Rentiers and financiers

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After the 2008 Global Financial Crisis, Gabriel Palma commented that "ultimately, the current financial crisis is the outcome of something much more systemic, namely an attempt to use neoliberalism as a new technology of power to help transform capitalism into a rentiers' delight". In his paper, Palma stresses that it is not sufficient to understand the neoliberal coalition as responding to its own economic interests. Furthermore, it responds to the sheer Foucauldian demand for power on the part of the members of the political coalition, which has been using neoliberalism as "a new technology of power" or as a "system of truth". First, it gained the support of the elites, and second, it achieved societal dominance.[i]

Palma is right in his analysis. Rentier capitalism is a form of capitalism in which a narrow class coalition – made up of rentier capitalists, financiers, and the top executives of the corporations – is dominant. It is a radical form of economic liberalism defined by the processes of privatization, deregulation, globalization and financialisation, characterized by an increase of economic inequality and legitimized by the neoliberal ideology and orthodox neoclassical and Austrian economics. It is a form of managerial capitalism because the financiers and the top executives are still part of the managerial class.

Since World War II, capitalism has been gradually changing from a managerial to a rentier form of capitalism, while, as we saw in Chapter 11, in about 1980, a major change took place – the Neoliberal Turn: the transition from the developmental and social democratic Golden Age to a neoliberal rentier capitalism defined by a radical market fundamentalism. Such capitalism was short-lived, coming to a definitive crisis in 2008. The same applies to the narrow class coalition of rentiers, financiers, and top executives, whose first components lost influence, while the sway of top managers increased. The neoliberal ideology has been in an economic crisis since the 2008 Global Financial Crisis and in a political crisis since 2016, the year Donald Trump was elected president of the US and Brexit was adopted by the British people. However, there are no indications of change in the privilege and power system of rich countries, perhaps suggesting that rentiers and financiers are not necessarily neoliberal. More than anything else, they are interested in protecting their income and wealth. And they have been successful. As Rana Foroorhar recently commented, “ This year alone, America has recorded the most working days missed due to strikes in almost a quarter of a century and has also seen the most aggressive anti-monopoly action in decades. Both of these trends, which are also present in Europe and elsewhere, are a reaction to decades of corporate consolidation and record profits.”[ii] In this chapter, I will discuss the concepts of rentier and financier and the nature of the narrow class coalition the formed in the Neoliberal Years.

Rentier capitalists

The rentier capitalists are the idle owners of capital. Thorstein Veblen's (1899) concept of the “leisure class” is associated with the rentiers. Veblen is not compassionate about them: “The office of the leisure class in social evolution is to retard the movement and conserve what is obsolescent”. I view the capitalist class as divided into the business entrepreneurs who command productive capital, and the rentiers, the capitalist shareholders, money-holders, [iii]and real-estate owners, whose revenues are, respectively, dividends, interest, and real-estate rent.[iv] While the entrepreneur decisively founds or develops a company, and the professional assumes its management when the company becomes a corporation, the rentier has no role in production unless she or he is also a salaried person. While the logic of the industrial entrepreneurs' form of capitalism was the logic of capital and profit, the logic of rentier capitalism is the logic of rents disconnected from production. I do not see pensions as a rent but as work remuneration.

The rentiers are *not* just the extraordinarily rich, the richest 1% of individuals, who, in the US, appropriate 20% of the income – the *pure* rentiers. There are also the *mixed* rentiers, who are the biggest part of the rich classes if we consider that upper middle class families holding university degrees are also part-time rentiers. The income of these mixed rentiers originates not only from rents but also from wages. A survey of European “investors” (the name the financial market gives to rentiers) showed that around half of them are employed full-time, while around 60% have higher education. [v]Thus, the upper middle class is part of the rentier-financier-class coalition and contributes to its legitimation. [vi]Those who are purely rentier capitalists, and are idle (not all are idle), tend to be culturally unsophisticated people, while the members of the upper middle class, who usually have university education, are relatively cultured and influential people.

Guy Standing, in the book *The Corruption of Capitalism,* makes an excellent analysis of the rentiers.

