American. In the 1960s, fund entrepreneur Bernie Cornfeld had made a fortune selling mutual funds to the tens of thousands of US military personnel stationed in post-World War II Europe. As a local securities attorney explained to me, Cornfeld's operation, the Geneva-based Investors Overseas Services (IOS), sent thousands of agents door-to-door in various

Figure 6.2 Economic man reports to work, Luxembourg City (photo by the author).

European countries in an effort to convince small-scale savers to place their money into funds marketed by the company. Many IOS funds, in turn, used Luxembourg as an administrative base, meaning that the Grand Duchy was where their net asset values were calculated and where redemptions of accumulated dividends took place.

As Cornfeld's operation grew and grew over the course of the 1960s, increased scrutiny from regulators and journalists eventually revealed widespread accounting malfeasance as well as a pyramid-like marketing

structure (Cantor, 1970). The eventual bankruptcy of IOS, in 1972, was a traumatic experience for those working in the Luxembourg financial center at the time, given the firm's extensive usage of the country as a domicile for its funds. As was recalled by a number of my interviewees, the IOS debacle exposed the limits of the ultra-*laissez-faire* attitude held at that time by the country's officials; a more robust legal and regulatory structure for funds would be needed, as a senior banker made clear to me over lunch one afternoon (interview, March 2016).[3]

In the wake of the IOS collapse, Luxembourgish authorities introduced legislation specific to the funds sector, which until that time had been lightly regulated on the basis of the more general 1929 law on holding companies (H29). By 1972, investment funds, which at that time numbered around 60, became subject to the supervision of the country's financial regulator. By the mid-1970s, Cornfeld and IOS were finished, but it was obvious that capital accumulation via securities ownership was here to stay. Rather than abandon the funds industry entirely, state and finance elites in Luxembourg merely redoubled their efforts and waited for more advantageous market and political conditions to present themselves. Dörry notes, "together with the banks' top executives and their widespread international networks, [the country's] politicians formed a viable growth coalition of institutional entrepreneurs for Luxembourg's financial centre, ready to seize upon the chances of the internationalization of financial markets" (2016: p. 32).

The right conjuncture for investment funds turned out to be not far off. Against the background of Europe's deepening market integration via the European Economic Community (EEC), a working group of local politicians, regulators, and attorneys became charged with formulating a new legal framework for investment funds, a task that began in 1980 and was completed three years later. In this legislation, the group resolved to address the important issues of fund liquidity, asset diversification, and risk management. By the time this process concluded, Luxembourg's fellow EEC member states France and Italy had ended their strict domestic exchange controls and resistance to the free circulation of financial products, such as investment funds, within the emerging Single Market then under construction in Western Europe.

This new legal framework dating from 1983 marks the beginning of the rapid expansion of the Luxembourg investment-funds industry, which continues to this day. Another senior regulator crowed about the funds working group's seeming prescience to Moyse et al.: "This legal framework for the market put us five years ahead of other countries, and that was immediately reflected in the [sales] figures" (2014: p. 63). As such, in March of 1988, Luxembourgish officials were well prepared to swiftly implement the first EEC directive for investment funds – given the cumbersome name of "Undertakings for Collective Investment in Transferable Securities" (UCITS).[4]

Being the first country to offer administrative services for these EEC-wide funds gave the Luxembourg financial center a decisive competitive

advantage in relation to other countries in the bloc (Dörry, 2016: p. 30). The ensuing rapid growth of Luxembourg's low-margin, yet high-volume funds-administration industry followed the "agglomeration effect" theory cited by Palan et al. with respect to the development of offshore financial niches in general. They write,

> those governments that were able to … provide modern infrastructure began to attract serious business into their territory. As additional banks and financial institutions enter the local market, competition intensifies, raising the reputation of the center for efficiency and competitiveness. In time, agglomeration economies generate pockets of expertise, and a tax haven develops a reputation in certain specialized markets.
>
> Palan et al. (2009: pp. 182–183)

The robust growth and consolidation of Luxembourg's funds-administration sector, along with a raft of new legal requirements at the national and EU levels, prompted the industry's practitioners to organize politically and professionalize their operations. The Luxembourg Fund Industry joined the older Luxembourg Bankers' Association to form an influential lobbying bloc within the country's domestic political scene. Dörry states, "these new forms of organizational power, dominated by key figures of the financial industry, allowed the associations' members to direct their influence and pursue their own commercial interests, often in close alliance with Luxembourg's ruling political decision makers" (2016: p. 30). Their immediate objective: to internationalize the Luxembourg investment fund.

A European passport

Building on its 1983 domestic law on investment funds, Luxembourg became the first jurisdiction to implement the EU directive concerning UCITS in 1988 – "beating even the UK government and the City of London," as a senior regulator boasted to me (interview, March 2016). As the financial center's many boosters often say, that the Luxembourgish government was able to pass the first UCITS directive before other countries did is a shining example of what they call the "first-mover advantage." What this amounts to is the ability of financial-center representatives to do the bidding of foreign investment companies as quickly and skillfully as is possible (cf. Dörry, 2015: p. 806). Here is a flavor of this most widespread of sentiments in the financial center:

> Our results also confirm the importance granted to the adaptability of its legislative and regulatory framework. Luxembourg distinguishes itself by a *first-mover advantage* where European directives are rapidly transposed into national law. This allowed Luxembourg to become the first country of the European Union to apply the regulation on

> the Undertakings for Collective Investment in Transferable Securities (UCITS), encouraging the domiciliation of investment funds as early as 1988.
>
> Walther and Schultz (2012: p. 79; emphasis added)

With the UCITS legislation in place, state and financial elites scurried to accomplish two pressing tasks. First, in order to develop an internationalized funds industry, it would be necessary to mobilize thousands of qualified accounting, legal, and financial personnel – many of whom would subsequently become resident expatriates in Luxembourg, while others joined the ranks of the sizeable *frontalier* population, working in the financial center by day yet commuting to homes in France, Belgium, or Germany. Because the initial UCITS directive also ruled that non-EU-administered funds could not be sold within this bloc of 27 nations, the result was a rush of managers relocating the administrative domicile of their offshore EU-market funds from Jersey and Switzerland to Luxembourg.

Second, the same state and finance elites promptly set out to market the Luxembourg UCITS structure abroad – to locales as far-flung as South Korea and Chile – in the hopes that investment companies from both inside (namely, German and French) and outside of the European Union (Swiss and US) would begin offering fund products whose administrative center would be in the Grand Duchy (Dörry, 2015: p. 806). A key advantage in this regard, according to a senior fund-industry representative with whom I spoke, is that a Luxembourg UCITS product was designed to have no tax liability[5] when distributing accumulated dividends from its different subfunds (interview, December 2015). For an offshore financial center such as Luxembourg's, the sum of these developments – the presence of a multilingual workforce, the expansion of its "internal" market to a continent-wide bloc of nations, and a new financial product of EU provenance – amounted to an enormous boon:

> When the EU formulated at the end of the 1980s a European financial "passport" permitting whichever fund manager based in the bloc to market his services within the now-[27] nations, Luxembourg stepped into the void to become the world's leading center of international mutual funds.
>
> Chavagneux (2015: p. 184)

Given that the Grand Duchy's tiny internal market of some 600,000 residents would be of limited interest to large investment companies, the country's state and finance elites implemented the first UCITS directive in as liberal a fashion as possible, with an eye to the rapid internationalization of the "Luxembourg fund" (Dörry, 2015: p. 806). As was explained to me by a senior industry representative, the funds sectors in countries such as the United States, France, and Germany are oriented respectively to their large domestic markets, not to international ones. As a result, countries like these

have nation-specific systems in terms of the tax laws, administration structures, and distribution mechanisms specific for funds (interview, December 2015). Companies selling Luxembourg funds, in contrast, are able to adapt to the specificities of the countries in which their products are sold, which all have different laws, currencies, tax structures, and regulatory frameworks. An example of this flexibility and scope cited to me by the above industry representative mentioned was a US-equities fund listed in Singaporean dollars, for distribution in Singapore.

Aggregation and diversification

Counting on the near-complete support of the country's governing elites, the Luxembourg investment-funds industry has expanded and matured over time. Since the late 1980s, the number of investment funds domiciled in Luxembourg has increased to a scale unprecedented at the global level, to the point whereby the tiny Grand Duchy trails only the United States in the amount of accumulated assets under administration – which, at present, totals $4.7 trillion. "Assets under administration" implies that activities such as domiciliation and registration take place in Luxembourg, though this distinction does not mean that the fund *managers* necessarily operate from the Grand Duchy. These Masters of Finance Capital are likely to be at work in the world's principal financial centers such as London, New York, or Tokyo. Luxembourg, by contrast, specializes not in "front office" fund management, but rather in the "back office" tasks of administration and the distribution of accumulated assets.

Because registration and domiciliation take place in the Grand Duchy, all issued funds are eligible for the so-called EU passport, meaning that they can be for sale anywhere within this bloc of 27 member states. The EU-wide distribution of Luxembourg funds thus necessitates a detailed understanding of the legal and regulatory environments for each target country. As such, the technical knowledge provided by specialized and multilingual attorneys, auditors, and accountants is in high demand. It is perhaps not surprising then that Luxembourg City is teeming with administrative and white-collar employees. A senior politician put this into perspective for me: in 1961, there were 90 lawyers in the capital city; now there are over 2,000. Likewise, the colossal Big Four accountancy firm PricewaterhouseCoopers alone currently employs some 2,000 people in the Grand Duchy (interview, February 2016).

What do all these employees of the Luxembourg funds industry do exactly? Even as fund management usually takes place elsewhere, tiny Luxembourg nevertheless specializes in many of the administrative tasks associated with funds – including distribution, legal and transfer services, custodianship, auditing, accountancy, oversight, compliance, and price reporting. These functions mean that the industry employs thousands of people in Luxembourg, even as outsourcing and technological change have meant that this number has dipped slightly in recent years. I mention the statistics above

in order to point out a central strategy of Luxembourg's governing elites: global offshore financial services have become a robust source of *local employment* and, as a result, income-tax revenue for state coffers (Weeks, 2018: pp. 70–76).

Since the Luxembourgish state has long been keener to tax labor as opposed accumulating capital, it needed to attract large foreign fund companies that could, in turn, provide employment to locals and subsequently the *frontaliers*. According to a senior securities lawyer, "as soon as the ink was dry" on the UCITS directive in 1988, the financial-center officials set out to convince foreign fund companies to establish their EU operations in Luxembourg (interview, March 2016). The first of these, the august New York-based custodian bank Brown Brothers Harriman (BBH), arrived in 1989 and quickly developed a brisk business providing services to large US fund companies selling products in the French, German, Italian, and other European markets. Following BBH to Luxembourg were other big names in the US funds industry, including Franklin Templeton, State Street, and BlackRock.

The first entities from within the Luxembourg financial center to offer services to foreign fund companies were the local banks, including Banque internationale à Luxembourg and Banque générale du Luxembourg. A division of labor formed: foreign companies would set up funds in Luxembourg, while the local banks would be responsible for completing the less-glamorous, though still-essential administrative tasks: legal work, accounting, and the calculation of net asset values. The local banks' modest capacity, however, was quickly overwhelmed, according to a senior fund administrator (interview, January 2016). As the industry matured and diversified during the 1990s and the 2000s, new apparatuses were needed to administer the rapidly growing and fragmenting global market for investment funds. The industry's new fund platforms sought to create a common administrative "back office," which could be shared by all the banks and companies offering Luxembourg funds for distribution. The resulting entities, including EFA and Fundsquare, became responsible for drafting prospectuses and generating data on the funds' net asset values and accumulated monies paid as dividends.

Toward an uncertain future

I conclude this chapter by reverting to the overall theme of the volume: capital accumulation. At the heart of the economic models found in Luxembourg and other offshore centers is a tension between two versions of accumulation: financial and productive. While officials in the Grand Duchy and comparable jurisdictions undoubtedly prefer the former variety, the resulting financial accumulation can never be completely divorced from the fates awaiting those producing goods and services globally.

Nevertheless, long-term trends seem to favor Luxembourg and its ilk. Since the 1980s, as regulationists such as Chesnais (2004) show, accumulation via financial activity has outpaced all homologous processes predicated

on industrial production. The imperatives of "shareholder value" privilege those who own assets, which has prompted a decisive change in the priorities of managers vis-à-vis the treatment of workers and research and development. While such developments have resulted in *vast* capital accumulation within financial products such as Luxembourg investment funds, their effect on overall economic growth has nonetheless been negative throughout much of the Global North (Stockhammer, 2004).

Can the activities of the Luxembourg financial centers of the world continue to *both* depress aggregate growth *and* enrich the owners of capital? Perhaps. In the current conjuncture, in which securities capitalism and "shareholder value" have become omnipresent and hegemonic, *tout va bien* for the Grand Duchy's investment-funds industry (see Figure 6.3). Due to the fragmented and increasingly specialized markets for UCITS and other financial products, the Luxembourg funds-administration sector has repeatedly shown that it can handle both volume, in terms of the trillions of dollars under its purview, and specialization, as seen in the sheer variety of fund types, investment strategies, and legal structures on offer.

Others, however, are less certain that the Grand Duchy's seemingly limitless accumulation of financial assets will continue. Notwithstanding decades of healthy growth and commercial success, a number of my interviewees were quick to sound notes of caution about the industry's future. Three risks stood out to these pessimists. First, whereas the European Union used to give member states latitude with regards to how its directives were passed into national law, current EU protocols have altered this process and made it far more regimented, both in terms of the directives' timeline of implementation and the margin of maneuver of individual countries. With this

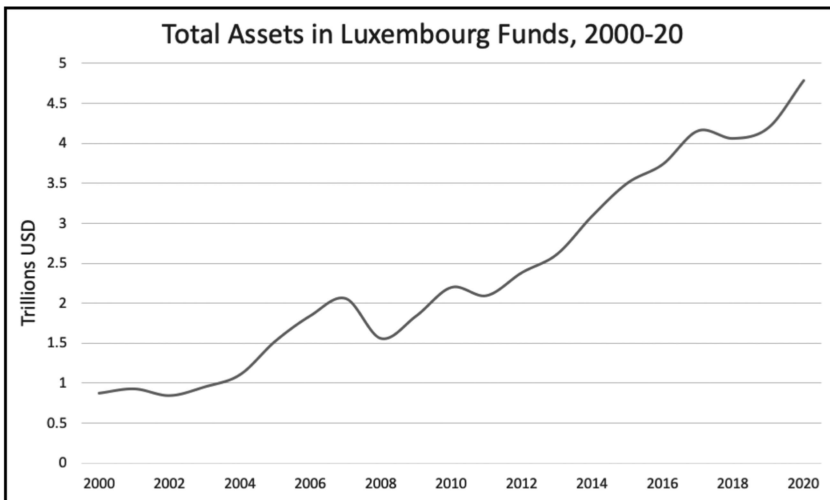

Figure 6.3 Limitless accumulation?
Source: Luxembourg Fund Industry, 2020.

change in practice at the EU level, the Luxembourg financial center seems to be on the verge of losing two of its long-standing competitive advantages: its ability as a "first mover" and as a regulatory arbitrageur.

The second risk is that the Luxembourg financial center has started to become a target of the incessant cost-cutting strategies of the large investment-fund companies. Dörry writes, "Luxembourg is a fund domicile centre, where the functional logic of fund administration activities essentially follows cost-driven scale economies" (2015: p. 801). With Europe's highest GNP per capita, an economy that grows over 4% annually, and a robust labor market in an otherwise economically peripheral part of Western Europe, Luxembourg is cursed – or blessed, depending on your vantage point – with housing and commercial real-estate prices that are on par with those in prime areas of London (Zucman, 2015: pp. 90–91; Weeks, 2020). Could the high costs of living and doing business drive fund administrators out of the Grand Duchy? Many of my interlocutors fear so.

Of all things, the reduction of banking secrecy in recent years has been a catalyst for some of these fragmentary pressures within the funds industry. During the decades in which the Luxembourg financial center catered to small-time tax fraudsters, dubbed the "Belgian dentists" (*dentistes belges*), fund administration *had* to take place within the Grand Duchy in order to keep in line with the secrecy laws of 1982 and 1993 (Weeks, 2018) – which required that Luxembourg-based personnel subject to national banking-secrecy statutes carry out most fund-related activities. Given that banking secrecy has morphed significantly in the past ten years, even been curtailed for some foreign customers, there has been continuing pressure for fund administrators to forego the high costs of doing business in Luxembourg and outsource tasks to less-expensive EU locales such as Poland or even "third countries" (*pays tiers*) such as India.

The third risk is that the Luxembourg investment-funds industry will become a victim of its own success. At present, financial-center officials have made it exceedingly easy for foreign managers to set up an offshore investment fund in the Grand Duchy. However, it is an open question as to whether national regulators have the resources and expertise to perform due diligence on what are ever-more sophisticated vehicles of financial accumulation. Jérôme Turquey, a business consultant and one of the few outspoken Luxembourgish critics of finance, believes that the country's regulatory authority, the CSSF, neither holds the financial center accountable nor can it escape the many conflicts of interests generated via its system of "working groups": "They don't admit that they can't regulate everything," Turquey says, "These are the people … who decide that what the regulation should be. If you look at their financial reports, they say every time, 'Everything is perfect. We are the best regulated country on the planet'" (cited in Shaxson, 2012: p. 362). More ominously, regulators in Luxembourg seem to be lauded *not* for being credible and truly independent overseers keeping watch over and regulating offshore finance, but rather for their role in promoting the

very financial center they are supposed to regulate. In this regard, recent regulatory developments in Luxembourg mirror those taking place in other offshore financial centers (OFCs):

> in recent years many OFCs have gone to considerable length to create an aura of regulatory sophistication by enacting a variety of legislative measures. Demand for such measures is largely driven by the financial sector itself, principally in order to create a veneer of respectability
> (Christensen and Hampton, 1999: p. 168).

In the meantime, however, the Luxembourg investment-funds industry continues to grow – as it has for the last three decades, save a brief period during the 2008–2009 global financial crisis. Its accumulating assets under administration have long exceeded levels from before the global financial crisis, to the previously inconceivable figure of over $4.7 trillion (see Figure 6.3) – which is nearly equal to a fifth of the GDP of the United States. From its beginning as a specialist in the administration of mutual funds and later UCITS, the Luxembourg financial center has since then diversified into bond funds, mixed funds, money-market funds, funds-of-funds, and alternative-investment vehicles such as hedge funds. Dörry writes, "the tightly interwoven, durable architectures of these professional networks make finance – as *The Economist* points out – 'not quite as mobile as some of its practitioners like to pretend'" (2015: pp. 802–803). In this light, we might conclude that Luxembourg's fund administrators will undoubtedly be on hand to shape the next phase of worldwide finance capitalism, complete with both the promise and the misery it will no doubt engender.

Notes

1 FIRE entails three sectors that are central to post-industrial political economies: finance, insurance, and real estate.
2 To put Luxembourg's $4.7 trillion in fund assets under administration into context, the 2017 GDP of the United States was $19 trillion. Other than the United States, which counts approximately $20 trillion in fund assets, and Luxembourg, with its $4.7 trillion, Ireland is in third place, at $3.1 trillion (Irish Funds, 2020).
3 Such a realization, of course, would not be a surprise to regulation theorists such as François Chesnais (2004); as they show, emerging regimes of accumulation – in the case of Luxembourg, one predicated on investment funds – frequently come to be matched with newfound modes of regulation at level of nation-states.
4 The open-ended UCITS are an EU-wide version of a US mutual fund or a British unit trust. By design, UCITS are more regulated when compared to riskier types of investment funds, such as hedge funds, and offer greater protections for investors.
5 Ireland is another EU jurisdiction offering ultra-low tax treatment for investment funds, yet its fund industry only became significant in the 1990s, as opposed to the 1980s for the case of Luxembourg's. This ten-year "head start" for the Grand Duchy can been seen in the March 2019 assets under administration: $3.1 trillion for Ireland versus $4.7 trillion for Luxembourg.

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7 Financial accumulation and exploitation

The case of leveraged buy-outs

Fabien Foureault

In her seminal article, Van der Zwan (2014) distinguishes three conceptualizations of financialization and related literatures. Of those three, the ones dealing with changing conceptions of the firm and everyday life have received the most attention. Recently, researchers have added a new research stream by exploring the relationship between finance and rising inequality. However, in doing so they have not made apparent the link with the original conceptualization of financialization as a new regime of accumulation: that link, which relates the wealth of a group to the appropriation of resources produced by another group, is *exploitation*. Examining this link requires us to focus on organizational processes and open the black box of private firms. I define "accumulation" in the Marxist sense: as the extended reproduction of capital, a process in which a fraction of the surplus product is reinvested into new production on top of being consumed or transmitted. What are the mechanisms of accumulation and exploitation characteristic of late, financial capitalism?

In this chapter, I highlight a delimited but critical mechanism, called leveraged buy-out operations, which is based on a specific kind of exploitation. In these operations, not individuals per se but firms are exploited as a whole, and the object of appropriation are "slack" resources emerging from cooperation within and among them. The process of accumulation is both similar and different to the one of "accumulation by dispossession" termed by Harvey (2004). One can speak of Leveraged Buy-Outs (LBO) when a group of individuals acquires a target firm with a significant amount of debt, tries to improve the profitability of the company before selling its capital after around five years. These individuals are forming small organizations called private equity firms. LBOs originated in the United States in the 1960s, diffused in Europe and around the world in the 1980s and exploded during the 2000s. The development of LBOs is one of the main *modus operandum* of financialization, together with the growth of pension funds, the deepening of stock markets and the application, by hedge funds notably, of sophisticated strategies inspired by modern finance theory. Private equity firms are among the new financial actors that

emerged during the profitability crisis of the 1970s, and LBOs are the most radical means by which they take control of companies in order to "maximize shareholder value".

My goal in this chapter is to provide an analytical framework that make better sense of LBOs compared to usual interpretations coming from agency theory and institutionalism. In the agency view, LBOs are a new form of ownership and control of firms that create value by lowering agency costs between shareholders and managers. Even if jobs in target firms are destroyed, some others are created so that the net effect of the process of restructuring is beneficial to society as a whole. According to the institutional view, LBOs are speculative phenomena that have nothing to do with production. Value is not created but redistributed from stakeholders to shareholders, or just the effect of persuasion between sellers and buyers of shares. Despite being opposed to each other, these two views share a lack of concern for exploitation in the sense defined above. For agency theorists, the returns to shareholders are fair gains, and for institutionalists, accumulation is based, not on exploitation, but on speculation. Instead, the chapter defends what I call an organizational view: LBOs are self-limited exploitation mechanisms based on the appropriation of "slack" resources emerging from cooperation within and among firms. In this view, LBOs developed spectacularly since the 1970s because they have been used as "organizational weapons" in class struggle and were supposed to resolve the contradictions of the postwar compromise.

To develop this analytical framework, I base myself on various data coming from the economics and management literatures, from secondary sources and from a sociological research on LBOs in France during the 2000s. I will speak of LBOs in general, but with a focus on the peak of LBO activity in the 2000s in the core countries, the United States and the UK. France will provide me with a counter-point to these liberal market economies. In the first section, I explain what are LBOs and I will show that the two main interpretations (the agency view and the institutional view) are insufficient to understand this phenomenon. In the second section, I develop an alternative interpretation and I will make clear why the organizational view is compatible with the Marxist perspective. In the third section, I will show that the organizational view is able to reconcile contradictory results that are in favor of either the agency view or the institutional view.

1 LBOs and their interpretations

A leveraged buy-out (LBO) is a takeover technique with debt. One can speak of LBOs when a group of individuals acquires a company with a significant amount of debt, tries to improve the profitability of the target company and sells its capital to another owner after around five years. The specificity of LBOs lies in the fact that private equity firms strategically use

debt to finance the acquisition, take control of the company and magnify shareholder returns. They are based on three principles:

i Majority shareholdings or *taking control of the target firm*: by taking money out of a Limited Partnership agreement in which they themselves have invested, individuals buy the target company through a holding company that holds all of its shares and in which they are majority shareholders, alongside the managers of the target company.
ii Bootstrapped financing of the operation or *paying themselves in pounds of flesh*: a fraction of the purchase price is paid by money borrowed from a bank via the holding company, which repays the loan by drawing dividends from the activity of its operating subsidiary.
iii Financial leverage or *betting on the future*: indebtedness makes it possible to multiply the profitability of the operation when reselling the holding company's shares, provided that the interest rate on the loan is lower than the economic profitability of the target. If this profitability is lower than that which had been forecast to meet the repayment deadlines, the leverage effect becomes a "sledgehammer effect".

Individuals that carry out these operations are called investors; they are grouped into small organizations called private equity (PE) firms. The private equity professionals enter into partnership agreements and raise capital from so-called institutional investors (banks, insurance companies, pension funds, family offices, who are the "Limited Partners") which they use to take positions in non-listed companies (or take them private) to achieve a minimal rate of return, usually 8%. When that hurdle rate is achieved, they are allowed to receive 20% of capital gains because they put around 2% in their own money along institutional investors. Through cascading, they own and control target firms on which board they sit. Thus they are a new kind of "financial capitalists". From the point of view of institutional investors, private equity belongs to the segment of risky "alternative assets" along with hedge funds. Because of its radical business model, it is supposed to be a new, superior form of capitalism. Most target firms are small, independently and family-owned firms or divisions of business groups, although a significant proportion of deal value concerns publicly held corporations. They are situated mostly in the United States and the UK, but LBO activity has spread worldwide notably in Western Europe in the 1990s. PE firms cover all industries but the most targeted are retail, technology and industrial equipment. The scale of activity has expanded spectacularly so that in the 2010s it was estimated that they employed more than one million people, which make the five biggest PE firms the most important employers in the world before Walmart, Volkswagen or Gazprom.

There are two main social science interpretations of LBOs, which are dramatically opposed to each other: the agency view and the institutional view. Each has an element of truth but both are insufficient to provide a

comprehensive understanding of the phenomenon. The agency view comes from a subfield of neoclassical economics called agency theory. Agency theory deals with problems of moral hazards between a "principal", here shareholders, who delegates authority or initiative to an opportunistic "agent", here managers. In publicly held corporations, professional managers, who possess better information on the inner workings of the firm, can follow their own interest – tied to survival and growth – and avoid maximizing profits, which is of primary interest to shareholders. Since the crisis of the 1970s, which has revealed overcapacities in some industries, agency problems have made managers reluctant to restructure their firm to destroy idle capital and redeploy it to better uses. LBOs are among the solutions to these problems for three main reasons. First, LBOs reconcentrate ownership in the hands of a small number of shareholders, the partners of the PE firm associated with the management of the target company. Second, managers go from the status of wage earners to those of owners: ownership and control are no longer separated. Third, debt service puts the pressure on them to better allocate capital, reorganize the corporation and optimize the production process (Jensen, 1986). In the end, LBOs reduce agency costs by aligning interests between shareholders and managers and makes firms more efficient and profitable. Thus, takeovers of this kind are supposed to benefit society as a whole.

The main evidence in favor of this interpretation is that economic performance of target firms increase during the LBO period. In a case study of a US manufacturer of garden's products, O.M. Scott & Sons, the authors found that profits grew by 56% and sales by 14% (Baker & Wruck, 1989). In Europe, Ughetto (2010) found that targets had more profit and asset growth than comparable firms. In France it was estimated that targets also had superior profits and returns on assets (Boucly, Sraer, & Thesmar, 2011). But contrary to the agency view, this better performance doesn't mean LBOs benefit society as a whole. Private equity partners and top managers of target firms get incredibly more rewards than the majority of employees. For instance, the compensation of private equity people grew by 23% in the 2000s compared to stagnant wages for the middle classes, and this figure is certainly underestimated (Jacquillat, 2008). This disproportionate reward system results in the fact that private equity partners now constitute a significant proportion of the top 0.1% and is a part of a new financial aristocracy earning mostly capital income. Moreover, the high rates of job reallocations due to restructurings means that employees are laid off more often in private equity controlled firms than in similar firms (Davis et al., 2019). Laid off employees, if they find a job, accept a wage decline of 15–20% (Rodrigues & Child, 2010). LBOs are thus not a positive-sum game, as some gain enormously while others are worse off.

The second view is more heterogeneous than the agency view. It can be traced back to different sources such as economic institutionalism, post-Keynesianism and the French regulation school. These sources can be linked

by the assumption that finance represents an external agent, removed from the "real economy" and not a necessary and vital part of it. In this institutional view, LBOs belong to the sphere of exchange (more specifically to the circulation of financial claims) and have nothing to do with the production of goods and services. In total contrast to agency theory, but in line with Keynesianism, private equity partners are seen not as risk-takers, but as "functionless speculators" that are rewarded thanks to their advantageous position. LBOs are speculative in the sense that they derive value from bets in the future (selling off target shares with a high multiple, and magnifying returns through leverage) or by manipulating rules of ownership, accounting and taxes[1]. Value is not created through a painful process of operational improvements, but extracted from the target firm's normal functioning and realized at the end point of the transaction (Froud & Williams, 2007).

The main evidence in favor of the institutional view comes from the sources of share price appreciation or what investors call "value creation". The value realized at the end of the acquisition is an indicator of speculative behavior. It can be divided into a "speculative share" (leverage effect and higher multiple) and an "operational share" (growth of sales, profits, margins, etc.). Acharya et al. (2013) find that PE firms earn about 56% rates of returns, but 50% comes from leverage and 16% from arbitrage of multiples. So in this study, two third of the value created comes from the speculative share of profit. I have obtained these types of figures from one French investor. In the case of an electro-optics company, the speculative share represented 56% of profit. In another case of a roofing network, it represented 72% of profit. Arbitrage of multiple alone represented almost 58% of value creation in this last deal, reflecting the "new [Group] strategy and profile".[2] The problem with this view is that LBOs are not totally speculative but have a real impact on organizational processes. PE firms are not passive "value surfers" like hedge funds or rule manipulators like law firms: they take actions at the strategic, if not operational level, which leads to changes in the organizational and occupational structure of the firm. To give just one example, a recent study found that corporations under private equity ownership tend to be more rationalized than other types of companies, such as family firms and those under managerial control (Bloom, Sadun, & Van Reenen, 2015). Targets firms tend to better track production processes and unit performance, and put more emphasis on individual objectives and the evaluation of consequences. Significantly, they are more likely to remove employees considered poor performers.

2 Marxism meets organization theory

To overcome the limits of common interpretations, I focus on the firm as a political coalition and on the process of value production and appropriation. I consider LBOs to be a self-limited exploitation mechanism. According to the analytical Marxist perspective of Wright (1997), exploitation is an antagonistic

relationship of interdependence with three characteristics. (1) The welfare of the exploiter depends on the deprivation of the exploited, (2) the dependence of the exploited on the exploiter is due to its lack of access and control of a certain resource, (3) the appropriation of surplus product provides the mechanism between exclusion from resources and differential welfare. Exploitation is different from oppression in the sense that the exploiter is dependent on the exploited for his existence and reproduction. The exploiter needs the cooperation of the exploited and the consent of the governed. The surplus product is generated by cooperative behavior in production units, a process Marx calls "social work": the combination of contributions under the supervision of an authority create more value than the unorganized addition of individual efforts. In this sense, value is not a thing lying there like in the agency view, nor a convenient fiction like in the institutional view, but an emergent property of human cooperation.

Organization theory considers organizations to be the grouping of two or more individuals who cooperate to achieve some goal, and considers firms to be political coalitions between various kinds of actors such as shareholders, creditors, managers, workers, customers and suppliers. The firm is governed by a "dominant coalition" usually composed of directors, who can be major shareholders, and top managers of critical units. Large corporations are essential elements of capitalism because they are "recalcitrant tools" that coordinate individual actions on a large scale to generate a surplus. An important concept of organization theory is slack resources, which are payments to the members of the coalition in excess of what would be expected under the assumptions of the neoclassical model of economics, such as optimizing behavior and perfect competition. It can be defined as the difference between the resources available to the organization and the value of demands required to maintain the firm coalition. It can be composed of excess dividends, lower prices, higher wages, budget growth and so on (Cyert & March, 1992, pp. 36 and 64 [1963]). Slack buffers environmental uncertainty and secures cooperation from the members of the firm coalition, specifically the exploited members. Slack can be operationalized by "free cash-flow" as in agency theory, but it is a broader concept that has a qualitative element to it like "leeway". In capitalist firms, the dominant coalition seeks to handle problems of cooperation among other members of the coalition so that they generate surplus product that can be appropriated by shareholders and creditors, a fraction of which is reinvested in the process of accumulation. Analytically, there is two kinds of cooperation: vertical cooperation between actors of different status (like managers and workers) and horizontal cooperation between actors of the same status (like unit A and unit B).

