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Rentier-financier capitalism

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Rentier-financier capitalism

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Abstract: Since the beginning of the twentieth century there are three basic social classes: the capitalist class or bourgeoisie, the working class and the professional class or technobureaucracy. In the first part of the century, the high technobureaucrats replaced the business entrepreneurs in the management of the corporations; from the 1980s, the rentier capitalist, most of them heirs, replaced the entrepreneurs in the ownership of such corporations. To manage their wealth a special class of professionals emerged, the financiers, bright people formed in the best universities, who assumed also the role of economic policymakers and of ideologues or organic intellectuals. They adopt the neoliberal ideology, and, as its justification, either the neoclassical, or the Austrian economics.

Resumo: Desde o início do século XX existem no capitalismo três classes sociais básicas: a classe capitalista ou burguesia, a classe trabalhadora e a classe profissional ou tecnoburocracia. Na primeira parte do século, os altos tecnoburocratas substituíram os empresários na gestão das grandes empresas; a partir dos anos 1980, os capitalistas rentistas, muitos deles herdeiros, substituíram os empresários na propriedade dessas empresas. Para administrar sua riqueza surgiu uma classe especial de profissionais, os financistas, pessoas brilhantes formadas nas melhores universidades, que também assumiram o papel de formuladores de políticas econômicas e de ideólogos ou intelectuais orgânicos. Eles adotaram o neoliberalismo como ideologia e, como sua justificação, ou a teoria econômica neoclássica, ou a austríaca.

Key words: capitalism, technobureaucrats, financiers, rentiers

JEL Classification: P00, P50

Since the technobureaucratic or professional class has made its appearance on the stage of history in the twentieth century, three basic social classes are present in contemporary capitalism: the working class, the bourgeoisie, and the technobureaucracy. These later are the ruling classes. They changed throughout history and are not unified or monolithic social classes. Originally, capitalists were either merchants, or industrialists, or bankers; today their major division is between business entrepreneurs and rentier capitalists. In the technobureaucratic or professional class we have either middle or top, either private and public technobureaucrats. Considering only the private top professionals, it is relevant to distinguish the top executives from the financiers and from the innovators in the information technology industry. In this paper I am interested in the rentiers, the idle owners of capital, and the financiers, who, in strict terms, are the managers of the wealth of the rentiers, and, more broadly, include the economists who work as economic policymakers and as ideologues rentier-financier capitalism.

Capitalism and modernity were born with the capitalist revolution, i.e., this major long-term transformation that began in the thirteenth century and was “completed” for the first time in England with the formation of the British nation-state and the Industrial Revolution. The capitalist revolution together with the Reform, the Enlightenment, and the French Revolution, changed man's view of himself by transforming him from subject into a citizen, and changed his view of history, from the belief that civilizations were part of a very long-term cyclical process, to the idea of progress and, later on, of capitalist development, in which countries, one after the other, search to make its own capitalist revolution and develop. In this new society, besides the bourgeoisie and the working class, there is the professional or technobureaucratic class, which was not present in entrepreneurs’ capitalism, but emerged strong in the twentieth century, in a first moment, as a technobureaucratic capitalism, and, in a second, as a rentier-financier capitalism.

Capitalism may be qualified by several adjectives, depending on the historical moment. Considering the present forms of capitalism and different classification criteria, capitalism will be

- (a) either technobureaucratic capitalism, or rentier-financier capitalism, from the point of view of the ruling social classes;
- (b) either developmental, as in mercantilism and in post-war Fordism, or liberal capitalism, as between the 1834 and the 1929 and after 1980, from the point of view of the economic organization of capitalism; and
- (c) either social-democratic, as it is in the more advanced European countries, or liberal-democratic capitalism, as in the United States, from the point of view of the nature of the polity.

The focus of this paper is in rentier-financier capitalism – the form of contemporary capitalism – and its neoliberal ideology. Although the neoliberal ideology has been dominating since around 1980, it has not been able to move capitalism back to the nineteenth century liberal capitalism; it has been able to reform labor contracts in benefit of business enterprises, but the state remains a key player in the economy, and the welfare state has been surviving the attack of neoliberals. Since 2008 neoliberalism has been facing economic crisis, and since 2016, with the Brexit and the election of a populist president in the United States, it faces political crisis. Yet, as to the nature of the ruling classes, capitalism remains a rentier-financier capitalism, and the way out of it is not clear.

