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FINANCIAL PROFITS IN THE UNITED STATES IN THE NEOLIBERAL FINANCIALISATION

Theory and Empirics in a Marxist Approach

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ABSTRACT

The neoliberal era of capitalism is characterized by an increase exploitation of labour, an intensification of the process of globalisation and a renewed hegemony of finance, which confer neoliberalism a contradictory nature. This latter feature of financialisation is conceived as a relative expansion and domination of the nonproductive forms of capital valorisation; specially, an expansion and domination of capital-property forms of valorisation (interest-bearing capital and shareholding capital) in the detriment of active-capital (industrial and commercial capital), and of speculative and parasitic forms of valorisation in the detriment of forms of valorisation that enhance directly or indirectly productive accumulation. The process of financialisation has taken place as a consequence of a radical change in the power structure of classes and institutions, developing a historically specific form of financial hegemony. The present research quantifies the effects of the neoliberal financialisation on the channels of financial profit appropriation in the United States employing a Marxian theoretical and empirical approach. First, the profitability of the different forms of capital valorisation – active-capital, capital that finances active-capital accumulation, capital that finances final consumption, speculative capital, etc.– is measured. It is concluded that the hegemony of the capital-property and parasitic forms of valorisation and capital accumulation during neoliberalism is corroborated in their higher profitability. Second, the effects of the financial activities are considered in order to arrive to a measure of the profit rate that takes into consideration the financial dimension of economic activity, both in the corporate nonfinancial and corporate financial sector. It is concluded that the financial activities have enjoyed higher levels of profitability during the neoliberal financialisation. Finally, it is put forward than the current structural crisis, starting in the 2001 cyclical crisis, evidences the unsustainability of this regime of accumulation.

KEYWORDS

Neoliberalism, Financialisation, Financial Profits, Marx, Rate of profit, Accumulation.

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1. FINANCIAL PROFITS AND HEGEMONY[1]

1.1 A Marxian approach to financial profits

The concept of financialization has been applied by a diverse group of economists and sociologists to refer to a very wide range of phenomena related to changed nature of capitalism in the last three decades in relation to the role of finance in a broad sense. However, there is neither a consensual nor even concurrent definition of financialization, given the huge number of phenomena involved in the process of financialization, as well as to the different theoretical approaches and disciplines analyzing the concept of financialization. Nonetheless, there are also competing and contradictory definitions in the literature, which justifies the effort to provide a theoretically grounded definition of financialization. In our opinion, the difficulties of arriving to a thorough definition of the financialization are practical and theoretical, with the former subdued in the latter. The practical difficulties lay in the aforementioned broad scope of aspects involved. However, the main explanation for the heterogeneity in the definitions is the lack of a clear account of the role of finance in capitalist economies, which also prevents an orderly description of the financialization phenomena. It is our contention that Marxist economic theory, and specifically Marx's analysis of the forms of valorisation of capital, can provide such a theoretical foundation.[2]

The objective in this section is to advance towards a non-contingent theory of financialisation as the basis for explaining historically determined concrete forms of financial valorisation, their relationship with productive capital accumulation and their

[1] This part relies heavily in an ongoing research developed jointly with Abelardo Mariña-Flores.

[2] Despite the growing literature on financialization since the early 1990s among political economist, there has been an unfortunate lack of theoretical foundation of the economic analysis. Significantly, Erturk et al. (2008: 34) point out that "political economists do not necessarily endorse positivist hypothesis testing but do conceive the economy as a machine of quantities and relations between categories like profits and liquidity whose enduring logic is discovered and operates independently of analysis."

role in crises in general and the current crisis in particular. This is done through the following particular objectives:

i) Develop an analysis of the *abstract* or *pure forms of* capital valorisation, which analytically exclude each other, avoiding a sectoral and/or factional initial approach to finance that corresponds to more concrete analytical levels.[3] By making a distinction, on the one hand, between *basic* abstract forms of valorisation, which are directly linked with the production of surplus value, and *non-basic* abstract forms, which are only indirectly linked, and, on the other hand, of financing from speculative capital, this analysis identifies different forms of financial capital, as well as the sources of the corresponding different forms of financial profits.[4]

ii) Account for the contradictory relation between capital-property and active-capital and, therefore, between productive and "financial" capital in the level of capital-in-general, and specifically during the long waves of capital accumulation.

1.2 Abstract forms of capital valorization

Capital is a magnitude of value advanced to circulation with the purpose of increasing itself; that is, of valorising.[5] The *functional forms* that any capital *can* assume in its process are money-capital (M), productive-capital (P) –means of production and labour power– and commodity-capital (C).[6] Depending on the functional forms effectively assumed by capital, we can identify different forms and their corresponding mechanisms of valorisation. *Abstract* forms and mechanisms of valorisation have to be distinguished from the *concrete* forms of existence of capital, which usually combine

[3] The need analyze the role of finance from an abstract level is shared with Hoca (2012: 424): "a more abstract and comprehensive definition of finance capital that will be applicable to diverse financial settings in capitalism is needed." (424) Hoca "claims that the concept [finance capital] should be defined on a more abstract level by using Marx's notion of 'capital as commodity' introduced in Capital III." (420)

[4] Lapavitsas and Levina (2011: 4) point out two of the major theoretical problems involved with the analysis of finance: "the multiplicity of the forms of financial profit" and "the macroeconomic sources of financial profit."