From the 1920s to the 1960s, shareholders and managers have designed a range of solutions to handle the problems of vertical and horizontal cooperation within and among firms. These solutions crystalized into conceptions of managerialism and bureaucracy. Politically they have been interpreted

as a compromise between capital and labor in postwar United States and Europe. Concerning vertical cooperation, capitalists have delegated day-to-day management to professional managers who were technically qualified but were also in charge of dealing with capital/labor antagonisms. They could act as intermediaries because they occupy "contradictory locations within class relations": they can understand workers' concerns, being themselves wages earners, but they are also close to owners, because of competitive pressure of markets, due to their social background or because they owe them or expect upward mobility. Even though the separation of ownership and control is over exaggerated it is true that over the years, they have tended to become autonomous and trapped in games or even alliance with workers in some industries. The result of this situation has been inflationary pressures due to ever-rising wages, lower discipline, complacency and shirking. This made firms less profitable than if employees were more productive. The problems of horizontal cooperation found a common solution in the multiplication of mediation roles and units to avoid direct negotiation and confrontation and maintain a smooth workflow in the value chain. This provided an endogenous mechanism of hierarchy formation with many layers and low spans of control. The greater organizational complexity made firms less comprehensible for an outside observer like a financial agent. In addition, managers tried to reduce environmental uncertainty by diversification, which allowed them to smooth the business cycle. They could cross-subsidize temporarily underperforming units so that employees were not brutally laid off when revenues dropped. The results for shareholders is that there were more links in the chain from investment to return and there was a liquidity premium for highly diversified firms. All this slack distributed to workers, to middle managers and to vertically integrated customers or suppliers reduced returns for shareholders.

An easy means to optimize returns is to redistribute slack resources accumulated in the previous period. LBOs are based on this principle as it involves a pressure to suck up free cash-flow in the production process and compensate the more fragile financial position by increasing revenue. Indeed if we look at indicators of the different dimensions of slack (Bourgeois, 1981), we see that LBOs are premised on their diminution or tend to have an opposite effect on them. Specifically, they increase the debt-to-equity ratio and the distribution of dividends, so that top managers must increase profit from operations, cut general and administrative expenses and raise the productivity of capital. According to the organizational view then, LBOs are not an efficient incentive system or speculative transactions, but political operations carried out by groups of shareholders and aspiring capitalists against the postwar compromise. They are what I call "organizational weapons" (Selznick, 1952) to take control of companies and reorganize processes so that they "create shareholder value". Sociologically, this means to focalize the attention of the firm's dominant coalition on specific performance criteria such as return on equity.

They work according to the discipline of debt and shock therapy. Agency theorist Michael Jensen has theorized LBOs during the 1980s along these lines. For him and for the consultant Bennett Stewart, debt creates a crisis in the organization that can be harnessed by shareholders and top managers to impose the laws of capital valorization on the reluctant firm:

> debt creates an illusion of financial distress, even for what may be fundamentally healthy businesses, and thereby precipitates painful but necessary changes. A renewed sense of urgency to create value supplants bureaucratic complacency; a dedication to cash flow replaces a common concern with reported profits; a Darwinian selection suppresses the all-to-human tendency to support weak lines of business that should be put out of their misery.
>
> Stewart (1991, p. 11)

LBOs work not only on debt but also on equity since top managers become significant shareholders. This weapon works with a simple behavioral heuristics for them: high debt induces the threat of bankruptcy and losing your job; equity holding is making the promise of return and make you rich. PE firms expect members of the dominant coalition to diffuse this logic lower down in the organization by using renewed bureaucratic tools such as standard operating procedures, formal structures and compensation systems.

But there is a flaw in the design of the weapon, identified from the beginning by proponents of managerialism, which makes slack absorption a self-defeating strategy. Economic value comes from cooperation and slack is a vital part of management so that consent and an atmosphere of good faith can be maintained in the firm. Slack infusions tend to produce political dynamism and at the same time diminishes discord regarding goal priorities. This leads to a contradiction. LBOs redistribute slack to shareholders to be more efficient, but at the same time diminishes resources at the disposal of the dominant coalition to negotiate participation and consummate performance of other members. In other terms, reducing slack means heightening returns in the short run but reduces cooperation, and thus potential value in the long run. My hypothesis is that rationalization efforts are subject to diminishing returns, since slack exists in a finite quantity and is very slow to recreate. It means that LBOs are not sustainable over a long period because the production of surplus product is more difficult to achieve and so it reduces the share that can be appropriated, even for investors and managers.

3 Evidence for the organizational view

The organizational view can reconcile the contradictory findings of agency theory and institutionalism. LBOs may lead to narrow efficiency improvements but not in the long run; speculation exists but is secondary, because it is derived from limits to exploitation. There is considerable evidence in

favor of such an interpretation. First, the logics of investors is in line with this view. Before the deal, private equity people search for targets and mine for "value deposits" in the nooks of the organizations so that they and top managers can design "value creation plans" to realize expectations of cost reduction and growth opportunities. In the profession, there is the expression of "low hanging fruits", meaning easy improvements to the strategy or production process that are more difficult to reach after they have been realized. The nature of targets shows this logic: they are not badly run corporations that PE firms can speculate on and liquidate. All studies show that high cash flow is a great predictor of being targeted by private equity. Second, LBOs accelerate the speed of working capital in target firms. In the case study of O.M. Scott & Sons previously discussed, top management mandated a task force dedicated to working capital reduction (Baker & Wruck, 1989). On a sample of French targets, Gaspar (2012) finds that target firms indeed had better capital allocation than similar firms. Third, LBOs increase the rate of exploitation – loosely defined as the evolution of productivity compared to wages. In general, LBOs induce a pressure high on productivity and down on wages. In the most comprehensive study to date, Davis et al. (2019) find that US LBOs increase productivity by 4% and decrease wages by 1.5%. The case of middle-sized firms is particularly striking (+14.7% and −7.9%).[3] In France, Gaspar (2012) shows a decline of unit labor costs of around two percentage points that result in better margins. This means that the threat over the survival of the firm helps management get rid of "efficiency wages" and other employee advantages to realign wages on productivity. Fourth, the pattern of job destructions is specific to certain areas and indicative of the weaponization of LBOs. They are concentrated in publicly held firms and division of group enterprises, where the post war compromise has been most institutionalized (−10% and −16% in the study of Davis and colleagues). LBOs also increase the chances of layoffs for workers in lower productivity sites who perform routine and delocalizable jobs (Olsson & Tåg, 2015).

This evidence shows that LBOs are not superficial speculations but are able to effect profound changes in the firms' strategy and structure. However, these changes may have negative impact in the long term, which would explain speculative behavior, irrational exuberance and collapse in late cycles. This is because slack absorption diminishes vertical and horizontal cooperation and has a destabilizing effect on firms. This is more difficult to show than economic variables because this phenomenon is difficult to evaluate and quantify, but the literature provides some indications that this is the case. "Creative destruction" is unleashed so that job reallocation rates are higher than in similar firms – again concentrated in divisions of group enterprises. Top management turnover is also very high, as one third to half of CEOs of targets seem to be replaced in the process (Gompers, Kaplan, & Mukharlyamov, 2016). These changes make it difficult to accumulate social capital, which is costly in the short run. In Green (1992) managers speak of

feelings of greed developing, whereas Boselie and Koene (2010) say there is considerable uncertainty towards the future and less confidence in the firm. Case studies of financialized firms have made the same kind of observations. The "incentives and sanctions" management style creates no trust and diminishes vertical cooperation. Less slack makes horizontal cooperation more problematic because teamwork needs to be done through direct cooperation in tight schedules, without much room for conflict resolution. Moreover, less slack in the production system makes logistic chains more vulnerable to disruption in the workflow.

The effects of slack absorption leads to problems of cooperation that are unseen because they are not directly measured and they show up in financial figures when it is too late. High cooperation based on trust put in the dominant coalition is easily destroyed but very slow to build up. Despite this fact, there is a constant push for PE firms to find new targets due to investors pouring money into this asset class, due to the possibility of securitizing loans by banks, and due to the compensation system of partners. This happens even when returns form rationalization are declining, even when the "low hanging fruits" in firms and industries have been eaten. I find some evidence for the unsustainability of LBOs in the study of Amess (2003) who finds that the technical efficiency improvement due to LBOs is transitory (it doesn't last until the fourth year). I also find evidence for it in the succession of productive and speculative phases in the late 1980s, late 1990s and late 2000s. This succession, as well as the movement of interest rates, would explain cycles of returns, and its impressive negative trend, which reminds us of the controversial "tendency of the profit rate to fall" (Figure 7.1).

Figure 7.1 shows the average returns of private equity in the United States from three sources and with three comparable indicators: the internal rate of return (IRR), the multiple of capital invested (MCI) and the returns compared to the stock market called "public market equivalents" (PME). I have added a linear trend line based on the average values in the graph that shows an overall decline in returns (with maybe an exception for public market equivalents). How to make sense of this figure? The cyclical dynamics would be explained by the following process. First, the existence of high levels of slack in industries and the success of pioneer PE firms in exploiting these opportunities would attract newcomers and increase competition. This tends to raise prices and leverage: "too much money chasing too few deals" says the adage. When slack disappears, returns can no longer be generated from operational tactics and that is where speculative strategies become attractive, such as secondary LBOs, dividend recapitalization and Ponzi-like processes. But as the solvency of target firms tend to deteriorate, banks tighten their credit conditions, and after some time, a consequential event triggers a crisis which eliminate the weaker PE firms (as well as, of course, targets). This reduces competition and deflate prices, so that new or adjacent financial firms can afford to enter the market and the cycle continues. The negative trend would be explained by the depletion of the slowly recoverable

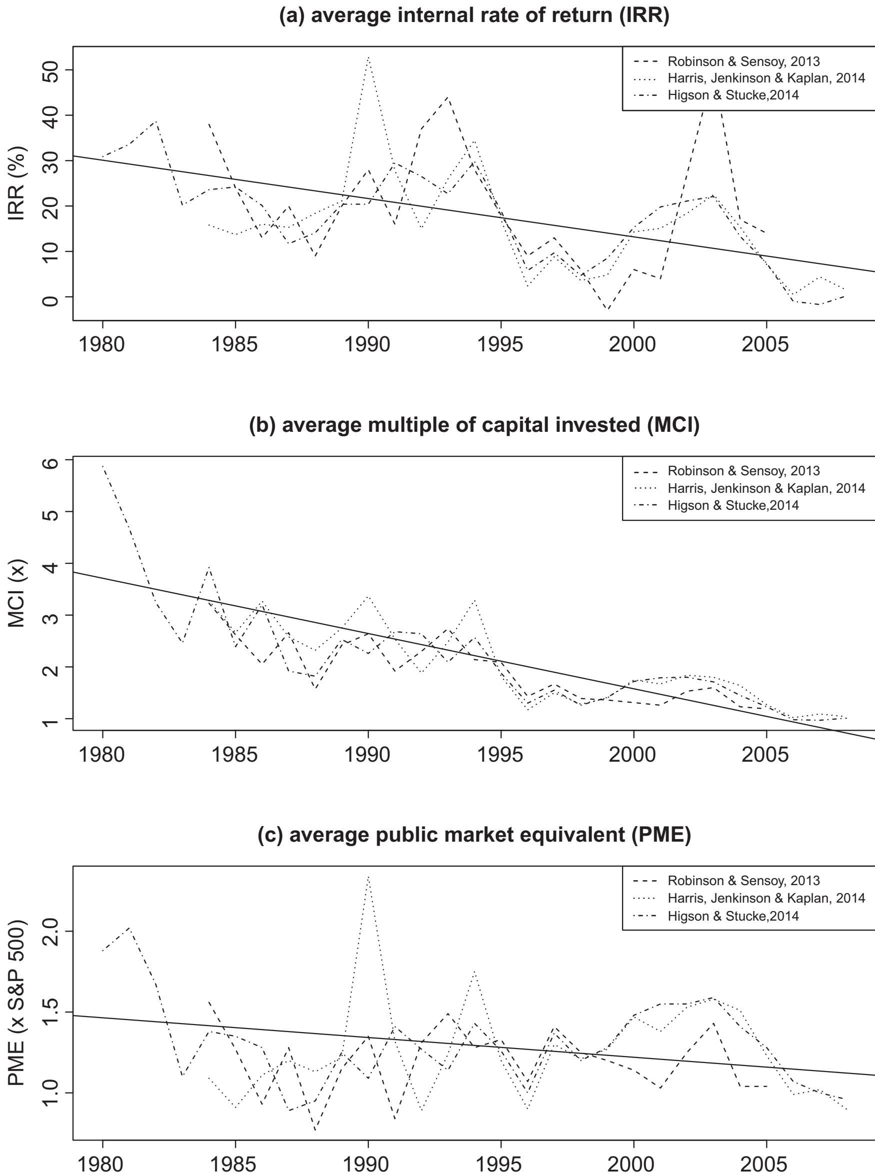

Figure 7.1 The declining performance of private equity (1980–2008).

slack resources in key industries, which forces PE firms to expand in other industries on a national and international scale. This is why as private equity grew in scale, we observe that returns have been declining.[4] In the United States in the 1980s the limited partners earned almost three times their capital committed to private equity, but only two times in the 1990s and 1.4 times in the 2000s (Figure 7.1b).

In this logic, speculative behavior is a solution to overcome limits on the exploitation process. In fact, Arcot et al. (2015) show that PE firms are under a pressure to spend funds, which lead them to engage in secondary buy-outs and to underperform. With a limited number of secondary LBOs in the 2000s in France, I find that that enterprise value grew by 54%, sustained by a growth of debt of 60%. In the meantime, profit – on which debt service is based – only grew by 26%, which suggest that this dynamics could not go on for a very long time. These elements suggest that LBOs are unsustainable and might explain why they implode on a regular basis.

Conclusion

In this chapter, I took leveraged buy-out (LBO) operations as striking examples of financial accumulation and tried to explain their great development in late capitalism. According to the organizational view, LBOs are neither incentive systems nor speculative behavior but self-limited exploitation mechanisms, that can be thought of as "organizational weapons" against the postwar compromise. LBOs may be efficient in the short run, but not in the long run because they erode cooperation which is the source of value creation. Speculation exists but is secondary, since it derives from the "real" phenomenon of diminishing returns from rationalization efforts and it is more prevalent in late cycles.

One can draw two main implications from this study. First, LBOs are maybe the most radical expression of financial capitalism. This is why they express the same kinds of contradictions of this mode of accumulation, shown elsewhere, in a clear way (Durand & Benquet, 2016). The central contradiction – when value appropriation takes precedence on value production – leads to a slowdown of accumulation. Capitalism, at least in core countries, loses its dynamism despite the frenzy around innovation and start-ups. One organizational source of this slowdown would be the diminishing collective action capability of central firms due to the new mode of accumulation, based on an unequal exchange existent before postwar liberalism, which creates no trust and does not build social capital.

The second implication has to do with the relationship between the kind accumulation highlighted here and the notion of "accumulation by

dispossession" understood as a renewed form of primitive accumulation. It is similar in the sense that it is based on coercion more than on consent, through the discipline of debt. There is also a dispossession in the sense that top managers are less in control of strategic decisions and employees exert even less control over organizational processes due to the opacity of property arrangements and the remoteness of decision centers. Finally, LBOs can be used by Anglo-American capital as organizational weapons in "economic war" to exert influence or take control of domestic and public firms strategically important to other states. However, there is one crucial difference with accumulation by dispossession. The equivalent to primitive accumulation here would be when creditors appropriate the assets of a bankrupt target – or when private equity strategically provoke this bankruptcy to reach this aim. However, this is quite rare. The accumulation I am talking about is plugged onto labor exploitation but involves the whole firm as a second-order process based on the appropriation of "slack" resources as pockets of social work crystallized in organizational arrangements.

Notes

1 The multiple is simply the enterprise value divided by operating income.
2 Source: internal document.
3 A puzzling finding is that LBOs raise wages in divisional firms compared to controls. Boucly et al. (2011) also find rising wages in France but their study is less careful than that of Gaspar (2012).
4 To be fair, the returns have rebounded somewhat after the great recession, but the trend is still negative.

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8 Philanthrocapitalist accumulation and financial inclusion

Philip Mader and Lesley Sherratt

> The powerful are more inclined to be generous than to grant social justice.
>
> Reinhold Niebuhr

Introduction

In 2005, Pierre Omidyar, the billionaire co-founder of eBay, and his wife Pamela Kerr, gave US$ 100 million to Tufts University. The donation was conditional on the university investing the funds exclusively in for-profit microfinance ventures, aiming to serve a "triple purpose", namely, to "demonstrate the potential of microfinance investments for institutional investors", support Tufts University, the Omidyars' alma mater, and "potentially stimulate at least $1 billion in new microloans" (Solomon 2011, p. 59). The Omidyars also founded the Omidyar Network, a "philanthropic investment firm" registered as a limited-liability company, whose investees have included various non-profit and for-profit organisations in the areas of digital identity, market building, tech, and impact investing, often connected to financial inclusion.

Constructs like the Omidyar-Tufts Microfinance Fund create fascinating new types of financial relationships. Women and men in the global South make interest payments on tiny loans, and these ultimately support further education in the United States. But they also problematically enmesh "social" activities with the funder's financial interests. In 2005, Pierre Omidyar's company eBay owned the payments facilitation company PayPal, and as of 2020, Omidyar personally remained PayPal's second largest shareholder. Financial inclusion brings more people into the formal, increasingly digital financial system, and the Omidyars stand to benefit.

The Omidyars' projects are part of a wider late capitalist trend known as philanthrocapitalism, which has seen large accumulations of wealth being re-routed into philanthropic undertakings, which then draw on capitalist skills to deliver the project. Financial inclusion – the delivery of financial services to populations seen as "underserved" – is a favoured cause. The Omidyars represent the apogee of a particular kind of philanthrocapitalism,

which requires the philanthropic project itself to be profitable. This requirement means that the (supposed or genuine) generosity of the wealthy becomes the foundation for new circuits of capital accumulation, which exacerbate the unequal and unequalising dynamics of the current accumulation regime and its "financial hegemony", allowing "the upper fraction of capitalist classes and financial institutions [to] benefit from a rather unchecked capability to lead the economy and society in general, in accordance with their own interests or what they perceive as such" (Duménil & Lévy 2011, p. 15).

We will explore how and why philanthrocapitalist activity in "sustainable" financial inclusion merges, blends, and blurs philanthropy with capital accumulation and – whether intentionally or not – benefits those who already have massively accumulated financial capital and power. The concern is that, rather than reducing poverty, financial inclusion drives an "expansion of the frontier of financial accumulation" Mader (2015, p. 27), to incorporate poor populations in countries of the global South into global circuits of capital. The cruel irony is that philanthrocapitalists' efforts to tackle poverty and inequality can end up entrenching poverty and inequality by reinforcing accumulation through financial channels.

We proceed by first introducing the concepts of philanthrocapitalism and financial inclusion, and then empirically reviewing philanthrocapitalist actors' engagement with financial inclusion. Challenging the assumptions on which proponents of financial inclusion base their case, we then consider three key problems we see in the marriage of philanthrocapitalism and sustainable financial inclusion, and conclude with a brief reflection on its inherent contradictions.

What philanthrocapitalism is

The term "philanthrocapitalism"[1] describes the strand within philanthropy that applies private sector business methods to solve the philanthropist's preferred problem. It is based on the belief that the skills, drive and vision that made Bill Gates or Mark Zuckerberg billionaires will, transferred to their philanthropy, also make that more effective.

> Philanthrocapitalists are 'hyperagents' who have the capacity to do some essential things far better than anyone else. They do not face elections every few years, like politicians, or suffer the tyranny of shareholder demands for ever-increasing quarterly profits, like CEOs of most public companies. Nor do they have to devote vast sums of time and resources to raising money, like most heads of NGOs. That frees them to think long-term, to go against conventional wisdom, to take up ideas too risky for government […] above all, to try something new.
>
> Bishop and Green (2010, p. 12)

Philanthrocapitalists connect the profit motive and their own business acumen with doing social good, in two distinct ways. For some, it is using business techniques to drive down costs and deliver philanthropy more efficiently. For others, it is a core belief, even a sacred cow, that whatever the philanthropy is "invested" in should be of itself profitable, or "sustainable", in order to attract more capital and do more good. They believe "that to do good socially, one must do well financially" (McGoey 2012, p. 185).

Michael Edwards calls this confidence of the new philanthrocapitalists in the transformative potential of markets the "Silicon Valley Consensus". In Silicon Valley culture, "everything is solvable […] without recourse to the messy realities of collective action, democracy and struggle" (Edwards 2015, p. 35). Silicon Valley philanthrocapitalists see themselves as drivers of "creative capitalism", to quote Bill Gates, whose mission is to "bring far more people into the system – capitalism – that has done so much good in the world" (cited in Roy 2010: pp. 25–26). But, as Edwards argues, "as a general philosophy, using business thinking to attack deep-rooted problems of inequality or discrimination is akin to using a typewriter to plough a field or a tractor to write a book" (2015, p. 36).

This is an essential concern regarding philanthrocapitalism: philanthrocapitalists claim to harness the power of markets to alleviate some of the very problems that unfettered capitalism itself causes. One might then suggest confining philanthrocapitalism to those areas where the market is most useful, and direct the rest of philanthropy elsewhere. The difficulty here is that there is not consensus, even among rich philanthropists, about where markets are or are not useful tools. That problem raises its head most obviously in the field of financial inclusion, which has at its heart the assumption that access to capital, almost at any (market-determined) price, can alleviate poverty.

What financial inclusion is

Financial inclusion is the drive to make financial products and services, particularly credit, available and affordable to all individuals, regardless of income. The World Bank began espousing a strong financial inclusion agenda in the early 2000s, building on the (failing) microcredit – later "microfinance" – movement. The essence of microfinance, originally promoted by not-for-profits and NGOs, was the provision of very small loans to poor borrowers, typically at higher interest rates than a traditional bank, but possibly below those of a moneylender. Classically it was offered to women, using a group liability model whereby each woman guaranteed the debt of her co-borrowers. The loan would be extended on the assumption that it would support a small-scale business, though many loans in practice were used for consumption, or to meet an emergency need. Very few small businesses grew or developed to employ people.[2] Costed out on an APR basis, microcredit interest rates ranged from 14% to 59% in South East Asia to up to 200%–400% in Africa (Sherratt 2016, pp. 50–51).

In the 1980s, the view evolved among promoters that micro-finance institutions (MFIs) should, in order to attract further capital and expand, at least cover their costs, and preferably make a profit: to be financially "sustainable". A fully commercialised model of microfinance then developed, epitomised by the 2007 stock market flotation of Compartamos Banco, a lender in Mexico charging 195% (Roodman 2011). The stock flotation enriched its original shareholders – two NGOs, the founders and a few other individuals, and the World Bank Group – by US$ 474 million. (Mader 2015, p. 67).

The pressure to be sustainable/profitable led to an emphasis on constantly growing the loan portfolio and a "zero tolerance" of loan "delinquency". In India, between 2003 and 2010, microcredit lending grew 70-fold, from US$ 71 million to 5.2 billion, while MFIs reported repayment rates mostly above 99% (*ibid.*, pp. 167–170). Rates of growth such as these commonly end in disaster, and this was no exception. A system upheld by the enforcement of group liability and abusive loan collection practices ended in client over-indebtedness and a spate of client suicides in mid-2010. Bolivia, Morocco, Pakistan, Nicaragua, and Bosnia-Herzegovina all witnessed similar crises, brought about by the dynamics of commercialisation and competition (*ibid.*, pp. 68–74).

At the same time as the repayment crises gave microfinance a bad name, academic work[3] was demonstrating that microfinance did not in fact alleviate the poverty of the vast majority of clients. (This was true whether the offering was for-profit or not-for-profit.) As a result, the microfinance community began to assert that the true purpose of microfinance was never, in fact, poverty alleviation, but "financial inclusion", reframed as a fundamental need. Financial inclusion efforts in developing countries now extend beyond credit to insurance, mortgages and any other need whose consumption can be financed (generally via credit). The key actors no longer are NGOs or specialised MFIs but any formal actor willing to engage in financial transactions with the poor.

Philanthrocapitalists and financial inclusion

The ascendancy of capital markets saw both modern philanthrocapitalism and financial inclusion emerge and consolidate in the post-2000 era (cf. McGoey 2012). According to the 2018 Global Philanthropy Report (Johnson 2018), philanthropic foundations have cumulative assets amounting to nearly USD 1.5 trillion, 60% held by American foundations and 37% by European foundations. Within this, super-rich capitalists and their personal foundations dominate. Among the list of the world's largest foundations,[4] the best known are person-linked foundations, such as the Bill & Melinda Gates Foundation (US$ 46.8 billion) or the Stichting INGKA Foundation (US$ 36 billion, linked to the founder of IKEA). Some, however, such as the Mastercard Foundation, are linked to joint-stock companies. Others, such as the Silicon Valley Community Foundation, are linked to no single company or person.

In financial inclusion, ultra-rich persons' charity money mingles with profit-oriented capital, producing what anthropologist Ananya Roy (2010) calls "poverty capital". Philanthrocapitalist actors sometimes simply donate to financial service providers (FSPs), but usually their activities are more strategic. They fund ancillary support services, capacity building and academic research for financial inclusion; they help establish sectoral bodies and industry self-regulation initiatives; they engage in agenda-setting, lobbying and influencing. They also invest in FSPs and earn a financial return for their foundation. Daniela Gabor and Sally Brooks refer to this tangle of elite interests as the "fintech-philanthropy-development (FPD) complex", which consists of "networks of policy-makers in emerging/developing countries, international financial organisations, "philanthropic investment firms" and fintech companies whose interests are closely aligned" around financial inclusion (Gabor & Brooks 2017, pp. 424, 427).

While a small number of Silicon Valley billionaires, like Bill Gates and Pierre Omidyar, have played outsized roles, financial inclusion is also a favoured target of large corporate foundations and corporate social responsibility (CSR) programmes. The Mastercard Foundation (MCF) is one of the key corporate actors. Created in 2006, when Mastercard transferred 16% of its shares to MCF, making it Mastercard's largest shareholder, the foundation focuses on Africa, where it promotes two causes: youth economic opportunities and financial inclusion. The two are seen as connected. Formalising traditional local financial arrangements and expanding agri-finance, mobile monies and fintech are MCF's desiderata (cf. Miles 2015).

By contrast, the Gates Foundation does not focus on financial inclusion, but its sheer size gives it an enormous influence. It first got involved in 2006 and has since invested over $500 m in developing "next generation" savings products, delivery channels, and policy frameworks. It supports academic research and promotes payments digitisation and anti-cash policies in collaboration with corporate actors including Citi Foundation, Mastercard, Flourish (Omidyar), and VISA.

But among the Silicon Valley philanthrocapitalists, Pierre Omidyar is perhaps the most vocal proponent of financial services, which he has long argued must be delivered profitably. Omidyar's argument is one of scale: if the needs of the hundreds of millions of "unbanked" people are to be met, inclusive FSPs must appeal to the private capital markets with a competitive risk-adjusted investment return. According to Omidyar, "you cannot do it with philanthropy capital. There is not enough charity capital out there" (cited in Solomon 2011, p. 52).

Philanthrocapitalists support financial inclusion based on an assumption that access to finance drives macroeconomic development, microeconomic development, and household poverty alleviation. Pointing to the larger and more sophisticated financial sectors of rich countries, they argue that financial development unleashes efficiency gains to generate economic growth whose benefits "trickle down" to the poor. Extrapolating from exceptional cases in which some entrepreneurs have used successive

loans to grow small enterprises into large ones, they argue that all poor people deserve to start a microenterprise. And observing how poor people struggle to make ends meet, they argue that poverty would be alleviated if they had more options to borrow, save and move money around.[5] However, these assumptions and fallacies are contradicted in reality by the development experiences of rich countries, which, if anything, have been suffering the effects of "too much finance" (Arcand et al. 2015); by the saturation of the types of markets the poor might enter as financially included microentrepreneurs; and by the inconsistent and disappointing evidence for impacts at the household level.[6]

The majority of the financial inclusion community sees technological innovation as the key to bringing about both more beneficial impacts *and* greater profitability, through potentially enabling far lower transaction costs and overcoming information problems such as inaccurate client identification and difficulties at assessing clients' creditworthiness. Philanthrocapitalists fund financial inclusion "labs", "incubators", and innovation competitions, which incentivise potentially profit-generating inventions and make them visible as investment opportunities. In pursuit of technological breakthroughs, they intervene with their capital and their influence. They are portrayed as the ideal change agents and architects for "creative capitalism", which also applies, in a de-personalised way, to philanthrocapitalist foundations linked to large (financial) companies, such as MCF, whose proclamations portray its work as promoting good causes by leveraging MCF's and Mastercard's vast resources and business linkages.

It is hard not to see this engagement as at least partially self-serving. While promoting what they perceive to be a developmental good – access to finance – these actors are also placing themselves in a unique position to benefit financially from any new capital accumulation opportunities their interventions may generate. With their outsized influence, they circumvent or distort democratic decision-making processes about the direction of socio-economic development in favour of programmes to build new forms of financial value extraction from the informal and household economies of the "unbanked" and "financially underserved". By making the pursuit of profits the vehicle for movement towards promises of development, which still remain unfulfilled, what financial inclusion proponents have achieved in practice is "to financialize poverty itself, making it sustainably utilizable as the basis for financial asset creation" (Mader 2015, p. 119).

Yet the fact that the provision of credit/financial services does not automatically (or generally) lead to development and poverty reduction, while providers and enablers of financial services stand to benefit, does not exhaust the problems of philanthrocapitalism in financial inclusion. We group these problems into three areas below: the problem when philanthropy retains a wider benefit for the donor, and thus is not truly altruistic; the problem that it represents an undemocratic exercise of power; and the problem that it sometimes increases inequality and structural injustice.

The problem of retained benefit

It is not rare for the motivations of large-scale philanthropists, individual or corporate, to be challenged and the accusation levelled that the philanthropy is at least as much concerned with reputation management than with the actual production of an altruistic good. The variation is that for the philanthrocapitalist it can be argued that it is less a case of restoring or burnishing a reputation than of legitimising his or her enormous wealth (cf. Solomon 2011). Conspicuous consumption is supplemented by conspicuous philanthropy. The consumption still occurs. But for it to be legitimised, even perhaps enjoyable for the billionaire, more and more rich people now seem to feel the need to accompany it with philanthropy. Signing "The Giving Pledge" (the Gates and Buffet initiative to encourage the world's wealthiest individuals and families to dedicate the majority of their wealth to "giving back") is to join the most elite of clubs, publicly declaring both your wealth and your noble intentions. Late to this party, and on this occasion with something of a reputational edge to the philanthropy, Jeff Bezos announced in February 2020 that he would finance a $10 billion fund to help fight climate change (at a time when Amazon's own environmental impact was under criticism).

For philanthrocapitalist actors whose main line of business is to deliver financial services, the reputational gains from portraying financial services as social goods and from being perceived as helping poor people, can positively affect their profits. The issue is similar to the ambivalence of CSR programmes, which inevitably are oriented towards bolstering the reputation of the corporation *even if* they also incorporate some genuinely benevolent intentions. For those whose business interests or private fortunes are connected with the provision of financial services, their efforts to bring millions of "unbanked" people into the world of formal finance may be interpreted as either benevolent aspirations or self-serving market creation. Most likely, they are both.

The field of financial inclusion, however, also inherently blurs the question of benefit. On the one hand, clients are supposed to enjoy developmental and poverty-alleviating benefits from financial services. On the other hand, the industry actors who deliver and enable the financial services are also supposed to benefit: the FSPs (whether MFIs, NGOs, banks, fintech companies, or others); the investors providing the capital; the intermediaries who connect investors with FSPs; the providers of market support services, such as rating agencies and advisory companies. Philanthrocapitalist support for financial inclusion, particularly when tied to the idea of "sustainability" (subsidising FSPs while insisting that clients should pay multiples of formal market rates), has enabled the growth of this industry whose mission explicitly is to accumulate capital. In some cases, such as Omidyar's gift to Tufts, philanthropic donations have even explicitly created, ex nihilo, profit-oriented investment capital. In theory, all actors should be reaping

rewards and accumulating from this, including the clients through whatever they use the financial service for. In reality, it is the borrowers who bear this whole edifice on their backs.

Where, then, do we draw the line between a financial inclusion provider, through offering financial services, making a legitimate profit – "profiting with a purpose" – or exploiting their poor clients?

The first point we need to be clear about is that the dividing line between whether a poor person is exploited by financial services, or not, is *not* whether the offer is made by a for-profit, not-for-profit institution or "profiting with a purpose"-type institution. A not-for profit or purpose-driven institution can exploit as much as a pure for-profit institution.[7] What matters are the terms of the offer, what real information and what substantive freedom of choice the client has, and the nature of the benefit (if any) the offering institution derives.