Technobureaucratic capitalism

The transition from entrepreneurs’ capitalism to technobureaucratic capitalism is well-known. It dates from the Second Industrial Revolution – the dawn of electricity, the combustion engine, the assembly line, and scientific management. There is a large literature on the subject.¹ To this social formation were given many names: managerial capitalism, new middle-class capitalism, knowledge capitalism. I called it technobureaucratic capitalism, to emphasize the association of the new professional class to the bourgeoisie and the mixed character of the social formation, combining, in a relatively balanced way, market and state in the regulation of the economy. While capital (the private ownership of the means of production) remains the basic relation of production in rentier-financier capitalism, a second and complementary one, the “organization”, here understood as the collective ownership of means of production by the professional class, has today a major say in the structuration of capitalism.² Technobureaucratic as well as rentier-financier capitalism should be

distinguished, on the one hand, from classical or entrepreneurs' capitalism that existed before the Great Depression, and, on the other hand, from statism or technobureaucratism, of which the Soviet Union was the paradigmatic case.

Technobureaucratic and knowledge capitalism are the same thing. When I say knowledge capitalism I am adopting as criterion the strategic factor of production in modern societies: knowledge, or, more precisely, organizational knowledge – the knowledge required to develop science and technology and to manage the corporations and the state. This denomination is originated from John Kenneth Galbraith's (1967) identification of knowledge as the new strategic factor of production, and of Peter Drucker's (1968) subsequent proposal to call the contemporary capitalist society a "knowledge society." Indeed, knowledge has become the strategic factor of production and has empowered its holders from the turn of the nineteenth to twentieth century. Later, the information and communication technology revolution produced an extraordinary increase in the amount of information available, but knowledge remained restrict to the technobureaucracy formed of intellectuals and of top technobureaucrats. For some time, in the Golden Years, this new capitalism was called "organized capitalism" to reflect the new and apparently stable capitalism based on large private and public organizations,³ but rentier-financier capitalism's intrinsic economic and social instability, the frequency of financial crises and the increase in upward and downward social mobility disavowed such denomination.

Class coalitions play a central role in capitalist societies where social classes are not fully unified, and, so, progressive coalitions involving the working class may be formed. The class coalition that characterized technobureaucratic capitalism, after World War II, was a broad class coalition formed of business entrepreneurs, professionals and the working class; it was the Fordist class coalition, which the French regulationist school studied. Instead, rentier-financier capitalism is associated to a narrow coalition putting together the rentiers, mostly the heirs of entrepreneurs, and a special kind of professional, the financier. In the two class coalitions, the ruling classes are the capitalist and the technobureaucratic classes, the first divided into entrepreneurs and rentiers, the second, divided into top executives and financiers. The popular classes press the two class ruling coalitions, but only achieved some influence in the Fordist class coalition. Before that, it is important to observe that, at the end of the nineteenth century, after an intense struggle, the popular classes won the universal suffrage and, thus, turned democracy a reality in the more developed countries – what led Antonio Gramsci (1934) to emphasize the increased role of ideological hegemony in the exercise of political power, and Nicos Poulantzas (1968) to define de capitalist state not just as the representative of the bourgeoisie, but as the "condensation of the class struggle".⁴

The state and the market are the two main institutions coordinating capitalist economies. Depending on which has priority in the economic regulation of capitalism, it will be either developmental, or liberal. When we have the combined coordination of the economy by the state and the market, we have developmentalism, when the state is restricted to guarantee property rights and contracts and manage well its fiscal account, we have economic liberalism. Everywhere capitalism began developmental, because all industrial revolutions, which complete the capitalist revolution in each country, happened in the framework of developmentalism. This is true for England, France and Belgium, which were the first to industrialize and did that on the framework of mercantilism, the first developmentalism; for the late industrialization in central countries like the United States, Germany and Japan; and was true for all developing countries that industrialized and turned middle-income countries. Taking England and France as parameters, after the capitalist revolution, between the 1830s and 1929, economic liberalism was dominant, but, from the beginning of the twentieth century, the big corporations and the technobureaucratic class were rising. In 1929, a major

crisis and the Great Depression put an end to this period marked by low growth and high financial instability. While technobureaucratic capitalism turned dominant in the private realm, the state increased its intervention in the economies, and a second developmentalism turned reality, first with the New Deal, and, after the war, with social-democracy and Fordism, a broad class coalition associating business entrepreneurs, the rising technobureaucracy and a working class that was changing into a low middle class.

