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Financialization of economy and politics in contemporary capitalism. Selected problems

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Abstract: *The authors analyze the essence of the problem of financialization of economy in the national and global perspectives, at the same time pointing out that this process also refers to the sphere of politics. The example of the 2007+ financial and banking crisis indicates the negative features of this process in reference to economy but also to the financial security of the states and their citizens. In the sphere of politics financialization in the external aspect is reflected in transferring public funds to private economic entities, mainly financial corporations, by virtue of political decisions. In the internal aspects financialization means an increasing role of financial instruments and resources in establishing public authorities, including parliaments and presidential offices. This tendency is considered by the authors to be an immanent feature of contemporary capitalism and a threat to democracy.*

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Introduction

The economy of mythical capitalism as seen by neoliberalism created a conceptual chaos in social sciences and in the practice of management. It mistakes progress for capitalist expansion, and market for capitalism. The predominant economy of the main current permanently suggests "mental shortcuts", "indicating the means that favour the expansion of capital and giving the name of "development" to what follows or what in their opinion could follow from the former. Meanwhile, the logic of the expansion of capital does not at all assume striving to achieve the results which would have the "developmental" character. It does not, for example, assume full employment or inequality (or equality) of incomes defined in advance. The logic of this expansion is guided by the companies' search for income, and the latter can in certain conditions bring economic growth or stagnation, an increase or reduction of employment, a decrease or an increase of inequalities in incomes, depending on the situation"[1].

An increased role of finances along with an increasing role of the stream of money coming from capital gains changed the way people experience capitalism. A division into two extreme groups of people took place in societies: those living off capital and those living off their work. The former achieve higher incomes, frequently free from credit burdens, while the latter are usually supported by an easily accessible credit. The so far existing unequal distribution of incomes is now additionally increased by the growing difference between people rich in assets and those poor in them. A growing possibility of consumption without income from work appears at the cost of financial destabilization of states, declining industry and a regression of social values. An aggressive and sumptuous model of consumption spreading in developed countries is a more and more visible sign of financialization[2].

Other indicators of financialization include such processes as a constantly increasing range of financial instruments and institutions functioning in the most developed states in the world, an increase of financial assets in the general value of property of non-financial entities, an increased importance of financial instruments in steering large enterprises, an increase in the consumption of households driven by credits

1 S. Amin, *Wirus liberalizmu*, Warszawa 2007, p. 29.

2 Cf. J. Toporowski, *Dlaczego gospodarka światowa potrzebuje krachu finansowego*, Warszawa 2012, pp. 154–165.

and an increasing debt of both the public sector and the private sector in a global view[3].

The purpose of the present article is to analyze the essence of financialization in contemporary economies of capitalist states and in the world economy, indicating the consequences and threats brought together with this process not only to the economy but also to the sphere of politics and a citizen's status. The analysis is based on the assumptions and categories of neo-institutional methodology. The threats resulting from the process of financialization are analyzed on the example of the 2007+ financial and banking crisis. The principal thesis of the article is that the permeation of the aforementioned process into the sphere of politics, and especially its effect on the transfer of public funds to private corporations and its influence on the system of democracy and the processes of electing political institutions constitute significant features of the contemporary state in the development of global capitalism.

Conditions and consequences of financialization of economies in contemporary capitalism

The literature on finances points out that financialization is treated as a long-term tendency to change the role of the financial sphere in economy, its most recognizable and widely analyzed effects in recent years including above all 1. the phenomena of financial crises, 2. the appearance of speculative bubbles in the financial sphere and, in a wider view – the appearance of financial instability in the regional and global scales, 3. an increased share of profits from financial activity in total profits, 4. an increased value of debt (both private and public) in relation to GDP, 5. an increased role of the sector of finances, insurance and real estate in economic activity, 6. excessive saturation of the financial market with derivative and toxic instruments, and 7. an increase of the value of capital transfers from non-financial entities to the financial sector[4]. These issues are undertaken in numerous studies within various sciences, especially social sciences. They analyze both theoretical conditions of the origins of financialization and the reasons resulting from the essence of capitalism as an economic and social system, particular stages

[3] Cf. E. Gostomski, *Finansyzacja w gospodarce światowej*, «Biznes międzynarodowy w gospodarce globalnej» 2014, No. 33, p. 301.