Although there are different accounts of exploitation, they share some common ground. One party *wrongfully* exploits another when he (*a*) takes advantage of and manipulates the other in some way; (*b*) derives (or believes that he derives) a benefit from the interaction or directs where that benefit should go; (*c*) is in a position of relative power in the particular circumstances of the interchange and, crucially, (*d*) takes advantage in some *unfair* way.[8] Thus defined, financial inclusion is rife with risks of exploitation.

We argue that the offer of microfinance takes advantage of the borrower's inability to access formal financial services, leaving her only the options of an MFI or the moneylender. The MFI derives a benefit in the form of high interest, which goes to the MFI either as profit or as offsetting the expense base. The MFI holds all the card in terms of setting the terms and conditions of the loan (such as group liability).

Is this *unfair*, making microcredit (or most microcredit) exploitative? This depends on how unfairness is specified, but we hold that the key lies in taking advantage of a particular vulnerability: the impairment to the borrower's agency and autonomy created by her poverty. The borrower may be entirely rational and capable of full agency, but her circumstances give her few or no options other than borrowing capital to start a microenterprise. There may simply be no alternative decent employment which she can seek, or no other way she can cover an emergency medical expense. When that borrower's vulnerability, arising from her extremely limited options and exclusion from formal financial services, is used to charge her multiple times the interest rates common in the formal sector, then she is wrongfully exploited.

The problem of unaccountable, undemocratic exercise of power

Another important objection to large scale philanthropy traditionally is that it represents an unjustified, undemocratic and often unaccountable exercise of power by the philanthropist. The argument behind this partly rests on the

tax breaks that philanthropy, and those who become rich enough to engage in it, frequently receives. It is argued that the tax that would otherwise be due belongs to the people, on whose behalf a government should determine where it is spent. Admittedly, for philanthropy to benefit from tax breaks it must be of some public benefit. Nonetheless the philanthropist still has wide scope to define that benefit: and it is his arbitrary choice that determines whether global poverty is alleviated, or a domestic opera house endowed. Rich philanthropists, it is argued, should not be spending *our* money on *their* favoured causes.

A philanthrocapitalist variant of this argument is that spending large sums in the philanthrocapitalist's preferred area is not only undemocratic socially, but may distort the market in which it is spent, economically speaking. In the financial inclusion space, this market distortion can be seen where the higher wages paid to microloan agents, compared to, for example, teachers, risk diverting teachers into becoming loan officers, a much less obviously useful profession for society-at-large.

One central feature of the philanthrocapitalist power grab in financial inclusion has been the dressing up of financial services in a dubious language of "rights". One of the earliest and most enduring figurations of this discourse was Muhammad Yunus's assertion (at the first international "Microcredit Summit", in 1997) that "credit is a human right". No less emphatically, the talk about financial inclusion suggests correcting an inherent and evident injustice, especially when contrasted with its obverse, financial exclusion. It chimes in with a wider proliferation of economic "inclusion" thinking in international development – notions such as "inclusive business", "inclusive markets" – in which aspirations for greater justice and equality appear to depend on participating in capitalist economic exchange. But who is to say that these forms of inclusion are intrinsically valuable?

Financial inclusion promoters present the world in Manichaean terms – being outside financial systems is bad, being inside is good – but the experience of the people targeted by financial inclusion programmes is another matter. More nuanced understandings of poor people's engagement with (financial) markets highlight the ambiguous results when vulnerable people with few resources enter into market relationships. The unfavourable terms of engagement they face often lead to their becoming "adversely incorporated", such that existing inequalities are reproduced and new ones generated (Hickey & Du Toit 2013).

One manifestation of these unequal terms of participation is the price of the entry ticket: the high interest rates and fees. Another is the lack of consultation, input or participation borrowers have in setting the "rules of the game" for financial inclusion, including conditions such as group liability and compulsory savings. Despite some tokenistic efforts to make microfinance more "responsible" or improve "social performance management" in the industry, in practice, the industry imposes rules top-down. Clients figure only as "rule-takers" who, instead of being able to exercise "voice", are faced with the stark take-it-or-leave-it "exit" option, in Albert Hirschman's terms

(Mader 2017). Their structural disempowerment is only likely to be exacerbated as microfinance merges with financial inclusion, which is dominated by even larger, mainstream financial actors.

We may also ask whether the "right to credit" that Yunus and others have asserted is meaningful, given that no bearer of the duty to fulfil that "right" is specified, or whether it is just a flamboyant assertion of an aspiration. This seems particularly so when this "right to credit" is compared to more fundamental socio-economic rights, such as health or an adequate standard of living, which attach to humanness and cannot be lost due to "uncreditworthy" behaviour (cf. Hudon 2009). Without enough money, the "right" to such financial services as a basic savings account is a hollow right, as demonstrated not least by many inactive and zero-balance accounts. South Asia, home to India's Pradhan Mantri Jan Dhan Yojana (PMJDY) state-led financial inclusion scheme, has the highest account dormancy rate, 42%.[9]

We would argue that the use of rights language to describe financial services can be harmful, as it distracts attention from some rights that even the financially excluded have. In a cash economy, everyone has the right to engage in exchange, free of charge. But promoting financial inclusion through digital transactions – which, unlike cash transactions, have to be paid for by the user – can result in further exclusion or exploitation of the poor. Some actors seek full monetary digitalisation and an end of cash under the cover of financial inclusion, in order to capitalise on everyday transaction costs, garner the big data generated by the poor, and to exert greater governmental power over poor people's money (Mader 2016).

Dressing the provision of financial services up in human rights language lastly also muddies, to unfortunate effect, the relationship between microfinance providers, civil society actors and the state. Some NGOs now rely on financial services for delivering their outputs, one case in point being the American NGO Water.org, whose main activity has become promoting WaterCredit loans as a means for households to self-finance water and sanitation access.[10] It could instead advocate, on behalf of the poor, for governments to fulfil what might otherwise be a genuine human right (part of a right to health) via public infrastructures. But it only advocates for a dubious "right to credit" as enabling water access. This absolves the proper duty bearer – the state – of its responsibility.

The structural problem

Allowing philanthrocapitalists to direct their philanthropic dollars to the causes closest to their hearts is essential for their enthusiasm, but it may directly exacerbate inequality. For example, within the higher education sector, it is the elite institutions such as Harvard, Yale, Oxford and Cambridge whose endowments wealthy alumni augment, increasing the inequality between these institutions and the rest. But, at another level, the criticism is that philanthropy only looks at the symptoms of problems, those that can be fixed quickly, not the structural issues beneath. Financial inclusion seeks

to end the exclusion of the poor from financial services, however dubious we have found the impact of that effort, while it does not seek to redistribute wealth from the rich to the poor. Yet do the philanthrocapitalists who back it also perpetuate poverty and – intentionally or otherwise – reinforce inequality by using their philanthropy to legitimise and justify the extreme inequalities that capitalism has brought about?

Mikkel Thorup (2013) argues that this is what philanthrocapitalism writ large does. Whilst, on a personal level, philanthropy may be motivated by moral concern, at a structural level "it is a way to manage the legitimatory and possibly also social challenges of extreme inequality" (*ibid*., p. 568) Thorup argues that this is most clearly laid out in the term's progenitors' book *Philanthrocapitalism: How the Rich can Save the World and Why You Should Let Them* (Bishop & Green 2010). He summarises the authors' argument:

> The state cannot be trusted to 'tackle the social challenges of the 21st century' and neither can 'the charity sector' or 'populist bashing of the rich'. Instead we need to 'rewrite the social contract between the rich and the rest'. The rich have 'a responsibility to the rest of society' which goes beyond paying taxes, namely to 'give back with their money and their skills'. With that they can be 'a dynamic, entrepreneurial source of innovation […] and help to 'build a more sustainable environment for wealth creation'.
>
> Thorup (2013, p. 571)

As Thorup observes, it is difficult to overstate the poverty of Bishop and Green's vision of a healthy society as just a "sustainable environment for wealth creation". As he notes, "This is using the market model as societal description and it is basically a message to the rich that they can only stay rich – and richer than "the rest of us" – by giving time and money to charity" (*ibid.*, p. 571).

Philanthrocapitalism, then, is the price for keeping capitalism going and allowing the philanthrocapitalist to continue to accumulate. With financial inclusion, the inequality-generating mechanisms are evident, and perhaps clearest when it comes to microfinance: MFIs pay above-average salaries to their loan agents, bonuses and rewards to their managers, and returns on capital to their funders and investors. These are enabled by interest charged from relatively poor clients. If large positive impacts on these clients existed, these could be argued to offset or complement the value extracted from them. But, as we have seen, at best most clients get just a few crumbs from the table, and at worst they enter into debt spirals that deepen their poverty.

Conclusion

Large-scale philanthropy, practiced by ultra-wealthy capitalists who redirect large sums of money to charitable or social causes of their choosing, is

nothing new. Such "traditional" philanthropy is already fraught with questions about morality, power, and inequality. The early 21st century, however, has witnessed the rise of philanthrocapitalists as a new, "hyper-agentic" breed of actor, and philanthrocapitalism as a field of hyper-active practice, in which philanthropy merges, blends and blurs with capital accumulation. Philanthrocapitalists and their acolytes believe that philanthropy and capitalism need to be brought together for mutual benefit. This leads to a range of troubling new questions about retained benefit, accountability and democracy, and structures of inequality.

We are left wondering whether philanthrocapitalism inherently is a contradiction in terms. Applied to financial inclusion: if it is really about unleashing financial market forces and accumulating capital, why should any philanthropy be required? If, by contrast, financial inclusion is about philanthropy and aiding the poor, why should it (have to) enable capital accumulation? The contradiction means that philanthrocapitalists' efforts to tackle inequality end up reinforcing inequality and financial hegemony.

It is easy enough to argue that capitalist finance cannot alleviate the very problems, particularly of inequality and poverty, that financial capitalism itself has caused. But we should go further. Financial inclusion is not only *not* a human right, but as an object of philanthropy, at least provided on a sustainable or profitable basis, it is also financially and ethically dubious. Microfinance has enabled surplus extraction from the myriad petty businesses microentrepreneurs have tried to use to get out of poverty. The provision of digital financial services, beloved of philanthrocapitalists, does the same, and in addition monetises the very means of exchange, thus furnishing a fresh source of accumulation.

These enhancements of global circuits of capital accumulation that come about as millions of new clients in the global South and their transactions enter into the formal financial system are highly meaningful. The vast wealth and power redistributions that philanthrocapitalism engenders demand further attention from critical political economists, sociologists, geographers, philosophers, and interdisciplinary scholars working together in the emerging field of accumulation studies.

Notes

1 First used in an *Economist* special report "The Birth of Philanthrocapitalism" (23 February 2006), then expanded by its author, Matthew Bishop, with Michael Green in *Philanthrocapitalism: How the rich can save the world* (2010).
2 This section summarises the fuller tracing of microcredit's history in Chapter One of Sherratt (2016).
3 Most importantly Bateman (2010), Duvendack et al. (2011), and a series of randomised control trials, several of which were ultimately published in a special issue of the *American Economic Journal: Applied Economics* in January 2015.
4 It is maintained by Wikipedia contributors at http://en.wikipedia.org/wiki/List_of_wealthiest_charitable_foundations (last accessed 4 May 2020). Reliable global lists or size rankings of foundations are surprisingly difficult to find.

5 The latter argument is laid out in the book *Portfolios of the Poor*, which portrays poor people as "portfolio managers" who shrewdly manage complex cash-flows. See Mader (2015, pp. 87–90) for a critical discussion.
6 Even advocates of microfinance have been forced to concede "there is no convincing evidence that microcredit raises income on average" (Roodman 2012, p. 172). A recent systematic overview found that the impacts documented in credible high-level studies of financial inclusion were variable and mixed (both positive and negative), usually shallow rather than far-reaching, and unlikely to be transformative or wide-ranging for most places and people (Duvendack & Mader 2020).
7 The not-for-profit derives a benefit from the salaries and employment provided to loan officers, head office staff and directors, especially where conditions well to other jobs – all paid for by the borrower's interest and fees.
8 Parts of this section draw on Sherratt (2016), chapter 3, "From Empowerment to Exploitation", which has all the references.
9 As recorded in the *Global Findex Database* by the World Bank. It takes one year or more of non-activity for an account to be classified as "dormant".
10 Water.org's major grant funders include the PepsiCo Foundation, Michael and Susan Dell Foundation, and Caterpillar Foundation.

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Part 3

Accumulating through Digital Technologies

9 Struggling to reform data capitalism

Blockchain and the pipe dream of paying up

Moritz Hütten

Capitalism today promises vast opportunities to its workers yet is frequently failing them. Contemporary capitalist accumulation is increasingly shaped by dominant digital platforms. Both the digital platforms themselves and the ideologies to which they cater more generally promote the idea that workers today face a wealth of opportunities if only they have the entrepreneurial mindset to seize them. These tales feed into attempts to reorganize work beyond the platform, making work more flexible and dynamic as captured in concepts like *new work* (Dignan 2019) or *holocracy* (Robertson 2019). Yet while platform companies like Uber continue to promote tales of a new world of flexible and empowered work, even in the general public discourse such tales are being questioned. In many ways, exploitation by the dominant platforms becomes all too apparent. Tales of workers becoming more autonomous and empowered by digital tools and platforms are contrasted with work realities that are better characterized by precarious work conditions and sever competition for what few good jobs are actually available (Dyer-Witheford 2015). Tales of "entrepreneurship" risk making workers more exploitable as they struggle to monetize the content they produce (Zetlin 2018); in the meantime, the dominant platforms fail to protect their data. In particular, the last financial crisis of 2008 operated as catalyst for accelerating these techno-centric developments, fueling the euphoria surrounding novel technologies and opportunities for online collaboration (Scholz 2016). This euphoria was not exclusive to advocates of market rule, but instead also caught on in leftist circles, envisioning new modes of post-capitalist production (Mason 2016). The euphoria on the left was dampened by the growing insight that the seeming abundance of intangible goods is still underpinned by the frequently unwaged labor of those involved in creating these products, for example in maintaining the online encyclopedia Wikipedia or the open source operation system Linux (Butollo and Kalff 2017).

Over the last years, some speculative digital technologies revived hopes for technology induced substantial change of capitalism. One digital technology stood out perhaps more than others: the emerging blockchain technology.

Blockchains were first popularized through their best-known instance, the peer-to-peer payment system Bitcoin. Bitcoin was initially promoted as a way to break the control of banks and governments over payment systems. Ever since, applications of blockchains in other sectors were envisioned to overcome numerous ills of contemporary capitalism, including the exploitation of workers and customers by powerful entities such as governments or corporations (Swan 2015). This chapter explores how applications of the so-called open blockchains – that is blockchain applications with generally open programming code and little to no formal barriers to participation – sought to remedy some of the woes affecting particular groups of workers.

The rest of this chapter proceeds as follows: first, this chapter discusses some of the woes of workers in contemporary capitalism. Second, it lays out the proposals to remedy these woes which circulated in the blockchain scene. Third, it evaluates the outcomes of these proposals and last it summarizes the argument in the conclusion.

The exploitation of labor under contemporary capitalism(s)

Today's capitalism is frequently described with the term neoliberalism. While the term is almost omnipresent in social and political sciences debates, pinpointing its exact meaning is troublesome. Yet, while there is not one definitive definition, prompting some to speak of varieties of neoliberalism (Birch and Mykhnenko 2009), or variegated neoliberalism (Macartney 2010), neoliberalism is generally characterized by an idealization of "free markets," as well as a preference for markets over states and governments (Crouch 2011). This set of economic ideas that has somewhat ruled the globe since the 1970s has come under pressure during and after the last financial crisis of 2008. Until very recently, the financial crisis of 2008 was described as the worst financial meltdown since the 1930s (Helleiner 2014). Due to the severity of the crisis, many analysts expected substantial reforms, including Nobel Prize winner Joseph Stiglitz who saw this as a "Bretton Woods moment" (ibid.). Expectations for substantial change were largely disappointed, as the crisis began to look like some sort of "status quo" event with capitalism once again proving surprisingly resilient (Helleiner 2014). Instead of questioning market-based governance, much of the neoliberal paradigm persisted as many countries saw the resolution of the crisis in cutting back the welfare state and public spending, fueling what was dubbed the "non-death" of neoliberalism (Crouch 2011).

Nonetheless, despite the ongoing prominence of neoliberalism as a concept, others have argued that neoliberalism took a bigger hit than initially noted. As international tensions build up, governments begin to focus increasingly on national interests and democracy is in decline, and ideals of "free markets" have suffered in recent years. In particular, the idea of market neutrality, a cornerstone of neoliberal ideology, became increasingly dubious. Markets are increasingly visibly subjected to extensive interventions,

be it the Chinese "model" which can be described as "state capitalism 3.0" (Brink and Nölke 2013), or the dominant digital platforms which shape what can be called "proprietary markets," meaning markets which more or less are owned by companies like Amazon or Apple (Staab 2019). For critical scholars like Philipp Staab, this in fact illustrates how capitalism already moved beyond neoliberal paradigms, as we witness the rise of not only a digitized capitalism but a genuinely digital capitalism.

The question of whether this is still neoliberalism or already a genuinely new digital capitalism has no definitive answer yet, but the observation that digital platforms severely affect capitalist accumulation and exploitation seems clear. Dominant, globally operating platforms such as Amazon, Facebook, Alibaba, or Google, are said to drive a new form of accumulation based on mass surveillance and the massive generation of data (Zuboff 2015). While consumers may have even benefited from the low prices of goods and services of these platforms, often even subsidized with billions of dollars of venture capital, workers were less fortunate. Instead, they are frequently affected by poor working conditions and low pay. Historically it can be noted, that these platforms did not emerge in a vacuum. Fueled by venture capital and the absence of strong antitrust actions, they rose to fill the gap left by the waning manufacturing profitability of industrious production (Srnicek 2017). While they are often paraded as display of the innovative capacities of the private sector, they also heavily benefited from predominantly US government spending public funds on fundamental research bringing about the technologies they then proceeded to commercialize (Mazzucato 2015).

Both neoliberalism and the now dominant digital platforms contributed to the erosion of hard-won labor rights. Under neoliberalism, wages began to stagnate while capital accumulation reached ever new highs. In parallel, welfare systems were dismantled, while workers were pushed into participating in fickle stock markets to compensate for waning social securities, further fueling the accumulation regime (Hacker 2019). Through this erosion of social securities, neoliberalism undid much of the decommodification of labor enabled by the expansion of the welfare state under Fordism. However, this "recommodification" of labor was deeply problematic. While neoliberalism is frequently seen as the expansion of the market sphere in all areas of life, the decommodification of labor was met by a highly problematic recommodification, forcing workers to sell their labor force, but at the same time decreasing opportunities for workers to straightforwardly exchange their labor for wages (Konings 2018).

Despite liberating promises featuring prominently in connection with digital technologies since the rise of the internet, generally workers have seen limited benefits from digitalization. Instead, digital technologies often have exposed them to new forms of exploitation and unprecedented surveillance. It's not all bad, of course. Open source software, for example, has provided notable opportunities to exercise greater liberties in designing software, but even if contributing to these projects can be fulfilling,

workers remain confronted with the question of how to turn their labor into wages (Weber 2005). Digitalization enthusiasts, even in the political left, repeatedly idealized novel forms of online cooperation and production as "frictionless," even defying capitalist accumulation, but critics of this idealization pointed out how much unrecognized labor still goes into these new modes of production (Butollo and Kalff 2017). Even when platforms have some monetization schemes in place, many struggle to make a living even out of reasonably successful content. All the while, beyond tales of the brave new world of digital labor, incumbents like Amazon engage in vile union busting practices by hampering the attempts of workers to actually improve conditions (Menegus 2018, 26 September).

Blockchain technologies, over the last years, were promoted as remedy to various woes of workers in contemporary capitalism, dealing with both waning opportunities to properly recoup the costs of one's labor and the exploitation by near-monopolistic platforms today.

Blockchain-centered attempts to remedy the exploitation of workers

Bitcoin, the first instance of blockchain technologies, emerged in 2008/2009. Bitcoin was predominantly made to criticize exploitation by banks and governments, while ideological clinging to some idealized version of the gold standard. It generally followed the narrative that reckless spending by governments and banks leave the general public to pick up the bill. However, this somewhat plausible crisis diagnosis, insofar as the crisis was a moment when huge bail-outs turned private debts into public debts, is mixed in with many more obscure ideological elements, especially with a very strong idealization of free markets. David Golumbia described Bitcoin polemically with "software as right-wing extremism" (2016); in the sense of libertarian market radicalism, not fascism. Bitcoin certainly displays some problematic tendencies, especially with how its main concern is to protect those who have something from overreach by "those in power," displaying little concern for the wider social and distributive functions of democratic governments. However, the wider embrace of blockchain technologies also displayed some attempts to remedy the woes of labor in contemporary capitalism. This fear of exploitation has been a prime inspiration for Bitcoin and blockchains more generally, fueled by the realization that in the financial crisis the rules were selectively bent for institutions and the apex of financial power but strictly enforced for those at the bottom (Pistor 2013). This diagnosis, combining the idealization of "free markets" with the sense that the proper functioning of market mechanisms are hindered by rules being bend selectively to favor the interests of those in power has informed the development of Bitcoin and its myriad offshoots.

Since about 2013 the discourse shifted somewhat, as people began to popularize the idea that the ideologically charged Bitcoin was underpinned

by a novel, neutral general-purpose technology, the blockchain (Campbell-Verduyn 2017). Blockchains have since been explored by corporate consortia and activists alike. This section explores a series of technology focused experiments conducted over the last five years, attempting to affect the position of particular, often narrow groups of high-skilled labor in capitalism. Concretely, these experiments revolved around attempts to seize control over organizations, find new ways to access capital more directly, as well as ways to improve the recognition and visibility of meaningful work contributions. These experiments manifest in three blockchain concepts that came to prominence over the years and are the subject of this section: decentralized autonomous organizations (DAOs), Initial Coin Offerings (ICOs) and tokenization.

DAOs are an attempt to seize the control over organizations. The concept of a DAO describes a digital form of organization meant to enable participants to maintain “direct real-time control” while governance rules are formalized, automated and enforced using software (Jentzsch 2015, 1). It basically is built around the reductionist idea that organizations are little more than sets of rules and associations of people. DAOs share the suspicion of Bitcoin that one of the biggest banes of contemporary capitalism is elites meddling with the rules to gain advantages. They are also influenced by a particular understanding of productive labor, portraying productive engineers as exploited by largely superfluous mangers. In this view, management is reduced to merely the executioner of a mission statement of an organization, which means they are viewed as unjustly extracting organizational resources for their unnecessary labor, but also as potential targets for automation (Buterin 2013, 20 September). In an effort to overcome what is seen as corruptible human agency, DAOs are meant to operate on “incorruptible algorithmic authority” (DuPont 2017); combining the “wisdom of crowds” with “incorruptible code,” DAOs are envisioned to become efficient, fair and democratic. It is one of the more original aspects of the concept that automation does not so much focus on low-skilled labor, but instead targets particular groups conventionally describe as more or less high-skilled, such as the middle management.

There is, however, a series of limitations which should be mentioned. First, the concept of “decentralization” is somewhat vague. After all, the term does not describe a precise state but merely a difference from more centralized setups, whatever these may be (Büch 2019, 16 Februar). In the case of blockchains, for example, the technical specifications of the blockchain may include a technically decentralized network, but expertise among elite programmers or capital might be highly concentrated, nonetheless, granting some de facto control (Schneider 2019). In fact, the first workable DAO proposal by Christoph Jentzsch (2015), which became the blueprint for many subsequent DAO experiments, proposed some level of technical decentralization and also envisioned some more centralized roles for curators who would whitelist proposals on which the DAO stakeholders could vote.

Second, the term autonomous is misleading. DAOs are usually highly deterministic, meaning they produce a fixed output for a given input, rendering them not particularly autonomous (Büch 2019, 16 Februar). The frequently misleading vocabulary is arguably more than a quirk. It often illustrates the limited attention to how power asymmetries persist in seemingly hierarchy free arrangements, a problem not unknown to the start-up world more generally.

Perhaps more than organizational experiments, the DAO kicked off a series of attempts to further liberalize access to new ways of gaining funding by tapping into dispersed sources of capital with an affinity for risk. While prior to the DAO project, some blockchain projects began collecting funds through some sort of presale of blockchain tokens, it was only after the DAO experiment that this approach became far spread. By conducting some sort of blockchain-token presale, which came to be called Initial Coin Offering (ICO), start-ups in the blockchain space began collecting huge sums of funding from globally dispersed, individual investors. It enabled some blockchain start-ups to escape the scrutiny associated with more established forms of funding, but it was also promoted as way to escape the grasp of old institutions like banks and venture capital firms, as well as overcompensated elites (Cohney et al. 2019, p. 3). Exact numbers on how much funds were acquired through ICOs vary, but blockchain start-ups are rumored to have collected billions of USD (however, often in the form of volatile blockchain-tokens, not fiat currencies) (Ante et al. 2018). ICOs quickly reached a broad group of investors, gaining (paid) endorsements from high-profile celebrity promoters such as Paris Hilton (LydianCoin), “Ghostface Killah” from the Wu-Tang Clan (Cream Capital), Jamie Foxx (Cobinhood), and Floyd Mayweather Jr. (Stox) (Zetzsche et al. 2019). ICOs arguably presented an approach to remedy troubles of financing open blockchain projects through a financialization of internet-based peer production (Cohney et al. 2019, p. 7). They also arguably mimic prior hopes that stock markets would allow workers to benefit from continuous capital accumulation.

Blockchain technologies were not only envisioned to liberalize finance but also to establish new systems to account for the social value of labor. Based on the idea of blockchains operating as near perfect public registers for anything that could be hypothetically represented in digital form, blockchains were imagined as positive counterparts to oppressive social scoring systems. The so-called tokens, generally describing a “generic and measurable unit of value, imbued with rules of the network that issued them” (Pazaitis et al. 2017, p. 110), were meant to be used in both representing socially valuable labor and in compensating it. This attempt to remedy pathologies of contemporary capitalism affecting labor, namely, the problematic recommodification of labor, is underpinned by the idea that much socially useful labor would be performed if only there where better opportunities to monetize it. On a less optimistic note, however, tokens are also seen as the foundation for proper incentive systems steering labor in particularly desirable directions.

These two perspectives, while not necessarily contradicting each other, do display some tensions. Tokens set incentives to contribute relevant work, but they also emanate hopes that socially valuable but unrecognized or underrecognized work becomes more visible. Eventually, this renders tokenization as both a vision for empowering labor and a vision for controlling it by becoming increasingly able to set granular incentives. Based on the technological affordances of blockchain tokens, blockchain advocates began to reason that there is a novel field of economics in the making, based on the "tokenization" of "economic institutions, policies and ethics of production, distribution, and consumption of goods and services" (Voshmgir 2020).

In summary, all three concepts share the diagnosis that the system is not fundamentally broken, but substantially skewed to favor the interests of powerful elites and insiders, while at the same time creating barriers of exclusion. They do attempt to tackle the problematic recommodification of labor diagnosed for neoliberalism which is perhaps even more pronounced in digital capitalism because of its millions of content creators providing poorly compensated labor on the ever more powerful platforms. Most of all, these concepts, are driven by utopian but ultimately flawed visions of a fair world, purely build on market-based coordination. However, how do these attempts to better the position of (some) workers play out in practice?

Has labor benefitted (yet)?

This section discusses both the practical and discursive consequences of the aforementioned attempts to limit the exploitation of high-skilled workers. In practical terms, these attempts have failed to live up to their promises. Starting with "The DAO," such blockchain experiments suffered from their unwillingness to examine how informal power asymmetries may persist even when formal hierarchies are removed. Shifting from malleable human-controlled organizations to presumably superior algorithmic governance was supposed to overcome selective favoritism and exploitation of workers. Tied in with more direct funding methods, these organizational experiments were also supposed to limit dependency on venture capitalists, who were, much like the management, seen as exploitative and parasitic, benefiting from the productive labor of engineers and programmers. Yet these algorithmic organizational utopias produced severe pathologies of their own. The first DAO was greatly overfunded and displayed serious flaws in the security of its programming code, leading to its quick demise. In an initial crowd funding phase, basically an ICO, it gathered the equivalent of about $150 million although it was not even clear what the money would be spend on (DuPont 2017). The DAO experiment, however, did not last long enough to find out what to do with these funds. A flaw in the code and a subsequent hack led to a hasty rescue mission. This rescue mission, while successfully retrieving the hacked funds, exposed how much influence some members of the blockchain scene actually have, despite the absence of formal positions

of control (Hütten 2019). However, even if the DAO had not failed in that way, it would have been governed by a narrow investor and developer elite. Since the funding process for this instance of a DAO took no precautions to ensure the distribution of the tokens in an even manner, the stakes enabling to vote on the future of the DAO were distributed highly unevenly. Out of the 20,000 people investing, the top 100 held about half of all tokens, enabling them to potentially assert control or dictate the future direction of the DAO (Chavez-Dreyfuss 2016, 17 May). Despite its several flaws, for many the takeaway from this experiment was not so much the organizational side of it, but rather the perspective to quickly mobilize huge amounts of speculative capital. Enthusiasm for the DAO continued even after the setback, inspiring groups to explore the use of the concept for many different purposes, hoping to improve or replace existing setups. Blockchain enthusiasts continued to pursue the idea of a DAO, even declaring 2019 to be the "Year of the DAO," as new variations of the DAO concept emerged, either directly, for example Aragon and Colony, or in the form of platforms rendering launching a DAO easier, for example DAOStack (Büch 2019, 20 Mai). Yet questions about DAOs viability remain. DAOs occasionally become linked with other speculative technologies like AI, fueling hopes that one speculative technology can resolve another one's problems and vice versa (Kiulian 2018, 11 January).

ICOs, planned as liberating tools, instead largely extended pathologies of capitalism. Instead of liberating programmers from pathologies of venture capital financing, the unregulated nature of these financial technologies turned them into rushed, get-rich-quick schemes. In retrospect, ICOs were more of a pointed emphasis on the pathologies of the "unicorn chase" of digital capitalism. Instead of creating more lasting funding schemes for prospectively open platforms, ICOs allowed for the collection of huge sums up front, reminiscent of the dot-com boom. Especially because of their open nature, their designers had limited say in how these technologies were used and who would run an ICO. Regardless, the obscure enthusiasm surrounding ICOs illustrated how the relevance of technologies depends on the wider socioeconomic context (Orlikowski und Iacono 2001), as it would be incomprehensible without the context of the persistent low-interest rate environment and stagnating wages of labor (Campbell-Verduyn and Hütten 2019). The way they display pathologies of their own highlights ongoing developments in contemporary capitalism such as the way wealth generation shifts from incomes to fortunes (Staab 2019). Nowhere did this becomes as clear as in the case of South Korea. When regulators tried to step in to curb rampant crypto scams, over 200,000 people signed a petition urging them to stop, explicitly arguing that speculative crypto investments were their last and only chance to reach any kind of wealth that was not inherited (Cheng 2018, 16 January). Repeatedly, buyers also treated tokens as if they were stock, even when they were explicitly not issued as such (Bergmann 2020, 22 June). Issued tokens do not represent any ownership of a company per se,

but buyers largely did not care as long as prices went up. In parallel to this wave of highly speculative investment, the programming code presumably behind these ICO investments did not deliver on its promises by any stretch. Scholars examining the code base of many top projects found that often not even basic features promised were present in the programming (Cohney et al. 2019). Tokenization, while remaining one of the most prominent schemes in the blockchain space, was almost never used to represent labor in practice, beyond compensating the so-called miners for contributing their computational power to running blockchain networks. In practice, little has come out of these experiments other than the obscure boom and bust of the highly speculative ICO investments.

These practical experiments with blockchains were paralleled by discourses questioning how contemporary capitalism could become sounder and fairer. In general, blockchains posed both challenges and opportunities to the ongoing legitimacy of capitalist accumulation; illustrating how capitalism must maintain at least the appearance of being oriented to the common good by showing some response to criticism (Boltanski and Chiapello 2005). Pinpointing exact discursive shifts that could be attributed to blockchain is difficult, but some tentative effects may be pointed out, nonetheless. Narratives about digitalization and digital technologies repeatedly closely affected accumulation processes, allowing start-ups to get enough capital to tackle incumbents (Leonard 2003), mobilize attention toward new and often speculative technologies (Borup et al. 2006) or deflect criticism about business models based on claims about the urgency of innovation (Staab 2019). Blockchain enthusiasts generated a series of narratives of their own with the potential to affect the role of skilled labor.