[5] "El valor adelantado originariamente no sólo, pues, se conserva en la circulación, sino que en ella *modifica su magnitud de valor*, adiciona un *plusvalor* o se *valoriza*. Y este movimiento lo *transforma* en *capital*." (Marx, K2: cap. IV, 184). En particular, señala que el capital comercial y el capital dinerario que rinde interés, aunque *no* producen plusvalor producen ganancia y, por tanto, en tanto capitales en proceso también se *valorizan*. "Si la *valorización del capital comercial* no se explica por el mero fraude cometido contra los productores de mercancías, se requeriría una larga serie de eslabones intermedios que aquí faltan aún por entero, ya que la circulación de mercancías y sus fases simples constituyen nuestro único supuesto". (Marx, K2: cap. IV, 200). "...el interés expresa la valorización del capital dinerario..." (Marx, K3: cap. XXI, 453).

[6] K201.

different forms and mechanisms of valorisation.[7] These abstract forms play different roles in the social process of productive accumulation depending on their relation with surplus-value production, as well as on the source of the profits appropriated and of the mechanisms of such appropriation. Some have a direct relation with surplus-value production and their profit is a direct deduction of such surplus-value. We denominate them as *basic* abstract forms; they are industrial capital, merchant's capital (which comprises commercial capital and money-dealing capital) and financing capital that funds accumulation of industrial and merchant's capital. Others only have an indirect relation with surplus-value production and their profit is not a direct deduction of surplus-value. We address them as *non-basic* abstract forms: they are financing capital that funds personal consumption and public expenses, speculative capital, financing capital that funds speculation and refinances debts, and capital-dealing capital (Illustration 1).

Illustration 1. Abstract forms of capital valorization

<table>
<tr><th colspan="2">Nature</th><th>Abstract forms of valorisation</th><th>Types</th><th>Relation with surplus-value production</th><th>Source of capital replenishment</th><th>Profit Source</th></tr>
<tr><td>Productive</td><td rowspan="3">Active-Capital</td><td colspan="2">Industrial Capital (M-C...P...C'-M')</td><td rowspan="5">Non-Parasitic (Generates the means of its autovalorisation)</td><td>Capital value conserved and transfered in production</td><td>Surplus-Value</td></tr>
<tr><td rowspan="10">Non-Productive</td><td rowspan="2">Merchant's Capital</td><td>Commercial Capital (M-C-M')</td><td colspan="2" rowspan="2">Direct deduction of surplus-value</td></tr>
<tr><td>Money-dealing-Capital</td></tr>
<tr><td rowspan="8">Capital-Property</td><td rowspan="5">Financing Capital (M-M') for:</td><td>Circulating Capital (commercial credit)</td><td>Value of circulating capital</td><td>Direct or indirect deduction of surplus-value</td></tr>
<tr><td>Active-Capital Accumulation</td><td>Value of circulating capital and depreciation</td><td>Direct or indirect deduction of surplus-value</td></tr>
<tr><td>Private Final Consumption</td><td rowspan="2">Semi-Parastic (enhances surplus-value realization)</td><td colspan="2" rowspan="2">Direct Alienation of revenues and/or money stocks: wages and/or profits</td></tr>
<tr><td>Public Expenses</td></tr>
<tr><td>Speculative Investment and Debt Refinancing</td><td rowspan="4">Parasitic (does not generate the means of its autovalorisation; does not enhance surplus-value reallzation)</td><td colspan="2" rowspan="4">Indirect Alienation of revenues and/or money stocks: wages and/or profits</td></tr>
<tr><td rowspan="2">Speculative Capital</td><td>Money-Forms</td></tr>
<tr><td>Credit-Forms</td></tr>
<tr><td colspan="2">Capital-dealing-Capital</td></tr>
</table>

Productive and merchant's capital (active- capital)

Industrial capital is the *first basic* form of valorisation. It is carried out through commodity (goods and services) production.[8] From the point of view of the Marxist theory of labour-value *it is the only productive form* as, through the exploitation of

[7] This section is a further development of Mariña and Torres (2010).
[8] Industrial capital comprises primary, secondary and tertiary productive activities, some of which, such as transport, conservation and distribution, persist in the sphere of circulation. (Marx, K3: cap. XVI, 344)

waged-labour, it produces surplus-value, which is the *direct* source of the industrial profit appropriated.

The *second basic* form of valorisation is *merchant's capital*. It comprises *commercial capital,* which trades commodities,[9] and *money-dealing capital*, which carries out, as intermediary among industrial and commercial capitals, the technical movements associated to the different functions that money performs in commodity circulation (means of circulation, of payment and of reserve). (K3, chap. 19) Merchant's capital includes the facilitation of commercial transactions (commodity brokers) and the dealing with means of payment linked with commercial credit, which funds circulating capital, and with credit that funds accumulation by industrial and merchant's capital.[10]

Although this form of valorisation is *non-productive,* commercial profits, fees and commissions appropriated are also a deduction of surplus-value produced by industrial capital.[11] This deduction is justified because merchant's capital strengthens profitability by accelerating the turnover of productive capital and by reducing its circulation costs and, therefore, increases the production of surplus value. Hence, although not producing surplus-value it performs a useful function for industrial capital. In this sense it has a *non-parasitic* nature.[12]

Industrial and merchant's profits are both encompassed as profit of enterprise, which is the return to *active-capital* that comprises industrial and merchant's capital. Profit of enterprise opposes, as will be seen below, interests, dividends and other financial profits, which are the return to capital-property and its management.