Keynesian macroeconomics and the 1950s' development economics or classical developmentalism were the two dominant economic schools in Fordism. They represented the interests of the business entrepreneurs, of the rising technobureaucratic class and, to a lesser extent, of the working class. The two schools of thought took for granted that capitalism was a business entrepreneurs' and technobureaucratic capitalism. They defended a moderate intervention of the state in the economy. Its objectives were a satisfying rate of profit, which attracted the entrepreneurs, and the increase of the managerial positions, which drew the professionals, and growth attracted the two ruling classes and the workers. They backed the developmental state, i.e., a state that kept the macroeconomic prices reasonably right, implemented a strategic industrial policy, achieved a satisfying profit rate, and encouraged capital accumulation. In contrast, the neoclassical school assumed a rentier-financier capitalism, had price stability, high interest rates and generous distribution of dividends.

As it happened with the bourgeoisie, the rise of the technobureaucracy happened in stages. First, from the beginning of the century, professionals substitute business entrepreneurs in the *management* of the large corporations. The outcome was technobureaucratic or knowledge capitalism. After World War II and, particularly from the 1980s, a second major social change happened in the top of the capitalist societies. Rentiers, most of them inheritors, substituted entrepreneurs in the *ownership* of the corporations. They left to the high technobureaucracy the management of the business enterprises and hired another kind of professional to manage their wealth, the financiers, bright middle-class professionals formed in the top business schools, or holding a PhD in economics. But soon these new technobureaucrats assumed an additional role – they became organic intellectuals, who use neoclassical economics and the neoliberal ideology to justify the rentiers' and their own power and privilege. I call this mixed type of social formation, "rentier-financier capitalism" because it is a mode of regulation where the major capitalists are mostly rentier capitalists, while the top executives of the corporations and the financiers are technobureaucrats.⁵

Rentier-financier capitalism

Technobureaucratic capitalism turned dominant after the Great Depression and the failure of the classical capitalism – the social formation in which Marx had lived, analyzed and criticized. The new power of the people with the achievement of the universal suffrage in the turn of the nineteenth to the twentieth century opened room, on the political side, for Franklyn Delano Roosevelt' New Deal, on the economic side, for John Maynard Keynes' macroeconomic policy, and, on the business side, for Henry Ford's philosophy of mass consumption. In other words, these new historical facts opened room for the Fordist class coalition, the social-democratic and developmental mode or regulation, the Bretton Woods agreement, that turned dominant after World War II, in the Golden Years of Capitalism, characterized by high growth rates, some reduction of inequality, and a radical suspension of the cyclical financial crises.

But this very triumph came to an end with the end of the gold standard in 1971, the first oil shock in 1973, the defeat of the United States in the Vietnam War, and the fall in the profit rates in that decade. All this opened room for a narrow class coalition formed of capitalist rentiers and financier and for the resurgence of economic liberalism, now with a major political difference in relation to nineteenth century liberalism: it was an aggressive economic liberalism pressing for neoliberal economic reforms. Up to that moment the economic and the institutional instances of society were changing together, institutional development was part of capitalist development, while class struggle and class cooperation in the framework of the nation lived together, dialectically.

With rentier-financier capitalism and neoliberalism a regressive era turned dominant in the economic departments of the major universities, in politics, and in society. The neoliberal venture was a project of radical change defined in the cultural instance of the contemporary capitalist societies. Neoliberals took the leadership of the new society and waged a top-down class struggle to impose the new truth to the working and technobureaucratic middle class. In this new world, rentiers play the key capitalist role – they are the sons and grand-sons of the business entrepreneurs who had led the previous phase –, while financiers play a strategic role. Besides managing the wealth of the rentiers, they assume an intellectual leading role. Given the obvious intellectual poverty, lack of managerial competence, and political shortcomings of the rentier-capitalists, they had no alternative but calling the financiers to manage their wealth and act as their organic intellectuals, while the major banks assume the role not so much of financing, but of organizing, of giving structure to rentier-financier capitalism. And, for sure, charging a high fee for the performance of this role.