[4] Cf. G. Gołębiowski, *Finansyzacja życia codziennego*, [in:] J. Ickiewicz, J. Ostaszewski (eds.), *Złota Księga dla Profesora Jana Konstantego Szczepańskiego*, Warszawa 2017, p. 111.

in its development in the economies of states and in the world economy as well as the economic, political, social and psychological consequences for the contemporary shape of the formation of capitalism.

In the empirical layer the aim is to identify different forms of value appropriation which can be caused by particular currents of financialization[5]. Besides, very interesting theoretical conclusions appear on the contemporary character of capital accumulation as a distinguishing feature of capitalism. The literature also proposes different views on the phenomenon under discussion. N. van der Zwan suggested distinguishing three major areas of analysis within the problem of financialization, namely financialization as a system (mechanism) of capital accumulation, financialization of enterprises, and financialization of everyday life[6]. Referring to the first of the aforementioned areas, C. Lapavitsas argues that financialization reflects an asymmetric increase of financial accumulation in relation to real accumulation. In his opinion, the state of balance existing before between the actual accumulation in economy and accumulation in the financial dimension underwent a change and today's relation between the financial system and the process of real capital accumulation is contradictory. Financial accumulation nowadays takes the form of collecting financial assets of illusory value[7].

The genesis of financialization of economy is by most researchers placed in the second half of the 1970's[8]. Then successively and conceptually developed ideas and concepts appeared, in practice referring mainly to the reforms of Latin American states. Ultimately, at the end of the 1980's, those ideas took the form of an integrated strategy of development defined as the Washington Consensus[9]. Its ten major postulates, recommended and implemented in economic practice of different states

5 Cf. B. Gulski, *Finansyzacja jako czynnik wpływający na zawłaszczanie wartości przez przedsiębiorstwa*, «Studia i Prace KZiF SGH» 2018, No 160, pp. 79–97.

6 Cf. N. van der Zwan, *Making sense of financialization*, «Socio-Economic Review» 2014, Vol. 12, Issue 1, pp. 99–129.

7 Cf. C. Lapavitsas, *Profiting Without Producing. How Finance Exploits Us All*, Verso Books 2013, pp. 201–203. Of special importance are the remarks on understanding financial accumulation as different from material (real) accumulation. Also, cf. D. Urban, *Finansyzacja gospodarki w teorii i praktyce. Przemyśleć kapitalizm od nowa*, Łódź 2019, pp. 46–48.

8 Cf. B. Bonizzi, A. Kaltenbrunner, J. Powell, *Subordinate Financialization in Emerging Capitalist Economies*, «Greenwich Papers in Political Economy» 2019, no. GPERC 69, pp. 1–16, D. Urban, *Finansyzacja gospodarki w teorii i praktyce…*, p. 49; E. Gostomski, *Finansyzacja w gospodarce światowej…*, pp. 299–311, and others.

9 Cf. J. Williamson, *What Washington Means by Policy Reform*, [in:] J. Williamson (ed.), *Latin American Ad-justment: How Much Has Happened?*, Institute for International Economics, Washington 1990.

by the International Monetary Fund, the World Bank, the authorities of the USA and other developed countries forced the developing countries (including the countries under the post-communist political transformation) to make essential changes in the systems of internal finances and open them to the flows of international capital[10]. The Washington Consensus sparked lively discussions (for example in Poland between the advocates of the so-called shock therapy and the advocates of gradual economic and social changes, so called gradualists) within which the recommendations of the consensus were treated as a synonym of an extremely neoliberal economic policy. It favoured the expansion of banks and financial institutions in the economies of developing countries based on the conviction about their high efficiency in activity and more efficient satisfaction of domestic loan needs. This gave rise to the problems which ultimately led to the so far greatest global financial, banking and economic crisis in the United States in 2007 and then in 2008.