Financing capital

A certain amount of money intended to generate a profit, not accomplishing its functions relative to commodity production and circulation, transforms into potential capital acquiring the use-value of producing profit. Such capital becomes a commodity in the sense that its use-value can be transferred by it its owner in exchange of certain quantity of money. Capital as a commodity, certainly *sui generis*, is the basis of

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[9] As an abstract form it refers only to the exchange of ownership rights of commodities.

[10] The function of money as means of payment and means of reserve is linked also with other types of credit: for personal consumption and public expenses, for speculative activities and for refinancing debts. The capital dealing with these instruments, as will be seen, is a *non-basic* form of valorisation

[11] The replenishment of the value of the means of circulation consumed and of the wages paid by merchant's capital is also a deduction of surplus-value produced by industrial capital.

[12] The idea of the opposition between non-parasitic and parasitic forms of valorisation, determined by their relation with surplus-value production, is developed by Carcanholo and Nakatani (2001).

financing capital, which is a general form of valorisation that involves the transfer of the possession of a sum of capital from the creditor to the debtor without the former relinquishing its ownership. The "price" of capital as commodity is the interest, dividend and other type of financial profit received by the creditor as a return to *capital-property*, without the necessity of performing any activity. (K3, chap. 21)

The success of the income generating activities carried out by the debtor – whether an active-capitalist, a final consumer, the public sector, or a speculative capitalist– to repay the principal and respective returns to the creditor is, nevertheless, crucial for the actual valorisation of financing capital. The disturbance of these repayments, that is, the default by debtors generates financial crises.

<u>Financing capital for productive accumulation</u>

Financing capital that funds *industrial and merchant's capital accumulation* is the *third basic* form of valorisation. It is *non-productive*, but it accelerates the turnover of productive capital (commercial credit, commercial paper), increasing surplus-value production, and enhances productive accumulation by centralizing accumulation and depreciation reserves, and even savings for unproductive consumption, and canalizing them to accumulation through banking (credit) and non-banking intermediation (corporate bonds and shares); furthermore, when it funds the creation of new productive capital *beyond* existing social accumulation and depreciation reserves.[13]

The repayment of these investment credits is done with incomes generated by productive capital. In the case of credits and bonds, the principal is repaid by the value of the consumed means of production and labour-force replenished through commodity realization, while interest payments are funded by a part of the increased surplus-value produced by the acceleration of capital turnover and, at least potentially, by the operation of new productive capital.[14] Share issues, which do not require the repayment of the principal, have a double nature. As financing capital they provide dividends to its owner, which are directly funded by surplus-value production. But they also give the issuer, as possessor of the capital invested, a founder's profit arising from the positive difference between the share's market price and the value of such capital. Founder's

[13] This type of financing capital is an important instrument for the re-allocation of social capital within sectors and among sectors contributing, therefore, to the tendential equalization of individual and sectoral profit rates.
[14] Investment credits for commercial capital are repaid, indirectly, by incomes generated by productive capital.

profit, hence, is profit of enterprise that accrues in the form of financial profit. (Lapavitsas and Levina, 2011: 22-23).

Financing capital for accumulation is capital *both* for the creditor and the debtor because both use it as a mechanism of valorisation.[15] Similarly to merchant's capital, although not producing surplus-value, it has a non-parasitic nature as its function reinforces profitability and accumulation rates of productive capital; that is, it generates, at least *potentially*, the means of its autovalorisation. (Duménil and Lévy, 2006:12) The fulfilment of the cycle of this type of financing capital requires the fluid reproduction of the financed capitals, which itself involves the stability of the general rate of profit. When reproduction is disturbed by the surge of problems of realization according to the normal rate of profit, credit crises emerge.

<u>Financing capital for personal consumption and public expenses</u>

Financing capital that funds *personal consumption and public expenses* is the *first non-basic* form of valorisation; it is non-basic because it does not have a *direct* relation with surplus-value production. It is capital only for the creditor, who uses it as a mechanism of valorisation, but not for the debtor, that spends it definitively. This form of valorisation has a semi-parasitic nature. It is non-parasitic inasmuch as, by creating purchasing power, it facilitates the realization of commodities enabling the fluidity of the reproduction of productive capital. It is parasitic because it does not increase surplus-value production and, therefore, does not generate the means of its autovalorisation. The repayment of credits for personal consumption and public expenses, both principal and interests, is done with revenues or money stocks of the debtors. Interest payments, therefore, are not a direct deduction of surplus-value produced by industrial capital; they are profit upon alienation or expropriation. (Lapavitsas and Levina, 2011: 5) In the case of public debt financed by enterprise corporate taxes, or of consumption credits to capitalists, it is an indirect deduction of profits of enterprise and, therefore, of the social accumulation funds. When public debt is financed by taxes on wages, or in the case of credits to waged-workers, the repayment is an indirect deduction of the part of new value created by productive workers that reproduces the value of variable capital. This funding implies the expropriation by

[15] Interest-bearing capital "...is not capital merely for the man who gives it up, but is from the very first given to the third person as capital, as a value endowed with the use-value of creating surplus-value, of creating profit..." (Marx, K3, chap. 21)

financial capital of a part of the consumption fund of waged workers: indirectly through taxes, or directly by financial entities. (Lapavitsas, 2009).