> Rentiers have been the winners of globalisation era. Using a narrow definition of rental income from financial assets, one carefully study of patchy data found that across the industrialised world the share of profits in total income rose between the 1960s and the 1990s. But in most of the twenty-nine countries studied the rentier share rose far more, in some cases accounting for all the growth of the profit share.[vii]

Rentiers are a politically powerful class because they are the owners of capital, they are educated, and they are numerous. In capitalism, rich people are prestigious people, but the fact that rentiers have no real role in the economic development process, and that their revenues have no work to legitimize them, is a problem. Rentiers must justify their role in society. The Schumpeterian entrepreneur was the hero of the classical capitalist society; the rentier is the anti-hero, but this does not mean he is the bad guy. The neoliberal ideology needs a new hero, but he prefers to call the rentiers as “the investor'. Actually, the real investors are the entrepreneurs or the entrepreneurial corporations in which entrepreneurship is a collective endeavour.

Rents: dividends, interest, and real-estate rents

What do I understand by capitalist rents? This concept was central to the classical political economy school. Joan Robinson and John Eatwell, in their 1973 book, *An Introduction to Modern Economics,* use the word “rentier” extensively. They argue that “with the spread of capitalism, the clear distinction between landlords and capitalists was lost. Instead, the capitalist class becomes divided into *rentiers*, who receive income from property, and *entrepreneurs*, who organize production”. They view them as a passive economic agent that receives “a dole paid out of profits”. They view rentiers as passive economic agents who receive “a dole paid out of profits” which the companies realize. In modern capitalism, companies and their managers invest, and companies make profits and pay dividends – a share of their profits. The companies “are not really making profits for the sake of the stockholders, they are making them for the sake of the company”.[viii]

Michael Hudson (1998: 5) is no more sympathetic to the rentiers. He sees them as being involved in “the drive for capital gains in real-estate and the stock market. Whereas the old industrial liberal capitalism sought profits, the new financial capitalism seeks capital gains, mainly in the form of higher land prices and prices for other rent-yielding assets.” Thus, the rentiers who active investors in the stock exchanges are speculators. In 2016, Leda Paulani defines the rentier.

> Rentier is anyone who has the right to a share of the value socially produced by the mere fact of being an owner. The landlord is a rentier, because the land rent due to him is linked to the fact that he owns a given portion of the globe (which can be exploited capitalist). The owner of money capital is a rentier, because the interest due to him is linked to the fact that he owns a sum of money (which can be used as capital).

In the same year, Standing observes, “rentiers of all kinds are in unparalleled ascendency and the neoliberal state is only to keen to oblige their greed”.[ix]

Wikipedia has a recently updated entry on “Rentier capitalism”, which opens with the following definition: “Rentier capitalism is a Marxist term currently used to describe the belief in economic practices of monopolization of access to any (physical, financial, intellectual, etc.) kind of property, and earning significant amounts of profit without contributing to society.” [x]A definition that is faithful to Marx, who in *Theories of Surplus Value* (written in 1862–1863) states that interest, in contrast to industrial profit, and differential rent, the income of landed property above the remuneration of land capital or the value of the land, are external to capitalist production. Rent is the political economy term for income that has no counterpart in the necessary costs of production. As Hudson (2017: 85) remarks, economic rent is “the excess of market price over intrinsic cost (value); rent was the classical term for income that has no counterpart in necessary costs of production”. Thus, Marx, Hudson and the Wikipedia entry have a relatively narrow concept of rent.

I propose a broader concept of rent. Total rents μinclude the monopolistic rents of the companies μ_o , interests μ_j, dividends μ_d, and real-estate rents μ_t , which include the old Ricardian rents because we don't have landowners anymore, just capitalists including the owners of real estate.

$$\mu = \mu_o + \mu_j + \mu_d + \mu_t$$

The entrepreneurial profits π_e are equal to the company's normal profit π_n plus the innovation profit π_i, which remunerates innovation *stricto sensu* . Thus, the innovation profit is equal to the entrepreneurial profits minus the normal profit.

$$\pi_i = \pi_e - \pi_n$$

For Schumpeter, the profits from innovations were equal to the monopolistic profits. I believe it is more reasonable to consider the formation of cartels as monopolistic profits, π_m , distinguishing them from the innovation profits, the monopolistic advantages that result from a stricter concept of innovation.

The profits of the companies π_c are equal to the companies' entrepreneurial profit π_e , plus the total rents μ.

$$\pi_c = \pi_e + \mu$$

Finally, the GDP or value-added is equal to the companies' profits π_c, plus rents μ, plus the wages and salaries w.

$$GDP = \pi_c + \mu + w$$

When the rents are in the form of the appreciation of stocks, they don't add to GDP.