When, in the 1990s, François Chesnais pioneered the interpretation of capitalism as a financialized capitalism, he was acknowledging the new power of financiers and of the financial institutions. He was spotting a new historical phenomenon, which was essentially different from Hilferding's "financial capitalism" – the fusion of banking capital and industrial capital under large commercial banks. Other critical economists, such as Coutinho and Belluzzo (1998), Michel Aglietta (1999), Eckhard Hein (2004), Gerald Epstein (2005), Robert Boyer (2000), Robert Guttman (2008, 2016), and Adair Turner (2015) wrote on financial capitalism, finance-led capitalism, financial globalization, and financialization. While domestic and international capital flows increased dramatically, and financial speculation gained global dimension, the share of finance (the profits of the financial institutions and of the salaries and bonuses of financiers) in GDP of each country increased enormously. These economists discussed this new reality but with too much emphasis on the financial institutions and on the financiers, leaving the rentiers in a second tier. What I am adding to this approach is the key role played by the rentier capitalists – the owners of real-estate, the shareholders and holders of other securities, the so called "investors" in the financial markets – and the financiers. Not the classical financiers that proportionated long-term credit business entrepreneurs, but the new financiers who manage the wealth of the top and middle-income rentier capitalists. These capitalist rentiers remind me the idle aristocracies of the Ancien Régime, their disconnection with the productive system, and, so, their essentially superfluous character. They also bring back Thorstein Veblen's (1899) "leisure class" (dedicated to conspicuous consumption), rentiers' direct antecessor. It was most likely that for that reason Keynes, in the last chapter of the *General Theory* (1936), without any introduction or justification, called for the "euthanasia of rentiers".

At the same time, neoclassical academics in the universities, and the liberal policy intellectuals in the conservative think tanks, were waiting for an opportunity to recover their prestige and influence. They had been defeated by both the Great Depression and the new stability achieved by the Keynesian policies and the Bretton Woods agreement. The

opportunity arrived in the 1970s, with the fall in profit rates and stagflation, mainly in the United States and in the United Kingdom. A new neoclassical macroeconomics searched to replace Keynesian macroeconomics, first, on the form of Milton Friedman's monetarism and adaptive expectations, followed by Robert Lucas' rational expectations, and soon became dominant. It was not really a macroeconomics but an appendix to the neoclassical general equilibrium model whose main role was not to orient macroeconomic policy but to justify economic liberalism. Alongside, Margaret Thatcher, in Britain, and Ronald Reagan, in the US, changed the economic policy regime from a social-democratic and developmental to a neoliberal policy regime. While Keynes' macroeconomics was a blueprint for governments to avoid financial crises, or reduce their length and severity, the new macroeconomics was the mathematical justification for the government to keep its hands off the economy. As Milton Friedman's monetarism soon proved false and the central banks abandoned it, given the endogenous character of the money supply, it was immediately replaced by the "rational expectations hypothesis", which fully satisfied the mathematical Platonism of academics, and could not be falsified empirically. This new macroeconomics practically identified with microeconomics and its two offspring, the financial theory based on the "efficient markets hypothesis", and the "financial repression hypothesis" (a defense of high interest rates which would "deepen" finance) soon turned mainstream. The assumption was that market liberalization, deregulation and fiscal discipline were the only conditions for the efficient allocation of resources, fast growth, financial and price stability – precisely the qualities that rentier-financier capitalism proved to lack. But for a science (neoclassical economics), whose main truth criterion is not adequacy to reality but logical consistency, this is no problem. As their main economist, Robert Lucas, then president of the American Economic Association, famously said in 2003, "the central problem of depression prevention has been solved, for all practical purposes, and has in fact been solved for many decades".⁶

This type of theory makes no sense because has no counterpart in reality. It is a mere ideology, the neoliberal ideology written with the help of mathematical formulas, is the ideology that believes that the existing and relatively competitive markets that characterize today's capitalism can assure growth, financial stability and economic justice. A theory and an ideology disconnected from the capitalist experience, but very attractive to rentiers and financiers, whose core bet is not in growth, or in distribution, but in high nominal interest rates and low inflation – rentiers and financiers main comforts.