Speculative capital

Money-forms developed in circulation (currencies), as well as credit-forms created for commercial financing (bills of exchange, promissory notes) and for accumulation financing by banking and non-banking intermediaries (credit titles, bonds, shares), as property titles of certain amount of money and/or capital, can themselves be traded. The *seller* of a financial asset (that discounts a bill, sells bonds and shares) capitalizes it, even with a profit, independently of the real exchange of commodities and/or capital valorisation required to back up the original issuer's commitment.[16] The buyer, which acquires the property rights and associated claims attached to the title, *speculates* with the possibility of re-selling it at a higher price with a profit; that is, he speculates about future exchange, discount, interest, profit and dividend rates. Hence, the trade of money and credit-forms creates secondary speculative money and capital circuits that relatively autonomise from the production, realization and accumulation of surplus-value and, therefore, from the reproduction of productive capital.

Speculative capital, which trades money and credit-forms as well as derived titles, is the *second non-basic* form of valorisation. It is completely parasitic inasmuch as it neither facilitates the realization of production, nor enhances surplus-value production or productive accumulation. When the initial speculative investment is directly financed with current incomes generated by productive capital it diverts a part of the social funds for accumulation, or for consumption, away from the expanded reproduction of such productive capital. Speculative profit is a redistribution over time of the profit associated to the traded title (bond, share) among its successive owners, profit which itself is a deduction of surplus-value produced by industrial capital; therefore, it is another case of profit upon alienation. When speculative investment is financed with credit, speculative profit is initially financed by such credit, but ultimately, it is also a deduction of surplus-value.

Financing capital for speculation and debt refinancing

Financing capital that funds speculative investment and *refinances debt* is the *third non-basic* form of valorisation. It is also completely parasitic as it is further

[16] The trade of shares is a privileged means of capital centralization, as will be seen below. Here we analyse share trading, not as a mean of acquiring property and/or control of a firm, but as means of speculation.

temporarily detached from surplus-value production. The profit is generally appropriated upon alienation, being a redistribution of speculative profit or an indirect appropriation of profits and/or wages, in the case of debts. Ultimately, it is a deduction of surplus-value.

This form of valorisation is the basis of credit and speculative bubbles in which successive layers of speculative profits and interest returns to creditors are financed by more credit. In periods of expansion of these bubbles, the link with waged-labour exploited by productive capital and, therefore, with new value and surplus-value production is *temporarily* severed. Nevertheless, in periods of contraction and burst of these bubbles the link is violently re-established through chained defaults by debtors and bankruptcies of creditors. As the credit chains are crunched, direct claims on accumulation and consumption funds for financing financial investments and profits increase.

Capital-dealing capital

The *fourth non-basic* form of valorisation is *capital-dealing capital*, which facilitates all types of financing capital transactions –for accumulation (investment and stock brokers), personal consumption (mortgage brokers) and public expenses–, intermediates the trading of speculative capital assets in secondary markets, and promotes them by creating different types of derived financial instruments (prime brokers). Investments and profits (fees, commissions) are directly financed by incomes of the involved parties: creditors and debtors, buyers and sellers of financial assets.

In essence, capital is simultaneously property and activity. It is the monopoly of the *property* of the means of production (and of money) by the non-producers –the capitalist class– that enables them to command the process of exploitation of waged labour –the real producers–, which is the process of surplus-value production and valorisation. The outcome of this activity, the *process* of capital valorisation, reproduces the specific property relations of capitalism.

With the development of commercial credit, inherent to monetary circulation, but especially with investment credit, the relation between capital-as-property and capital-as-activity exteriorizes and becomes contradictory. The creditor, the owner of capital that valorises by financing investment, and the debtor, the active capital that valorises through commodity production or trade, compete upon the quantitative division of the surplus-value produced between interest and dividends, on the one side, and profit of enterprise, on the other. This quantitative division turns into qualitative even when an active-capital that operates with its own capital, without credit, divides its gross profit between the return for his ownership and the return for his activity as commander of the productive process. Profit of enterprise, hence, tends to be falsely identified as wage of superintendence: a payment for the functions carried out by the active capital in the process of waged-labour exploitation, which appear as a form of skilled labour. (K3, chap. 23) With the delegation of supervision and management functions to waged-workers, this false appearance is strengthened. The contradiction between capital-property and active-capital further unfolds with the relative autonomisation of speculative and related forms of valorisation from surplus-value production.