Blockchain discourses perpetuate various narratives commonly used in support of digital capitalism for some time now. Through their focus on "free markets," they share affinities with tropes of consumer power frequently used in justifying digital capitalism (West 2019). They also tie in with narratives about digitalization enabling new forms of immediacy by connecting people (Fisher 2010). Blockchain discourses in particular extend the digitalization discourses that came before which depicted machines no longer as source of alienation, but as remedy to alienation by creating forms of immediacy that arguably are still technology mediated (Fisher 2010). This idea of genuine immediacy, already most present in the term "peer-to-peer" itself, is juxtaposed with the idea of the oppressive nature of the administered state and bureaucratic corporations (ibid.).

In a similar sense, the most prominent role of decentralization in blockchain discourses ended up conflating the concept of decentralization with a full-fledged societal vision. It did describe decentralization not only as a particular feature of structures with problems and benefits (e.g., the resilience of decentralized systems) but as a societal ideal to strive for (Schneider 2019). Discourses surrounding experimentation with DAOs amplified the interest in decentralization and the suspicion present toward human agency.

Discourses on the upsides of technological fixes and the merits of decentralization even continued after the failure of the DAO, although there were some calls for more accountability and responsibility by key actors (Hütten 2019). As a criticism of capitalism, the obsession with decentralization remains deeply flawed. Instead of prompting reflection about deeper rooted flaws of capitalism, this criticism puts the spotlight on corruptible human agency, with the constant risk that this criticism becomes limited to pointing fingers at individual misconduct instead of the systemic pathologies of capitalist accumulation.

The obscurity of blockchain discourses enabled countless consultants to sell often questionable expertise offering interpretation and guidance to both firms and governments who felt they must embrace this topic. Conventional forms of workers representation like unions may struggle to fend of problematic changes obscured by techno-jargon. While blockchain discourses question some forms of exploitation, they are highly ambivalent for workers beyond particular high-skilled groups. Attempts to question exploitation are contrasted with the pervasive hyperindividualism present in the field, thus hindering the recognition of alternative overarching categories like class fostering solidarity. Instead, these discourses perpetuate the invisiblization of class by feeding into the idea that in digitalization class becomes replaced by "infinite, negotiable gradations of income and status" (Dyer-Witheford 2015, p. 7). The failure to recognize the prevalence of class in this struggle becomes all the more troublesome, as no concepts emerges to take its place and associations often remain fleeting, emulating the nonbinding nature of online associations more generally (Butollo and Kalff 2017).

Concerning the troubles of knowledge workers, blockchain discourses predominantly presented two proposals: first, the commodification of labor is insufficient and must be radically extended, possibly making it also more granular further eroding the boundaries between work and leisure. If anything, this presents an optimistic take on extending some sort of social scoring ideally in a more decentralized fashion. Second, new funding vehicles are meant to extend financialization by distributing the means to create opportunities for highly speculative investments.

On a positive note, blockchain discourses drive timely questions, not only about the distribution of the means of production in contemporary capitalism but also about the distribution of what could be called the means of valuation. However, they suffer from their disdain for formal forms for organizing and collective action, as well as their admiration for some utopian ideal of free markets.

Conclusion

In the early 20th century, cybernetics pioneer Norbert Wiener insisted labor must seize control over computerization or suppress it to combat its inhumane potential (Dyer-Witheford 2015, p. 40). The persistence of the

pathologies of digital capitalist accumulation suggest labor failed to do so. In spirit, blockchain experiments sought to address this grievance. They do promote the idea of handing control to a wider set of shareholders or stakeholders and attempt to limit exploitation by powerful elites while at the same time working towards developing new forms of organizing for workers. However, they suffer from both overestimating the potential of technology and failing to recognize how informal mechanism of power and control persist in their seemingly equal, market centered utopianism. In practice, even when well-intended, many of these experiments risk swapping one exploitative elite for another. Most of these experiments failed to achieve their proclaimed goals to remedy the exploitation of (some groups of) workers. In practice, an increasingly desperate investment environment drove many projects to degenerate into get-rich-quick schemes. Some skilled individuals may have gained autonomy from the inflow of speculative funds, but they certainly make for the exception, not the rule. As the euphoria dies down, most projects will find themselves hard pressed to reproduce these generous funding rounds. Instead, with less funds to spend, they likely will struggle to pay up for generous promises made, both to those doing the work and to those investing.

What does this teach us about capitalist accumulation and exploitation more generally? Foremost, none of this could be understood without referencing wide contemporary contexts. Blockchain excesses connect with the lasting absence of interest rates, spurring evermore risky investments, but also with increasingly far spread believes that work and wages cannot suffice to reach even moderate prosperity anymore. At worst, the inefficient criticism of blockchain enthusiasts, overtly focused on removing corruptible human agents blamed for the failing of market mechanism could extend capitalist accumulation. Some minor positive changes would come out of this, some privacy improvements, some paying users for their data, but not enough to remedy deeper problems of contemporary capitalism. Yet one silver lining remains: the blockchain space combines the discontent with digital capitalism with repeated experiences of purely technology centered or purely market-oriented approaches failing those hoping for change. This combination might curb some of the regressive tendencies, spurring the desire for some more substantial change.

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10 Predation in the age of algorithms

The role of intangible assets

Cédric Durand

Globalization and the deployment of innovations associated with information technologies (digital platforms, artificial intelligence, big data, etc.) should have fostered a new golden age for capital accumulation. This has not been the case. There is now a growing consensus among heterodox (for a review see (Durand & Gueuder, 2018)) and mainstream economists as well (Gutiérrez & Philippon, 2016) that the slowdown of investment, productivity and growth in a context of generally stable or improving profitability is an anomaly.

This puzzle has many dimensions, among which neoliberal dispossessive policies play a prominent role (Harvey, 2005). In this contribution, I propose to explore another dimension, the role of predation as a mean of making profits without accumulating productive capital and to connect this mode of local accumulation to the rise of intangible assets, that is, informational assets such as software, database, trademarks and organizational skills (Haskel & Westlake, 2018).

In economics, predation is mostly related to the works of Thorstein Veblen (1857–1829), but recent contributions further elaborate on this topic (Vahabi, 2016). Following Vahabi, I define predation as an allocative mechanism based on constraint where the exchange intervenes with an asymmetrical a priori situation (2016, Chapter 1). This contribution will focus on how intangible assets favors such predatory practices, and connect the rise of intangibles to the puzzling tendencies mentioned above.

The argument is organized in two steps. The first section contrasts Veblenian and Marxist perspectives on predation in order to put this issue in the context of the overall dynamics of modern economies. The second section discusses the contemporary rise of intangibles. It illustrates the affinity between these assets and predatory means of value appropriation with a discussion of intellectual monopoly dynamics in global value chains (GVCs). The conclusion delineates the implications of these insights for the understanding of the long-term contemporary slowdown of productive accumulation at the macroeconomic level and the resulting stagnation's tendencies.

What is predation? Veblenian versus Marxist perspective

Veblen's *The theory of the leisure class* (1899) is the first and one of the rare books dedicated to the problem of predation. As noted by Martha Banta in her preface, "the key distinction Veblen made between wasteful profit-making and effective productivity still apply to the lives we live" (Veblen, 1899: p. vii). His core hypothesis – the resilience of predation in capitalism – is particularly relevant to explore the unexpected contemporary disconnection between profit and investment. Such a phenomenon is difficult to interpret using conventional economic theories, where market discipline is supposed to generate equilibrium (mainstream perspective) or to drive the law of motion of the economic system (Marxist perspective). Moreover, the surge in inequalities, with the rise of a world class of super-rich (Alvaredo et al., 2018) resonates with the kind of highly polarized society Veblen was living in.

The question that needs to be clarified is how predation interacts with capitalism, that is, how it participates and/or contradicts capital's accumulation dynamics. In order to do so we will contrast the Veblenian conception of predation with the Marxist outlook.

Veblen's conception of predation can be summarized in four elements that are developed within his *The theory of the leisure class* and throughout his subsequent works. The first is a broad assessment that links the prevalence of predation to a differentiation of human beings according to their status and via the implementation of corresponding institutional settings. In his view, "The social structure in which predatory habits has been the dominant factor in the shaping of institutions is a structure based on status. The pervading norm in the predatory community's scheme of life is the relation of superior and inferior, noble and base, dominant and subservient persons and classes, master and slave" (1899: p. 184). The persistence of social differences based on status in modern society is thus a testimony of the resilience of archaic predatory habits.

Second, this modernity of predation is consistent with the fact that predation doesn't preclude economic prosperity. Actually, predation *requires* a degree of prosperity.

> Predation, "he wrote," cannot become the habitual, conventional resource of any group or any class until industrial methods have been developed to such a degree of efficiency as to leave a margin worth fighting for, above the subsistence of those engaged in getting a living.
>
> Veblen (1899: p. 19)

In such a perspective, industrial efficiency and innovation are not opposed to the rise of predatory norms; on the contrary, the more economically powerful a society is, the more room for predation it offers.

However, if predation requires prosperity, the opposite is not true: predation doesn't make societies more prosperous. That's where the third element

envisioned by Veblen takes place. The logic of business, that is, the class of financiers and the absentee owners of the big means of production that put their pecuniary interest above all, relies on a form of sabotage of industrial production. In order to appropriate economic gains,

> the proximate aim of the business man is to upset or block the industrial process at some one or more points. His strategy is commonly directed against other business interests and his ends are commonly accomplished by the help of some form of pecuniary coercion.
>
> Veblen (1904: pp. 31–32)

The growth "in volume and complication" of the industrial system increases the possibilities of predation because,

> with every extension of its scope and range, and with every added increment of technological practice that goes into effect, there comes a new and urgent opportunity for the business men in control to extend and speed up their strategy of mutual obstruction and defeat.

Such "businesslike maneuvers […] effectively derange the system at the same time they bring the tactical defeat of some business rival," which means that "the successful business strategist is enabled to get a little something for nothing at constantly increasing cost to the community at large" (1921: pp. 117–118).

This positive relation between sophistication of the industrial system and predatory practices results in an endogenous crisis mechanism. "The margin for error and wasteful strategy is being continually narrowed by the further advance of the industrial arts" so that "sinister eventuality lies yet in the future" (1921: p. 122). However, this crisis mechanism doesn't mean "that even a fairly disastrous collapse of the existing system of businesslike management [...will...] prove fatal to the Vested Interests, just yet; not so long as there is no competent organization ready to take their place and administer the country's industry on a more reasonable plan. It is necessarily a question of alternatives" (1921: p. 123). In other words, the dead weight of predatory practices is not sufficient to fail the system; the availability of some other arrangement is necessary for the preexisting order to succumb.

The fourth element is precisely the alternative that Veblen envisages. Businessmen deploy forces of predation that prevent the fulfillment of the forces of production under the auspices of the engineers. This is, in fact, a political confrontation. The full satisfaction of the socioeconomic needs of the population is within reach but require a revolutionary overturn.

> Any question of a revolutionary overturn […] is a question whether the discretion and responsibility in the management of the country's industry

> shall pass from the financiers who speak for the Vested Interests, to the technicians, who speak for the industrial system as a going concern.

And he concludes that “The chances of anything like a soviet in America, therefore, are the chances of a soviet of technicians” (1921: pp. 133–134), according consequently to the technicians the role of the leading revolutionary class.

While Veblen’s focus is the productive and financial intricacies of modern economic system, which result in opportunities to extract economic gains, Marx’s *critique* of the political economy put the emphasis on the exploitative character of the capital-labor nexus. The ultimate origin of capitalist’s profit is the extraction of surplus value. It necessitates the exploitation of living labor and rests on the singular ability of labor to generate value above its own costs of reproduction.

The process of value extraction occurs in the context of a general dependence to the market. In capitalism, workers are free,

> in the double sense that they neither form part of the means of production themselves, as would be the case with slaves, serfs, etc., nor do they own the means of production, as would be the case with self-employed peasant proprietors. The free workers are therefore free from, unencumbered by, any means of production of their own.
>
> Marx (1990: p. 874)

As stressed by Robert Brenner, this separation of workers from the means of production and their linking via market exchange relations have crucial implications. In such a configuration of general commodity production,

> individual producing units (combining labour power and the means of production) [are] forced to sell in order to buy, to buy in order to survive and reproduce, and ultimately to expand and innovate in order to maintain this position in relationship to other competing productive units.

In other words, capitalist economic development is the outcome of a specific class structure where the survival of the producing units “is dependent upon their ability to increase their production (accumulate) and thereby develop their forces of production, in order to increase the productivity of labor and so cheapen their commodities” (Brenner, 1977: p. 32). The main feature of capitalism is thus not predation, but production via accumulation, which includes an imperative to invest to stay in the competitive race. Labor exploitation is a necessary moment in this specific socioeconomic pattern; it’s the way through which the owners of the means of production acquire the surplus that allows them to continuously invest and thus to preserve their competitiveness and to survive. And the overall result is a dynamic transformation.

This feature of capitalism is in stark contrast with the predatory logic that dominates feudalism. Perry Anderson underscores this point:

> The normal medium of inter-capitalist competition is economic, and its structure is typically additive: rival parties may both expand and prosper – although unequally – throughout a single confrontation, because the production of manufactured commodities is inherently unlimited. The typical medium of inter-feudal rivalry, by contrast, was military·– and its structure was always potentially the zero-sum conflict of the battlefield, by which fixed quantities of ground were won or lost. For land is a natural monopoly: it cannot be indefinitely extended, only redivided.
>
> Anderson (1974: p. 31)

In contrast to capitalism, where industrial capital can be extended, land is the central means of production in feudalism, and it is inherently limited.

In our age of ecological anxiety, the character "inherently unlimited" of manufacturing production is not obvious anymore, to say the least. However, the contrast between a productivist positive-sum gain dynamics in capitalism and a predatory zero-sum gain confrontation in feudalism is very useful to make the difference between the Veblenian and the Marxist perspectives crystal clear.

Veblen puts the emphasis on the deleterious, anti-productive, negative gain effects of predation, while Marxist' framework insists that exploitation lies at the very heart of capitalist productive drive. It is an indispensable piece in the mechanism through which capitalist relations foster an endless spiral of accumulation.

Nonetheless, there is room to account for predation in capitalism within a Marxist framework too. If it is true that accumulation at the macro level relies on the creation of surplus value via the exploitation of living labor, this exploitation does not encompass the whole process of accumulation at the micro level. Indeed, the latter includes a zero-sum game among capitalists for the distribution of surplus value.

James Steuart was a pioneer of economics in the 18th century that had an important influence on the formation of Marx's economic thought. He made an insightful distinction between positive profit and relative profits. Positive profits were the result of social and technological developments and allowed society as a whole to produce a greater surplus. Contrastingly, relative profits merely denote "a vibration of the balance of wealth between parties, but … no addition to the general stock."[1]

Duncan Foley proposes a more recent formulation of this idea, which takes into account the role of competition.

> The immediate competitive challenge for all capitals is the appropriation of a larger share of [the] pool of surplus value. Some modes of appropriation indirectly contribute to increasing the size of the pool of

> surplus value, but many, including a wide variety of methods of generating rents, do not.
>
> Foley (2013: p. 261)

For example, profits out of industrial investment and infrastructure building typically enter in the first category, while profits out of regulatory arbitrage or lobbying activities would rather correspond to the second category that does not contribute to increasing the size of the pool of surplus value.

Lapavitsas emphasizes one instance of the persistence of such profits nowadays, in the context of contemporary financialization of everyday life, where financial fees and interest payment correspond to a direct deduction from personal household incomes (Lapavitsas, 2013). Such a direct exploitation, which takes place independently of the extraction of surplus value in the production process can be characterized "as exploitation by capital without the mode of production of capital" (Marx, 1857), that is, a predatory way of profit making that do not contribute to the unfolding of capitalist' productive accumulation process.

Another instance of predation considered in the Marxist framework is related to the destructive side of competition and the unfolding of economic crisis. The centralization of capital, that is, the absorption and consolidation of dispersed capitals in bigger and stronger units, correspond to a predatory moment in the process of accumulation. For example, in times of crisis, "Capitalists seek to stay alive by cannibalizing each other" (Harvey, 2006: p. 305). Then accumulation at the firm level via the absorption of weaker capitals doesn't lead to any kind of immediate accumulation at the macro level.

In sum, the Marxist perspective distinguishes the appropriation of surplus value from production of surplus value. Attempts to appropriate surplus value at the micro level include both predatory and non-predatory means but, at the macro level, the drive to accumulate under the pressure of real competition imply that non-predatory activities (additive competitive game) must exceed predatory behavior (zero or negative sum game). The fact that competition compels investment and growth is a defining feature of capitalism. As stressed by Anwar Shaikh, "Whatever form it may take, capitalism will remain bound by the laws of real competition on which it rests" (2017: p. 761). However, this is true on the condition that labor and capital are "free," that is, that they are separated from each other and allowed to circulate. This freedom is a necessary condition for competitive pressure to take place and to constrain individual units to invest in order to improve their productive processes. And this is this freedom that is put in question by the contemporary rise of intangibles.

Intangibles, intellectual monopoly and the contemporary means of predation

The contemporary interest in the role of intangibles in economic processes points to a qualitative transformation of relations of production, that calls for a renewed interest in the role of predation.

Economists call intangible assets the means of production that cannot be touched, unlike tangible assets such as machines, buildings, vehicle fleets or raw materials. Nowadays, intangibles are mainly computer code, design, databases, trademarks or procedures that can be replicated infinitely without losing any of their intrinsic quality (Haskel & Westlake, 2018).[2]

There is a very strong interest for intangible assets in the recent period, but this doesn't mean that intangibles are a new thing. For example, in the middle of the 19th century, when Friedrich List questioned the conditions for Germany's industrial catching-up vis-à-vis Great Britain, he did not use the term intangibles, but captured the idea. He pointed that

> the actual condition of nations is the result of an accumulation of discoveries, inventions, improvements, the efforts of all previous generations; it is that which constitutes the intellectual capital of the living race of men, and a nation is productive only in proportion as it is able to assimilate or digest these conquests of anterior generations, and to increase them by its own acquisitions.
>
> List (1856: pp. 217–218)

In other words, intangibles and tangibles are nothing without each other. Materials, machinery, tools must be combined with know-how, procedures and information to enter in labor processes that produce useful effects and unleashed economic dynamics. This is a truth of the past that has not aged a bit.

What has changed is the result of technological advances that have dramatically reduced the costs of reproducing, manipulating and disseminating information. Now communications are almost free, instantaneous and storage costs are minimal. This is the single most important reason why intangibles take up a new economic dimension.

As Hegel noted, "a seemingly innocent change of quantity acts as a kind of snare, to catch hold of the quality" (Hegel, 1874: p. 174). The variation in the power of information processing corresponds precisely to such a leap from quantity to quality. By accelerating, the flow of information has altered the way intangibles are embedded in social arrangements. As long as intangibles could only move from one person to another, through oral communication, printed media or even later through radio and telephone, their non-rival character was somehow restricted. Their ability to expand was hampered by the small size of interpersonal and commercial networks, the scarcity of contact opportunities, the cost and duration of transmissions and the rigidity of the communication system architecture.

For example, radio and television devices involve a drastic selection of information at a transmitter point and prohibit, by construction, any possibility of rebound from the receivers. By generalizing the possibility of interaction and squeezing the costs, digital technologies completely changes the game and creates a powerful retroactive loop between practices and data processing.

Now that the information system is sufficiently efficient, being everywhere at once is the simple corollary of the non-rivalry character of intangibles. And with big data, the rebound between sensors, users and software machines has doubled the omnipresence of intangibles of unprecedented agility. This quantitative transformation in data processing and management has opened new avenue for value appropriation.[3]

More than a century ago, Thorstein Veblen captured insightfully the ambivalences resulting from the intertwining of knowledge and materiality in the capitalization of productive assets. In so doing, he anticipated some of the thorniest contemporary debate about cognitive capitalism (for an in-depth discussion see (Gagnon, 2007)).

According to Veblen, "tangibles assets, commonly so called, capitalize the processes of production, while intangible assets, so called, capitalize certain expedients and processes of acquisition, not productive of wealth, but affecting only its distribution" (Veblen, 1908b: p. 117). Tangibles are thus related to production while the capitalization of intangibles, which implies a form control, is a pure process of appropriation, meaning of distribution not of production of wealth. This is so because the productive knowledge embedded in machinery, organizational rules and diverse supports of know-how is irreducibly a form of collective capital:

> [this] common stock of intangible, technological equipment is relatively large and complex, – i.e., relatively to the capacity of any individual member to create or to use it; and the history of its growth and use is the history of the development of material civilization.
>
> Veblen (1908a: p. 521)

In complete contradiction with the contemporary glorification of entrepreneurship in the name of innovation, Veblen considers that the creative contribution of any inventor is trivial by comparison to the "the accumulated wisdom of the past" (Ibid.) that is embedded in any productive breakthrough. From this premise it follows that the income capacity of capital is not determined by its particular productivity to the extent that this productivity was collectively generated by technology shared and transmitted by the community.

Veblen's point was strong in his time, but the contemporary radicalization of the autonomy of intangible vis-à-vis tangible assets gives it a completely new dimension. Indeed, the generalization of the possibility to disentangle the valorization of intangible assets from tangible ones, push the predatory tendencies he identifies to the extreme and destabilize the condition of "real competition" that is central in the Marxian understanding of capital's drive towards accumulation.

A recent contribution explains how the disconnection between appropriation of value and productive activity can unfold in the context of global value chains (Durand & Milberg, 2020). Under the label of intellectual monopoly, four main mechanisms of value appropriation related to the greater

autonomy of intangibles are identified, the first is related to the hardening of intellectual property rights, the three other ones result from the combination of network dynamics and intangibles uses.

The first one is also the most straightforward one and is a direct outcome of the hardening of intellectual property rights (Pagano, 2014). The stricter IP regime initiated by the US in the early eighties spread rapidly across the world economy in the 1990s and 2000s, at a moment of rapid international expansion of trade and investment flows. These two trends are complementary. On the one hand, firms eager to engage further in internationalization demand stricter IP norms, in order to protect themselves against the risk of losing control over some of their proprietary intangible assets and overcome the problem of "appropriability hazard," in the terminology of transaction cost economics (Oxley, 1997). On the other hand, the diffusion of stricter IP norms diminishes the appropriability risk and thus enhances firms' willingness to engage in the international fragmentation of production. This complementarity was the core argument advanced by transnational corporations to push forward this agenda. For example, Rick White, head of the US industry lobby group TechNet declared in 2004 that executives "would never offshore unless [they] were […] sure [they] could protect [their] intellectual property" (Ghelfi, 2005). And UNICE, the main European Business association, similarly proclaims that it "firmly believes that implementation of TRIPs will promote North-South transfers of technology" (UNICE, 2000: p. 36). And, indeed, the extension of legal intellectual monopoly accompanied globalization, mostly to the benefits of large firms based in high-income economies that both control most intellectual property at the international scale and receive the bulk of IP income.

However, since then, the hardening of intellectual property rights (IPRs) has backfired. In December 2019, a broad coalition of tech companies and carmakers, including Apple, Cisco, Daimler and BMW, has urged the European Commission to take action on patent abuses that are hampering the development of self-driving cars and other connected devices (Espinoza & Bradshaw, 2019). This is an illustration of the deep contradiction in capitalist metabolism arising from the detrimental effects on IPR on innovation.

The negative economic implications of IPRs were emphasized by Ugo Pagano, who stresses that "knowledge is not an object defined in a limited physical space [...] the full-blown private ownership of knowledge means a global monopoly that limits the liberty of many individuals in multiple locations" (Pagano, 2014: p. 1413). Interestingly this statement echoes very closely Veblen's that

> the patent right, as an asset, has no (immediate) usefulness at large, since its essence is the restriction of the usufruct of the innovation to the patentee. Immediately and directly the patent right must be considered a detriment to the community at large, since its purport is to prevent the community from making use of the patented innovation.
>
> Veblen (1908b: p. 116)

In the case of IPRs, the connection between intangibles and predatory zero-sum game is straightforward. IPRs reinforcement immediately restrict economic opportunities for the community, and the income that they generate are only cause by this artificial scarcity. However, there are at least three other instances where the connection between predation and intangibles is less direct, although it is not necessarily less powerful: the appropriation of the gains arising from complementarities in value chains, the collection of data generated by stakeholders activities and the uneven distribution of returns to scale between tangible intensive and intangible intensive activities.

Within global value chains,[4] the value of each component circulating in the chain is enhanced by the combination with other components: conception and development, production, assembly, logistics, marketing, branding, sales and service. It is the network nature of the GVC that results in value being realized. This require some initiative and oversight from lead firms taking the responsibility for the coordination of the network and providing the sophisticated informational infrastructures to guarantee the adequate combination of partial-products into full commodities and to accommodate just-in-time adjustments to evolving market and other conditions.

By providing the network with such an intangible (know-how, software, database) integration framework, leading integrators occupy a singular position vis-à-vis other participants. Because the firms that coordinate the chain allows the other participants to participate in the network and, consequently, to enhance the value and/or volume of their activities, they are in position to reap a disproportionately large share of the enhancement of value created through network cooperation. This is the case because natural monopoly features protect the integrator market power.

A natural monopoly is a market structure where some combination of economies of scale (high start-up costs and low marginal costs), sunk costs (irreversibility of the initial investment) and the presence of positive network externalities (complementarities between uses) result in a sub-additive cost function, where only one firm find it profitable to produce. All these forces contributing to the formation of natural monopoly are present in the process of value chain integration.

Apple is a paradigmatic case of this logic. This firm makes none of the production itself and the actual manufacturing is performed by other firms in China and elsewhere. Nonetheless, the firm built "a closed ecosystem where it exerts control over nearly every piece of the supply chain, from design to retail store." (Satariano & Burrows, 2011). Apple innovation capabilities goes thus beyond design, development, marketing work and the creation of the software, and include the technical features of the parts of its products but also the improvement of the means of producing these products. According to industry specialists, what is at stake is the ability of the Apple to optimize the design of the processors for the specific function of its products and to allow customizing them as much as possible in order to differentiate further its devices and keep it competitors at bay. This is a key

asset of Apple and an obligatory passage for its suppliers to get access to voluminous consumer end market.

In sum, chain integration implies a growing importance of information system in the coordination of unbundled activities. In this process, the concomitance of sunk and irreversible costs and network effects generates natural monopoly forces that allow lead (integrator) firms to capture a disproportionate share of the mutual gains of cooperation.

In addition to natural monopoly rents related to intangibles mobilized to integrate value chains, a predatory logic arises from the control of the data. On the one hand, letting data circulate is a pre-condition for allowing the integration and the optimization of business processes along GVCs; on the other hand, such integration gives disproportionally eyes and ears to who initiate and organize it. The asymmetric design of information systems and the uneven bargaining power in contractual negotiations allow dominant firms to learn from their partners' businesses processes. The control of data gives companies the ability to innovate and cut out their competitors upstream or downstream. This implies that the uneven distribution of data along GVCs entails a dynamic and cumulative advantage for firms that play a lead role in the integration.

Finally, there is a last mechanism related to the distinctive scale economies of tangible and intangible assets. Intangible assets such as standards, specifications, R&D achievements but also software and organizational know-how are typically scalable assets. They impose negligible marginal costs following the initial investment made to create them. This results in infinite returns to scale. This feature is in striking contrast with tangible assets: even if tangible assets exhibit some increasing returns, these are certainly finite; their physical nature makes them subject at some point to diseconomies of scale. Now consider the fact that along GVCs some segments are intensive in tangible assets – say, the manufacturing of clothes, the assembling of food processors, a semi-conductor fabrication plant, railway transportation – and other are intensive in intangibles – say, fashion, integrated circuit or web design, marketing, software coding, supply chain management information system. As the output of the GVC expands, its intangible and tangible intensive segments experience very different fates: due to the uneven distribution of fixed costs, total cost grows more rapidly for tangible intensive segment and average cost diminishes much more rapidly for the intangible intensive segment, resulting in a growing differential rent at the benefit of intangible intensive firms.

As a result of the strengthening of IPRs, natural monopoly dynamics related to positive network externalities and other forms of rents related to centralization of the data and uneven return to scale, GVC organization allow lead firms to concentrate the gains from productive cooperation at the global scale. This is in our view a key reason why lead firms are able to serve generous financial payouts to shareholders, without being compelled to invest. The reverse is true for tangible intensive firms, that is, they are

compelled to invest but lack sufficient resources to do so. This could account for an overall dynamics of sluggish investment.

Conclusion

This chapter discussed the economic meaning of predation, contrasting the Veblenian and the Marxist perspective on this issue. In Veblen's view predation is rooted in old cultural habits, but it is enhanced by the complexification of modern industrial systems that increases the opportunity of sabotage and blackmail to the benefits of business and at the expense of the community at large. Contrastingly, Marxist framework insists on the productive drive that result from the competitive pressure generated by a general dependency to market exchange. However, the latter does not negate the importance of predation – that is, appropriation of surplus value disconnected from the production of surplus value – but gives it a subordinated role in the overall systemic dynamics of accumulation in the manufacturing age.

What we suggested is that the full realization of intangibles' ubiquitous character could constrain the dynamics of accumulation through the opening of new avenue to predation with the relaxation of the competitive pressure at the strategic heights of the economic system. We illustrated this possibility by delineating the implications of the autonomization of intangibles, and the resulting intellectual monopoly dynamics in the context of GVCs.

Our analysis indicates a possible trend that goes beyond GVCs' dynamics as it suggests an affinity between intangibles' ubiquitous properties and predation.

Due to the separation between workers and the means of production and a general dependency to market exchange, predatory practices are limited within capitalism. A perpetual reshuffling of productive combination entails a cumulative drive towards accumulation. But this also necessitate a specific costs structure of manufacturing capital, where returns to scale are limited and a situation of relative scarcity, that is, where contrary to land ownership, more investments can expand further productive capital allowing for positive-gain interactions.

In contrast with manufacturing tangible assets, intangible scalability is infinite. Moreover, the relationship between those who control intangibles and those who necessitate them to deploy their productive activities results in a relation of capture that limits the freedom to reallocate resources and allow value appropriation disconnected from the productive efforts. To the extent that these elements are true, the rise of intangibles could explain the growing disconnection between profits appropriation and productive effort, that is, an intensification of predatory practices vis-à-vis production activities, which could contribute to illuminate stagnation's tendency observed at the macroeconomic level.

Notes

1 Quoted and discussed by McColloch (2011: p. 12).
2 It must be added that this productive conception of intangibles as crystallizing productive knowledge is not unproblematic, when one turn to accounting practices. In particular, the category of goodwill – which is part of the intangible assets in firm's financial reports – tends to be a pure creation of stock markets and represents fictitious capital in Marxian terminology (Serfati, 2008). It is the difference between the book value and the acquisition price paid to owners during a takeover. It is thus greatly dependent on the phase of the financial cycle where the operation takes place and its evaluation participates in the discursive apparatus that contributes to the formation of financial bubbles.
3 This point is developed in Durand (2020).
4 Global value chains (GVCs) are a key feature of the global economy that link countries, firms and workers through international investment, trade and cross-border production networks.

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11 Ghost management as a central feature of accumulation in corporate capitalism

The case of the global pharmaceutical sector

Marc-André Gagnon

Ghost-managing the social determinants of value

Communications campaigns organized by specialized medical public relations companies are central to determine the commercial success of any new patented drug coming to the market (Sismondo, 2018). In many cases, the capacity to shape how society puts value over a product might be much more profitable than producing goods and services. For example, Purdue Pharma promoted opioids by systematically lying about the risks of their products, creating one of the worst public health crises in recent history with 46 opioid-related deaths each day in the United States (Scholl et al, 2018) and more than 4,000 opioid-related deaths in Canada every year (Katz, 2017; Keefe, 2017; Special Advisory Committee, 2019). When describing the behind-the-scene efforts deployed in the pharmaceutical sector to maximize corporate earning-capacity by increasing harms and risks for the population, many people react by considering that these efforts are exceptions by companies that have “crossed the line”, or discard the issue by confining it to the pharmaceutical sector.

This chapter builds on the assumption that these strategies are no exception but are systematic hidden efforts and strategies routinely deployed by large corporations to shape social and informational structures in ways that benefit their commercial interests. Building on the works of Sergio Sismondo (2007, 2018), the term “ghost management” is used here to refer to these systematic behind-the-scene efforts and strategies to shape knowledge, ideas and narratives about specific products, to influence experts by nurturing conflicts of interest, to capture regulation and policymakers, and to shape media and culture in ways that allow for maximizing earning-capacity. In a nutshell, this chapter contends that ghost management must be directly analyzed as a central feature of corporate capitalism in specific industrial sectors. Beyond the political economy of production and distribution, we find a political economy of influence in which dominant interests invest massive resources to induce and reshape the social structures according to their interests. In more theoretical terms, the question of importance for

us is, What is being capitalized here? How can we understand the nature of capital accumulation once we take into account massive investments aimed at transforming social structures?