In the sense that I am using, the entrepreneurial profits (not the companies' profits) are distinguished from rents. David Harvey remarks that “a 'class' of rentiers that lives entirely off interests on their money capital is not to be confused with industrial capitalists [entrepreneurs] who organize the production of surplus value”.[xi]

The rentier is a person whose income is not the result of productive work, while the entrepreneur's profits derive from production – from his or her capability on making innovations and managing the company. The rentier receives rents from the sheer ownership of capital. What to say about the top managers' large salaries and bonuses? They are a deduction of the profits of the company, but they are legitimate because the competent top managers are able to increase these profits.

Interesting, on the other hand – following Marx – is the part of the profits that the productive capitalist pays to the passive or rentier capitalist for the use of their capital in the form of loans. Dividends and real-estate rents follow the same rule: they are the part of the profits that entrepreneurs pay to shareholders and to real-estate owners for the use of their capital in the form of stocks and real-estate. The three types of income have in common the fact that their beneficiaries are an idle or “leisure” class.

Finally, what to say about the Ricardian differential rents? They are part of the classical concept of rent which is achieved by the aristocratic landowners due to the falling productivity of land. In Ricardo's time, capital in the UK in the form of land represented half of the total wealth; today, it represents 2%.[xii] More important than that, in the time of Ricardo, land property was not a commodity, it was the patrimony of the nobility. In the process of commodification that characterizes capitalist development, land today is a commodity like any other. Thus, the definition of rent as a differential revenue of landowners ceases to be relevant. Land is fixed capital with a market price, as are buildings and machines. The differences with productivity are in its price.

In contemporary capitalism, top managers look for the entrepreneurial profit, which takes the form of bonuses, while the rentiers ask for rents. Is this a reasonable distinction? Don't rents depend on the profits? Yes, the distribution of dividends depends on the realization of profits, but they are not directly proportional to profits, nor do they have the same relevance for the working of a capitalist system. Economic growth depends on investments, which in turn depends on profits, both because they finance investment, and because they are essential to motivate companies to invest. Rents are just a burden in the process of economic growth. Governments may tax profits and dividends differently, although, in principle, governments should not tax profits if they are reinvested, but should tax dividends, interest, and real-estate rents heavily. We always thought that rents were an inevitable burden because pure capital, be it invested in a company or in a loan, is supposed to have a return. But, as I will discuss later, because capital money has become so abundant and the interest rate – the pure capitalist rent – has fallen so much that in many countries it has become negative.

The rise of the rentiers does not mean that the role of the entrepreneurs is over. Initially, managers replaced entrepreneurs in management, while entrepreneurship ceased to be an individual and became a collective endeavour achieved by technobureaucrats within the great corporations. In a second phase, the rentiers replaced entrepreneurs in the ownership of the corporations. But at the same time, a technological revolution was taking place, opening up room for a new wave of young and creative entrepreneurs. In most cases, the corporations bought the startups, but some of them changed into giants such as Google and Facebook. These business entrepreneurs were originally bright technobureaucrats; their respective companies are dramatic evidence of the power of new ideas and entrepreneurship. They showed the importance of knowledge and managerial capacity in contemporary capitalism and introduced a horizontal and relatively chaotic way of organizing work, which is in itself a new historical reality that requires further study. Do these companies – which have been associated with "work clubs" or "coworking" – represent a change in the relationship with production that either capital or organizations are unable to explain? [xiii]Most likely, yes, but it is too soon to answer this question. Another exception is the resilience of entrepreneurship in the medium-sized German manufacturing firms which 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 the two types of managerial elites – the top executives and the financiers – share power and privilege with the rentiers.

I end this section with two observations. Firstly, notice that the concept of "capitalist rents" that I am using is different from the rational choice's normative concept of "rent seeking" – the unproductive action of increasing one's share of existing wealth without creating new wealth. Philippe Askenazy adopts rent seeking his book, *All Rentiers*, to define the rentiers. For him, "rents are advantages economic actor (capitalists, financiers, owners, salaried people, independent agents, entrepreneurs, may durably capture, states…) can capture via economic, political, or legal mechanisms which they can eventually influence". [xiv]This is a normative or moral concept because rent seeking is viewed as a capitalist distortion, while capitalist rents are an inevitable consequence of long-term capital accumulation and the institution of inheritance.