This contradiction expresses quantitatively through the relationship between interest rates (and, in general, the rates of return to all financial and speculative investments), on the one side, and the general rate of profit (and, in particular, the rate of profit of productive investments), on the other side. Moreover, this essential contradiction of capital in general with itself, as property and as activity, correlates with the other essential contradiction of capital: the relation of capital with itself, as potential capital and as realised capital, as expressed in the general rate of profit. Dynamically, the contradictory relation between capital-as-property and capital-as-activity manifests, firstly, through the relation between the short-run and medium-run fluctuations of interest rates and productive capital profitability, which is one of the causes of the cyclical fluctuations of accumulation and economic activity. The raise of interest rates that results from a progressive relative scarcity of loanable funds, due to leveraged high accumulation rates during expansive periods, increases financial costs for active-capitals, weakening their profitability and productive investment. This is one of the causative elements of the end of cyclical expansions and of cyclical crises.[17] The continued rise in interest rates after the peak of the cycle is reached, induced now by the demand of loanable funds to pay former commitments, drives the economy into contraction and recession. The recovery can only start once the relation between interest rates and productive profitability switches to the advantage of the later; that is, once

[17] The other central causes are, on the one hand, the raise of other costs, such as wages (due to the relative contraction of the floating segment of the industrial reserve army; Marx, K1: chap. 25) and some raw materials (due to the relative supply inelasticity); on the other hand, the cumulative shrinkage of profitable options of productive investment in machinery and equipment due to its ongoing renovation during phases of expansion.

interest rates fall to a level that promotes a new phase of dynamic productive accumulation. The quantitative specificities of the short and medium run dynamical relation between interest rates and productive capital profitability, for example in terms of the sensitivity of productive investment to fluctuations in interest rates, is itself determined by the long run trends of the general rate of profit and the long run relation between active-capital and property-capital.

In the long run, the relative *dominance* of active-capital over property-capital expresses through the relative subordination of financing and speculative forms of valorisation to productive (and commercial) forms, which involves the relative dominance of financing capital for productive accumulation over other types of financing capital and speculative capital; that is, over semi-parasitic and parasitic forms of valorisation. The preconditions for such situation are, on the one hand, a high and stable general rate of profit, which allows for high and stable profitability to all forms of valorisation, particularly productive ones, thus boosting productive accumulation; on the other hand, institutional arrangements at all levels of economic activity that prioritize productive valorisation. The relative dominance of active-capital would be the basis for expansive long waves of accumulation and economic growth. In such long run periods, the credit system predominantly operates as intermediary and promoter of productive accumulation.

Reversely, the long run relative *dominance* of property-capital over active-capital expresses through the diversion of accumulation funds and credit towards semi-parasitic and parasitic –especially speculative– forms of valorisation to the detriment of productive accumulation. In these periods, the credit system becomes in itself a privileged space of valorisation, as well as a promoter of speculative forms of valorisation to the detriment of productive ones. A long run decline of the general rate of profit causing a structural crisis induces such a situation. On the one hand, because it exacerbates competition among different forms of valorisation; on the other, because relatively excessive capital that does not find profitable opportunities in the productive spheres nevertheless seeks and even generates alternative spaces and mechanisms of valorisation as a countertendency to the falling general rate of profit. Institutional changes that prioritize semi-parasitic and parasitic forms and mechanisms of valorisation can prolong the relative dominance of property-capital over active-capital even if the general rate of profit starts to recover driven by other countertendencies such as the increase in the rate of surplus-value. These conditions would be the basis of long waves of stagnated accumulation and growth.

Capitalism is driven by the logic of capital valorisation and accumulation. As capital has different *alternative* forms and mechanisms for its fulfilment as such, capital accumulation, the creation of new capital from current revenues or through credit, can be oriented towards any of these different forms of valorisation. For any individual capital the decision about which form of accumulation should be prioritized is completely irrelevant as long as it minimizes risks and maximizes profitability. But for capital as a whole the decisions taken by individual capitals are crucial inasmuch as the reproduction conditions of social capital are at stake.

As seen above, the only productive form of valorisation is that of industrial capital. Accumulation of industrial capital, therefore, is the only form of accumulation that reproduces in *expanded scale* the social capacity of surplus-value production and, although it is not its objective, the social capacity of wealth and employment creation. Accumulation of merchant's capital, both commercial and money-dealing, and of financing capital that funds productive and merchant's capital accumulation is non-parasitic as long as it reinforces industrial capital accumulation. Accumulation of financing capital that funds personal consumption and public expenses has a semi-parasitic nature because it indirectly supports to a certain extent the dynamics of industrial capital accumulation through the facilitation of commodity realization. Accumulation of speculative capital and of financing capital that funds speculation and debts, as well as of capital-dealing capital, is completely parasitic. Not only because it does not contribute at all to the expanded reproduction of surplus-value, wealth and employment, but because it also diverts accumulation funds and credit away from productive accumulation.

2. THE FINANCIAL HEGEMONY IN THE UNITED STATES

2.1 Concrete forms of financial profits and hegemony

Specific concrete capitalist firms, entities or even individual agents can carry out each of the different abstract forms of valorisation: industrialists, commodity brokers, money dealers (currency exchange, money transfer), capitalist rentiers, investment and speculative brokers and funds. But, in general, concrete forms of existence of capital combine different forms and mechanisms of valorisation, either because they are organically linked, or/and as a result of concentration and centralization processes that are inherent to competition. Industrial firms usually carry out commercial activities, while commercial firms usually carry out productive activities of distribution, conservation and transport of commodities. Both types of firms involve in commercial credit and can also involve in financing (to consumers or as portfolio investments) and speculation.