Theoretically, an explanation of this issue can be found in the justifications of the hypothesis of the financial system instability as formulated by Hyman P. Minsky[11]. In a certain simplification this hypothesis can be reduced to the statement that the longer time passes from the last banking crisis, the greater inclination of the banks to undertake an increasing risk. H.P. Minsky distinguished three stage in those behaviours. The first one connected with a cautious manner of granting credits (called by him *hedge financing*), when banks give credits only to those loaners referring to whom they feel certain that they will be able to pay off the interests and capital installments. The other, which he called *speculative financing*, when as a result of the economic situation, banks grant credits to the client who are able to pay off the interests but the payment of capital installments depends on the further good economic condition and the associated general increase of incomes in economy. Finally, the third stage in the development of the credit action of banks is the period when – under the effect of a long period of a good situation in economy – banks undertake the risk of granting credits even to those who are able to pay off neither the interests not capital installments but they assign the contracted credit for the purchase of more and more expensive credit assets, especially the purchase of houses. This phase was called *Ponzi financing* since the first large so-called financial pyramid is associ-

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10 Cf. Z.J. Stańczyk, *Konsensus waszyngtoński a reformy w krajach postkomunistycznych*, «PTE, Zeszyty Naukowe» 2004, No. 2, pp. 59–72.

11 Cf. H.P. Minsky, *Stabilizing an Unstable Economy*, Yale University Press 1986.

ated with the name of Charles Ponzi[12]. Bank credits (*subprime*) granted in this way to the poorest and the unemployed in the 1990's and the 2000's were called NINJA credits (*No Income, No Job, No Assets*). The political shield and the favourable legal conditions were created owing to presidents B. Clinton[13] and G.W. Bush[14], who were under the influence of neoliberal advisors and decision-makers of FED (Federal Reserve System), for example A. Greenspan. The state's capitalist authorities supported those activities, while the obliging managers, academics and journalists justified them and explained them to "ordinary" citizens. Several million of less well-off Americans bought houses on credit which they had no chance to pay off while at the same time the banks and financial institutions created the largest private debt in the history of the United States which was supposed to be at least in part covered from the taxes paid by all Americans. Politicians, and especially the Congress and the president of the USA contributed to that[15].

As long as house prices increased, the loaners had a possibility to pay off the mortgage (*subprime mortgage*) by way of refinancing them. "They could take successive, increasingly bigger mortgage credits on more and more expensive houses in order to pay off the credits taken earlier. That is why as long as the house prices grew, even *ninja* were able to pay off mortgage"[16]. The resourcefulness of bankers and their propositions of financial innovations and financial assets also grew, including ABS securities (*Asset Backed Securities*) based on corrupted credits, MBS securities based on mortgage (*Mortgage – Backed Securities*), or the instruments

12 Cf. M. Edesess, *The Big Investment Lie*, Berrett-Koehler Publisher 2007, pp. 193–195.

13 For example, we owe to him the passing and implementation of *Uniform Prudent Investor Act*, which practically lifted an obligation for banks and financial institutions to avoid excessive risk in managing the capital entrusted to them. The regulation of the Gramm-Leach-Bliley Act (*Financial Services Modernization Act*) passed in 1999 went even further. It revoked the Glass-Steagall Act from 1933 and lifted the distinction between deposit activity and investment activity on the market of financial, banking and insurance services as well as on the market of securities. In 2000, at the end of B. Clinton's term of Office, he also signed *Commodity Futures Modernization Act*, enabling the functioning of the OTC-market of derivative instruments. Cf. B. Samojlik, *Kryzys finansowy: Źródła, skutki, kierunki naprawy*, [in:] *Nauki społeczne wobec kryzysu na rynkach finansowych…*, pp. 59–76, in particular pp. 62–64.

14 In 2004 *Volontary Regulation – SEC* came into life with the agreement of President G.W. Bush. It lowered the requirements concerning the capital reserves of banks and enabled the use of a higher financial leverage.