Secondly, rentier capitalists should also not be confused with "rentier countries" – the name that is often used for countries that export commodities and are the victim of two evils: the Dutch disease and the natural resources curse. Indeed, as I argued in a 2008 paper, countries that export commodities – mainly oil – receive Ricardian rents because the price at which they sell this commodity is quite often above the cost of production plus a reasonable profit. This difference is a rent. But usually, this is not a good thing, because when we consider the exchange rate in the country that the investment projects in manufacturing require – using the best technology available in the world – we will see that this exchange rate is substantially more depreciated than the exchange rate that the export commodities define. Therefore, the country will be condemned not to industrialise, not to sophisticate its production system, and as a result, it will not grow. This is the Dutch disease. On the other hand, when the country is poor and cannot count on a reasonable level of education, good institutions, investments in the infrastructure, and a macroeconomic policy that ensures fiscal equilibrium and a current-account surplus, it will be able to tax these exports. The tax revenues would not be big enough to neutralize the Dutch disease, thus eliminating the competitive disadvantage of the projected manufacturing industry, but the revenues would be enough to transform politicians, civil servants, and business entrepreneurs into radical rent-seekers – people who, instead of being dedicated to production and growth, only seek to share some of the rents that originate from the commodity exports. This is the natural resources curse; a situation that is not just a consequence of the corruption of the elites and the poorly developed institutions but is also a consequence of the lack of opportunity of investments caused by the Dutch disease.[xv]

Rentiers' accumulated wealth

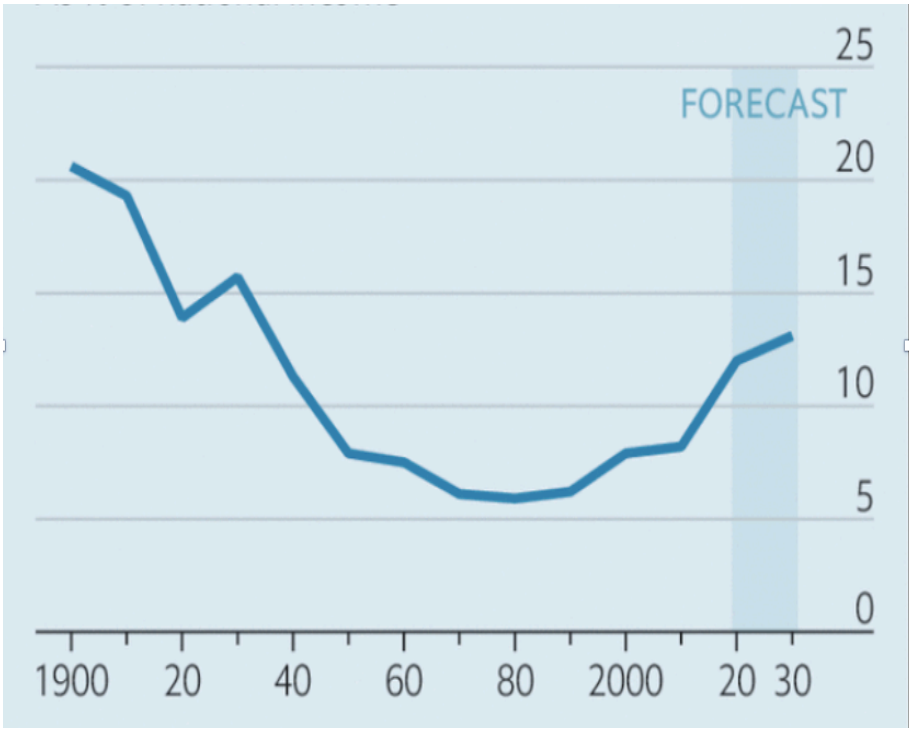
Financial markets prefer to call "investors" what I call rentiers, although investors have no say in the decision to invest, to accumulate capital, or to increase the productive capacity of the country. What they do is to apply their money in this or in that financial asset according to the recommendations of financiers – the experts they hire to manage their wealth. The decision to invest and innovate is the noblest activity in the process of wealth creation. When rentiers call themselves investors, they are trying to legitimize their privileged condition in capitalist societies. The same result is obtained by the adoption of the "principal-agent theory" , which is just a truism: the claim that the subordinate must obey the chief. The shareholder is the principal, the financier is the agent, someone who is supposed to follow the policies defined by the principal.

Yet this is not what really happens in contemporary capitalism. The top executives make decisions to invest and innovate with substantial autonomy. They are supposed to maximize profits or "achieve shareholder value". When shareholders are able to get organized, they achieve some influence, albeit a limited influence, but the power essentially remains with the financier and the top executives.