In the time of Fordism, at the peak of the American hegemony after the Second World War, top business executives were the American heroes. That changed completely around 1980. From that year on, the national economies were at the service of the shareholders or, as financial markets prefer to say, at the service of the "investors" – investment here just meaning application of capitals for rentiers in the financial system, not capital accumulation and innovation. Then, a new theory emerged, the principal-agent theory, which is, actually, a truism – the subordinate should obey the chief - but, ideologically, is a way of enhancing the role and status of the rentiers in the capitalist order. Searching to neutralize the substantial autonomy of top executives in the great corporations, the shareholders were supposed to be the principal, while the executives, the agents. The neoliberal, rentier-financier revolution was on the march. As *The Economist* (2013), a key journal voicing this ideology, wrote,

Activist shareholders are on the march. About time, too. Shareholders own companies. Managers and directors should serve them. If the owners do not like the way their servants are performing, they have a right to do something about it. Trying to improve the way a firm is run is more constructive than the traditional "Wall Street walk", whereby disgruntled shareholders simply sell their shares.

After the Second World War and particularly after the 1980 shift to neoliberalism, rentier-financier capitalism turned into reality, and the neoliberal ideologues asked for power and privilege for the shareholders. Colin Crouch (2011: 103) called this the “Anglo-American shareholder maximization concept... under it, and in opposition to stakeholder concept that for some time prevailed in Europe, the sole goal of the corporation is to maximize value for the shareholder”. Up to 2008, there was an immense growth of the financial sector’s share of GDP, of its profits, and of its influence – a growth experienced not only by the major banks, but by the much larger financial system, their financiers and their economists. The prototype of financiers is Warren Buffett. In a recent article, Robin Harding, from *Financial Times*, notice this fact and commented:

He pushed companies to expense stock options, warned of danger in derivatives and taught the public to invest long term in [low-cost index funds](#). But however much you admire the man, his influence has a dark side because the beating heart of Buffettism, celebrated in a thousand investment books, is to avoid competition and minimize capital investment in the real economy”.

I propose that these rentiers are the key capitalists of our time, the key figure of a regressive form of capitalism. For sure, rentier capitalists have existed since the dawn of capitalism, and it would be reasonable to predict that the incessant capital accumulation would soon lead to an excess of accumulated capital. But, as Schumpeter (1911) recognized so well, the role of the business entrepreneur is so strategic to the national economies that we can understand why entrepreneurs were privileged in the analyses in relation to the rentiers. Yet, when Schumpeter published his classical work, top executives were already beginning to replace business entrepreneurs in the United States. On the other hand, two new historical facts *stopped* the chronic and radical destruction of the unwarranted accumulation of capital, which used to keep relatively balanced the supply and the demand for capital. I refer to (1) the Keynesian revolution, which offered governments a new and powerful weapon, fiscal and monetary policy, that reduced the severity of economic crises, and (2) the fact that the world does not face major wars since 1945. The consequence could not be other than the exacerbation of the profusion of capitals in rich countries.

At the same time, the demise of business entrepreneurs continued. Entrepreneurship ceased to be an individual to be a collective endeavor achieved by professionals within the great corporations. Young entrepreneurs and their startups proved that entrepreneurship was not dead, but their firms were soon bought by the corporations. The exception was in the area that concentrated innovation in the last half century: information technology. The new entrepreneurs, who created firms like Google or Facebook, which required relatively modest capital investment and much innovative capacity, are originally bright technobureaucrats transformed into entrepreneurs. The respective corporations are a dramatic evidence of the power of new ideas. They showed dramatically the weight of knowledge, innovation and managerial capacity in contemporary capitalism. The horizontal and relatively chaotic way they organize work is in itself a historical new fact that requires study. Do these companies, which have been associated to “work clubs” or “coworking”, represent a new and important change in the relations of production that either capital or organization are able to explain?⁷ Most likely yes, but it is too soon to respond to this question.