15 Cf. J. Osiński, *Próby modernizacji pozycji i funkcjonowania parlamentów w warunkach kryzysowych*, «Kwartalnik Kolegium Ekonomiczno-Społecznego Studia i Prace» 2012, No. 1 (9), pp. 43–72.

16 A. Sławiński, *Przyczyny globalnego kryzysu bankowego*, [in:] J. Osiński, S. Sztaba (eds.), *Nauki społeczne wobec kryzysu na rynkach finansowych*, Warszawa 2009, pp. 36–37.

of securitization based on debt, CDO obligations (*Collateralized Debt Obligation*)[17].

An important factor closely related to the development of the financialization process was debt, actually excessive debt, both private and public. "Expansion of securitized assets by means of derivative instruments was a common phenomenon not only in the segment of mortgage credits but it also concerned credits for the purchase of cars, credits granted within credit cards or finally student credits. Debt was an instrument to fill in the increasing gap between household expenditures and incomes"[18]. Such a situation is called the substitution of loans for wages and it is a response to the lowering or stagnant real wages or the increasing salaries which, however, do not catch up with increased efficiency. Financialization remains in a linear relation to debt, which means that it leads to an increase in debt. Other views emphasize that it was rather social inequalities, resulting from political decisions justified by the ideology of neoliberalism, which were, for example in the United States or Great Britain, the major factor causing a growing debt and the development of financialization phenomenon[19].

If we add to these system factors the subjective, behavioral ones such as greed, unrestrained pursuit for profit, incompetence, arrogance, belief in one's infallibility and faith in the self-regulating mechanisms of the markets, especially the financial ones, we obtain a set of objective and subjective factors which contribute to the proceeding financialization of the economic sphere, at same time causing negative consequences for the states and societies in the national and global perspectives. A symbolic fact confirming their importance in the society's perception in the period under discussion was deciphering the name of the American largest insurance corporation AIG (American International Group) as Arrogance, Incompetence, Greed, which was for the first time done by Congressman Paul Hodes during the hearings in the House of representatives on 18 March 2009 connected with the financial "scandal" in AIG. Rescuing the corporation from bankruptcy, earlier the Congress of the USA had given it financial support of USD 170 billion for stabilization

[17] Cf. A. Sławiński, *Przyczyny i konsekwencje kryzysu na rynku papierów wartościowych emitowanych przez fundusze sekurytyzacyjne*, «Bank i Kredyt» 2007, Nos. 8–9, pp. 12–17.

[18] D. Urban, *Finansyzacja gospodarki w teorii i praktyce*…, pp. 50–51.

[19] Cf. J.D. Wisman, *Wage stagnation, rising inequality and the financial crisis of 2008*, «Cambridge Journal of Economics» 2013, Vol. 37, Issue 4, pp. 921–945, in particular p. 923. The issue of debt increase as a result of financialization is beyond the interest of the Authors in the present paper, for more see: I. Zawiślińska (ed.), *Współczesne państwo a dług publiczny. Dylematy i mity*, Warszawa 2014.

of its activity, USD165 million of which – as it turned out later – was paid as bonuses for 7 persons managing the corporation[20]. There were far more such negative examples of a specific symbiosis of political decision-makers and the financial and banking elites, which shows the character of connections between the spheres of politics and finances, taking place outside the interests of average citizens and ignoring the democratic values and procedures[21].

The essence and consequences of financialization in the sphere of politics

The activities of neoliberals from the world of politics, business, media and universities at the turn of the 20th and 21st centuries closed the second, negation stage in the development of neoliberal ideology, supporting and promoting the occurring signs of financialization. Its elements can easily be seen in concrete activities, for example of president B. Clinton's and prime minister T. Blair's administrations. The literature emphasizes the fact that when the negation stage of neoliberalism reached the limits of its possibilities of affecting the social and political reality, there appeared a need for a more positive, not aggressive narration cultivated by its advocates. The social function of the state performed in relation to certain areas is noticed: reforms of social benefits (social security), urban revitalization, policy in the field of law, especially penal law, and immigration policy.