Why, only in the second half of the 20th century, did analysts of capitalism begin to speak of rentiers and their new power? Why am I claiming that only from the 1970s did the rentier class become the ruling class together with the financiers? Rentier capitalists have certainly existed since the dawn of capitalism and given the incessant process of capital accumulation and the increase in the stock of wealth; this fact should have made a rentier-financier class coalition influential earlier. Their influence, however, only began to be noticed more recently, because until 1945, three relatively frequent events *destroyed* capital, thus limiting the wealth and power of the rentiers. Since the war, these events have disappeared, and the wealth of rentiers has been increasing incessantly.

I refer to major wars, major economic and financial crises, and episodes of high inflation. In the most advanced capitalist countries, the last experience of a great war was World War II; the last major economic and financial crisis was the Great Depression, and the last hyperinflation was Germany's hyperinflation in 1922. After that, capital did not cease to accumulate, although the Information Revolution may have accelerated technological depreciation. Today, the stock of capital in the world is immense and is mostly owned by idle rentier capitalists and managed by asset managers, pension managers, and family wealth managers – the financiers.

The basic source of this accumulated capital is inheritance. This accumulated capital flow from one generation to the next depends on two factors: the amount of wealth in an economy, and the rate at which the owners of that wealth die. The ancient capitalist entrepreneurs crumpled fortunes in the nineteenth and first part of the 20th century, although wars and great crises destroyed large parts of them. According to Thomas Piketty and Anthony Atkinson, and as we can see in Figure 13.1, "between 1910 and 1950 the value of capital in the British economy fell from nearly 700 per cent of national income to 250 per cent. Britons had less to pass on to their descendants, and so the significance of inheritance fell." After that, however, the wealth as a share of output has risen. Inheritances are making a comeback. In Britain, in the past 20 years , the total value of estates has more than doubled in real terms.



Source: Thomas Piketty, Anthony Atkinson, Resolution Foundation HMRC, *The Economist,* April 2019. Observation: pre-tax, includes gifts.

Figure 13.1: UK's annual flow of inheritances as a percentage of national income

The rentiers, either the very rich or the members of the upper middle class, tend to be conservative.[xvi] More precisely, they tend to be liberal-conservatives: liberal because they reject state intervention in the economy, and conservative because rents are benefits of a kind of privilege inherent to capitalism that they must protect. Differently from what is usually done, Thorsten Veblen does not impute to them unworthy motives or an interested calculation of material advantages. Instead, he sees in the leisure class "an instinctive revulsion at any departure from the accepted form of doing and of looking at things". This ingrained conservatism derives from the fact that it is sheltered from the economic demands of modern societies. "The difference in this respect between the wealthy and the common run of mankind lies not so much in the motivation that prompts to conservatism as in degree of exposure to the economic forces that urgent change".[xvii] Although, prudently, Keynes did not offer an explanation, it was not by chance that in the last chapter of *The General Theory,* he asked for the "euthanasia of the rentiers".

Stockholders and top executives

For a long time, since the beginning of the 20th century, managers and business entrepreneurs have been associated with each other. This was the logic of managerial capitalism. With the rise of rentier-financier capitalism, there was a fight for power in the corporations: the shareholders and the financiers on one side, and the top executives on the other. Since the Organizational Revolution – from the beginning of the 20th century to 1980 – managerial capitalism meant an increasing substitution of business entrepreneurs for top executives in the management of corporations. Since the 1980s and the rise of rentier-financiers" neoliberal capitalism, rentiers and financiers have been waging a war on managers, a war they call the "shareholders' revolution". In 2013, *The Economist*, which is a key journal voicing this self-styled revolution: "Activist shareholders are on the march. About time, too. Shareholders own companies. Managers and directors should serve them."[xviii]

Colin Crouch called this fight the 'Anglo-American shareholder maximization concept', and he continues, "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". [xix]Christian de Montlibert noted that "the main shareholders were successful in imposing to the companies the *corporate governance* – the system where the top executives are supposed to act first on behalf of the investors.".[xx]

For Schumpeter, at the beginning of the 20th century, the innovative entrepreneurs were the heroes of capitalism. At the peak of the American hegemony, after World War II, the new heroes of capitalism in the business schools were the top business executives. Since rentiers replaced entrepreneurs in the ownership of the corporations, financial markets and the neoliberal ideology enthroned them as the new heroes. The activist shareholders and their representatives – some activist hedge funds – sought to control top executives' "abuses and inefficiencies". According to *The Economist,* since the 1980s they have been successful. Activists run funds with at least US$100 billion capital, and in 2014, they attracted a fifth of all flows into hedge funds. Last year, they launched 344 campaigns against public companies, both large and small.