On the other side, the resilience of entrepreneurship in the medium-sized German manufacturing firms show that entrepreneurs will not disappear. But we should not be mistaken. Today’s capitalism is a rentiers’ capitalism, where capital is owned by rentiers, not by entrepreneurs, and where technobureaucrats manage not only the corporations, but also the wealth of rentiers and their political ideas. This means that the logic of capitalism changed from an original triad (profit, capital accumulation, and innovation), to a new triad:

the logic of rents (high interests, dividends and real-state rents), of the control of inflation to keep the real value of rents, and the logic of maximum but controlled public and private indebtedness to keep the state and the private debtors paying the maximum interests according to their solvency.

Rentiers and financiers share these three objectives. The financial institutions found other sources of profit, but the logic of finance remains debt. The profit of the banks depends on how much they loan. And debt has increased enormously in rentier-financier capitalism. Adair Turner (2016: 22, 74), who is a firm critic of debt, underlined that the 2008 crisis was essentially a problem of the private debt of advanced economies, which increased from 55 percent of GDP in 1950 to 160 percent in 2010. As he put it, "...the big problem we faced was not an impaired financial system but a severe debt overhang in the real economy". Actually, rentier-financier capitalism faces internal contradiction: debt must increase, because rentiers must keep liquid a share of their capitals, what is done with public debt and with private AAA debt, but debt must be controlled, because the ghost of financial crises is permanently overhang.

How did the public and private debts behave given these two contradictory pressures? In rich countries, the control over the public debt was clearly more successful than the control on the private debt. Politicians and economists know well that the public debt must be severely controlled if the country is to grow orderly. That this rule can only be suspended for a short period to make fiscal policy countercyclical. The huge increase in public debt after 2008 was a consequence, not a cause of the global financial crisis. The cost of bailing out the banks in 2008-09 as well as the cost of the countercyclical policy that all rich countries correctly adopted was the reason why the Great Recession didn't turn into a Great Depression. But at a very high cost. In the private sector, debt is classically necessary to finance investment of firms and the purchase of homes, but the increase of the private debt went far above these requirements. Before 2008, mainly in the United States, the huge increase in the debt of households was a perverse way of keeping the demand strong while wages stagnated. Differently from developing countries, where fiscal populism is recurrent, advanced capitalist countries are usually successful in keeping the public debt under control – more successful than in controlling the private debt, because governments and the public opinion are concerned about the problem, and governments have the instruments to keep public sound finance. The problem is more complicated in the private sector. Neoclassical economists assume that the market keeps the private sector always under control, but the reality falsifies consistently such belief. Minsk's Ponzi finance, Kindleberger's manias and panics, Soros' reflexivity mechanism, Galbraith's innocent fraud, herd behavior, and asset bubbles are part of day-to-day capitalism. In Fordism, governments were able to countervail such type of behavior, and financial stability was achieved, but once rentiers and financiers came to power, after 1980, financial deregulation and crises were back, and financial instability skyrocketed. The 2008 crisis brought back regulation, but the resistance of banks to achieve the required capital ratios remains strong, the stock market soared, and the financial markets remain unstable.

The crisis of rentier-financier capitalism

The ideological counterpart to rentier-financier capitalism is neoliberalism, while globalization is the acknowledgment of the economic "integration" of capitalism at world level. The two concepts are correlated but autonomous. Globalization is in principle a progress because it means more market competition and more efficient resource allocation, while neoliberalism is a burden, because it is just the ideological legitimation of rentiers' and

financiers' power and privilege. Rentier-financier capitalism tried to identify globalization with economic liberalism, but this makes little sense because globalization is a real economic phenomenon, while economic liberalism an ideology. In the economic relations between rich and developing countries economic liberalism has been always the ideology that the former adopted to avoid or delay the industrialization of the later. Thus, when globalization materialized after the 1970s with the reduction of costs of transports and communications, rich countries rejoiced and increased their pressure on the developing ones to adopt neoliberal reforms, while they also deregulated their economies. Nevertheless, they were not the great winners with globalization. The country that most profited from globalization is China, whose capitalism is not liberal but developmental, followed by India, also a developmental country. I Meanwhile, in the West, the neoliberalism aggressively adopted by rentier-financier capitalism led their economies, and the economies of the developing countries that bowed to their pressures, to the neoliberal triad: low growth, high financial instability, and increased economic inequality.