In those new interpretations, the institution of the state was not any more the main enemy of neoliberals, it was not contradictory towards the free market. It proved desirable and useful to realize the social functions of the state authorities which the so-called free market – then already considerably financialized – was not able or did not want to undertake. In this way, after almost three decades of combating, limiting, marginalizing and depreciating the institution of the state, neoliberalism aimed to reform the state in a specific way and change its essence so that it should actively care about and strengthen the market as a continuous process of political creation and transformation[22]. In a word, neoliberalism of

[20] Cf. https://sundial.csun.edu/6683/archive/arroganceincompetenceandgreed (12.10.2020).

[21] Cf. J. Osiński, *Próby modernizacji pozycji i funkcjonowania parlamentów w warunkach kryzysowych…*, pp. 52–56.

[22] Cf. F. Denord, J. Peck, *Constructions of Neoliberal Reason*, Oxford University Press 2010, pp. 3–9. They refer to the text by M. Friedman published in 1951 only in Swedish. Against

the turn of centuries is not in fact an economic but *stricte* ideological and political concept or project. Hence, it did not aim to disassemble or marginalize the state but it assumed its transformation enabling the realization of functions different form the existing ones in accordance with market needs. Especially in highly developed countries it aimed to change the institution of the state into the state subordinated to the market[23], the change aiming at making use of the institutions of the state and its resources (financial, institutional and infrastructural) to increase the gains o transnational corporations, especially those of the financial market, so-called the FIRE sector – *Finance, Insurance, and Real Estate*. This had to take place by way of financial institutions interfering into the democratic processes of appointing the state's bodies on its different decision levels, including presidents, parliaments as well as regional and local bodies. Financialization and commodification encroached in every place where "anything" material or immaterial could be transformed into a tradable product. If that did not occur automatically, which takes place on the markets of commodities and services, then "it" had to be given the form of a commodity and directed onto the "political market", e.g. the election process. That is why different services appear which offer effective action at various stages of preparing and conducting the election campaigns to the parliament, in presidential elections or in elections for other electable positions in contemporary states.

In the beginning, the institution of the state was supposed to make it possible for neoliberals to drive the process of financialization through power over the money guaranteed by the state, owned by the state and created by the central bank. The state's monopoly over the means of payment lay at the basis of the existing internal system. The state's monopoly means that the central bank could act as the last instance entity supporting the financial system and ensuring its liquidity. "The ability of the central bank to provide the commonly accepted liquidity is to a large extent a derivative of possessing a considerable amount of government securities which are used to secure the liabilities of the central bank as well as the government's alleged guarantee for the solvency of the bank itself. On the other hand, government securities are

this background J. Peck adds that "in its numerous pictures, neoliberalism always based on capturing and making a new use of the state with the aim of forming a post-corporation, free trade "marker order"", ibidem, p. 9.

23 Cf. *Neoliberalizm przed trybunałem…*, pp. 104–107; M. Edelman, A. Haugerud (ed.), *The Anthropology of Development and Globalization: from Classical Political Economy to Contemporary Neoliberalism*, Oxford University Press 2005.

the basis of solvency on the money market since they are assumed to be characterized by a low risk"[24].

The state's control over money (dollar, pound, yen, yuan) supported the spread of financialization. Initially, capital export mainly took place within economically developed countries; however, since the middle of the 1990's the capital flow in net values already had an opposite direction and the capital flowed from developing economies to developed ones. "This reversed stream of capital is inseparably connected with the position of the American dollar as the world currency (understood as the main reserve currency). The American dollar became a tool and a way of expressing imperial domination, where the generated flows of capital possess the features of a levy paid by developing countries for the benefit of developed ones for the possibility of making use of the world currency"[25].

In the intention of neoliberals, taking over or obtaining the dominating influence on the state, especially the legislative and the executive powers, was supposed to facilitate the development of the phenomenon of financialization. It was expected to take place through the changes in legal regulations and in institutional supervision over finances. Directly, financialization was made easier by deregulation of domestic financial markets, and in the international view – abolishment of international control over the money and financial spheres. The collapse of the system from Bretton Woods and the adoption a liquid regime of the currency rate by the largest economic powers together with giving up the rules lying at the basis of international capital flows created favourable conditions for the development of the financialization process.