By considering ghost management, the profit capacity of a company depends not only on the production of value (the production of social wealth for the community) but also on its capacity to influence and shape habits of thoughts in the community in order to favor of their interests. A dominant firm needs to be able not only to produce value but also the social determinants of the value it is creating. In many industrial sectors, especially when risk assessment is central in determining profitability, a firm without the capacity to shape social habits of thought in favor of their interests is unlikely to enter or remain among the dominant companies of corporate capitalism, as listed in the Fortune 500 for example.

Dominant corporations capitalize not only on their productive capacity but also on their power to directly or indirectly shape the habits of thought in a society. Without such capacity to shape the social determinants of value, their market value would simply collapse. This chapter analyzes the ways and means for the ghost management of the social determinants of value. This chapter first builds on the works of Thorstein Veblen to rethink capital accumulation in terms of accumulation of social power over the community, instead of defining capital as productive assets. Second, the chapter presents an analytical framework to analyze the ghost management of the social determinants of value in the pharmaceutical sector based on seven categories of influence and capture by corporations. In conclusion, the chapter will show that in the pharmaceutical sector, more financial resources are, in fact, spent for the purpose of ghost-managing the social determinants of value as compared to resources spent to simply produce saleable wealth.

Rethinking capital accumulation

The analysis of how corporations capitalize their social power over the community is absent from dominant economic analysis. According to contemporary mainstream microeconomics textbooks, the capital of companies is assumed to be the means of production, which produce social wealth, and the profit of capital is assumed to be result of the social wealth produced by these companies. From there, we find another economic assumption: maximizing profits necessarily maximizes the social wealth of a community. The dominant economic theory acknowledges that monopolistic capacities can exist, but it is considered an exception to the rule and the revenues obtained this way are called “rent” instead of “profits”.

Thorstein Veblen was the first scholar to analyze the coproduction of value and its social determinants by distinguishing the earning capacity of the businessman and the social productivity of the industry (Veblen, 1904, 1908a, 1908b). However, Veblen is often remembered only for his works on the leisure class and conspicuous consumption while his sociological analysis of

capital accumulation has been explored by few authors (McCormick, 2006; Gagnon, 2007; Bichler and Nitzan, 2009) For Veblen, capital is a pecuniary concept that relates to the predatory world of the businessman. The latter maximizes his earning capacity not by increasing his productivity, but by maximizing his control over the community, mostly through strategies of sabotage and by reshaping habits of thought and social structures (Gagnon, 2007).

Analyzing the early 20th-century American economy, Veblen contended that knowledge and technology have always been the main productive economic assets of a community (Veblen, 1908a). Veblen analyzed the ways and means of industrial control by business interests during the new business order characterized by the collectivization of capital in business enterprises and absentee ownership of corporations. He considers that control over industrial knowledge, and over the material means to put this knowledge to use, constitutes the core of capital's earning-capacity as a form of control over the community. From a Veblenian point of view, capitalism's contemporary transformations should not be viewed in terms of new forms of productivity but, instead, in terms of the new ways and means for business interests to extend their control over the knowledge and technology of a community.

Businessmen do not participate in production but develop control over the collective capacity of production (including technological knowledge) and thereby gain an upper hand on political power and on the population's habits of thought. Businessmen's motives are not to maximize production, but to maximize pecuniary gains through pecuniary transactions of buying and selling. In fact, their pecuniary interests are better served by restraining production and by artificially creating scarcity. For Veblen, business practices are thus predatory practices of industrial sabotage, and the business trade must be considered not as a positive or zero-sum game but as a negative-sum game (Veblen, 1919: pp. 54–55): "[this state of affairs] has some analogy with the phenomena of blackmail, ransom and any similar enterprise that aims to get something for nothing." The businessman interferes in strategic interstices of the concatenated industrial system and, depending on its sabotage capacity, he can reclaim a more or less important ransom, which could be understood in contemporary economic theory as a monopolistic rent.

This logic applies particularly well to the pharmaceutical sector. The blackmail capacity of a drug company owning a patent monopoly over a life-saving drug is obviously of a huge magnitude. For example, with only two products for very rare diseases, *Alexion Pharmaceuticals* managed to rank 314th among world's largest corporations in terms of market value in 2015, and its CEO, Leonard Bell, was the highest paid CEO of the pharmaceutical industry in 2014 with total compensation (including stock-based pay) of US$196 million (Lazonick et al., 2017: p. 6). Note that this amount is superior to total payroll and benefits for all Alexion employees employed

in manufacturing or research and development (Alexion, 2016). The earning capacity of the company is completely disproportional to its productive or therapeutic contribution to the community. Any such earning capacity with no equivalent counterpart in terms of wealth creation to the community is what Veblen calls the "intangible assets" of the corporation.

For Veblen, the "intangible assets" of the corporation are not only direct and indirect predatory means to restrain production but also any institutional settings or social structures that provide earning-capacities to business concerns. They can be "habits of life settled by usage, convention, arrogation, legislative action or what not" (Veblen, 1908b: p. 116), "preferential use of certain facts of human nature – habits, propensities, beliefs, aspirations and necessities" (Veblen, 1908b: p. 123). Veblen goes further (1901: p. 311), "Whatever ownership touches, and whatever affords ground for pecuniary discretion, may be turned to account for pecuniary gain and may therefore be comprised in the aggregate of pecuniary capital." Not only is capital an instrument for sabotage, but it is a dimension of human life that can translate into higher earnings for businesses.

For Veblen, the capitalized value of a corporation rests on the control over the community that the owned asset secures, be it in the sphere of production or distribution. If this intangible control is direct, for example through the massive resort to advertising to manipulate the desires and habits of the common man, this control is first and foremost structural, and rests on established social structures and habits of thought. The example of Pfizer illustrates this point: Pfizer's market value of US$218 billion (as of December 2019) depends not on its productivity but first and foremost on its capacity to restrain others' production through patent monopolies. This capacity is not based on direct power to compel the population to act a certain way; instead, it is based on the fact that the community accepts the legitimacy of the current regime of intellectual property rights, without which Pfizer's market value would collapse.

With Veblen, one should consider that the organization of the economy has to be understood as the design of dominant interests shaping the social structures according to their own interests. Thus, any institutional reality can be capitalized, be it social, legal, political, cultural, psychological, religious, technical, or anything else that can grant an earning capacity, any capacity for vested interests to gain something for nothing.

In other words, a successful communication campaign that would increase the profits of a corporation to the detriment of the community is capitalized by the company as much as its control over strategic means of production. As Veblen puts it (1923: p. 191), "It is always sound business to take any obtainable net gain, at any cost and at any risk to the rest of the community." Capital infiltrates the social structures in every interstice to obtain differential earning-capacities.

From this institutionalist Veblenian perspective, it is thus impossible to confine the concept of capital to the economic sphere. To the contrary,

capital is at the core of every social sphere, or, one should rather say, it mobilizes every social sphere so as to achieve differential gains. Capital is not an industrial reality; it is a pecuniary practice that meddles with the whole reality of the community. It infiltrates the knowledge structure in every interstice to obtain differential earning-capacities. By defining capital as "capitalized putative earning capacity" (Veblen, 1904: p. 131) without reference to productivity, Veblen can thus integrate power – any institutional form of power – in the economy. From such a perspective, political economy should examine capital accumulation by focusing on the dynamics of power and control over the social structures and the community in general, thus gaining greater insight on the real dynamics of capitalism.

Ghost-managing the social determinants of value

While Thorstein Veblen's works are fascinating and full of great insights to understand the evolution corporate capitalism, his works remain a bit dated and difficult to use as a coherent analytical framework. The rest of this chapter aims at developing analytical categories to better understand the capacity for dominant corporations to shape the social determinants of value according to their interests. If it becomes clear that existing social structures and differential advantages are being capitalized by corporations, the analysis of how corporations transform these social structures according to their interests does require a more detailed framework.

This section builds in part on the works of Miller and Harkins (2010) and identifies seven categories of capture as a comprehensive framework to analyze the political economy of influence in any industrial sector: (1) scientific capture, (2) professional capture, (3) technological capture, (4) regulatory capture, (5) market capture, (6) media capture, and (7) civil society capture. The word "capture" is used to describe the attempts to capture these elements by different strategies and should not be understood in terms of a complete capture of these elements. The categories suggested aims at better understanding this ghost political economy of influence that is constitutive of the contemporary dynamics of capital accumulation. The following sections introduce these categories one by one and provide an outlook on how they apply to the pharmaceutical sector.

1 Scientific capture

Attempts to capture science by corporate interests are increasingly documented (Matheson, 2008; Mirowski, 2011; Gotzsche, 2013; Fabbri et al, 2018; Lenzer, 2018; Sismondo, 2018; Howick, 2019). The social authority of scientific discourses makes science an excellent target to shape the social determinants of value.

The pharmaceutical sector effectively demonstrates the need to capture science in different ways. A new drug can gain financial success only if it is

possible to convince prescribers about the products' benefits and about the low risks associated to the product. Ghostwriting has become a usual strategy for scientific capture in the medical literature (Lacasse and Leo, 2010; US Senate Committee on Finance, 2010). The extent of ghostwriting at play goes beyond the basic issue of plagiarism. The notion of "ghost management" was developed to show the extent of the use of ghostwriting and refers to a whole system of management behind closed doors used to influence scientific results in favor of corporate interests (Sismondo, 2007; Sismondo and Doucet, 2010; Gagnon, 2012; Sismondo, 2018).

The first strategy is to inflate the number of favorable scientific publications. Many studies found in medical journals are written by ghostwriters or medical writing agencies paid for by drug companies. These publications form part of carefully thought out publication plans that are essential to the success of promotional campaigns and the market launch of a new drug. For example, internal documents from Pfizer revealed that, between 1998 and 2000, the company directly initiated the writing of at least 85 scientific articles on the antidepressant drug *sertraline* (Zoloft). During this period, the entire scientific literature on this active substance consisted of only 211 articles (Sismondo, 2007). In this way, Pfizer produced a raft of articles showing the drug in a positive light, lessening the impact of more critical studies. It is estimated that around 40% of medical journal articles mentioning patented molecules are ghostwritten and part of such publication plans (Sismondo, 2018: p. 101).

The second strategy is to restrain the disclosure of unfavourable results. Pharmaceutical companies consider private-sector clinical research produces private, confidential results as part of their intellectual property. They assume the right not to publish certain results, in the name of trade secrecy. And they are not compelled by political and health authorities to make public the data obtained in clinical trials. Drug companies can therefore select what data they want to see published (Goldacre, 2013).

A third strategy is to intimidate and neutralize independent researchers who produce studies that show the product in an unfavourable light. For example, in Merck's internal e-mails, which came out during lawsuits over the harm caused by its drug *rofecoxib* (Vioxx), revealed that the company had drawn up a hit list of "rogue" researchers who had criticized Vioxx. Managers recommended that the researchers on the hit list had to be "discredited" and "neutralized". "Seek them out and destroy them where they lived" reads one of the e-mails. This intimidation was the result of the work of an entire team that systematically monitored everything that was said about the product (Rout, 2009).

It is important to understand that in a sector like pharmaceuticals, these strategies are no exception: a company that would refrain from these strategies in the name of ethics would simply lose their market shares (Gagnon, 2013). If profits are affected by the scientific literature about the risks of the product, it is more than likely that dominant corporations in the sector

will deploy strategies to capture science in order to build their intangible assets. For example, similar ghost-management strategies to capture science were used by tobacco companies to downplay the risks of dependence and cancer for their products while touting the benefits and self-confidence associated with smoking cigarettes (Proctor, 2012). Similar strategies were used by sugar manufacturers and sugary food companies in order to downplay the role of sugar in heart disease and shift the focus on saturated fat (Kearns et al, 2017). In the case of medical devices, manufacturers systematically concealed adverse effects associated to their products while promoting their products with false claims (Lenzer, 2018). Declassified Monsanto documents from litigation reveal Monsanto-sponsored ghostwriting of articles published in toxicology journals and the lay media, interference in the peer review process, behind-the-scenes influence on retraction and the creation of a so-called academic website as a front for the defense of Monsanto products (Gillam, 2017; McHenry, 2018; Thacker, 2019). Internal documents also showed step by step strategies used by Monsanto to discredit investigative journalists criticizing their products (Foucart and Horel, 2019; Gillam, 2019).

2 *Professional capture*

Beyond scientific capture, it is important to understand that many companies deploy additional strategies to capture the technical experts of a specific sector, like engineers or healthcare professionals. It is important to differentiate this strategy from scientific capture since it has sometimes very little to do with science, and more to do with promotional campaigns. "Key opinion leaders" and promotional campaigns geared toward professionals have the capacity to shape expert opinion and influence professionals on controversial issues. In the United States, while the pharmaceutical industry spent $24 billion in research and development in 2004, it spent $58 billion in promotional campaigns (Gagnon and Lexchin, 2008), of which $54 billion was spent targeting healthcare professionals including $43 billion spent specifically targeting physicians. It represents average promotional spending of $61,000 per physician annually to influence their prescribing habits. In addition to standard promotion, the CMS Open Payment Data shows that, in the United States, drug manufacturers paid $9.35 billion to 627,000 physicians (directly or through an institutional affiliation) which represents a yearly average of $15,000 per physician.

The investment in professional capture in the pharmaceutical sector is financially greater than what is being invested in research and development. In other words, the main activity of drug companies is not to produce drugs, but to produce and control narratives shaping medical knowledge in a way that favor its interests. The production of the social determinants of value (medical knowledge and social demand for drugs) is much more important here than producing value (therapeutic benefits of the drugs for the

population). Professional capture thus seems central to developing intangible assets in specific industrial sectors.

3 Technological capture

The notion of technological capture is important when considering that the dominant corporations in many sectors are the driving engines of technological change in the context of important technological path-dependency. Core companies often compete for establishing the technological standards in their sector or for developing patent portfolios to increase their bargaining capacity against competitors. According to Alfred Chandler (2005), dominant companies in any industrial sectors have developed an integrated set of capabilities essential to commercialize new products in volume for national or world markets. These integrated capabilities become their learning base to develop their control over networks of production and distribution and to market new products. As such, they become core companies that set the technological direction in which the whole industry evolves. The concentrated power of technical, often proprietary, and functional knowledge embedded in the core companies integrated learning bases is such "that a relatively small number of enterprises define the evolving paths of learning in which the products of new technical knowledge are commercialized for widespread public consumption" (Chandler, 2005: p. 9).

This creates a dynamic where barriers to entry prevent start-ups from creating effective integrated capabilities that would be essential to compete in the industry. These dynamics are evident in the pharmaceutical sector, in which most start-up companies cannot even consider competing with core companies. For example, more than 80% of the drugs sold by Pfizer and Johnson and Johnson were discovered and developed by third parties (Jung et al, 2019). In fact, the development of new molecules is often financed through public basic research. Once a molecule is considered promising, it is often transferred to a start-up company that will start developing the molecule into a medication (often benefiting from generous tax credits) only to be acquired by a larger company.

Furthermore, because patents make technical knowledge proprietary, developing technical capacity often takes the form of "kicking away the ladder" for smaller companies who would like to enter a market. In fact, the race for patents has become a race for strategic patenting, a strategy consisting of patenting as many elements as possible in their broadest scope, in order to provide patent holders greater potential rights over future innovations. Such patent portfolios allow for the construction of "patent thickets", or "patent gridlocks" (Heller, 2008), which are barriers to entry based on the threat of patent litigations against any new competitors. This multiplication of low-quality patents is often harmful to innovation (Gold et al, 2010). As such, patents are used in business sectors more as barriers to entry and restraint on competition instead of incentives to innovate.

4 Regulatory capture

Regulatory capture can be defined as "the result or process by which regulation, in law or application, is consistently or repeatedly directed away from the public interest and toward the interests of the regulated industry, by the intent or action of the industry itself" (Carpenter and Moss, 2014: p. 13). Influencing laws and regulations are key objectives for many companies. An obvious way in which corporations invests in influencing policymakers is through lobbying on their own account or via heavyweight trade associations. According to the Center for Responsive Politics based on data from the Senate Office of Public Records, the number of lobbyists at the Federal level in the United States (Congress and federal agencies) was 11,652 in 2018 and total declared spending on lobbying was $3.45 billion. The pharmaceutical sector ranked as the top lobbying industry in 2018 with declared spending of $282 million, followed by the insurance sector ($158 million) and electronics ($147 million).

In addition to direct lobbying, revolving doors (Public Citizen, 2005) and ubiquitous conflicts of interests in Government and academy should also be considered as important means of regulatory capture. For example, a growing literature accounts on how private interests manage to shape public law, especially in the case of international trade agreements (Drahos and Braithwaite, 2002; Sell, 2003; Brunelle, 2007; Gleeson et al, 2019). According to Open Secret Database, in 2018, the pharmaceutical sector counted 1,021 revolving door lobbyists (industry lobbyists who previously worked with government). It is the industry with the most revolving door lobbyists, followed by electronics (828) and general manufacturing and distribution (677). Regulatory capture is certainly a central feature in the accumulation of intangible assets for dominant corporations, especially in the pharmaceutical sector.

5 Market capture

The category of market capture refers to any capacity for corporations to develop market power or restrain market competition. The building of monopolistic capacity through cartel agreements, mergers and acquisitions, cooperation agreements or through specific forms of corporate structures (trusts, holdings, and conglomerates) are the main elements that could be included under that category.

While cartels remain officially illegal according to competition policies in most industrialized countries and should not be considered central within the structure of corporate capitalism, two cartels emerged among pharmaceutical products in the 1990s: one in lysine (an essential amino acid) and the other in vitamins (Connor, 2008).

Other strategies, like mergers and acquisitions or cooperation agreements are central to market capture. With more than $2.5 trillion in deals announced worldwide, 2018 was set to become a record year for the value of corporate mergers and acquisitions (Grocer, 2018) while 2019 was expected

to be a record year for mergers and acquisitions in the pharmaceutical sector (Grocer, 2019). Mergers and acquisitions are a typical case of goodwill creation that does not increase production capacity. For example, in the case of pharmaceuticals, mergers and acquisitions are often used to slash spending in research and development since many in Wall Street see pharma research as value-destroying and as a target for cuts (Economist, 2014). In a nutshell, the destruction of the capacity to create real therapeutic benefits for a population is often considered as an excellent way to build the intangible assets for the shareholders.

Collaboration agreements between companies are becoming very important, especially in knowledge-based sectors. In the pharmaceutical sector, it was found that among the 16 largest pharmaceutical companies worldwide at least 82 collaboration agreements existed in 2008, which means that each dominant firm had on average more than ten cooperation agreements with other dominant firms (Gagnon, 2009). The sector is organized less like a competitive market and more like a network of cooperation. Market competition in the pharmaceutical sector becomes an elusive concept when compared to the reality of organized systematic cooperation. While there is not necessarily an official cartel agreement, we find ourselves confronted with the multiplication of quasi-cartel agreements, which results in the same consequence – increased monopolistic capacities as a form of intangible assets.

6 Media capture

Media can play an important role in creating intangible assets. It can play a direct role in lobbying and policymaking as it provides a capacity to connect with public opinion and elite opinion, and it can help to target and destroy industry critics (Miller and Harkins, 2010). Literature on media institutions and processes accounts for the different mechanisms by which media are influence and captured by corporate interests. Such mechanisms include advertising, public relations, influence of media ownership, and attacks on critics (McChesney, 2008).

Total pharmaceutical media advertising expenditures in the United States (excluding social media) amounted to $6.5 billion in 2018 (Snyder Bulik, 2019), which represents more than 4% of the $152 billion spent in advertising for all sectors (Mandese, 2019). Experts in corporate public relations (PR) are also becoming more and more active in shaping the news concerning corporate interests. It is estimated that for every working journalist in the United States, there are now 4.6 PR people, up from 3.2 a decade ago (Edgecliff-Johnson, 2014).

An often-neglected dimension of media capture is the use and role of media in securing regulatory capture through the sophisticated use of seemingly independent organizations as echo chambers for corporate messages or through direct attempts to take over the means of communication (Miller and Dinan, 2009). Many think tanks presenting themselves as independent

nonprofit organizations act as simple lobbying organizations for their corporate funders. The line is also getting blurred between journalism and lobbying, especially in the era of internet and social media. Confessore (2003) calls "journo-lobbying" the massive lobbying disguised as journalism: "The new game is to dominate the entire intellectual environment in which officials make policy decisions, which means funding everything from think tanks to issue ads to phony grassroots pressure groups."

7 Civil society capture

Civil society refers here to charities, nongovernmental organizations, trade unions, social movements and other groups associated with civil society. The technique of creating front groups (sometimes called astroturf organizations) has a long history in the era of corporate capitalism (Miller and Dinan, 2008). In addition, many grassroots organizations in civil society can be captured or influenced by corporate groups, especially when they rely on corporate grants to fund their activities.

In the pharmaceutical sector, patient groups play a key role to get a drug approved and reimbursed by insurers at very high prices. Most patient groups, however, are not created by drug companies, but they often rely on corporate donations to fund their activity. Not surprisingly, they often end up defending the interests of drug companies (get drugs approved and reimbursed at high prices) in spite of claims that their funding does not influence their discourse (Batt, 2017). While drug companies might fund specific groups to support specific products, drug companies can also band together to fund specific groups to support specific regulation in favor of their sectors, just like when they hired marketing firms to create nonprofit groups to push for higher drug prices in the name of patients (Elgin, 2019).

According to their websites disclosing their funding to US-based patient organizations in 2017, GlaxoSmithKline distributed $29.4 million to these organizations, Novartis spent $20.4 million, Roche disclosed spending $25.5 million and Genentech paid $58 million in grants and donations to patient groups and independent medical education initiatives. If the funding pattern of GSK, Novartis, Roche, and Genentech is representative of other companies and considering that these companies represented jointly 14.3% of the total $952.5 billion global prescription drug markets (Pharmaceutical Technology, 2019), we can estimate that drug companies spent almost a billion ($932 millions) in grants to patient groups and education in the United States in 2017. In many ways, patient organizations have become a central part of the communication strategies used by Big Pharma (McCoy, 2018).

Conclusion

Building on Veblen, an institutionalist approach to capital accumulation must analyze the different types of social power capitalized by dominant

corporation (Veblen, 1908b; Bichler and Nitzan, 2009). In order to better understand the different types of social power that allows dominant corporations to create intangible assets, this chapter suggested an analytical framework based on seven categories of capture. While the categories are built from analyzing corporate power in the pharmaceutical sector, it is likely that the same categories apply as well to other industrial sectors. The specific corporate strategies to capitalize social power certainly change from one sector to the other, but one could argue that these seven broad categories are large enough to encompass all main corporate strategies used by dominant corporations to develop intangible assets.

The use of these categories to analyze intangible assets in the pharmaceutical sector also allows us to understand how pervasive corporate power is becoming in the shaping of the social structures in which we live. The ghost management of the economy is not a secondary matter that must be analyzed at the margin, it is a core feature of corporate capitalism.

In the case of the pharmaceutical sector, drug companies spent around $64.6 billion in research and development (R&D) in 2016 according to STAT OECD. The analysis of science capture showed that an important part of this sum is in fact invested in strategies to manage R&D as promotional campaigns. Furthermore, according to our analysis, the US pharmaceutical industry spends around $54 billion every year in promotional campaigns toward healthcare professionals for their products, $9.4 billion in payments to physicians, $6.5 billion in direct-to-consumer advertising, $228 millions in lobbying policymakers, and $932 million in funding charities and patient groups. Additional resources are also being spent in different ways to capture the media, technology or markets. Drug companies are spending more in ghost management strategies than in producing beneficial drugs for the population.

The production of Veblenian intangible assets through the ghost management of the social determinants of value can thus be understood as the main driving engine for capital accumulation in this sector. The understanding of the notion of capital in terms of social power opens a completely new horizon to better understand the nature of accumulation and corporate power. Control of ideas, knowledge, habits of thought, and narratives has become central in how dominant corporations thrive in corporate capitalism, in pharmaceuticals or in other industrial sectors. The seven categories of capture presented can be useful to provide some guidance or framework to such analysis. Mapping the ghost management of the economy by corporate interests is as a necessary first step to better understand the dynamics of corporate power in our society and give citizens the necessary tools to develop their own strategies if they want to efficiently oppose this ubiquitous corporate power in our society and our habits of thought.

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Part 4

Accumulating through the Transformation of Profit into Personal Wealth

12 The role of the owner in new capitalist accumulation processes

The case of Finland

Hanna Kuusela and Anu Kantola

In this chapter, we explore the role that ownership and capital income play in creating today's top earnings, even in a relatively equal society, such as that of Finland, with a strong welfare model. In doing so, we take steps to further illuminate an axiomatic but a surprisingly neglected economic position in contemporary capitalism, that of the owner who accumulates income and wealth by virtue of ownership.

The past two decades have witnessed a renewed global interest in elite research and studying the wealthy. This new interest has been characterised by a focus on economic, financial and business elites, in addition to political and cultural elites. Despite all this new enthusiasm about economic elites and their influence in contemporary societies, the economic role of the owners or ownership has – surprisingly – gained little attention. Where economic roles and agency have been addressed, research has targeted business elites, managers and financial intermediaries, such as bankers and wealth managers (e.g., Beaverstock et al., 2013; Harrington, 2016). Conversely, when super-rich owners have been investigated, research has concentrated on their lifestyles, consumption habits and living environments (Birtchnell & Caletrío, 2013; Hay & Beaverstock, 2016; Sherman, 2017), mainly disregarding the role of owners as accumulators of capital and income or major beneficiaries of the economic system.

This absence is somewhat surprising, given that the wealthy owners' economic capacity seems to have increased rather than diminished over the past decades. The global rise in wealth inequalities and new levels of (often multigenerational) wealth accumulation are significant indications of the strengthening social, political and economic role of the owners of accumulated capital (Björklund et al., 2012; Carney & Nason, 2016; Gilding, 2005; Gustavsson & Melldahl, 2018; Hansen, 2014; Piketty, 2014; Piketty & Zucman, 2015; Waitkus & Groh-Samberg, 2018).

Thus, in this chapter, we address the question of income and wealth accumulation by focussing on the role of ownership and capital gains in the specific context of Finland. We draw on our large empirical research project

on the top 0.1% of earners in Finland between 2007 and 2016.[1] In the project, we tracked the top 0.1% from income tax data, interviewed 90 individuals belonging to the group and gathered statistical data on the group. By analysing how ownership creates top incomes in a Nordic society that has historically tamed income inequalities actively with its welfare policies yet has also witnessed the growing pressures of economic inequalities at the top (Riihelä et al., 2010; see also Jäntti et al., 2010), we contribute to contemporary discussions on the dynamics of accumulation through ownership. Our results show that private owners of wealth constitute the highest-earning group among the top 0.1% in Finland, thus playing a substantial role in the intense accumulation of incomes at the top. Thus, following Piketty's (2014) observations on the growing role of rent-seeking in today's economies, our study shows how ownership matters and how wealth and income accumulation still occurs largely through ownership, capital gains and inheritances, even in a country with a strong welfare model and allegedly high social mobility.

With the onset of globalisation, liberated capital has assumed substantial new power relative to labour, and the nation states have in many ways become subservient to the demands of capital. Social structures have given way to a new order, as capital, its owners and its servants have superimposed new imperatives on states and national social structures. Thus, in this chapter, we assess the Finnish case study from the point of accumulation by focussing on the capitalist class and its institutional role in a welfare state and coordinated market economy such as that of Finland. We argue that in contrast to the suggestions of many existing and recent research paradigms, there is a theoretical need to acknowledge and re-conceptualise owners as accumulators and central beneficiaries of the economic system.

1 Background: persistence of ownership – the super-rich, inheritances and dynastic wealth

Marxists have traditionally drawn a clear boundary between classes, defined by ownership and non-ownership of the means of production. The capitalist class has been perceived as an economic agent, defined by its ownership and control of capital. Marx originally believed that class relations were becoming increasingly simplified, based on ownership, as the old hierarchies of status, tradition and privilege weakened in the wake of modernisation. Later, he wrote also about a number of intermediate strata in the social hierarchy (Marx, cited in Bottomore & Rubel, 1963: p. 186), but the main argument remained; capitalist society is based on an opposition between the owners of capital – whatever its form – and those who possess only their labour power (for this interpretation, see, e.g. Scott, 1991: pp. 7–8).

However, Marx already noted that certain features of modern capitalism were not properly grasped by this dichotomy (see, Scott, 1991: pp. 10–12). Joint stock companies, their bureaucratic organisation models and the

proliferation of managerial workers created an expanding "intermediate" group within the class structure. As servants of capital, managers were propertyless but different from wage labourers. In a joint stock company, capital was provided by a mass of individual investors with little control on how that capital was used, and as the expanding banking system made these savings available to enterprises, this new mechanism centralised massive amounts of capital without transferring much control to its owners. The original capitalist entrepreneurs were thus supplemented by "finance capitalists" and a bureaucratic "service class" (Hilferding, 1910/1981).

In the course of the 20th century, many non-Marxists identified similar trends, viewing them as resulting in the demise of the owning class. As small shareholdings increased in number, the capitalist's personal role became less significant. Consequently, the central role of the capitalist owner, thought to be embodied in capitalist entrepreneurs and dynastic families, was gradually questioned in research. Ownership was divorced from control, which was exercised by the propertyless managers. According to this managerial or managerialist thesis, which started to gain popularity in the interwar and the post-war periods, large corporations, with their salaried managers, took control from the owners (Dahrendorf, 1959), splitting apart ownership and control (Berle & Means, 1968; for a recent perspective, see Duménil & Lévy, 2018).

However, the evolution of research paradigms concerning the dominant agents of capitalist economies did not end with the figure of the manager. After theorising the managerial revolution, many scholars started describing and analysing the age of portfolio managers, money-manager capitalism or portfolio capitalism, embodied by institutional investors and bankers. This led researchers to concentrate on financial intermediaries as key agents of capitalism. These paradigmatic shifts of the past two centuries have often been described as different stages of capitalism, so that the first stage was dominated by entrepreneurs or robber baron capitalists, the second stage by managers, the third stage by portfolio managers and the last stages by savings planners or pension fund managers and investors (Clark, 1981; Clark & Hebb, 2004).

As a result of these different periodisations and the subsequent elite research, what seems to be often missing in today's debates and theorisations is one group, that of private owners as accumulators of wealth. This research gap is noteworthy because several features of today's economy and economic stratification seem to point to the strengthened role of private owners as comprising a group that has succeeded in preserving a privileged space in the global economy. The world has witnessed a spectacular rise of very rich individuals and heirs, seemingly alluding to the growing significance of private ownership and owners as accumulators of wealth and income. The world's 26 richest men are currently estimated to own the same amount of wealth than half of humanity (Oxfam, 2019), and the share of the hyper-wealthy individuals, expressed in GDP, more than doubled between 1987 and 2013 (Milanovic, 2016). In the United States, some have named the

new millennium the second gilded age, suggesting a return to the social dynamics of the early days of capitalism, and Piketty (2014) has suggested that the world might be returning to the era of rentier capitalists.

Moreover, different studies on cross-generational wealth accumulation (by inheritance) and dynastic family wealth demonstrate that ownership is hardly a thing of the past. The relative importance of inherited wealth, compared with wealth amassed over a lifetime, has begun to grow in countries with good long-term data. First and foremost, Piketty's research has shown the enduring and growing role of inheritances in today's economic inequalities. For example, "the share of inherited wealth in total wealth has grown steadily since the 1970s" and represented "roughly two-thirds of private capital in France in 2010, compared with barely one-third of capital accumulated from savings" (Piketty, 2014: pp. 402–403). In a somewhat similar vein, Barone and Mocetti (2016) have examined long-term intergenerational mobility in Firenze, reaching the conclusion that earnings elasticity across generations that are six centuries apart is positive and statistically significant. Cross-generational accumulation of wealth seems to occur also in the Nordic countries that otherwise belong to the most equal societies globally, with high social mobility. Regarding Norway, research indicates that having parents from the top echelons of wealth has, over time, become more important for reaching the highest levels of wealth. The increasing concentration of income and wealth in recent decades suggests increasing mobility closure at the top in Norway (Hansen, 2014). Various studies from Sweden also point to a mobility closure at the top. One-third of Swedish billionaires have been identified as heirs (Therborn, 2018), and transmission of wealth and income is remarkably strong at the very top (Björklund et al., 2012; Gustavsson & Melldahl, 2018). The most likely mechanism for this is inherited wealth so that "capitalist dynasties" persist also in Sweden – often thought to be a land of high social mobility (Björklund et al., 2012). Similarly, in Norway, Hansen (2014) has referred to a new Nordic model, where high equality in the general population is combined with elite dynasties with vast resources and inheritances.