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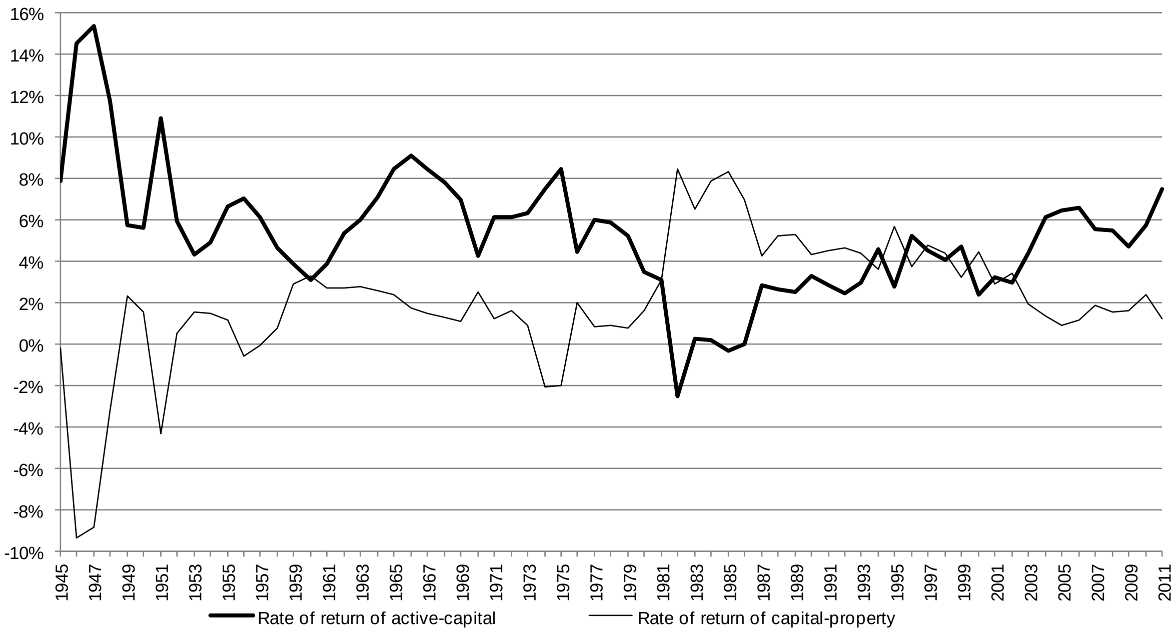
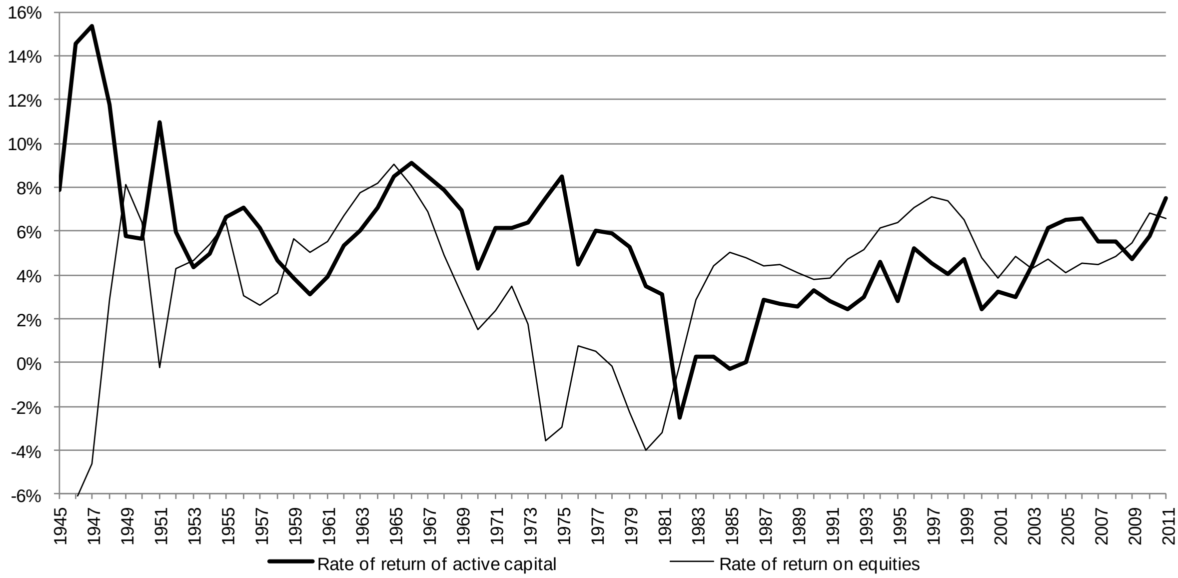
Figure 1. Active-capital and capital-property rates of return
United States, 1945-2011