Nowadays the process of financialization of the political sphere in capitalist states, especially those highly developed ones, is manifested in two principal aspects. In the first one, which can be called external, we have to do with considerable flows of financial means from the public sphere to the private sphere, and especially to financial institutions and through them – onto the financial markets. This happens by virtue of political decisions made within the frameworks of the democratic system by political institutions, including parliaments and the head (federal) executive organs. In this way, unauthorized crediting takes place (which would be acceptable under certain conditions) of financial entities and their private shareholders. In another, extreme case, considerable cash

[24] D. Urban, *Finansyzacja gospodarki w teorii i praktyce…*, p. 44.

[25] Ibidem, p. 45.

was transferred from the state budget, so in fact it was public means, to "help" or "rescue" financial entities which were too big to fail[26]. This also took place by virtue of decisions made by democratic institutions subordinated to the interest of the large financial capital.

In the second aspect, the internal one, financialization means using the instruments of the financial market, special purpose vehicles and other financial entities to collect campaign funds for the candidates for various electable positions, including the president and members of the houses of parliament. This occurs on the "border" of law or by using favourable legal interpretations made by the judiciary bodies.

In the first aspect the most characteristic was the behaviour of the USA Congress, the Japanese House of Representatives, the British House of Commons or the French National Assembly at the beginning of the 2007+ financial and banking crisis. They frequently uncritically approved of aid programs prepared by the executive authorities for the largest banks and financial institutions. In case of the United States the so-called Paulson Plan (*Troubled asset relief programme*, abbreviated to TARP), prepared at the Treasury Department, was passed by the Congress despite at least a few paradoxical circumstances. As admitted by Neel Kashkari, assistant to the then Secretary of the Treasury Department who was in fact the author of the plan, the amount of 700 billion dollars which appeared in TARP was rather accidental. He calculated that at that time there were 11 trillion dollars worth of mortgage credits and 3 trillion dollars worth of commercial credits, which totally makes 14 trillion dollars, while 5% was a "round sum" of 700 billion dollars included in the plan. Why 5%? N. Kashkari admits: "I produced it out of thin air, we needed to draw as much as possible from the Congress while 1 trillion seemed too much". The votings in the Congress also saw "their" studies indicating that actually nobody knew till the end what was going on and what the vote was for, while the decisions were made hurriedly under the pressure of the moment and the consequences of the situation which were impossible to foresee. Simply, the politicians who had been not so long before stigmatized by financiers for their lack

[26] This situation is depicted in a vivid and suggestive manner in a biographical document – a drama show for the first time on 23 May 2011 in HBO television and based on a novel (also translated into Polish) whose author was Andrew Ross Sorkin: *Too Big to Fail: The Inside Story of How Wall Street and Washington Fought to Save the Financial System – and Themselves* directed by Curtis Hanson. The main characters played by the actors include P. Paulson, B. Bernanke, R. Fuld, J. Wilkinson, T. Gaithner, W. Buffett, J. Dimon, N. Kashkari and others.

of effectiveness and were instrumentally treated by the latter had to save the international banking system"[27].

The passing of the aforementioned act in the USA Congress was also bizarre. The act was called the *Emergency Economic Stabilization Act of 2008*, while being commonly known as "the rescue plan of the USA financial system" and it authorized the Secretary of the Treasury to assign the means for programs supporting the American banking sector, which in autumn 2008 was already in a serious crisis. Within the programs, certain toxic assets were to be concentrated. Generally speaking, the citizens were told: we have to put your 700 billion dollars which we have in the budget in that business to save you from the loss of billions of dollars. As we mentioned, the costs were estimated at 700 billion dollars and a draft of the act was prepared which was originally 3 pages long! This proved that the Department of State but also the environment of president G. Bush did not realize how serious the situation was. Till then, "according to the predominant economic doctrine, the markets solved the problems that appeared on them by themselves and such a scale of the state's intervention was unthinkable. At that time, however, it was about "saving" the banks and not "disturbing" them in their unhampered activity"[28].