Despite forces towards meritocratic managerialism, hyper-rational capital markets and the rise of professional investors – the topics addressed by the major research paradigms in recent decades – accumulated family wealth has prevailed, and heirs and families seem to have retained control of capital and of business interests (Carney & Nason, 2016).[2] The role of inherited ownership, rather than work, in creating top groups is a significant sign of the central place that ownership occupies in today's economic accumulation. Wealthy owners seem highly capable of further accumulating wealth, extracting benefits from the world economy and passing on their properties in a dynastic manner, but the current paradigms of elite research capture this accumulation trend poorly because they focus on either the rich as a social class or on institutional and financial intermediaries. It is first the success of Piketty's work and his observations on how the rate of

return on capital exceeds the growth rate of income that have truly returned ownership to the limelight (however, see also Gilding, 2005; Glucksberg & Burrows, 2016; Gustavsson & Melldahl, 2018).

Thus, in this chapter, we draw inspiration from Piketty's now famous theses and elaborate on the capitalist owner as someone "whose advantages and life chances derive from the benefits which accrue from property and from the involvement in the processes through which it is controlled" (Scott, 1991: p. 64). Changes in legal and financial structures have resulted in the transformation of the owners as a class but not in its disappearance (Scott, 1991: p. 24). In the following section, we use the case study on Finnish top earners, particularly top-earning heirs and entrepreneurs, as a means to elaborate on the role of ownership in accumulating incomes in a country that has relatively low levels of income inequality among the population at large. What do our data on the top 0.1% of earners reveal about the role and significance of ownership in creating highest incomes in Finland?

2 The case study: top earners in Finland

The research project behind this chapter concentrated on those Finns who have benefitted the most from the developments of the past decades, namely, the top 0.1% of earners.

As a Nordic welfare state, Finland has historically strongly focussed on distributional policies and relatively small income differences (Atkinson et al., 1995), being one of the most equal countries in the world (OECD, 2019) as the Nordic welfare model has substantially decreased income inequalities (Kangas & Kvist, 2018). However, after decades of declining economic differences in the post-war era, economic inequalities also grew rapidly in Finland in the 1990s (Jäntti et al., 2010; Riihelä et al., 2010). Finland experienced a major banking crisis, and the ideas of the Nordic welfare state were substituted by new policy ideas, which view state and society in terms of market efficiency or competitiveness and rely on workfarist thinking (Kantola & Kananen, 2013). Along with many other countries, since the 1990s, the incomes and wealth of the top 1% and the top 0.1% in Finland have increased more rapidly than those of other groups (Keloharju & Lehtinen, 2015; Riihelä et al., 2010; Törmälehto, 2015a, 2015b). The real incomes of the top 1% roughly tripled from 1990 to 2007 as their incomes increased by 208.8%, while the average (mean) income increased only by 40.7% (Riihelä et al., 2010). The top 0.1% of earners have also gained substantially; between 1990 and 2007, their gross income share more than doubled, and their share of disposable income more than tripled (Riihelä et al., 2010). In 2013, of the income share of the top 1%, the top 0.1% earned more than one-third (Törmälehto, 2015b), and the income limit of the top 0.1% of earners approximately doubled between 1995 and 2014 (Ravaska, 2019). Concretely, the rise of the very top can also be observed in the number of billionaires in Finland, which increased from zero to six between 2006 and 2019, according to the Forbes list.

To understand in more detail these developments and the role of ownership in the accumulation of incomes in Finland, we explored the following questions: Who were the top 0.1% of earners in Finland between 2007 and 2016? What were the sources of their wealth and incomes? What was the role of capital income at the top of the income bracket? By taking into account the incomes earned over a ten-year period, we wanted to avoid one-off top earners, whose incomes were boosted one year, for example, because of the sell-off of their own companies or severance pay.

For our project, Statistics Finland provided statistical data on the group. These data showed that in 2016, the average income of the individuals who belonged to the group was around 22 times that of the average Finn. This group's average yearly income was 684,000 euros, compared with the 31,000 euros of the entire population, but the top 5% of the top earners earned at least 1,800,000 euros that year. The majority of the top earners were men over middle age; less than a tenth of the top earners were under 44 years old, although this age group comprised almost half (44%) of the entire population. Approximately one-third of the 0.1% were pensioners, who formed the largest single occupational group among the top earners. Only every fifth top earner was a woman.

However, the statistics do not indicate how individuals make their way to the top. To explore the group's structure, we compiled a list of the country's top 0.1% of earners (5,000 individuals) using public tax records. We created the list by combining the ten-year taxed earned incomes and the capital incomes of the top 10,000 earners between 2007 and 2016 and subsequently took the 5,000 individuals topping the list. Thus, our list of the 5,000 top earners consisted of individuals who had been able to sustain high incomes more consistently.

Finland's public tax records allowed us to explore and identify who the top 0.1% of earners were and what their main sources of income were. We took the 5,000 earners at the top and identified their backgrounds by searching public databases, such as company websites, media archives, social media and the national trade register. Thus, we finally identified 83% of the 5,000 top earners, whom we then classified according to their main sources of wealth and income.

In the analysis, we discovered three major groups among the top earners: entrepreneurs who had established their own companies and had often become rich by selling them (n = 850, approximately), managers who either earned top salaries or had become wealthy through remuneration programmes (n = 1,600), and heirs who had originally inherited significant wealth (n = 800). Moreover, a diverse group of professionals, such as lawyers, doctors and bankers (n = 900), did not belong to any of the three main groups. Around 900 names were also uncategorised because they were too common or due to highly complex and heterogeneous backgrounds (Figure 12.1).

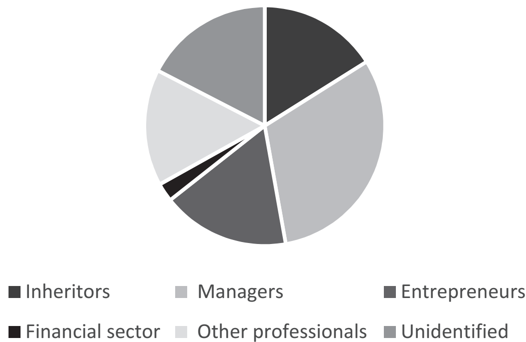

Figure 12.1 Different groups among the top earners.

In the analysis, we examined the relationship between capital and earned incomes of the top earners and among the three main groups: heirs, entrepreneurs and managers.[3]

Overall, capital and capital income clearly accumulated strongly at the top; the top earners received significantly more of their income in capital income than the population on average. Almost two-thirds (61.6%) of the ten-year incomes of the top 0.1% consisted of capital income[4] – a significant share compared with that of the population on average, which receive only 10% of their income in capital income (Tuomala, 2019).[5] Even the lowest quartile of the top 0.1% of earners received more capital income than an average Finn earned per year in total (Kantola & Kuusela 2019a).

The share of capital income also increased at the top of the income brackets – the higher on the scale, the more significant the capital income became. The mean gross income (4.90 million euros in ten years) of the top earners was significantly higher (53%) than the group's median gross income (3.21 million euros), signalling the skewed income distribution among the top 0.1% and even more so in the case of capital income. The mean capital income (3.01 million euros) received by the top 0.1% of the earners was 81% higher than its median (1.66 million euros), suggesting that the capital income in the top group accumulated heavily for the few and more so than the total gross income.

Among the 0.01% earners (the top 500 Finnish earners), the role of capital income was again much more significant than in the entire group of the top 0.1%. Of their gross income, 81.7% consisted of capital income against 61.6% of the entire group. Among the top 0.001% (the top 50 earners), almost all income (90.6%) comprised capital income (see also Figure 12.3). The fractile of 0.95 of the top 0.1% earned at least 10.9 million euros in capital income in ten years, whereas the fractile of 0.05 of the top earners hardly earned any (6,000 euros at most).

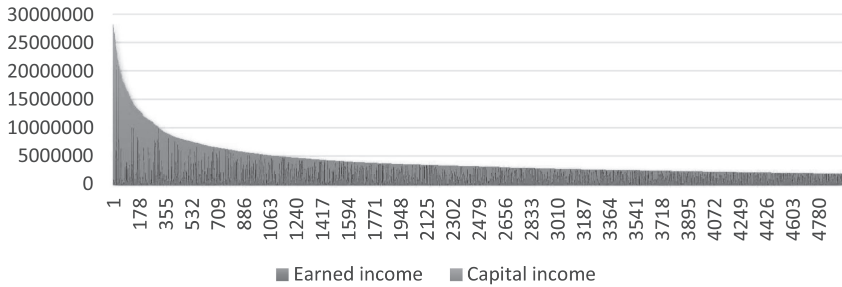

Figure 12.2 The income distribution and sources of income for the top 0.1% in 2007–2016 (excluding its top 1%).

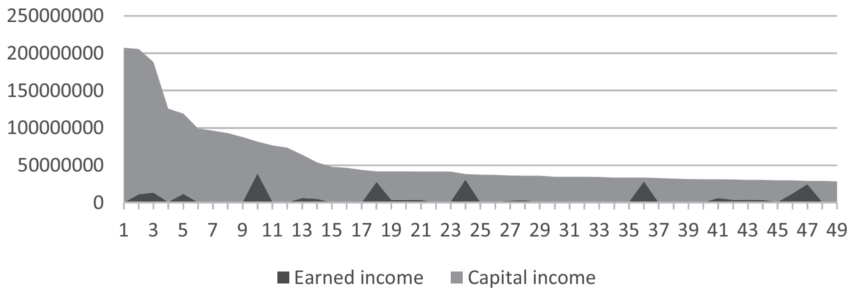

Figure 12.3 The income distribution and sources of income for the top 1% of the top 0.1% in 2007–2016.

Figure 12.2 shows the distribution and sources of income of the top 0.1%, excluding the top 0.001%, illustrated separately in Figure 12.3 because of the large differences in the scales. Both figures show the importance of capital income compared with that of earned income at the top and even more so at the very top.

Looking at the main groups among the 0.1% reveals clear differences among them. Heirs and entrepreneurs (instead of managers) occupied the very top positions in the group of top earners, due to the amount of capital income they received. The distribution of income in the top 0.1% shows that on average, heirs and entrepreneurs earned almost two times the managers' income (Figure 12.4).

In other words, the distribution and sources of income varied heavily among the three groups, showing the significance of ownership in creating top incomes compared with that of managerial labour (Figure 12.4). The heirs who had acquired their wealth through inheritances clearly drew the vast majority of their incomes (as high as 90% on average) from capital income. Many of the inheritors are descendants of the business families that

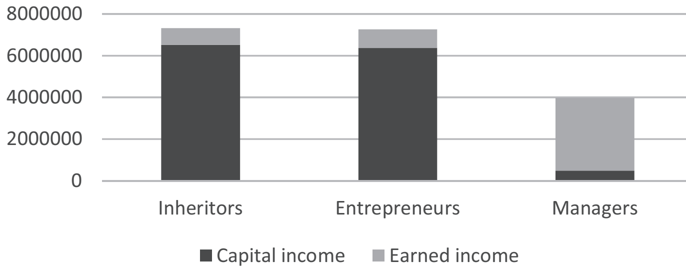

Figure 12.4 Annual mean incomes and sources of incomes among inheritors, entrepreneurs and managers in the top 0.1%.

made their fortunes during Finland's industrialisation at the end of the 19th century, but for some, the family wealth is more recent, dating back a couple of generations. Inheritors comprise a mixed bunch; in addition to the CEOs and the board directors of their own companies, there are artists, researchers and small entrepreneurs. What they have in common is inherited wealth and large amounts of capital income. The distribution of the heirs' incomes indicated how incomes accumulated strongly at the top, as also *in* this group, the distribution was highly uneven. The heirs' ten-year median income was 4.32 million euros, and their mean income amounted to 7.32 million euros (almost 70% higher), suggesting that the very top inheritors earned significantly more than inheritors in general. The incomes of the top 1% of the heirs in the group were tenfold in relation to the 99% of the heirs.

Similar to the heirs' case, the distribution of the entrepreneurs' income accumulated heavily at the top. The entrepreneurs' ten-year mean income (7.26 million euros) was almost 90% higher than the median (3.83 million euros). Capital income was clearly the main source of income (90%) of the entrepreneurs who founded their own companies, making them an important group in controlling capital assets.

The third group, the managers working as hired executives, clearly deviated from the other two groups. The bulk of the managers' income came from earned income (88%); only 12% was capital income. Indeed, in the top 0.1% of Finnish earners, executives stood out as the largest group of salaried employees. Out of the three groups we studied in detail, executives also comprised the group with the lowest income; the executives on our list earned on average little more than half of the entrepreneurs' and the heirs' earnings (Figure 12.4).

Thus, the importance of ownership can also be observed in the mean incomes of the different groups (presented above). Those groups (entrepreneurs and heirs) that received most of their income in capital income also had the largest mean incomes. The managers' group also showed a somewhat uneven income distribution, the ten-year mean being 3.97 million euros and the median amounting to 2.93 million euros, but with only around

36% difference, that is, much smaller than in the other two groups' case. The large shares of capital income enjoyed by the entrepreneurs and the heirs seemed to result in a more uneven distribution also among the top earners. The Finnish income statistics at the top thus follow Piketty's (2014) described developments on the substantial role of rent-seeking. Top earners do not earn their top incomes primarily through work, but above all, their ownership of capital makes them reach the top.

In addition to the statistics, in our project, we found plenty of evidence that the top-earning owners clearly sustained specific cultures of ownership, extending to policy advocacy. To obtain a more in-depth view on the activities of the top 0.1% of earners, we interviewed 90 of them, comprising 31 entrepreneurs, 33 managers and 26 heirs. In the interviews, we explored interactions among elite cultures, practices and economic thinking (Kantola & Kuusela 2019a; Kantola 2020), as well as the ways in which the cultures of ownership were central to creating and sustaining economic privileges (Kuusela 2018). Our results support the view that the owners of capital are active in both creating cultures of ownership and advancing their policy interests. The top-earning Finns use various cultural frames that help reproduce the idea that wealth accumulation is not only acceptable but also desirable and natural (Kuusela 2020). The interviews with the heirs in particular revealed a tendency towards formalised or at least deliberate techniques to ensure that the younger generations of dynastic families would recognise and value their roles as owners and accumulators of wealth and as a class sharing common interests (Kuusela 2018).

Finally, do these top-earning owners wield any actual influence in policy making, or are they able to influence it? Regarding power and policy influence, in our project, we also conducted some network analysis to explore the inner circle of policy lobbyists. We listed the board members of the 12 most important business lobbies in Finland from 2006 to 2018 and counted how many of the board members were on the list of the top 5,000 earners. The top 0.1% accounted for almost half of the board memberships and the majority of important business lobby boards. The most active group comprised the managers, yet the heirs have also founded their own business lobby, and the entrepreneurs influence policy issues that are important for their own businesses. Compared with the managers, the entrepreneurs and the heirs seem to have more specific needs and channels for policy advocacy that specifically concerned ownership. Again, echoing Piketty's (2014) findings, the heirs, with their growing inheritances, seem to play an active role in policy making, too.

Perhaps the most obvious evidence of the owners' political power comes from taxation. The tax rates of the top 0.1% of the earners suggest that the owners of capital have been particularly influential in policy advocacy. According to our statistics, the average tax rate of the top earners studied in our project remains low at 34% compared with the highest tax rates of 55% in Finland. This is largely due to the tax on capital income, which is in practice a flat tax with only two categories (30% and 34%). These results correspond with the work of Tuomala (2019) and his colleagues, who have shown the regressive

taxation of the top 0.1% earners in Finland. The tax rate of the top 0.1% has remained below 35% in the 21st century so far, less than the tax rate of the top 1%, and the fractile from 90% to 99%. In other words, in contemporary Finland, the ownership of capital or the ability to transform earned income into capital income is a substantial means to lower the tax rate legally, without the need for offshore solutions. The same holds true for the so-called tax-free dividends that the owners of unlisted companies can receive in Finland. In 2005–2009, the top 0.1% earners received one-fifth of all tax-free dividends, again demonstrating considerable privileges available for those who have significant ownership in unlisted companies (Ruotsalainen, 2011). Thus, the owners of capital have gained a privileged position in the national tax regime, with tax advantages over others only by virtue of their ownership.

Privileging ownership in taxation can be perceived as a strong deviation from the earlier regimes of the Nordic welfare state, as taxation has been at the heart of the Nordic model and its virtuous cycles between public services and free education, resulting in inequality, social mobility and economic growth (Kangas & Kvist, 2018). While the welfare system itself has not been entirely dismantled, its finances are affected by decreasing tax rates, and the owners of accumulated capital seem to play a crucial and influential role in advocating for lower tax rates for capital.

Based on our research among the top-earning Finns, it is safe to state that the owners play a central role in the accumulation of earnings at the top in 21st-century Finland. Capital income performs a substantial function at the highest range of the income brackets as it accumulates strongly at the very top. At the same time, the receivers of capital income have gained significant powers against the state. The relatively light tax burden suggests that the owners have gained a privileged space in society with respect to politics. Echoing Piketty's work on inheritances, it also seems that cross-generational ownership in particular has managed to endure. Our categorisation of the sources of wealth of the top 0.1% of Finnish earners reveals approximately one-fifth of those identified in the research as heirs. Moreover, as the current tax records do not register wealth but only incomes, the proportion of heirs among the top *owners* is most likely significantly higher than among the top earners, as generally, wealth is spread far more unequally than income in most countries.

Finally, although our research shows a significant proportion of the top earners as entrepreneurs, from the perspective of ownership, such entrepreneurs who have managed to accumulate significant wealth are likely to create dynastic chains in the future by passing their enormous wealth to their offspring – if tax policies would not change.

3 From statistics to cultures of ownership

The figure of the owner has remained in the margins of research, even if different statistics of ownership, incomes and inheritances indicate that the

owners of capital are among the central beneficiaries of the current system and its dynamics of accumulation. This is also the case in Finland, where the top earners occupy that high position primarily because of their capital income that accumulates strongly at the top – the higher on the scale, the more significant role the capital income plays. Not only are the heirs and the entrepreneurs, as distinct from managers, the highest earners among the top earners, but they reach the top primarily because of their access to capital and, consequently, to accumulated capital income.

We thus suggest that to understand the dynamics of accumulation as both a political and an economic fact, the economic role and position of ownership and owners need more attention, next to those of managers, financial intermediaries and institutional investors. To better grasp the social structures of accumulation (McDonough et al., 2010), more focus on ownership is needed. There is also the need to acknowledge and further study the agency of the owners and those cultural frames that sustain their privileges, as well as the social and the political positions that account for their advantages.

Studying such cultural processes and frames (Lamont et al., 2014) through which the owners normalise their position, lobby for their interests and legitimise the scale effects they enjoy is one way to analyse the dynamics of contemporary accumulation or in Bourdieu's (1987: p. 4) words, the "powers or *forms of capital* which are or can become efficient … in the struggle (or competition) for the appropriation of scarce goods". By examining cultural processes and cultural meaning-making around ownership, we believe that research may get closer to explaining exactly how it is possible that the current system benefits the owners on such a large scale and how both capital and income accumulate for the few.

Despite massive financialisation of the economy and the continuing rise of intermediaries, many of the new forms and practices of the global economy have only strengthened the position of the large owners. However, more research is needed on not only statistics but also the practices and the cultures through which the owners increase their fortunes, as well as the culturally embedded mindsets supporting such accumulation, to better understand the political, institutional, structural and cultural dynamics of accumulation in the 21st century. If research concentrates only on salaried professionals, such as financial intermediaries or managers, it misses many of the practices that make accumulated ownership and accumulation of capital possible.

Notes

1 For the initial results, see Kantola & Kuusela 2019a; Kantola & Kuusela 2019b; Kuusela 2018; Kantola 2020; Kuusela 2020.

2 The enduring role of family capitalism can also be observed in companies' ownership structures. In many Western countries, a significant number of companies, including large listed firms, are controlled by individual families (Anderson & Reeb, 2003; Faccio & Lang, 2002; La Porta et al., 1999).

3 For technical reasons, the income figures introduced below that have been compiled from public tax records are around 20–25% smaller than the aforementioned ones provided by Statistics Finland. For example, the figures from Statistics Finland include the so-called tax-free dividends from each year, whereas the public tax records have first included these since 2014. In any case, it is noteworthy that the figures presented below, though precise and correct, are in reality underestimations.
4 In the following, all figures refer to 10-year (2007–2016) combined incomes.
5 Working with time series, our colleagues noticed similar capital income shares of the Finnish top earners. Capital incomes have played a significant role in the incomes of the top 1% and the top 0.1% in 21st-century Finland. In the 2010s, the top 1% received approximately 50–60% of their income in capital income, and the top 0.1% received around 60–70% (Riihelä et al., 2010; Tuomala, 2019). The share of all capital income that the top earners receive has also grown rapidly; the 1% of the population with the highest capital income received about 14% of the total capital income in 1971, about 20% in the beginning of the 1990s and 35% in 2004 (Riihelä et al., 2010).

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13 Wealth managers, guardians of enrichment

The case of wealth managers in France[1]

Camille Herlin-Giret

In recent years, sociologists have been paying renewed attention to wealth inequalities, as a means of documenting the formation, closure and reproduction of the upper classes. Some have questioned the social meanings that wealthy or super-rich inheritors attach to their wealth (Sherman, 2017, Kuusela, 2018). Using quantitative data, others have underlined the direct and indirect role played by parental wealth in income and wealth trajectories (Keister, 2005, Hällstena and Pfeffer, 2017, Pfeffer and Killewald, 2018, Nordli Hansen and Wiborg, 2019). Authors have then clearly documented patterns that facilitate accumulation, as well as the type of transfers that can explain how wealth is maintained across generations. However, the importance of parental wealth has tended to mean that accumulation in itself is regarded as an unquestioned fact. Indeed, authors have paid less attention to the source of accumulation than to its role in the reproduction of inequalities. Here, I propose shifting the focus to the activities of wealth managers in order to shed light on the dynamics of wealth accumulation. I investigate a common conception: is wealth management oriented towards accumulation? The answer seems obvious; what else, if not accumulation?

C. Wright Mills (1956) points out that actors on the periphery of the power elite – especially lawyers and financial advisors – actively work to organise different higher groups into a power structure and preserve this. In a recent book, B. Harrington (2016) indeed shows that, by preserving, investing and managing wealthy families' assets, wealth managers contribute significantly to the endurance of wealth inequalities. B. Cousin, S. Khan and A. Mears underline that elites are often "thought of *a priori* as existing as a kind of organized cabal […] whose disproportionate concentration of power allows them to realize their interests through their coordinated activity". They therefore invite researchers to build another framework, pointing out that this "model of human action and agency would largely be rejected in other social contexts" (2018: pp. 227–228). Following this work, I will approach this topic by assuming that wealth managers' activities are not always effective. This idea relies on three assumptions that are often considered to be self-evident: first, wealth managers and their clients are pursuing the same goal; second, this goal is unique and focussed on wealth

accumulation; third, wealth managers succeed in achieving this consensual goal. Scrutinising the role of wealth managers without considering these three principles as a starting point leads to several questions. What is the relationship between wealth managers and their clients? How do the former undertake and negotiate their role? Whose interests do wealth managers work to preserve and how do they manage to accomplish this? Most importantly, these questions make it possible to render accumulation no longer an unthought-of phenomenon.

The purpose of this contribution is not to suggest that wealth managers don't pay attention to accumulation, but to highlight that, rather than individual accumulation, wealth managers work to maintain a collective entity that a fortune and name are attached to. These two proposals share obvious similarities: the maintenance of capital within a group requires accumulation. However, while the first principle focusses on individual estate growth, the second depends on the definition of the group to which the fortune is attached, presupposing an agreement on what needs to be maintained and a collective referent. I will show that wealth managers not only protect their clients' assets, but also a collective status.

This argument relies both on interviews I have conducted with wealth managers (37), aiming to better understand their daily work activities and their relationships with wealthy clients, and on the investigation of a monthly journal called *Gestion de Fortune* (wealth management) that has been published since 1991.[2] I will first describe the rise of wealth management in the financial landscape. Then, looking at wealth managers' trajectories, I will point out that if they generally do not belong to the same world as their clients, they at least learn to act as if they do. This support of the clients' status also pervades their money management, through the promotion of "good" behavior with money, as I will then show. Finally, I will highlight factors that may divert wealth managers from the standards they claim to promote.

From portfolio management to privacy

In the 1980s, wealth management, usually called "private banking" at the time, was strictly focussed on asset management and was pushed into the background of banks. Private banking activities, long viewed as not very profitable, thus saw renewed interest in the second half of the 1980s. The erosion of lending margins at the time also led banks to seek out new sources of profit. With the introduction of the Cooke ratio[3] in 1992, activities that did not require much of their own funds became an attractive option for banks wanting to diversify their activities. The development of new products, such as life insurance, further resulted in the establishment of internal training on law and tax issues. This led to the development of an approach focussing not only on portfolio management, but also on law and tax. The first wealth management degree was launched in the second half of the 1980s and followed by the creation of many others. Spurred on by bank executives, many

"wealth management" divisions (distinct from asset management divisions) were created in the 1990s. Wealth management divisions were then filled by the first generation of graduates in wealth management, who possessed more technical expertise, specifically on legal and tax issues.

Patchy regulations and very limited success of certification – an essential support for a professional community trying to establish the social closure of a market (Sarfatti-Larson, 1977) – nevertheless show how blurred the boundary between asset and wealth management remains in France. Wealth managers still make most of their living from asset management – indeed, most of them are remunerated through sales commissions – even though they insist that they are primarily doing estate planning. Since most wealth managers are unable to distinguish themselves from asset managers, who are focussed on selling financial products, they regularly try to transform their role by making wealth management projects and clients' secrets, rather than their portfolio results, the main elements of their work (Herlin-Giret, 2017). They seem to like undertaking a role focussed on "helping clients to think about the meaning they would like their wealth to have", as one wealth manager explains in *Gestion de Fortune* (n° 141, 2004). Unlike a straightforward logic of personal gains, wealth managers encourage clients to attach precise meanings to money. This rhetoric encourages the perception of money as less neutral, "marking" (Zelizer, 1994) it so that clients can decide what wealth means to them. Clients' emotional attachment to the items they own is viewed here as an essential and positive element of their relationship to money. This should be given as much attention by wealth managers as the effective management of their clients' fortunes. In a book on art finance, we read that "Art is a good investment only on one condition: to love and be guided by a passion for art objects. Choosing according to your taste is the key to a successful acquisition". The author here opposes a financial logic to the logic of money marking, which is seen as fundamental to enabling the investment to be profitable. Neil Smith, a freelance wealth manager explains, "we should think of it [wealth management] not as managing people's money, but as managing people who have money". The setting and decor of the banks should immediately suggest to clients that their secrets and plans, more than their assets, are the focus of the interaction. Meetings often take place at the client's home and computer work is moved "backstage" (Goffman, 1978) rather than done in front of them. In private banking offices, decorative items are chosen to make clients feel at home and encourage them to unveil their secrets. The importance given to privacy is a reminder of the luxury world, where interactions between clients and staff rely on an implied norm of reciprocity, confidentiality and discretion (Sherman, 2007). The dialogue between the two parties also needs to appear spontaneous, like a conversation between equals. So more than just accumulation itself, wealth managers like to highlight that they are protecting clients' secrets, as well as helping them to give meaning to their wealth.

Learning similarity

Considering the trajectories of wealth managers, it is at first difficult to make a general statement about their social backgrounds. To shed light on wealth managers' apparent social heterogeneity, I distinguish three different generations. Born in the 1940s, 1950s and 1960s, the first generation is made up of people who began working as wealth managers before the creation of the first degrees and who have been a part of wealth management's development. Some benefitted from career opportunities offered within banks. Nine of my interviewees entered banking at a very young age without any diplomas and, following internal promotions, now hold powerful positions in wealth management departments. Alongside these internally-trained wealth managers, who neither belong to the labour class nor share the social characteristics of their clients, is a set of wealth managers who are socially close to their clients. Most of them are highly educated and come from the Parisian bourgeoisie. The second generation is made up of wealth managers who were the first to experience regulated ways of entering the profession, following the creation of wealth management degrees in the 1980s. They have an intermediary position between the two types of trajectories characterising the first generation: they do not belong to the highly educated Parisian bourgeoisie, but neither are they self-taught and benefited by internal promotions. With the significant development of wealth management in the 1990s and 2000s, many of them now hold important positions in Parisian banks or have started their own "family office"[4] business, often after a career in private banking. Finally, the youngest wealth managers are part of a large generation of wealth management graduates. They are less likely to have careers as exciting as their predecessors. A survey conducted by S. Mignot-Gérard et al. (2017) on cohorts of students getting master's degrees in wealth management from a Parisian university shows that most of the students belong to the middle class and are not socially over-selected, especially in comparison to students taking trading courses. The authors also point out the increased female participation in these degrees. Today, wealth management doesn't seem to be an activity designed for individuals who look like their wealthy clients.

Regardless of wealth managers' social backgrounds, they have learned to manipulate various status symbols in front of clients. E. Goffman (1951) refers to people whose job it is to become competent in the manipulation of symbols of class status as "curator groups". According to this definition, we could say that the apparent similarity between clients and wealth managers is less based on sharing the same class position than on the fact that wealth managers take pains to resemble their clients. Owen Price, who works in a department dedicated to the largest fortunes of a big bank, explains that he always tries to "separate" his role as a wealth manager from his life outside the bank: "I am a private banker when I arrive here, but then, when I leave, I am not a private banker, I am just a bank employee, I am an employee".

He goes on: "I put on my private banker's suit and then return to my ordinary role in society". He explains that he considers "role mixing" to be "very dangerous". To resemble their clients, wealth managers may engage in activities that their clients supposedly like. Scott Rivera explains how one of his classmates, employed in an old-style Parisian private bank, learned leisure activities associated with the bourgeoisie, such as hunting and golf. Some wealth management firms remind their employees of the importance of this adjustment, consisting in acting *as if* they belong to the same world as their client. *Gestion de Fortune* (n° 213, 2011) provides a few lines from a long document UBS distributed to employees engaging with "wealthy clients". This document "is not limited to instructions for clothing and footwear, it also affects accessories and includes a host of recommendations on personal care". It includes directions on buttoning shirts and advice on the kind of suit to wear and how to tie a tie or a neck scarf properly. More broadly, wealth managers recount how they often organise events for clients, at which many prestigious symbols can be manipulated; dinners, cocktails and breakfasts have become routine events in wealth management departments. Elvis Lewis, who works in a private bank that historically specialises in international high net worth clients, told me he had recently organised "a reception with clients, which was really nice. Without being too showy". According to him, far from being anecdotal, these kinds of activities "are part of the job". Similarly, the old-style and selective bank NSM brings its customers together every year. In an interview for *Gestion de Fortune* (2011, n° 224), the director of a big insurance company recounts, "We must help the client not only to own more, but also to be more". The many events to which customers are invited are supposed to help with this. These events also erase signs of the commercial relationship: clients and wealth managers act as if they are part of the same small world. Wealth managers can thus be characterised as a *curator group* because a part of their work consists of manipulating prestigious symbols that are supposed to help clients "be more". This curator work also pervades activities at the heart of the business – money management in particular – through the promotion of "good" behavior with money, which has moral grounds.

Not too close, not too far away

Listening to wealth managers, the two main kinds of economic deviance associated with opulence are spending too much and endless accumulation. Stories of wealth squandering highlight the impotence of wealth managers when facing this kind of situation, who most of the time can do nothing but warn the client. Bruce Williams, a self-employed wealth manager in a small town, recounts his disappointment when the son of one of his clients went "crazy" after inheriting and quickly spending a significant part of a several million euros fortune. Bruce finally decided to kick him out of his office, explaining that he did so "because of [his] father; to honor his memory". While

critical of overspending clients, wealth managers also do not like it when the latter hoard too much capital. Indeed, dormant money and endless accumulation directly threaten the transfer of capital to the next generations. When he praises the intelligence of his clients, Owen Price, a wealth manager in charge of a big bank's largest fortunes, implicitly illustrates which economic practices he values: "The idea is to keep this capital so that it can be passed on". Claiming that his clients are not obsessed with their portfolio results, he continues, "Intellectually, it has to be interesting. That's what our clients are asking us. They are not people who come every month just to check their capital gains". However, it is difficult to say whether the clients he describes are typical or ideal; this speaks to the main driving ideas about a "good" money management: implement projects, spend in moderation – wealth must not be too conspicuous – and finally transmit the capital to the next generation.