The cult of the term *shareholder value* is a mistake. Shareholder value is the increase in shareholder value created when a company earns a return on invested capital that is greater than its weighted average cost of capital. Firms that practice it on behalf of investors strip cash and assets and load firms with unknown debts and sell them. Instead, *The Economist* claims that activist investors are capitalism's unlikely new *heroes*. This is a view that we also find in the book, *The Sociology of Financial Markets:* "The figure of the investor is tied to the legitimacy of the capitalist order… The heroic mode of representing grand investors is much alive today." [xxi]To see investors, that is, rentiers as heroes is too much.

The defenders of the *stakeholders*' approach to the corporations argue that the corporations should not be committed to the maximization of profits and dividends, and consider all its stakeholders (employees, customers, suppliers, communities) as shareholders. They believe that the crises that capitalism has faced in the last 40 years will only be resolved when corporations change their objective from stockholder value to *shareholder value.* Rebecca Henderson, a professor at Harvard Business School, is, for instance, a leading advocate of this view. She believes that the three main problems that capitalism faces today are "massive environmental degradation, economic inequality, and institutional collapse, which held the market imbalance – families, local communities, the great faith traditions, government, and even our shared of ourselves as a human community – are crumbling or even vilified". She also believes that business not only has both the power and the duty to play a huge role in transforming the world, but it also has the economic incentives to do so.

She is right in the definition of these problems, and too optimistic in relation to the corporations, but it is worth noting that this kind of reasoning is gaining support among managers and with public opinion. She informs us that 'in August 2019, the Business Roundtable – an organization composed of the CEOs of many of the largest and most powerful American corporations – released a document redefining the purpose of the corporation: "To promote an economy that serves all Americans". [xxii]In part, this is public relations, but not exclusively. These top executives are being influenced by the critical stand of the defenders of the stakeholder approach to the objectives and methods of the capitalist companies but are less influenced by Neoclassical Economics.

The financiers

Up to 2008, within the framework of financialisation, there was an immense growth of the financial sector's share of GDP, its profits, and the influence of financiers. The financial organizations that experienced fast growth were not only the major banks, but also, and more strongly, other financial agencies and their financiers and economists. In the next chapter, I will discuss financialization and its recent demise, but in this chapter, having defined "rentier", my question now is who are the financiers? The prototype of a financier is Warren Buffett. In a recent article, Robin Harding (2019), from the *Financial Times,* noticed this fact and commented:

> He [Warren Buffet] 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.

Actually, to the way I think, Buffet is a capitalist and a rentier, or a classical financier. The modern financier I am referring to is a more modest and much more numerous kind of individual. We know that finance is an activity as old, if not older, than capitalism; in the middle age there were already many references to financiers. From the 16th century, with the formation of the nation-states, classical financiers or capitalist financiers played a major role in financing the merchants and, mainly, the absolute monarchs who played a founding role in the rise of capitalism.

John Scott, studying 17th century England, says that a "ruling oligarchy of magnates and financiers collectively exercised many of the powers of the monarchy". [xxiii]With the help of financiers and the large merchants, they waged wars to expand the frontiers of their realms and to transform them into sizeable nation-states, nation-states whose secure domestic markets were key for the rise of capitalism and a direct condition for the industrial revolution in each country. While the merchants were involved in long-distance trade, where quantities were small, and the goods traded were luxury goods, industrialization required a large and secure domestic market to make the cheap production of manufactured goods economically viable. The capitalist financiers – most of them Jews – then played a major but "not legitimated" role, in so far as the Catholic Church associated banking with usury.

With capitalism, the status of financiers changed. In the 19th century, Alexander Gerschenkron (1962) showed the key role that financiers had in financing late-industrializing countries like Germany, Austria, Sweden, and Russia. Financiers were now fully legitimated members of the European bourgeoisie. Christian de Montlibert shows that today the top executives of the banks form a distinguished aristocratic bourgeoisie whose families are characterized by "notoriety, ancientness, and strong family and social relations". [xxiv]We already saw that at the beginning of the 20th century, Hilferding (2010), taking Germany as a reference, developed the concept of "financial capital", which would be the outcome of the fusion of industrial capital with banking capital under the control of the latter.