The draft of the act, or in fact an amendment to it extending the range of possible interventions by the Department of the Treasury and including 110 pages, was submitted to vote in the House of Representatives on 29 September 2008 and rejected by 205 votes "in favour" and 228 "against"[29]. The next legislative initiative, which included the draft of the act corrected after the criticism in the House of Representatives, took place in the Senate. The draft was amended with a few additional clauses (e.g. the guarantee amount from *The Federal Deposit Insurance Corporation* – FDIC for depositaries) and the total cost of the plan was increased by 150 billion dollars. The text of the draft grew to 150 pages. This changed text of the draft of the act was submitted to voting in the Senate on 1 October 2008 and adopted with 47 votes "in favour" and 25 "against". Immediately after the project was passed it was sent to the House of Representatives, which after a debate, passed it by

[27] J. Osiński (ed.), *Państwa narodowe wobec kryzysu ekonomicznego*, Warszawa 2010, pp. 162–163. Also, cf. W. Nawrot, *Globalny kryzys finansowy XXI wieku: przyczyny, przebieg, skutki, prognozy*, Warszawa 2009, pp. 129–158.

[28] J. Osiński, *Próby modernizacji pozycji i funkcjonowania parlamentów w warunkach kryzysowych…*, p. 53.

[29] *Final vote results for roll call 674*, http://clerk.house.gov/evs/2008/roll674.xml (29.10.2008).

263 voted "in favour" and 171 "against"[30]. When the act was signed by president G. Bush, it came into force and was the basis of the abovementioned TARP program, while its numerous infringements of the rules and regulations of the proceedings in both Houses were quickly forgotten and it was concluded that in a financial situation so dangerous for the United States (and the world) paying the tax payers' money for the ignorance, greed, arrogance and dishonesty of the bankers and financiers was justified.

Not to refer such a behaviour of the capitalist elites, which meant transferring the public money for the support and "rescue" of financial corporations and their private owners, only to the western hemisphere, we should mention the *casus* of Japan. On the motion of the government headed by Y. Fukuda (Liberal-Democratic Party) the House of Representatives (*Shugi-in*) of the Japanese parliament – *Kokkai* – passed the first stabilization and stimulation package already in August 2008 taking into consideration the connections between the Japanese and American financial markets. Its size was not particularly impressive and it was "only" 120 billion converted into dollars. After a change on the position of prime minister on 24 September 2008[31], in October 2008 the new prime minister Tarō Asō submitted another project of the act including a broader financial package, which was clearly under the effect of the bankruptcy announced on 15 September 2008 by the American investment bank Lehman Brothers. The converted amount of the next tranche of public money assigned for the maintenance of liquidity on the Japanese and international banking and financial markets was 260 billion dollars. On the government's motion, in December Kokkai passed one more act in a similar matter despite the increasing criticism of the parliamentary majority of the Liberal-Democratic Party, and especially from the Democratic Party of Japan. It was the largest of aid packages and, in conversion, it amounted to 400 billion dollars, which gives 780 billion dollars from the public money given to "rescue" Japanese banks and financial institutions from bankruptcy. When additionally Japan's public debt considerably exceeded 100% of the annual GDP, its capitalist political, banking and financial elites effectively transferred enormous means to the private sector. To close this sequence, let us add that in April 2009 a project of a stabilization act of another 600 billion dollars

[30] US Senate Committee on Banking, Housing and Urban Affairs, *Summary of the emergency economic stabilization act 2008*, October 2008.