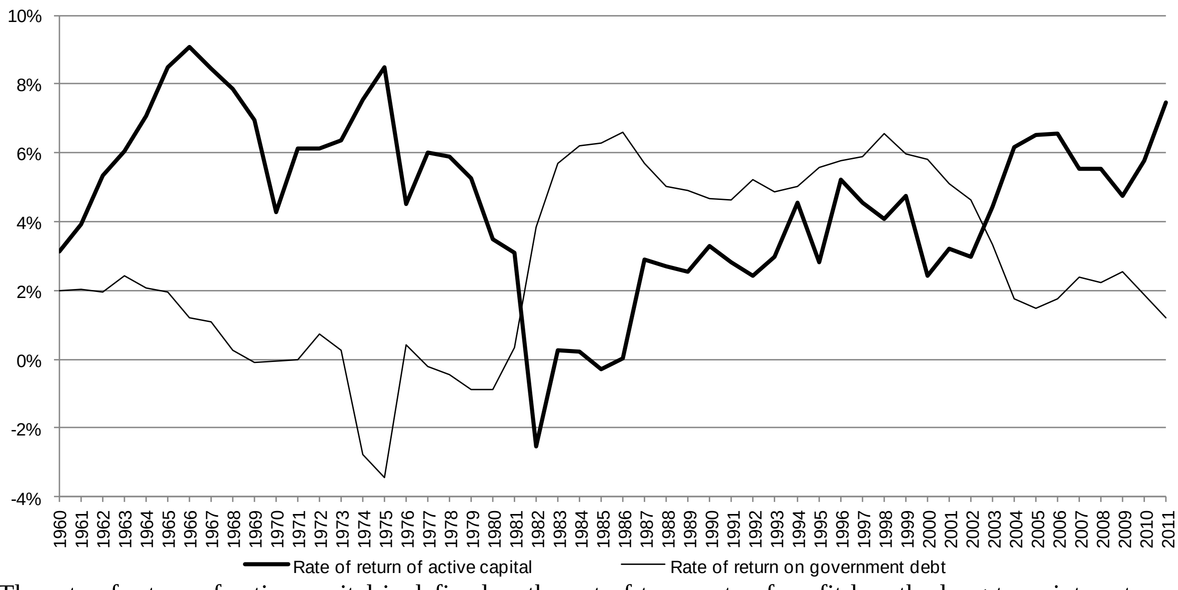
The rate of return of active-capital is defined as the net of taxes rate of profit less the long term interest rate. The rate of return of capital-property is defined as the long term interest rate.

Figure 2. Active-capital and equity capital rates of return
United States, 1945-2011



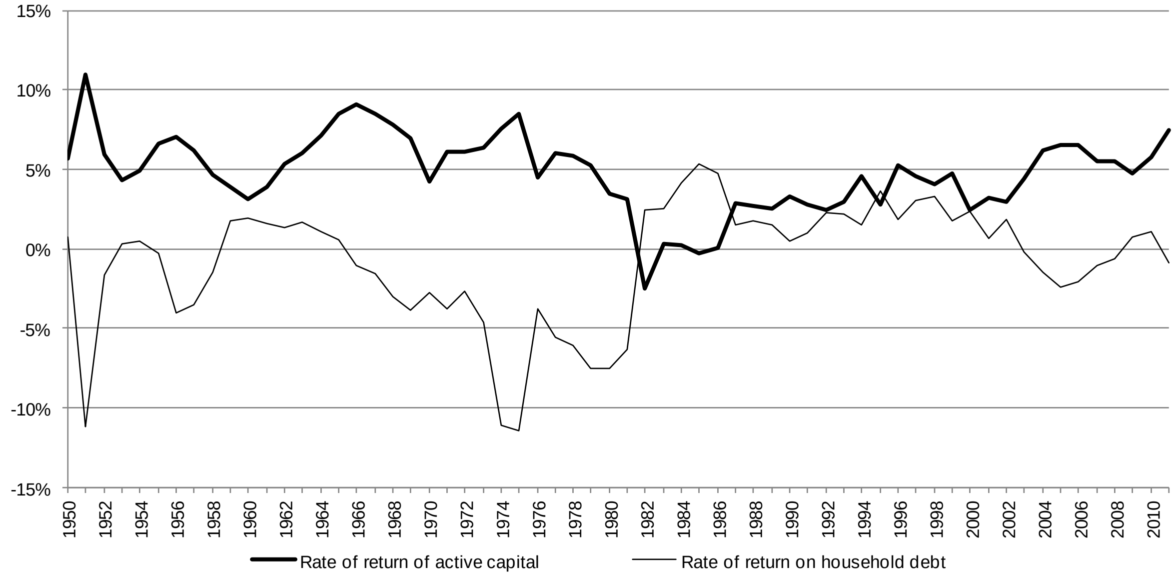
The rate of return of active-capital is defined as the net of taxes rate of profit less the long term interest rate. The rate of return on equity is defined as the ratio of the flow of dividends and the stock value of corporate equities.

Figure 3. Active-capital and government debt rates of return
United States, 1945-2011