Today, the word "financier" is rarely used. When it is used, it refers to rich men who have made money in finance and not in the big commercial banks that are managed by top executives; executives who are not called financiers. These "financiers" refer to people like George Soros and Warren Buffet, who own large investment funds. A dictionary definition for them is: "a person who has control of a large amount of money and can give or lend it to people or organizations".[xxv]

The modern financier in this book is a category of people that comprises not only the classical large capitalist financiers and the top financial managers but also a large number of traders, financial operators, financial analysts, fin-tech experts, the financial staff of the corporations, and the institutional investors working on pension funds, hedge funds, and mutual funds. They are young and not-so-young technobureaucrats formed by the best MBA, if not PhD, programs in economics in the major universities – people who have learned the science and the "philosophy" of modern finance. More than just granting credit, being involved in the financialization process where money produces more money, being independent of production, managing the wealth of rentiers and corporations, the top financiers are also the organic intellectuals of rentier capitalism.

Financiers are the agents of financialisation, a historical process that made finance a source of income and of the valorisation of capital independent of production. They are very well paid. In France, for instance, they represent just 0.3% of the active population, but they control 4% of the salaries received by people who make more than €300,000 per year. In the US, the compensation of top executives is much greater.[xxvi] Why – is it because of their high level of education? But they make more than people with the same education who work in other industries. Is it because their work is very hard? This is part of the explanation. The traders' work is exhaustive and involves intense thinking and permanent tension. Instead of dealing with other people and with material things, they deal with financial reports and economic news, and with forecasts and outcomes that change continuously. But the hardship involved in the financiers' work explains only a part of their income. The basic reason for the large bonuses and the fortunes that many financiers make is the nature of financialisation. It is a fact that in this game, income is disconnected not only from production but also from capital. The pure financier – who does not have capital but manages the rentiers' capital – seeks bonuses and commissions. He is a kind of entrepreneur who makes bets on the future prices of stocks, securities, the interest rate, the exchange rate, who buys now, and who buys and sells in the future and makes hedges. The financier's gains are not remuneration for his work but for his bets. When the bets are bad, the rentier loses money, while the financier just loses reputation. When the bets are good, rentiers and financiers share the gains. As Godechot commented:

> The remuneration, including the bonuses, i.e., the yearly payments to the financial operators – usually as the outcome of a subjective evaluation by the superior – seem to be the sun around which gravitates the financial world… The analysis of the case of the financiers allows us to understand the inequalities in the post-Fordist societies. The capital-labor relation loses some of its centrality due to the fragmentation of the salaried people,

> and the increase of the power of superior strata sometimes called the 'creative class', or the 'the manipulators of symbols' class'.[xxvii]

Many financial institutions have trading rooms where traders buy and sell a range of products on behalf of the company or their clients, the rentiers. Each trader is given a limit to how large a position he can take, the position's maximum maturity, and how much of a market-to-market loss he can have before a position must be closed out. The company takes the underlying risk and keeps most of the profit; the trader receives a salary and bonuses. Most people who trade on their own account work from home or in a small office and use discount brokers and electronic trading platforms. Their limits depend on their own cash and credit, but they keep all profits. The financiers are the inventive creators of the "financial innovations" – of the securitization and other forms of financial derivatives that powerfully increased the gains of rentier capitalists while providing them with high bonuses and commissions and providing their financial institutions with profits. In the same way as the entrepreneurs of the 19th century were the "robber barons", who did not hesitate in resorting to corruption to enrich themselves, the financiers are also involved in financial fraud quite naturally, or "innocently", in the words of John K. Galbraith (2004).

The sociological studies of the financial industry or of financiers are poor. Economic sociology practically ignored them. An exception is Olivier Godechot with his two books, *The Traders* (2001) and *Working Rich* (2007), in which he studied the market trading rooms of the financial institutions. The financial institutions have a policy to hire juniors who have just left university and take charge of their technical development. "They avoid employing seniors who, according to these institutions, tend to have a 'mercenary behaviour', who use to inflate their earnings and realize their bonuses in the first year and leave the company".[xxviii]

The financiers and the "working rich" responded to the large increase in salary inequality since the 1980s.

> In the mid-1980s, the press, the documentaries, essays, films, novels presented a new figure, the one of the *golden boys.* The media, mixing envy, denunciation, and fascination are especially interested in the salary levels of these people. … the media realize that their command of finance gives them a power they do not know how to use.[xxix]

In the financial institutions, the hierarchy is complex and permanently moving. But "behind the plurality of hierarchies there is a constant hierarchy: the hierarchy of money, although the revenues and bonuses are quite secret." Examining the social origins of the traders in a major French financial corporation, Godechot found that they were "behind the plurality of hierarchies there is a constant hierarchy: the hierarchy of money, although the revenues and bonuses are quite secret." The wealth and professions of the fathers as well as the mothers of the traders show that their "initial capital" is high.[xxx]