This last principle is also known as the rule of "keeping-while-giving": the preservation of capital is paradoxically possible through its circulation. Indeed, wealth managers sometimes disagree with clients about capital transmission. Harry Thompson has been a self-employed wealth manager for about ten years since he moved on from heading private banking departments. He recounts that one of his "very wealthy" clients – "a client who may own, I don't know, 4 million euros" – refuses to make donations and "will die on a pile of money", despite Harry's advice. He continues, "Anyhow, I managed twice to force her to make a donation. Twice, I succeeded. But she gave away real estate, so she didn't divest cash". The relationship depicted here shows that the role of the wealth manager in controlling their clients' wealth is limited. The two terms – success and force – reflect the power dynamic in such an instruction, which is supposed to be an injunction, but is, at best, only a convincing argument that does not always succeed when the client does not want to hear it. Interviews with wealth managers make frequent mention of the embodied figures of people labelled has deviant because of their inclination for endless accumulation: elderly clients who categorically refuse to give, pass on or spend their fortune, or stock market enthusiasts who show interest only in stock market gains.

The two economic practices wealth managers avoid are thus based, first, on a simple accumulation logic and, second, on a hedonistic logic. These two poles – reckless spending and endless accumulation – directly threaten their work, either by making it unnecessary (if the client wants to spend everything) or by returning them to their role of asset manager. Through these two repellent images, it is "good" behavior with money that is valued and promoted by wealth managers when they help their clients get to grips with their wealth without holding onto it. However, this normative work takes place in a constraint framework due to the relationships between wealth managers and their clients.

Several sociologists have examined how institutions managing the budgets of those with few resources tend to normalise their economic practices.

V. Zelizer (1994) highlights how agents working in charitable institutions during the 19th century engaged in the domestic economy of the poorest. Similarly, A. Perrin-Heredia (2013) points out all the standards of good management that budget advisors try to impose on the people they are supporting. According to her, normalisation is based on the asymmetrical relationship between budget advisors and the poor families facing them. In our case, such asymmetry either doesn't exist or is reversed: the social distance between wealth managers and their clients places the former in a role that can become "servile". Wealth managers pay attention to providing advice in a way that it doesn't directly hurt client's feelings, whose status must be protected and supported. Remarks cannot be too direct, otherwise the client may end the relationship. Wealth managers are thus gently shaping clients' assets and economic dispositions, all the more so since they cannot legally make decisions in lieu of the client, unlike in the United States, where legal structures such as *trust* make this possible.[5]

Wealth managers thereby use various techniques to make clients adopt "good" behaviour with regard to their wealth, without pushing them, especially when money arrives quite suddenly (mainly through property sales, or major inheritance). Many wealth managers recount trying to convince clients to avoid any sudden changes in the year following the gain, to give them time to get used to the idea that they now have a fortune and to allow them to think about what to do with it. As a result of this waiting time, clients learn to keep their wealth at a distance, simply because they cannot immediately spend or invest it. Rupert Allen heads a wealth management firm located on both sides of the Atlantic. He works with both French and American clients and has also extended his activity to China. He describes working with his wealthy clients for many years. He recounts asking two things of heirs: "First, if you have one or two things you've wanted for a long time, you can buy them right away"; "And then, I would like you to leave the rest of it for now, to have time to ask yourself where you are going". Clients are then invited to deposit most of the wealth into an account "with a very small interest rate" to "let the shock go away", so that the client can "dream of the life [he/she will] want". In doing so – putting the fortune on hold – Rupert Allen not only invites the client to develop a strategy that can be deployed long-term, but also teaches the client in practice to incorporate an ethic of prudence and moderation. This kind of learning is quite convenient: once Rupert succeeds in making the client agree to this first principle, he doesn't have to directly intervene afterwards, for example, in the control of expenditure. This is reminiscent of the forms of learning highlighted by L. Wacquant (2006) in relation to a completely different object – boxing. The latter points out that most transmissions of pugilistic knowledge don't involve an explicit intervention by the coach. In our case, the waiting time alone – during which clients cannot use or invest their money – will foster the learning of principles that wealth managers value. Among these principles, the learning of temporal dispositions in which "the representation of

the future as a field of possibilities that calculation must explore and control" (Bourdieu, 1977: p. 19) is a key element of wealth managers' normalisation work.

Wealth managers have a very clear-cut mantra on their educational mission, just as civil servants often highlight their moral mission when talking about their work with poor citizens. Mike Peterson, a self-employed wealth manager working with senior executives, explains that his activity is guided by his "concern for economic education", stressing that "it is scandalous to see the lack of knowledge of people, who do not know what inflation is, who do not know what is risky and what isn't, who get different financial approaches mixed up, who do not understand the tax system and who never think about their pension". However, just after his description of clients' lack of financial knowledge, Mike explains that this is mostly due to his clients' very busy schedules. The clients, working as CEOs or senior managers, are too busy to take charge of their own capital. This explanation is often provided to distinguish between different types of clients, depending on their greater or lesser proximity to finance, business and economy. On one side, such a lack of knowledge could go along with a lack of time; on the other, it could suggest difficulties in properly understanding the ins and outs of money management. With the latter clients, wealth managers will then use more direct teaching skills than with the former. Clients described as less skilled in understanding finance are often those for whom the relationship with wealth managers is the most asymmetrical. Young heirs, lottery winners, women and, more broadly, the few people for whom the fortune was made quickly and suddenly, are often targeted as clients who need specific teaching. With future inheritors, the work done by wealth managers covers a wide spectrum: from providing them with education on financial and tax issues to teaching them how to use their money, which can be considered as a more prescriptive idea. Some *family offices* have launched a series of programs and seminars to train younger generations who will become rich in the future. Derek Davis, a wealth manager who opened his own *family office* ten years ago, explains that he once set up a tailor-made program with "HEC" – the most prestigious business school in France – teachers in a very short time for the son of one of his clients whose father died suddenly and who thus suddenly inherited a fortune: "Twice a week, he spent half a day here in the meeting room with HEC teachers: education, training, preparation, etc." For a few thousand euros, the French family offices association (AFFO) offers families a programme delivered by experts and conceived for their children: training them in money, but also teaching them about "the way of life to adopt when the person inherits a fortune". This last option is led, not by a specialist working in finance, but by a psychiatrist "specialized in neurosis related to money". The training is first and foremost "psychological and moral". B. Camblain, who has chaired the AFFO for several years, outlines a method by which to pass on the essential principles of "good" asset management to the younger generations from an early age in his book

on *family offices*.[6] This is based on a system of envelopes. In a first envelope, young future inheritors are supposed to deposit money that will be saved; in a second one, they deposit money they want to spend soon; and, in a third one, they deposit the money that they will give. Saving, spending and giving are the three main pillars that guide the learning of moderation, prudence, calculation and control. Wealth managers often experience less pressure with the younger generations and they can explore far more methods of training with them. The role they undertake with their clients' children might even lead them to bypass the parents' views when they consider it necessary. Owen Price recounts that he has sometimes lent money to a young adult with "a business project", against the parents' wishes, putting forward his "educational duty to get children who will have assets to manage tomorrow ready": "you don't lend two million euros of course. But small sums, even when you are rich, 50,000 euros for instance". Since they want to become protectors of the family fortune, and not only of one client's fortune, wealth managers sometimes take the risk of disregarding clients' opinions – in this case that of the parents – on the grounds that they know better what interests need to be protected. The rebalancing of an inheritance plan deemed to be unfair or the lending of money to children deemed incapable by their parents is then seen as a way to contribute to the endurance of capital.

Dealing with a threefold temporality

Wealth managers like to focus on the successful tools they set up to make long-term plans. However, they often face major obstacles. Keeping wealth within families long-term presupposes, first, that clients comply, at each generation, with the principles allowing for the endurance of family wealth. Debbie White, a self-employed wealth manager, explains that she once took pains to persuade grandparent clients to make a significant donation to their two grandchildren. The argument was that the grandparents could thus facilitate years of study for their grandchildren. However, one stopped her medical studies to travel the world and the other stopped his law studies to open a herbalist shop in a small rural town. In this story, the inflow of money that was supposed to help with the perpetuation of capital, finally made it possible to enter an alternative lifestyle. There is, therefore, no guarantee that children will pursue the accumulation work of their seniors. The wealth manager has little control over these alternative uses of family wealth.

Second, keeping wealth in families long-term presupposes that wealth managers gain access to client wealth information. However, as stated in *Gestion de Fortune* (2002, n° 112), "It is often difficult to obtain from a client all the information about assets". In one example, a wealth manager asked a long-term client about the source of a sudden 4 million euros cash flow, only to learn that she owned an important collection of paintings that she had never told him about before. Wealth managers like to underline the strong bonds they have with their clients and the deep knowledge they have

of them, but money, more than anything else, easily lends itself to concealment, as G. Simmel (1978) points out. They also do not all have the same access to clients, especially when the latter meet with various experts and have several bank accounts. Owen Price, who recounts sometimes working with Lew Henderson and Ray Miller for the same clients, acknowledges that "there is often a pivot, which is the *family office*, who make sure that we all get along and work intelligently". We can assume therefore that the *family officer* has better access to information than others.

Third, long-term work is challenged by the many adjustments wealth managers are making in the short-term. Wealth managers recount that they consider a threefold temporality: that of the financial markets, that of economic policies – change to the legal framework – and that of the lives of their clients, which are uncertain (divorce, disease and so on). The lack of coordination between these three social rhythms leads them to be very active in the short-term, which can quickly take precedence over long-term plans. After the talk of a tax expert at a thematic meeting organised by the AFFO in 2002, a wealth manager commented on a mechanism that, through donations, reduces the amount of tax due. Another wealth manager immediately remarked that, "But we never make a donation to erase taxable capital gains, we make donations to pass on wealth". This underlines a principle I heard many times in interviews, according to which the wealth strategy is always supposed to take precedence over the tax strategy. However, the wealth manager's remark did not seem to convince the audience, with the first advisor replying "here, everyone does", and the tax expert adding "I think elsewhere too". These two teasing responses both testify to the fact that making donations to avoid taxes is commonplace in wealth management. Just as the tax strategy can take precedence over the wealth strategy, setting rules for a family agreement can lead the wealth manager to leave the tax strategy out. At the same AFFO meeting, the tax expert pointed out: "If I have managed to agree 250 fourth generation heirs to a mechanism and they are ready to sign it, frankly, have them sign it right away, before they change their minds, even so the regime is not the most favourable one we could have hoped for. By the time they change their minds, of the 250, 25 were single, next year there will be three who will get married or whatever, and then the new girl will be against it. No, no, no, get them to sign right away". In this case, it is the precariousness of the family agreement that justifies the lower optimality of the mechanism. The three different temporalities of legal and tax reform, family events and financial markets are therefore constraints that interfere with the work of wealth managers, as much as they are their livelihood.

Conclusion

Wealth managers are not only a curator group because they make their clients' capital grow. They are a curator group mostly because they more broadly

defend and maintain their clients' interests by investing in areas other than asset management. Wealth managers are status keepers first and foremost because they undertake a role in which they have to reinforce the status of their clients. The first remarkable element is their adjustment work, done to resemble the client. Wealth managers are invited to enter the world of the upper classes and to act as if they are part of this group. Status support is not limited to the use of symbols; it also involves listening to customers' confidences and protecting their secrets. In addition, it leads wealth managers to promote certain money management standards that can be regarded as bourgeois.

Listening to wealth managers, we may be surprised that they consider one of the most difficult aspects of their activities to consist precisely of maintaining fortunes (Glucksberg and Burrows, 2016). This discourse can only be understood if we distinguish between different forms of accumulation, since not all of these are valued by wealth managers. Indeed, endless accumulation is often perceived as a deviant economic practice and accumulation is mostly valued when the wealth in question is attached to a family group. Part of the work of wealth managers ultimately involves redefining their clients' interests. The endurance of the fortune can surprisingly go along with the promotion of certain forms of capital flow. The "good" behaviour with money that they value goes hand in hand with passing on assets to the next generations. This also implies that, in the name of a more collective interest, wealth managers may, depending on their ability to negotiate with the client, oppose the latter. Wealth managers are therefore not only involved in wealth accumulation; they also find and value forms of accumulation that contribute heavily to the existence and endurance, both financial and statutory, of a family group. Turning accumulation into a process that is not at all mechanical and, above all, that brings into play different, sometimes competing, interests, makes it possible to analyse wealth inequalities in a more complex way, even among the wealthy, as proposed, for example, by C. Bessière (2019) in her analysis of the gender wealth gap.

Notes

1. This chapter is partly based on a chapter of a book (Herlin-Giret, 2019) published in French, *Rester riche. Enquête sur les gestionnaires de fortune et leurs clients*. I want to thank its publisher (Le Bord de l'eau) for allowing me to translate parts of it here.
2. With a circulation of 30,000, this journal, which is aimed for a professional readership, explicitly focusses on wealth management.
3. The first Basel Accords (Basel I) was completed in 1988. It set minimum capital standards for banks in order to prevent them from building business volume without adequate capital backing.
4. Under the title of "family office", imported form the United States in the 2000s, wealth managers claim to provide high-end, tailor-made consulting services to clients worth at least 20 million euros.
5. The *trust* is a contract by which a trusted person, or *trustee*, becomes responsible for taking care of capital in the place of the beneficiary.
6. Camblain, B. (2008). *Family office et famille*. Paris, Gualino.

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14 Accumulation and tax professionals

The case of tax consultants in Germany

Silke Ötsch

Within the last decade following a series of tax scandals, civil society, journalists and the broader public have once again raised awareness of the role of tax professionals. Leaks and investigative commissions have shown that tax professionals play a crucial role in tax scandals, by conceiving illegal and illegitimate tax schemes, specifically for the benefit of wealthy individuals and multinational enterprises (MNEs). Hitherto, contributions in relation to tax planning primarily dealt with legal, technical, political and economic issues. Actors such as tax professionals only played a minor role in tax research (Harrington, 2016) and research primarily relates to professionals in Anglo-Saxon contexts (Sikka and Willmott, 2013). I argue that tax professionals play a crucial role in the accumulation of capital. The environment of capitalist economies, and their political and legal framework, influences professional action, but at the same time, actors shape the system within the profession's own logic.

In developed societies, large amounts of income are channelled through tax policies. According to Eurostat, the total revenues from taxes and social contributions in the European Union stood at more than 40% of GDP (2018). When considering the bigger picture, the tax advice is to shift revenues from public to private funds. Extremely wealthy individuals, such as multinational enterprises, benefit most from international tax systems, tax flight and avoidance, and have more opportunities to shift tax income than those with a lower income (Alstadsæter et al., 2017) or locally based enterprises (Overesch, 2016). The OECD (2016) estimates that on a global level, corporate tax evasion is responsible for losses in public funds of around US$100–240 billion per year. Other calculations estimate the losses of tax income in the US corporate sector to be 4–15% of the total tax income in the US corporate sector (Blouin and Robinson, 2019). Statistical discrepancies in the export and import data of the EU indicate that VAT fraud is responsible for losses of more than 60 billion Euros per year within the EU (Braml and Felbermayr, 2019). Gabriel Zucman (2013) estimates that 8% of global financial wealth is invested in tax havens whereby three-thirds of this sum is not reported. Although many tax loopholes have been closed within the last decade, loopholes and inconsistencies in tax systems still exist. If certain

individuals are focussed on minimizing taxes and investing high sums in tax advice, they are likely to uncover sophisticated methods of avoiding or evading taxes. An empirical investigation into leaked data from offshore financial institutions has shown that the richest households evade around 25% of their taxes (by comparison with the average of 5%) (Alstadsæter et al., 2017). This further increases inequalities and impedes political action due to missing funds, which is especially critical in times of ecological crisis, market failure and emaciated public infrastructure, since these situations require coordinated collective action and investment.

In the following section, I will take up Karl Marx's concept of accumulation as a starting point to thematize the role of professionals within the contemporary processes of accumulation from the perspective of sociology of the professions. As tax professionals channel large sums of capital, it makes sense to look closely at their role. I discuss these questions in a field study in relation to tax professionals in Germany. Therefore, I will first give an overview of the key developments in the overall regulation of unwanted tax practices, and ask whether the recorded practices are representative. Then, I will give an overview on the types and business models of German tax consultants, their professional self-administration, skills and training, income and market shares. This will give an insight into the role of tax professionals in the accumulation process. Finally, I will discuss the usefulness of the concept of accumulation.

1 Accumulation and professionals

Primitive accumulation, the separation between persons dispossessed from their means of subsistence (workers) and those who dispose of means of production (capitalists), was for Karl Marx the fall of man. It was the beginning of the accumulation process, characterized by structural constraints imposed by capitalism, namely, competition, investment of capital, commodification and the unequal allocation of resources. According to Marx (2000 [1872]: p. 659), the polarization of workers and the ownership of the means of labour is a fundamental condition of capitalist production. In short, the capitalist invests income in variable capital (workforce) and constant capital (means of production) and obtains a profit surpassing the invested capital, since the wages he/she pays are lower than the real share, which workers have contributed to the products' market value. The capitalist reinvests part of the profit, respectively surplus value, which he/she does not consume and the circle of accumulation continues. Polarization replicates itself within the process of accumulation. According to Marx, accumulation increases once productive forces rise, due to a higher number of workers, an extension of working time or progress in science and techniques. On account of the competition between capitalists, the profit rate lowers and workers become impoverished, and so on (Marx, 2000: pp. 543–599). The formula M-C..P..C'-M' symbolizes the process of accumulation: *M*oney is invested in

*C*ommodities as means of production and Labour *P*ower to produce a new Commodity (*C'*) and more Money (*M'*) (Fuchs, n. y.).

Marx's concept has been criticized because it neglects the quality and value of the work and the role of actors, shaping the system within their own logic. Whereas Joseph Schumpeter (2005 [1947]) points to the entrepreneur who pushes the economy by qualitative innovation, Max Weber (2010 [1921]: p. 212) highlights the role of professionals and, among others, the economic value of specific skills and training. For Weber, the notion of the profession contains three components, namely, personal skills, the profession's moral standards and a specific social position. He defines the profession as "the specification, specialization and combination of a person's efforts, which are the basis of a continuous provisioning and income-generating opportunity" (Weber, 2010: p. 212). With regard to the social position, professionals may pursue a project of *social closure*. A process of social closure occurs, once the number of competitors rises in relation to income opportunities. As a consequence, groups which dispose of common characteristics and/or common interests distance themselves from competitors due to an *externally discernible feature*. This excludes outsiders from gaining any social or economic opportunities. At a later stage, lawmakers may incorporate that demarcation into law, thereby safeguarding a monopoly (Weber, 2010: p. 212). In Weber's view, professionals implement social closure by means of education, apprenticeship and exercise. A circle of fully entitled persons, namely, the profession, would monopolize the disposal of specific ideational, social and economic goods, duties and positions in life (Weber, 2010: pp. 262–267).

Later, Magali Sarfatti Larson (2013 [1977]) took up Max Weber's ideas, that in capitalist societies, (a) rewards in the marketplace are obtained from both property and skills and that (b) the introduction of the institution of the profession in the 19th century might have been a form of social closure. Larson combines these ideas with Karl Polanyi's analysis of the unrolling of the *Great Transformation*, namely, the introduction of the market institution as a leading institution, ideology and utopia in the 19th century, characterized, on the one hand, by the dis-embedding processes of marketization and, on the other hand, by the re-embedding processes which try to create market-free zones that allow for reproduction (Polanyi, 2011 [1944]). According to Larson, the rise of a large number of professions in the 19th century would have been an attempt by an organized workforce to create embedded niches within markets, in which professionals define, to a certain extent, the rules within their own economic segment, exclude competition and obtain exclusive market access, guaranteed by political authorities. In return, professionals must legitimize this privileged position by offering valuable services to society. In Larson's view, professionals draw on traditional values and the idea of *Berufung* (lit. conviction), according to which a person uses his or her abilities to reach a higher goal. Empirically, once a profession has reached a monopolistic position, it will defend this position against outsiders, stratify access to the profession, monopolize expertise and neglect the

interests of society and clients, as well as ethical principles (Larson, 2013: pp. 53–63). With regard to accumulation, professionals are workers because they sell their workforce. However, in Larson's concept, they do not revolt against capitalism, instead they work to create the institution of the profession to obtain protected employment and a greater share of circulating capital within the process of capitalist accumulation. For Larson, the social use of the profession is only a pretext.

Whereas, within the bigger picture, Larson's theory might be integrated into the theory of accumulation, Émile Durkheim (1992 [1930]) has more confidence in the capacity of professionals to overcome supposed capitalist constraints and control the process of accumulation. In his view, professions based on the model of a family or a medieval guild, may mediate between markets and society and may oppose the capitalist '*law of the jungle*'. A group of professionals could develop a common moral. In contrast to politics, they would have a deep understanding of economic procedures, however, accumulating capital is not a determining aim of professionals' actions. Indeed, professional ethics would extend to concerns beyond markets because of the embeddedness of professionals in other social groups; they would link individuals and society (Durkheim, 1992: pp. 41–75). By contrast, functionalist currents in professional sociology even point to the societal use of the division of labour and high-quality services that complex societies need (Parsons, 1964). In line with Durkheim, Parsons also sees the shielding effect of professionals' institutions in relation to accumulation logic.

When considering Marx's viewpoint on the driven work force from today's perspective, it does seem overstated, just as, Durkheim's concept of professionals fulfilling a bridging function, the functionalist ideas of professionals performing in line with societal needs and Larson's description of the profession as a self-serving protected space, included in the process of accumulation. As Burrage (1990: pp. 1–23) writes, professionals "*never offered a kind of popular vision of a new society*" and did "*not disturb or overthrow the existing social or political order*" as Durkheim hoped, but tried to "*find a more comfortable place within it*". Indeed, theories of power like Larson's are criticized because closure might only be *one* possible result of professionalism, but not the primary aim of professional action (Halliday, 1987). There might also be differences between professionals within one profession (Freidson, 2004 [1972]). Protected spaces might be useful to guarantee high professional standards, but they may also be misused. Most researchers agree that professions have a "dual character" (Pfadenhauer, 2003). On the one hand, they should dispose of specific capabilities, provide services that are useful for society and link professional activities with basic social values. On the other hand, they use their capabilities for paid work, benefit from regulated framework conditions and restricted competition, and make it possible to meet professional standards. The status of a profession is constantly being negotiated between professionals, stakeholders and the state. In both Marx's and Larson's view, the state especially

supports capital or professionals. However, regulation may also promote the interests of additional stakeholders. During crisis situations, in particular, professionals must prove their legitimation (Mieg and Pfadenhauer, 2003). Thus, it seems that Marx's concept of accumulation is at least simplified, because it neglects professional action and logic and the political framework conditions. Nonetheless, it seems that there is a tendency of marketization of professional services. In the following, I will discuss in a case study on tax professionals whether, nonetheless, the concept of accumulation might be useful.

Tax professionals now face a legitimation crisis. The active role of tax professionals in designing schemes for tax fraud, tax avoidance and aggressive tax planning is now seen as critical by a broader public. In letters to the editors concerning the Covid-19 crisis, the comparison of a poorly paid, yet socially useful health workforce and highly paid (apparently harmful) tax professionals is commonplace. Nonetheless, there is little valuable information and data on the activities of tax professionals in general. It is unclear whether those professionals who conceive illegal tax schemes are "rotten apples" or whether illegal practices, which are judged as illegitimate in a general sense, are common among tax professionals. There might be different professional practices concerning the exploitation of loopholes and legal grey areas, and the division of labour among tax professionals and firms. We know little about wealth and the transactions of funds, due to a lack of transparency. Furthermore, it is not always easy to interpret tax law and decide on the legality of tax payments. However, a focus on concrete actors may give more plausible arguments about the tension field between social use of the profession, professional ethics and self-interest. In the following section, I will examine these questions within the concrete structure of tax regulation and tax professionals in Germany.

3 Tax professionals: self-regulation, marketable services and political regulation

For decades, tax fraud, tax evasion, tax avoidance and tax havens, as well as *secrecy jurisdictions*, were ignored by politicians and the broader public. Either a Durkheimian view of professionals trusting in professionals' self-control or a functionalist concept highlighting the societal use of division of labour was widespread. In tax matters, transnationalization is a step towards the accumulation of capital, which significantly changes professional action. As Susan Strange (1986) maintained in her work on globalization, professionals active in transnational spaces, significantly influence the landscape of economic governance. Whereas politics abstained from introducing regulations at international level, professionals and service firms (e.g. accountancy and law firms) by carrying out professional work, shaped the regulatory framework. As a consequence, new transnational structures for profit maximization, such as offshore financial centres, emerged (Strange,

1986). Nonetheless, this process is avoidable. As more recent research on transnational service firms shows, competition, "free" trade and market governance penetrate formerly protected spaces. At the same time, states extend their regulatory competences to the supra-national area (Quack and Schüßler, 2015).

At the time of the millennium, politics reacted to tax flight and avoidance primarily with symbolic actions and step-by-step procedures and promoted with varying degrees of determination to introduce an automatic exchange of information between tax authorities of different countries – a measure to abolish the banking secrecy (Ötsch, 2012). Following scandals caused by leaked data and the financial crisis of 2007, political initiatives became more serious and efficient. At national level, governments took measures to impede unwanted tax practices such as requesting documentation, withholding taxes, controlling foreign corporation rules and imposing interest cost deduction barriers. The OECD actively promoted the Automatic Exchange of Information and encouraged more than 100 states to participate. Furthermore, the OECD's initiative on *Base Erosion and Profit Shifting* (*BEPS*), which began in 2012, focussed on the tax avoidance of multinational companies and developed "tools to ensure that profits are taxed where economic activities generating the profits are performed and where value is created" (OECD, 2020). The European Commission also recommended member states to act against aggressive tax planning and took action against MNEs (e.g. Fiat, Starbucks, Amazon, McDonalds and Apple) which, in the view of the commission, significantly lowered their tax quota by using unlawful aid in the form of tax reductions, granted by tax havens such as Luxembourg, the Netherlands, Belgium or Ireland (European Commission, 2012).

For decades, politics trusted in professional self-regulation; only recently, have regulators had a tighter focus on tax professionals. The Luxembourg Leaks showed that tax authorities (especially tax havens such as Luxembourg, the Netherlands or Ireland) pre-emptively signed off tax models submitted by MNEs and wealthy private individuals. As a consequence, these MNEs paid less taxes than other companies. The European Committee's reports include considerations relating to actors and highlight that tax consultants have played an active role in tax avoidance and tax fraud. They criticize accountancy firms, especially the Big Four, for having conceived and disseminated tax rulings and tax avoidance schemes, and exploiting discrepancies between jurisdictions (European Parliament, 2015: p. 159). In addition, the committee draws attention to financial institutions and law firms, which set up "*complex legal structures leading to aggressive tax planning schemes used by MNEs …*" (European Parliament, 2016). Thus, tax practices and tax professionals have recently been questioned and regulators have attempted to expand international cooperation to avoid the misuse of tax legislation by tax professionals.

Tax professionals in Germany: organization for financial rewards?

The attitude towards tax professionals and tax practices also changes at national level in the German case study. A common German notion to name tax fraud and avoidance was *Kavaliersdelikt*, which means pecadillo/trivial offence, or literally translated gentlemen's offence. Not only very wealthy individuals and transnational companies but also middle-class professionals deposited non-taxed revenues in tax havens such as Austria (Ötsch and Di Pauli, 2009). After a shift to new labour policies, growing precarity, the financial crisis and data leaks revealing widespread illegal tax practices, the general attitude towards tax honesty changed. Besides international initiatives, national policies were introduced to prohibit certain forms of tax planning containing legal arrangements without apparent economic use, other than to lower tax. Despite the legitimation crisis, certain sectors within the legal framework still operate in the spirit of tax fraud as pecadillo/*Kavaliersdelikt* and loopholes and problems in tax execution still persist.

At present, the *Cum-Ex* process, one of the most spectacular tax scandals in Germany, has deepened the legitimation crisis of tax professionals. This case is of particular interest, as it was revealed that a network of bankers, stock traders and lawyers created business models, not only to circumvent taxes but to receive tax returns on virtual taxes that had not been paid. In short, the network transmitted shares within a short timeframe during the period of the dividend record date. In the case of *Cum-Ex* transactions combined with short sale, the capital gains tax which was paid once was refunded several times because the custodian bank (illegally) issued several receipts. In the case of *Cum-Cum* transactions, capital gains taxes on dividends that should have been retained by law were not collected. More than 100 banks and actors from four continents were involved. It is estimated that, between 2001 and 2016, Cum-Ex-related tax fraud was responsible for losses of approximately 32 billion Euros in Germany, 17 billion Euros in France and 4.5 billion Euros in Italy (Correctiv, 2020). Currently, 880 persons are being investigated in the *Cum-Ex* case.

From the 1990s onwards, several experts warned the authorities against this tax loophole. Only after a series of press reports on the issue, did the German Parliament set up a commission of inquiry in 2016 to establish why *Cum-Ex* transactions had not been prevented. The commission of inquiry assumed that tax and law consultants had initiated the *Cum-Ex* schemes and had actively addressed financial institutions and investors to join the tax scheme. Thus, they were initiators and multipliers. Wealth managers and banks advised affluent clients to invest in funds related to the tax scheme. Several actors declared that they did not understand the scheme or did not know that they were participating in an aggressive, illegal tax scheme (Deutscher Bundestag, 2017). Before 2016, a relevant number of professionals and specialized press, doubted whether *Cum-Ex* transactions were illegal and passed the buck to the politicians. In their view, the professionals

only exploited a loophole, whereas the politicians missed an opportunity to close it. While some auditors refused to sign the books of clients involved in the scheme, other accountancy firms did not doubt the transactions in question. In the expert opinion of *KPMG,* the *Cum-Ex* transactions were legal. Professionals from law firms responded arrogantly to requests from public officials and personally indicted them. Once doubt was cast on the legality of the tax scheme and the reaction of the authorities was observed, Hanno Berger, a tax consultant involved in the scheme, contacted university professors, ordered paid expert opinions (for a price of 400–600 Euros per hour), concluding a consulting agreement with one of them and motivated the professors to write academic articles on the subject, supporting his legal opinion. The report also showed that there were close relationships between the banking sector and financial authorities (Deutscher Bundestag, 2017). Professionals paid by the Federal Association of German banks participated in the formulation and interpretation of laws in the German Ministry of Finance (Spengel, 2017). Meanwhile, in March 2020, the court in charge judged that the *Cum-Ex* deals were illegal and that the persons involved, knowingly committed tax fraud. The vast majority of press articles criticized the professionals' behaviour. This indicates that the self-perception of professionals now differs from the external perception.

Tax scandals and other forms of professional failure indicate, that society and politics were too trusting of the self-regulation of professions. Tax professionals involved in the *Cum Ex* scandal have a specific role, as described in Larson's theory of the profession: they do not oppose the system of accumulation, but try to use professional skills and privileges to enrich themselves and pretend to be serving the common good. Here, professionals are not driven by capital, but they actively put forward ideas and push "capital", namely, investors, to form an alliance at the expense of public funds. However, the chamber of tax consultants argued that activities related to the *Cum-Ex* consultancy services were not representative of the German branch of tax consultants and deemed it unfair to condemn all tax professionals on account of certain unscrupulous individuals. In the following section, I will extend this viewpoint to encompass the whole group of tax professionals, in order to verify this assumption.

The sector of tax consultancy in Germany

Fundamentally, tax consultants offer declaration advice and tax structuring consultancy, namely, tax planning and the representation of clients' interests in relation to tax authorities, courts and wealth management. Tax consultants are especially engaged in company taxation, wealth management and tax issues linked to inheritances and company succession.

In Germany, tax consultancy is recognized as a profession and tax consultants have the right to self-administrate key areas of professional practice. The tax consulting law (*Steuerberatungsgesetz* in German) specifies

prerequisites for obtaining a license in tax consulting and the rights and duties of professionals to engage in partnerships. It further foresees certain modes of professional self-control. According to the German tax consulting law and professional standards, tax consultants should provide objective independent advice. This would mean that tax consultants should assist the client in relation to the authorities but should also consider the laws and the general interest in the execution of tax law. The tax consulting law specifies the duties typical of professions – in contrast to entrepreneurial activities, for example, the promoting of services, which is prohibited. Professionals may only soberly inform. They are bound by a schedule of fees and are not allowed to agree on performance fees. Tax consultants must act independently, responsibly, carefully and discreetly. They are obliged to continue professional training and commercial activities are not permitted. Regarding the temptation, to offer services in legal grey areas or in the field of tax fraud, there are only a few hints in the official publications of professional associations. This might indicate, that either, aggressive tax planning is not a relevant issue for most professionals because they advise in an honest way or that the professional association – unlike the broader public – does not perceive a general problem in aggressive tax planning.