Rentier-financier capitalism, neoliberalism and globalization have been in economic crisis since 2008, and in political crisis since 2016.⁸ The economic crisis is associated with a return to the fore of the tendency toward secular stagnation, recently resumed by Robert Gordon and by Larry Summers, and, also, associated with the inherent inefficiency and instability of economic liberalism underlined by the French regulationists. The political crisis is most clearly expressed by the Brexit, the election of Donald Trump, and the rise of populism. The poor economic performance of rich countries was the consequence of the return of capitalism to economic liberalism – to a form of economic and political organization which is inherently unstable and inefficient. The political discontent was a spillover of such poor economic performance and of the increasing economic inequality. In a deeper level, it was the outcome of a biased conception of society where social protection is viewed as an evil, solidarity as an impossibility, and every individual is supposed to compete, although the initial conditions for competition are radically different. Competition is a wonderful mechanism to motivate hard work and individual achievement, but with a condition: the previous leveling of the playing field. And even if such condition is met, it is only one ingredient of a good society.

In contemporary capitalism, social-democracy and the left are in crisis since the collapse of Soviet Union although their representatives knew well that it was not a socialist society. With the crisis of the socialist ideal, the values of solidarity and social protection ceased to balance the exacerbate individualism that comes together with economic liberalism. With globalization, the solidarity associated with the idea of nation was shunned out. Without a specific reason, the republican principle – the primacy of the *res publica* in relation to the individual and the idea of liberty as the capacity of defending the public interest even when it contradicts private interests – which modern societies inherit from the Greeks and the Romans, from Aristotle and Cicero –, was almost forgotten. Capitalism lost its conscience and faces crisis.

Conclusion

The new importance of rentiers and financiers represents a major trap for contemporary capitalism. The class coalition that they form is a coalition of idle and incompetent people – the rentiers – with the new type of bright technobureaucrats – the financiers – who command the financialization process. They are experts in the financial speculation that increase the gains of rentiers above the ongoing rate of interest and get high commissions and bonuses for this work soon transforming them also into rentier capitalists. Although finance has a major role in financing investment, financiers are not interested in this role. Besides managing the

wealth of the rentiers, financiers, mainly the holders of PhDs in top universities, are the organic intellectuals of rentier-financier capitalism. They use an economic theory – neoclassical economics – not as an empirical or historical social science that explains how economic systems work, but as a hypothetic-deductive and normative ideology that legitimates economic liberalism and rentism. Do capitalism and democracy have endogenous mechanisms to change that? Can we think in a capitalism in which entrepreneurs, not so much business but professional entrepreneurs and a broadly defined working class recover influence and prove able to build a renewed social and developmental state? I have no response to these questions. What I can say is that rentier-financier and the neoliberal ideology, which are in crisis in the rich countries, are pathetically present and strong in dependent developing countries like Brazil, whose economic elites identify themselves with the international elites, not with the people.

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¹ See Berle and Means (1932), James Burnham (1941), John K. Galbraith (1967), Peter F. Drucker (1968, 1993), Bresser-Pereira (1972, 1977).

² In my paper, “Notes of introduction to the statist or technobureaucratic mode of production” (1977), I have defined as “organization” the relation of production of the new mode of production. In 2007, two distinguished French Marxists, Jacques Bidet and Gérard Dumenil used the same word to designate the relation of production specific to the technobureaucratic class. I was happy with the coincidence.

³ Claus Offe (1985) and Lash and Urry (1987).

⁴ Adam Przeworski’s study on this theme (1985: chap.1) is excellent.

⁵ The full name of this social formation should be technobureaucratic and rentier-financier capitalism, but it is too long, and financiers are a key type of technobureaucrat.

⁶ Lucas (2003). In a visit that Roberto Lucas made to São Paulo in the early 1990s I heard him utter practically the same phrase to a small group of economists.

⁷ The Wikipedia defines cowering as “a social gathering of a group of people who are still working independently, but who share values^[2] and who are interested in the synergy that can happen from working with people who value working in the same place alongside each other”. (Checked, 28.3.2018)

⁸ I discussed recently the political crisis of globalization, expressed in the Brexit and the election of Donald Trump to the presidency of the United States in Bresser-Pereira (2017).