When the financier holds a PhD in economics, besides being an academic, he is apt to play a second role: the role of the organic intellectual of rentier-financier capitalism. While in entrepreneurial and managerial socio-developmental capitalism, lawyers and jurists play the role of legitimizing the domination system, in rentier capitalism, the orthodox economists – academic as well as financial economists – play this role. They are suited to it because in the economics departments of the universities they learned Neoclassical Economics as well as Austrian economics, which, being more than just two schools of economics, are the core of radical economic liberalism. Based on the general equilibrium model and on the concept of rational expectations, PhD economists defend neoliberal reforms which aim to liberalize and deregulate markets, privatize monopolist state-owned enterprises which markets, by definition, are incapable of coordinating, reduce direct progressive tax, and increase indirect taxes.

Rentiers and financiers are not really interested in production and growth. They are interested in capital gains, increasing the indebtedness of nation-states, companies, and households, and they are interested in high interest rates. They are for "free trade" and make speeches against the monopolistic power of the corporations but, in practice, they defend them, because they are at the core of rentier capitalism. In this line, they support the intellectual property rules defined in 1995 by the WTO, which are a source of monopolistic power for the corporations.[xxxi] Thus, although the orthodox economics that rentiers and financiers share is said to represent pure rationality, it lives in permanent contradiction. The organic intellectuals defend free trade, but they protect monopolies, and, as we will see in the next chapter, they defend fiscal discipline, although they are deeply interested in increasing private and public debt as much as possible.

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[i]Palma (2009: 833, 840).

[ii]Foroohar (2023) " Big companies defy expectations to become even bigger" , *Financial Times,* October 22, 2023 .

[iii]Money holders or, in Marxian terminology, the owners of 'interest-bearing capital'.

[iv] An interesting question is how to define *capital gains,* which aren't either profits or rents.

[v] De Bondt (2005: 168). Fully employed: Belgium 48%; Britain 36%; France 42%; Germany 42%; Italy 61%; Spain 53%. High education: Belgium 70%; Britain 46%; France 47%; Germany 61%; Italy 72%; Spain 46%.

[vi] I owe this observation to Ilan Bizberg.

[vii] Standing (2016: 23).

[viii] Robinson and Eatwell (1973: 233; 225).

[ix] Standing (2016: 3).

[x] Wikipedia accessed October 23, 2023.

[xi] David Harvey (2006: 74).

[xii] Piketty (2013: 188).

[xiii] Wikipedia defines coworking as ' an arrangement in which workers for different companies share an office space. It allows cost savings and convenience through the use of common infrastructures, such as equipment, utilities and receptionist and custodial services, and in some cases refreshments and parcel acceptance services. '. (Accessed October 28, 2023)

[xiv] Askenazy (2016: 13).

[xv] On the Dutch disease, see Corden and Nery (1982) and Bresser-Pereira (2008; 2020b).

[xvi] Following Bourdieu (1976), with the exclusion of the intellectuals or the university professors, who tend to be progressive. But this is a relative exception. Most of them end up being organic intellectuals of neoliberal and rentier-financier capitalism.

[xvii] Veblen (1899: 131-132).

[xviii] *The Economist* , 'Power to the owners', Leader in the printed edition, March 2013.

[xix] Crouch (2011: 103).

[xx] Montlibert (2007: 9).

[xxi] Preda (2005: 147; 155).

[xxii] Henderson (2020: 8-10).

[xxiii] Scott (1982: 56). By 'magnates' Scott does not mean the rich merchants but the 'landed magnates', the chief barons, whose interests 'lay in reducing the king to the position of first among equals' (p.22).

[xxiv] Montlibert (2007: 20).

[xxv] Cambridge Dictionary, https://bit.ly/2H86ZUl, May 8, 2019.

[xxvi] According to *The Economist*, October 15th, 2023, "The typical S&P 500 boss earned more than $14m last year, according to figures from MyLogIQ, a data provider. That is around 250 times as much as the average worker. It is also more than bosses earn in Britain (where chiefs of FTSE 100 firms took home just shy of $5m), let alone in France and Germany (where CEOs are paid still less)." The tittle of the report is "Are the American bosses overpaid?"

[xxvii] Godechot (2007: 13-14).

[xxviii]Godechot (2001: 135).

[xxix]Godechot (2007: 11).

[xxx]Godechot (2001: 243; 140).

[xxxi]Since 1995, the TRIPS (Trade Related Aspects of Intellectual Property) bind all members of WTO (World Trade Organization).