Unlike other professions, German tax advisers do not have a standardized educational path, just one common exam. Depending on the educational path, the process takes at least four years of university studies, a dual study programme for individuals educated in financial administration, an apprenticeship in the private sector or training in financial administration, plus two to ten years of practical experience, depending on the level of education (Bundessteuerberaterkammer, 2019a). More than 60% of tax consultants have studied (Bundessteuerberaterkammer, 2019b: p. 9). Tax professionals often point out that the tax consultants' exam is very demanding. In 2017, 50.5% of participants successfully passed (Steuerberaterkammer, 2017), with participants having three attempts in total. This is relevant because tax professionals often justify their high rewards with their achievement of passing the tax exam, their efforts in education and training and the sacrifices made to deal with complex technical issues. Fundamentally, tax consultants do not need to pass a university exam but can achieve the professional licence through work whilst being trained in practice.

The profession of tax advisor is not only under attack because of a neglect of the common interest. With reference to equal access to markets, the European Commission intends to *liberalize* the profession. The *European Services Directive* implies tax consultancy services and intends to reform access to the profession and the provision of services from providers of other member states. Thereby it questions the self-regulation of the national chamber of tax consultants. As a consequence, professionals from other backgrounds, without a tax consultant exam could offer tax services in Germany. At the moment, it is unclear whether and how these proposals of the European Commission will be implemented.

In fact, the field of tax professionals in Germany is diverse and there are certain professionals who differ from those involved in the *Cum-Ex* scandal. In the field of tax planning, division of labour and income depends on personal focus, potential specialization and the kind of firm in which professionals work. Most tax consultants work as independent self-employed professionals. Seventy percent of the 52,000 German tax consultancy firms are run by a single professional (Steuerberater.de, 2019). Another group of tax consultants work for the Big Four accountancy firms. These firms provide a broad range of services, operate on an international scale and have several sites in Germany. The Big Four accountancy firms attract graduates and convey a work ethic characterized by sacrifice and working overtime. In addition, there are second tier accountancy firms (such as *BDO Deutsche Warentreuhand*, *Rödl & Partner*) that also provide a broad range of services and focus on medium-sized clients at national or regional level. Another kind of firm is known as *Boutique*. These firms are specialized in a chosen field of taxation and provide in-depth consulting. International law firms, mostly based in London or the United States (such as *Freshfields Deringer*, *Clifford Chance*, *Linklaters*, *Latham & Watkins*) expanded to Germany in the 1990s, around the turn of the millennium and merged with German law firms (Morgan and Quack, 2006). These firms are focussed on commercial, financial and tax law. They especially work for profitable commercial clients in economic and financial centres, and propagate a work ethic similar to the Big Four accountancy firms. Small and medium-sized tax consultancy firms are active at local and regional level. Tax consultants may also work in the business economy, for example, for banks, insurance companies or companies' departments responsible for accountancy and finance (Steuerberater.de, 2019).

Regarding workforce and turnover, the tax consultancy sector has grown significantly. Since the 1960s the number of tax consultants has increased from approximately 24,000 to 87,000 professionals at the beginning of 2019. In the field of tax planning, the total turnover of the ten biggest firms in Germany was 1.98 billion Euros in 2016. Among the top ten tax planners, *Ernst & Young* generated the highest turnover of 533 million Euros, followed by *PwC* (442 million Euros) and *KPMG* (368 million Euros) (Statista, 2019: p.18). If one considers the productivity, measured as turnover by tax professionals, big law firms rank highest. *Freshfields Bruckhaus Deringer*, the most profitable tax consulting firm boasts a turnover of 787,000 Euros by tax professional, followed by *Linklaters* (737,000 Euros/tax professional), *Clifford Chance* (732,000 Euros), *PwC* (702,000 Euros) and *Ernst & Young* (655,000 Euros) (JUVE, 2018). Tax planning is more profitable than business consulting or other services offered by accountancy firms. Clients are willing to pay above average fees, because they either need specialized know how in tax law for complex matters or because they expect to lower or avoid tax payments or acquire subsidies. Thus, the function, knowledge and training of tax professionals, that is, qualitative properties, play an important role with regard to the rewards professionals receive.

However, average knowledge and training are not the only factors required to receive high returns on investment in education. There are major differences concerning profitability, turnover and business models among professionals. During the period 2008–2018, a full-time employee in the field of legal and tax advice and accounting received average annual gross earnings of 56,785 Euros (Statista, 2019: p. 14). According to the website *Legal Tribune Online* (2018a) "only" the best 5% of graduates receive starting salaries above 100,000 Euros. These individuals would have excellent grades, a doctorate degree or an international Master of Laws (*LL.M.*) degree and above average language skills. The business magazine *Wirtschaftswoche* reports that tax lawyers are among the highest-paid within the law profession. Employees' hourly rates are between 200 and 350 Euros, and between 300 and 500 Euros for partners. Prominent experts could demand up to 750 Euros per hour (Wirtschaftswoche, 2015). Tax lawyers receive far higher starting salaries than lawyers working in social law (Anwaltsblatt Karriere, 2009).

There is also a pay gap between the lawyers working in the public sector and those working in the private sector. This gap widens over the course of an individual's working life, as the income of experienced lawyers and companies' in-house-lawyers, increases significantly more than in the public sector (Deutscher Richterbund, 2018). According to a study, a lawyer who starts work as a judge or prosecutor receives a starting salary of 48,000 Euros, whereas a lawyer with a similar qualification receives an average starting salary of 87,000 Euros in the private sector (Legal Tribune Online, 2018b). Within large law firms, graduates beginning their career could even earn 118,000 Euros. This gap has widened within the last 25 years. Whereas the public sector formerly attracted top graduates, public bodies now find it increasingly difficult to find highly qualified professionals. Furthermore, the number of law students is declining. The income gap may be a factor in motivating individuals to join the private sector (*ibid.*). Nonetheless, a number of graduates decide to join the public service for ethical or idealistic reasons, or because it can offer a stable position; private sector firms also report difficulties in finding qualified staff.

The tax professional's ability to channel off more capital than other professionals does not only rely on technical knowledge and the institutionally guaranteed, special rights of the profession. They also cultivate their social legitimation through a culture of achievement. Tax professionals show off ethics of excellence to justify their high income, which is unusual in other professions. In the fields of humanities, social science or the arts, none of the best graduates would expect to receive a starting salary as high as tax professionals, even if that individual was very well qualified and had international experience. Tax professionals often point to the difficulties of passing the tax exam, but are unable to compare this with the corresponding difficulties of obtaining a professional degree in another field.

To summarize, the sums of money that tax professionals channel off in the accumulation process differ. Whereas self-employed tax consultants advise "workers" and small business for average fees, tax consultants in law firms,

the Big Four accountancy firms and the wealth-consulting field, channel off a large percentage of the accumulation funds of businesses and private clients and in many cases, perhaps also public funds. Therefore, education and training are necessary, such as political legitimation.

3 Conclusions: integrating tax states and qualified professionals within the concept of accumulation

Does the concept of accumulation have explanatory value despite underestimating the active role of professionals? I argue that an extended version might be useful. This version should take Weber's and Larson's argument seriously that skills, training and social closure, namely, organization of interest may offer protected places within markets, enabling professionals to channel off potential accumulation capital. However, selfish behaviour cannot be generalized because professionals are embedded in non-marketized social contexts, as Durkheim points out. In turn, the Durkheimian or functionalist image of the profession that underlines the professionals' use in society is an opposing exaggeration. This view might be useful because it gives politics and society the illusion of professionals' self-regulation. As a consequence, politics has a justification for not confronting professionals, their interest groups and clients. However, different scandals have shown that professionals' self-interest, as described by Larson, risks becoming dominant once politics and other social forces do not take countermeasures. Here, context conditions come into play, which are in line with the Marxian concept of accumulation. Tax professionals act against the backdrop of tax competition and competition of sites. They are able to exploit tax loopholes because low tax jurisdictions offer loopholes. States have little interest in abandoning the competitive advantages of national companies or benefitting from critical tax practices. Consequently, international tax regulation does not advance quickly enough. The unequal accumulation of capital is one primary reason, why certain parties can afford highly qualified tax advice, while others – private individuals and public bodies – do not have the same level of expertise. Processes of marketization are also observed within the profession. Many tax professionals do not take a neutral position, but form alliances with clients; they do not directly exploit workers but do so indirectly using free rider tactics. Tax cheaters profit from infrastructure provided by tax money but, on the other hand, make others pay and withdraw due payments. Politics may regulate illegitimate tax practices but must always confront a dynamic of liberalization. That dynamic even affects professionals because the profession, as a protected space, is under threat of providing market conditions. Taxpayers themselves profit from the achievements of welfare states, and most tax advisers and taxpayers also recognize this. It is contested whether the forces of accumulation and marketization are stronger than the embedding forces; however, the embedding movement is not a significant part of the Marxian concept.

If one extends equations derived from Marx by incorporating factors such as tax advice and the tax state, the equation of financialized capitalism M-M’ could, in the first instance, become M-TA-M”, where TA stands for tax advice. This means money accumulates much more money through investment in financial markets and avoidance of taxes. In the *Cum-Ex* case the equation would be M-TA-M”’ because of the extra money paid out of tax money. If one takes up the formula M-C..P..C’-M’ for the accumulation process in the “real economy”, the following schemata results:

a M – C.. (Q)P.. (+I).. C’ – M”’(-TP) – M”

Added and modified factors: I = Tax paid Infrastructure; (Q)P = (qualified) labour power; TP = Tax Payed.

b M – C.. (Q)P.. (+I)…TA.. C’ – M”’

Added: TA = (biased) tax advice.

Finally, accumulation can only be understood if one also looks at legitimation. Within academia, tax professionals have developed discourses justifying the social use of tax avoidance (Wagner, 1986) or low taxation such as the Laffer curve or the guiding principle of a tax system being neutral with regard to investment alternatives or theories of public choice. Even if these arguments are not taken seriously by academics outside the discipline, they serve to unify the profession against any criticism from outside. Unlike the seemingly technical topic of taxation would suggest, the language dealing with tax flight and avoidance is deeply charged with justifying metaphors and frames such as tax haven, shelter, heaven, paradise or loophole (Ötsch, 2014). It is striking that currently the moral of many tax professionals differs from societies’ moral standards. Nonetheless, professionals cannot be judged morally without pointing to the political and social consensus on tax issues that have existed for a long time. Within an unequal society, in a situation of competition, it is not surprising that those who have capital invest in tax advice to accumulate more capital. Therefore, inequalities and competition are major drivers of questionable tax practices.

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15 Why do women accumulate less wealth than men?

Céline Bessière and Sibylle Gollac

Consider two women. The first one is named Ingrid. Her family name, Levavasseur, is fairly common in Normandy. It means the vassal of a lord who is himself a vassal. Ingrid Levavasseur is born in 1987 in a rural area, close to the lower Seine Valley. With her three brothers and sisters, she is raised by their mother, a former cleaning woman who becomes a special needs caregiver. Their violent and alcoholic father, frequently taken charge of by the Salvation Army, is mostly out of the picture. At 16, Ingrid leaves her mother's home without graduating high school. She strings together a series of minor service jobs, waitress, cashier, and telephone operator, and then gets married. Two kids are born. A year after the birth of her second child, Ingrid and her husband divorce. She is just 24 years old. While working as a firefighter at night, she studies to become a nursing assistant. She gives up dreaming of becoming a nurse because she cannot afford the education and training. In 2018, she makes 1,250 euros a month, supplemented with a 95-euro housing credit and 200 euros in alimony for her two children aged 8 and 13 years, for whom she has sole custody. She lives in a small rented house in the town of Pont-de-l'Arche, and she puts her children in day care while she works in Rouen, 20 kilometers away. Family vacation consists of three days a year at a campground near Mont-St-Michel. She has trouble buying her kids new sneakers, and keeping the fridge stocked all month. Ingrid long ago stopped spending money on herself: no haircuts, no sports, never dining out. At any rate, when would she find the time? Every other weekend when the kids are with their father?

In the autumn of 2018, Ingrid Levavasseur becomes a national figure as a part of the French *Gilets jaunes* movement[1]. With her straight red hair and Botticellian face, she is an immediately recognizable figure in news reports; a face for decades-old statistics that describes the poverty of women running single parent households. In 2019 she announces she is creating a support center providing lodging, child-care, and activities for women raising their children alone.

The *Gilets jaunes* movement places many anonymous members of the working class in a spotlight of media attention they have not known before. The presence of numerous women is remarkable, whether camping out at

highway toll booths, or leading demonstrations.[2] A number of them raise their children alone, and find it hard to make ends meet to the end of the month. For news cameras and microphones, they speak of overdue alimony payments and long administrative waits within social services systems to receive limited public assistance. They tell how they are constantly juggling bills, putting their children's needs before their own. Women in couples voice their concern of paying the bills. Some women speak about unemployment, part-time jobs, and having to take on as many work hours as possible. Others have given up on salary work to become self-employed; this does not provide a better income. Finally, there are retired women, often widows, who receive a meager pension. Among the poor, money problems are women's problems (Desmond, 2016).

The second woman is named MacKenzie. She is born in San Francisco in 1970 to a well-off family with a financial planner father and a full-time wife and mother. She gets a degree in English from Princeton, where she attends Toni Morrison's seminars, in the hope of becoming a novelist. In the early 1990s she works at the investment firm of D.E. Shaw&Co in New York, a job that pays the bills and leaves her time to write. She meets her future husband there, Jeff Bezos; a computer scientist by trade and fellow Princeton graduate, who has become a senior vice president at the hedge fund by the time they meet. Jeff is the one who hired MacKenzie; he occupies the office next to hers. In 1993, they get married. She is 23 years old. He is 30. The next year, they move to the west coast, to a little rented house in the suburbs of Seattle. During their drive across the United States, with MacKenzie at the wheel and Jeff in the passenger seat, they develop a business plan for a new company that would sell books over the internet. The business that is created the next year later takes the name of Amazon.

In the beginning, MacKenzie is fully involved with the business. She does the bookkeeping, participates in hirings and strategy sessions, and dives into the basic work of sending packages out via UPS: "I was there when he wrote the business plan, and I worked with him and many others in the converted garage, the basement warehouse closet, the barbecue-scented offices, the Christmas-rush distribution centers, and the door-desk filled conference rooms in the early years of Amazon's history", she declares in a later interview when the business has become the world's largest online retailer.

In 1999, the couple's first child is born; to be followed by three others. MacKenzie and Jeff move into a 10-million-dollar house. MacKenzie starts working less for the company. She also sets aside her ambitions of becoming a novelist to take care of the four children. (Later, she explains that she could have hired nannies, but that she preferred to look after the children herself, even home schooling them during certain periods). In 2005, her first novel is published, on which she has worked for over ten years. A second novel follows in 2013. It is critically well-received, but sales remain modest, around a couple of thousand copies. Book stores refuse to sell the novel because her husband's business has destroyed their own[3].

On January 9, 2019, after 25 years of marriage, MacKenzie and Jeff Bezos announce their divorce in a joint tweet: "We want to make people aware of a development in our lives [...] we have decided to divorce and continue our shared lives as friends [...] We've had such a great life together as a married couple, and we also see wonderful futures ahead, as parents, friends, partners in ventures and projects, and as individuals pursuing ventures and adventures".

This message stages an amicable divorce settlement that is destined less for their friends than for financial markets, investors, and shareholders. The future of the world's largest private fortune is in play: an estate worth over 130 billion dollars that includes a large portion of Amazon's capital including 16% of its shares. In Washington State, where the couple lives and works, divorce laws stipulate that all assets acquired during the marriage must be divided into two equal parts. Hundreds of newspaper articles around the world expressed concern about the future of the Bezos fortune, a large portion of which consists of companies: Amazon, but also the aerospace company Blue Origin, or the daily newspaper *The Washington Post*. 8% of Amazon risks falling into the hands of a woman, possibly leading to Jeff Bezos losing control of the company; a possibility that makes financial markets anxious[4].

Three months later, the details of the divorce are made public by the couple, again on Twitter: "Grateful to have finished the process of dissolving my marriage with Jeff, with support from each other and everyone who reached out to us in kindness, and looking forward to next phase as co-parents and friends. Happy to be giving me all my interest in the Washington Post and Blue Origin and 75% of our Amazon stock plus voting control of my shares to support his continued contributions with the teams of these incredible companies", MacKenzie writes. Jeff Bezos thus remains the primary shareholder of Amazon stock and retains control. He is still today the richest man on Earth. Among the ultra-rich caring for capital is a man's prerogative (Herlin-Giret, 2019: p. 69).

Wealth accumulation, class, and gender

An ocean and billions of dollars separate the lives of Ingrid Levavasseur and MacKenzie Scott. The wealth of the former would likely include her car and some modest savings, probably no more than a couple thousand euros. MacKenzie Scott exited her marriage with 35 billion dollars. As Thomas Piketty's *Capital in the Twenty-First Century* has made clear to a larger public, wealth inequality is a central characteristic of contemporary capitalism (Piketty, 2014). Even more pronounced than income inequality, wealth inequality better describes the ever-widening chasm separating the worlds of MacKenzie Scott and Ingrid Levavasseur. According to the 2018 *World Inequality Report*, among the inhabitants of Europe, the United States, and China, the top 1% control a third of the world's wealth; and the top 10%

dispose of 70% of the world's wealth; while the poorest half of this population only possesses 2% of it.

Accumulation of economic capital shapes the contemporary social class structures more than ever before. Marx defined the relationship between the social classes on the basis of the ownership of productive capital as opposed to the ownership of labor power alone. In the 20th century, in Western countries, the relations of exploitation were transformed by the generalization of the wage system, which at first was despised, then has been progressively associated with social protections (Castel, 2017 [1995]). In the wage system, social hierarchy largely derives from educational qualifications. It was thus between work and school that sociologists examined the construction of class relations.

However, at the beginning of the 21st century, differences in living conditions and social status are increasingly linked to the family transmission of economic capital. There are two different ways of accumulating wealth: by putting money aside or by inheriting it. While during the 1950s and 1960s inheritances represented less than half of the private wealth held by individuals in France, this proportion has only increased, and represented 60% of wealth in 2010 (Alvaredo, Garbinti, Piketty, 2017). We are certainly a long way from the 1910s when inherited wealth represented 80% of total private wealth, but if current economic and demographic trends continue, the inherited portion of wealth will keep on increasing during the 21st century. Today, family economic capital is more and more crucial to obtain housing, especially in a context where property is both widespread and socially distinctive. Furthermore, while a society based on salary work slowly fades away, family economic support can prove indispensable for starting a business, maintaining its economic activities, gaining access to credit, or for obtaining added revenue from the family assets. The accumulation of academic capital also depends more and more on the mobilization of family savings (Zaloom, 2019). The material conditions of life influence children's success at school from a very young age (Lahire, 2019).

In other words, Ingrid Levavasseur's precarious economic situation will likely affect her children's academic future and reduce their chances for social success. Even if her daughter and son excel in school, and find some employment with a good salary, it will still take them quite some time to start accumulating their own assets. At the same time, MacKenzie Scott's children will likely have ready access to the best schools and universities. Her three sons and her daughter will probably never need to borrow money to buy a home, to start a business, or to partner in a sound investment and this, even if they have trouble proving their worth in college.

In our book *The Gender of Capital* we approach the institution of family from a materialistic point of view breaking with the dominant theory of a modern relationship-based family, free of financial stakes. In our perspective, the family should be designed as a unit that produces, circulates, controls and evaluates assets (Bessière and Gollac, 2020). We reconnect

with feminist theory born in the wake of the women's liberation movement and inspired by Marxism: *materialist feminism*. Christine Delphy and Diana Leonard have shown that family wealth in the 1960s was accumulated and transferred to the next generation based on the exploitation of married women's unpaid labor (Delphy and Leonard, 1992). Is this still the case today, in contemporary France, a country that celebrates gender equality?

Obviously, Ingrid Levavasseur and MacKenzie Bezos are worlds apart. Nonetheless, there are common points worth noticing between the lives of these two women. When they were part of couples, each found their proper place in a household economy by taking care of the children. Both women made professional sacrifices, putting off or giving up on projects that had been near to their hearts. Their professional lives were parceled out into a succession of smaller tasks, rather than integrated into a linear career. Both women faced also a challenging divorce surrounded by legal professionals who promoted specific kinds of legal advice. At the very least Ingrid would have had a lawyer, MacKenzie, several. For these women divorce resulted in their relative impoverishment with respect to their former situation. The 100 euros per child per month that Ingrid receives as alimony does not even cover half of the costs for their support and education. Who could possibly house, feed, clothe, care for, and cover all of the other costs of raising a child today in France for 100 euros per month? As for MacKenzie Scott, half-owner of a colossal conjugal fortune at the time of her divorce, she had to content herself with a much smaller portion of that fortune, since the majority went instead to her ex-husband.

On both the highest and lowest rungs of the social ladder, these two women's situations raise fundamental questions. Why is it that in the working class, women are at the forefront of dealing with money problems, while higher up the social ladder, economic power is monopolized by men? Historically, legal discrimination has hindered women from accumulating wealth almost everywhere in the world. In the 19th and 20th centuries, Western societies seemed to have achieved legal gender equality concerning worker's rights, family rights, and property rights. Yet despite these formally equal rights, men still continue to accumulate far more wealth than women.

Women's work, men's salaries

For those who think that this economic inequality is explained by the fact that women earn less than men because they work less than men, it is important to remember that women have always worked as much as men, if not more (Kessler-Harris, 1981).

One obvious characteristic of women's work for more than two centuries in a number of economic sectors (starting with agriculture, but also including crafts, commerce, and industry) is its invisibility, in the absence of judicial or financial recognition. Housework, primarily accomplished in family settings by women, is the archetype of unpaid work that never quite gets

recognized as such (Dalla Costa and James, 1972; Federici, 2012). Domestic production is not counted in the large statistical aggregates that measure production from the perspective of national accounting. National income only includes activities that produce goods and services for commercial exchange, or for those furnished as part of public administration (Waring, 1988). A preschool Assistant Teacher who takes care of a child contributes to the national income, while a mother who does the same work does not. If household production were to be taken into account, the gross national product (GNP) in 2010 would have been 33% larger in France, 63% larger in the UK, and 43% larger in Germany; and in 2014 in the United States 23% larger (Bridgman, 2016; Poissonnier and Roy, 2017).

This unpaid and invisible household production is financed largely by women. In France, in 2010, among couples with infants, women worked on average 54 hours per week: 34 hours of unpaid housework and 20 hours of professional activity. Within the same households, men worked only 51 hours, 3 hours less per week. Men devoted on average 18 hours per week to unpaid housework, and 33 hours to professional activities (Source: the French Time Use Survey). In the end, women worked a bit more, but were paid much less.

These figures established by the French national institute for statistical and economic studies (INSEE) from men's and women's work data, do not account for the fragmentation of women's work, both domestic and professional, which is permanently interrupted because women must always make themselves available to others (Oakley, 1985[1974]). Women always carry with them a domestic mental load, even during paid work[5]. Women are the first people contacted by schools and day care centers when children are sick. Women often multitask (doing housework while watching the kids) and must interrupt what they are doing at any moment when the need arises. To the contrary, men's work, whether professional or household (handiwork, repairs, gardening, or maybe cooking) is more clearly delineated in time and space.

Salary inequality thus summarizes a wide range of other inequalities that accumulate in families and in the job market, both at the top and at the bottom of the work hierarchy. Women are concentrated in less well-paid sectors: educational, care giving, and personal assistance professions notably (Ingrid Levavasseur's employment as a care assistant is typical). Because of their family duties, women are often employed in part-time jobs and their careers run on a slower track. Furthermore, glass ceilings prevent them from reaching the best-paying positions (Gustafsson and Meulders, 2000). These factors help to explain why women, in France like elsewhere in the world, earn on average about one quarter less than men do. But even ceteris paribus (for the same age, seniority, job sector, position, years of employment, etc.) the job market still discriminates against women, providing them with a salary 10.5% lower than their male counterparts (Silvera, 2014). These persistent inequalities are intertwined with other inequalities that

play out in private family life. In France, according to the French national institute for statistical and economic studies, the income of women living in a couple is, on average, 42% less than their partner. In 2011 she earned 16,700 euros while he earned 29,000 euros. This gap in incomes is only 9% between women and men who live alone. Different-sex marital relations endorse existing economic inequalities and then firmly fix them in place.

Today, Western societies would appear to have addressed questions of unequal salaries between men and women with laws focused on professional equality. Alas, even if women were paid with equal salaries for equal work, this still would not resolve everything. There exists an economic inequality between women and men that does not show up on most political and statistical radars, that, nonetheless, structures and summarizes the socioeconomic destinies of individuals, and that is transferred from one generation to the next.

From unequal pay to unequal wealth

To measure that inequality, one must become interested not only in income but also in wealth. At an individual level, what is meant by the terms *assets*, *wealth*, and *capital* (terms that are easily interchanged in contemporary economic literature) is the total value that a person possesses at a given moment. In practice this can be land, real estate, financial assets, or businesses. Wealth consists of economic assets whose acquisition permits the conservation (or *accumulation*) of their value, and whose final fruition (through sale) can guarantee future cash flows[6]. Individual wealth inequality stems in part from income inequality, but it also depends on the way wealth is transmitted within families.

The investigation of wealth inequality between men and women recently has received more attention. The few statistical analyses currently available show that, throughout the world today, men possess more assets than women (Sierminska, 2017; Chang, 2010; Deere and Doss, 2006). This should not be surprising in itself, given the income inequality between the sexes. Yet, in France, according to recent statistical data from the French Household Wealth Survey, the gender wealth gap is widening steadily: from 9% in 1998 to 16% in 2015 (Frémeaux and Leturcq, 2020). The same study also shows that men retain much more capital than women, whatever the form: housing, land, financial, or professional capital. In 2015, the average wealth gap between women and men was estimated at 24,000 euros, covering a wide variety of situations: from modest differences between working-class men and women, as neither partner accumulates much wealth, to immense gender gaps among the wealthiest classes.

Investigating the making of gender wealth inequality in the family

The gender wealth gap does not emerge from Wall Street, but in the daily struggles of family life. This inequality is produced by the unspoken

practices of men and women when they act as spouses and partners, fathers and mothers, daughters and sons, brothers and sisters. The inequality takes on different forms based on class: based on whether wealth consists of debts or goods, on whether it includes several thousand euros in a savings account passbook, a suburban bungalow, a Parisian apartment, a family country home, a timeshare, stocks in a company, or works of art. To make the inequality visible, one must look at the family in a different way. One should consider the family as a fully integrated economic institution that produces wealth, but also organizes wealth's circulation, control, and evaluation under what we call *family economic arrangements*.

As sociologists, we have been studying for more than 20 years these ordinary economic arrangements of French families from the most modest to the wealthiest backgrounds. Barely visible, these arrangements can take many forms: small hand-outs, free lodging, security deposits, interest-free loans, contributions, inheritances, references, college financing, home health care for an aging parent, moving in to help out in an emergency, watching children, paying alimony, and so forth. Family economic arrangements are considered private, and the public discussion of their economic aspects is often frowned on. To study this subject, multiple methodologies and sources of input are necessary.

First, we carried out family monographs based on repeated and intersectional observations and interviews with groups of kin. These relatives invited us to participate in their daily lives, and in their more exceptional family moments: marriage ceremonies, funerals, celebrations. We stayed in their homes. Some of them entrusted us with their most intimate archives: notarized certificates, civil registrations, correspondence, and photographs. By using this method from 1997 to 2005, Céline Bessière studied how family businesses were transferred in the Cognac-producing area. Similarly, Sibylle Gollac investigated real estate property strategies in families from different social backgrounds, several of whom she followed for more than 15 years.

In completing these family monographs, we described family economic transfers in some detail. We noted that some brothers and sisters recalled quite differently the various stages of estate planning: not counting the same assets, or accounting for them differently, thus proposing extremely divergent conceptions of what a fair inheritance might mean. But family wealth arrangements are about more than money and property. As Viviana Zelizer has noted, these are *intimate transactions*, that is, a mixing of economic activity with intimate social relations involving emotions, moral obligations, values, principles of justice, and issues about reputations that are all inscribed in a long-term narrative of interpersonal relations (Zelizer, 2005). On the whole, men and women do not occupy the same place in this process: neither acts in the same way or has the same aspirations; and their loved ones do not expect the same things from both of them.

Because family monographs cannot be used to research a large number of people, and because they make it difficult to compare different social

classes, we combined them with statistics, particularly data arising from the French Household Wealth Survey. To dig deeper into an analysis of the gender wealth gap, we also implemented field studies to describe two *extraordinary* moments which clarify and formalize family wealth arrangements: marital separation and estate planning.

Splitting up. Inheriting: two moments that are strictly legally codified. These are matter of family, fiscal, and civil law. Based on social class, relatives may have to meet with legal professionals who accompany them in a more or less diligent fashion throughout this confrontation with law. Our research thus brought us into other locations: the offices of family practice lawyers and notaries, and civil family courts. Though we separately conducted studies that led to the family monographs, we worked together investigating notaries. As for materials related to family courts and lawyers, these were collected as a part of a larger collective study begun in 2008[7].

The gender of capital

Certain social classes monopolize wealth and work to preserve it among themselves from one generation to the next, while other social classes are persistently deprived of it. At the same time, women accumulate less wealth than men. Class inequality and gender inequality are intertwined. Studies led in other national contexts than France, particularly in the United States, have also documented a racial dimension to wealth inequality. Age and generation also constitute factors of inequality. Our work thus has an intersectional perspective that articulates without prioritizing several relations of power and domination. In exploring family wealth arrangements, we are studying the concrete places where these different dynamics of inequality inseparably play out.

We show that not only do the wealthy have more assets to pass on from one generation to the next, but also, they pass on these assets in a more efficient way, notably thanks to underestimation and tax optimization techniques. These techniques are all the more effectively implemented by legal professionals because of a class affinity between them and their clients. This affinity is based both on the size and nature of the economic capital held, but also on the possession of a certain cultural capital.

We show that these processes which ensure that wealth remains in the hands of certain families are also gendered. As families and legal professionals strive to preserve real estate and businesses, or to minimize taxes, they produce inventories, estimations and distributions of assets which end up disadvantaging women, even though shares may appear to be formally equal. Reversed accounting is a common logic of practice, in which the result comes first and computation only after, as a means to legitimize the sharing that has been (forcefully) agreed on (Bessière, 2019). Thus, it is not only the wealth of the upper class that is underestimated but more particularly men's wealth.

We conclude that class society reproduces itself thanks to the male appropriation of capital. It is not only that gender inequality is found in all social

backgrounds: class relations and male domination are inseparable. The reproduction of the gender order is played out in the processes of conservation and transmission of wealth within the different classes. Conversely, the reproduction of the class order is based on processes of male enrichment and female impoverishment. At a time when family wealth increasingly determines the social status of individuals, gender inequality will not be defeated without tackling class inequality, and class society will not be abolished without equalizing the gender order.

Notes

1 Portrait of Ingrid Levavasseur based on several interviews and press articles, notably, Clier A., Qui est Ingrid Levavasseur, figure nationale des Gilets jaunes originaire de Pont-de-l'Arche?, Paris-Normandie, 12 January 2019; Ballet V., Ingrid Levavasseur, rond-point en suspension, Libération, 1 April 2019.
2 Lombard-Latune M.-A. and Ducros C., Ces femmes Gilets jaunes qui ont investi les ronds-points, Le Figaro, 13 December 2018; Lucas E., Des mères isolées ont porté le gilet jaune, La Croix, 7 March 2019; Agence France Presse, Des centaines de femmes Gilets jaunes manifestent dans plusieurs villes de France, Le Monde, 6 January 2019.
3 Portrait of MacKenzie Bezos based on several interviews and press articles, notably: Johnson R., MacKenzie Bezos: writer, mother of four, and high-profile wife, Vogue, 20 February 2013; Bromwich J. E. and Alter A., Who is MacKenzie Bezos?, *New York Times*, 12 January 2019.
4 Holson L. M., Jeff Bezos of Amazon and MacKenzie Bezos plan to divorce, *New York Times*, 9 January 2019; Weise K., Jeff Bezos, Amazon CEO, and MacKenzie Bezos finalize divorce details, *New York Times*, 4 April 2019.
5 The *mental load* describes a psychological weight that crops up during both domestic and professional tasks. One must not simply complete the task, but organize when and how to complete it. For instance, while still at work thinking, a mother thinks of what to make for dinner, what groceries will be needed, and when to find the time to cook between picking the kids up at school, taking them to extracurricular activities, and helping them with their homework.
6 We are working here off of Thomas Piketty's definition *in Capital in the Twenty-First Century.* Contrary to a classic marxist definition, Piketty does not limit the notion of *capital* to those elements of wealth used directly in the process of production or for which the owner expects a return. He includes in his definition of *capital* land and natural resources on which it is possible to exercise property rights, wealth as a value reserve such as gold, or rights to possession and use such as an apartment. His definition of *capital* is thus a synonym for contemporary economics definitions for *wealth* and *assets.*
7 A description of the research team and its activity can be found here: http://justines.cnrs.fr

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