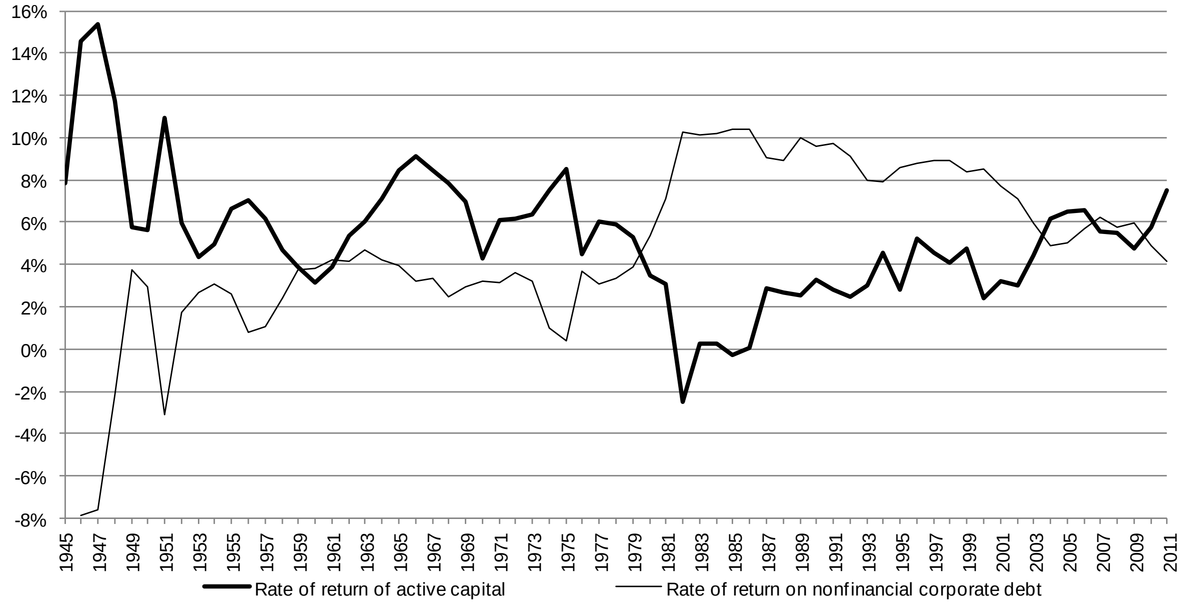
The rate of return of active-capital is defined as the net of taxes rate of profit less the long term interest rate. The rate of return on government debt is defined as the ratio of the flow of government interest payments and the government debt.

Figure 4. Active-capital and household debt rates of return
United States, 1945-2011



The rate of return of active-capital is defined as the net of taxes rate of profit less the long term interest rate. The rate of return on household debt is defined as the ratio of the flow of household interest payments and the household debt.

Figure 5. Active-capital and nonfinancial corporate debt rates of return
United States, 1945-2011



The rate of return of active-capital is defined as the net of taxes rate of profit less the long term interest rate. The rate of return on nonfinancial corporate debt is defined as the ratio of the flow of nonfinancial corporate interest payments and the nonfinancial corporate debt.

2.2 Profitability and financialisation in the nonfinancial and financial sector

3. CONCLUSIONS

STATISTICAL APPENDIX

The complex and lengthy estimations carried out, implying hundreds of series and calculations, prevents a detailed presentation of the data sources and estimation methodology employed for reasons of space. Consequently, the presentation is limited to the data sources, instead of a list of every individual series, and to a quick sketch of the estimation procedures. The main data sources employed, arranged by the publishing institution, are:

Bureau of Economic Analysis

- *National Income and Product Accounts*
- *Fixed Assets Accounts*
- *Gross Domestic Product (GDP) by Industry*

Bureau of Labor Statistics

- *Current Population Survey*
- *Current Employment Statistics*
- *Quarterly Census of Employment and Wages*
- *Consumer Price Index*
- *Producer Price Index*

Board of Governors of the Federal Reserve System

- *Flow of Funds - Z.1*
- *Industrial Production and Capacity Utilization - G.17*
- *Selected interest rates - H.15*

The specific estimation methodology of the profit rate and its determinants follows the basic principles established in Cámara (2009), which provides a detailed description of the methodology employed for the estimation of the profit rate upon annual data; in the present research, the methodology has been improved anyhow. The estimation based on quarterly data cannot follow the procedures of the annual data estimation, given the lesser availability of the former. In general, the criterion has consisted in estimating the quarterly series whenever it was not directly available. In some cases, it is possible to obtain them from simple arithmetics with the available series. In most cases, quarterly series have been obtained by methods of temporal distribution and interpolation of the annual series. In general, Chow-Lin or AR(1) regression methods have been applied using some appropriate quarterly indicator highly correlated with the annual series. When the interpolated series are subjected to some contemporaneous constraint, the two-stage estimation of multivariate series has been employed; in the first stage, preliminary estimates satisfying the temporal constraint are calculated, and, in the second stage, the contemporaneous constraint is included in estimation. In general, the Denton additive and proportional first difference methods have been preferred.

There is neither data on the capacity utilization rate for any of the levels of aggregation employed in the investigation; hence own estimations have been carried out. The most prolific data correspond to the capacity utilization rate in the industrial sector, from 1967, and in the manufacturing sector, from 1948. Different statistical and econometric techniques have been implemented and compared. A basic measure of the Wharton index (Klein y Summers, 1966) has been obtained by identifying peaks in the ratio output/capacity as the maximum use of productive capacity. The methodology proposed by Duménil and Lévy (1994: 9-10) is based on the use of the Hodrick-Prescott filter in order to obtain the normal output related to the normal or desired capacity utilization. Finally, Shaikh and Moudud's (2004) method is based on the cointegration relation between the natural logs of output and capacity, on the grounds of a long-run relationship among the normal output and the stock of capital. Given the short-term bias of the first two methods, the latter has been favored; a measure of the capacity utilization with similar amplitude, though still smaller, than the industrial and manufacturing one is obtained. On the other side, the three methods identify identical peaks and troughs in the rate that, in some occasions, differ from the peaks and troughs in the available data. The statistical tests applied in the cointegration method are detailed in Cámara (2008b, appendix).

- Financial profits calculations need yet to be explained.

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