[31] Cf. M.E. Manyin, E. Chanlett-Avery, *Japan's Political Turmoil in 2008: Backgroundand Implications for the United States*, https://fas.org/sgp/crs/row/RS22951.pdf (10.09.2020).

was passed by the government majority of the Liberal-Democratic Party. A wave of criticism of those activities resulted on 16 September 2009 in a change of prime minister, which function was taken over by Yukio Hatoyama, president of the Democratic Party of Japan[32]. In December 2009 the new prime minister led to the passing of one more aid package although a much smaller one (in conversion, 110 billion dollars). If, however, we compare the amounts of "anti-crisis" means accepted by democratic institutions of contemporary capitalism in different countries of the world in 2008 and 2009, Japan assigned, both in relation to GDP and in absolute values, about 1.5 trillion dollars to maintain the existing shape of corporation capitalism from its citizens' taxes, which makes it the largest sum of all al world's countries[33].

Referring to the second, internal aspect of financialization connected with the use of instruments and entities of the financial market to raise campaign funds for candidates to various electable positions, including the president and members of the houses of parliament, and to use them in election campaigns or in other activities of political character, it should be stated that this is a phenomenon which quite commonly occurs in the state of developed capitalism. Election campaigns and different kinds of political marketing actions ceased to be transparent and regulated by the approved legal regulations long ago[34]. Most frequently those regulations are expected to support definite political groups or specific candidates in elections.

In the United States the contemporary system of financing, especially federal elections, remarkably increases the influence of financial and banking elites understood both as private persons and economic entities (corporations, banks) on election campaigns and, consequently, the shape of American democracy, the process of making political decisions as well as realization of interests of the wealthiest social groups. Favourable legal and political conditions were created for the development of financialization as it is understood here. The legal basis on which the federal election campaigns were and are financed were in fact three acts of the Congress, namely *Federal Corrupt Practices Act* from 1910[35] (abbreviated to *Publicity Act of 1910*) with later amendments in

32 https://www.britannica.com/biography/Hatoyama-Yukio (10.09.2020).

33 Cf. *Państwa narodowe wobec kryzysu ekonomicznego…*, p. 162.

34 Cf. G.A. Akerlof, R.J. Shiller, *Złowić frajera. Ekonomia manipulacji i oszustwa*, Warszawa 2017, chapter *Phishing w polityce*, pp. 82–96.

35 https://wps.prenhall.com/wps/media/objects/531/544609/Documents_Library/corrupt.htm (19.09.2020).

1911 and 1925, *Federal Election Campaign Act* (FECA) from 1971[36] with later amendments, and *Bipartisan Campaign Reform Act* (BCRA) from 2002[37] as well as the decisions of the Supreme Court of the USA. The provisions of those acts, sometimes corrected in accordance with the settlements of the Supreme Court, constitute Title 52 of The Code of Laws of the United States of America, abbreviated to U.S. Code.

Historically, the first attempt to limit the influence of large economic entities on the decisions and political life of the USA by law was the act from 1907 called *Tillman Act*. The aforementioned *Publicity Act*, whose original version was passed by the Congress in 1910, extended and tightened up its provisions. However, the effects of the reforms concerning, for example, financing the elections were limited by the conservative majority of the Supreme Court judges, for example in connection with the decision on *Newberry v. United States* from 1921[38]. The return to reformatory decisions meant changes in *Publicity Act* from 1925 contrived by the corruption affair in president W. Harding's administration called *Teapot Dome Scandal*. The next above mentioned act *Federal Election Campaign Act* (FECA) from 1971 imposed restrictions on how much can be raised and how much can be contributed for the election campaign. FECA defined *soft money* as "the funds raised and/or spent outside the limits and prohibitions of the *Federal Campaign Reform Act*". *Soft money*, sometimes called non-federal funds, most frequently consists of the money from the resources of corporations and/or trade unions as well as donations of individual citizens exceeding federal limitations but it can be used for other purposes. This money was usually huge donations of a small group of contributors.

The act, however, had some gaps and underspecifications, which made it impossible for the financial and banking elites to maintain their position in financing political undertakings through the contributions transferred to the so-called *Political Action Committees* (PAC). This phenomenon grew in importance since the 1980's. It was not regulated until by the aforementioned *Bipartisan Campaign Reform Act* from 2002. It attempted to limit and put frameworks to the phenomenon of *soft money*. The legislator prohibited banks, corporations and trade unions to transfer money for the benefit of candidates in elections and primary elections to the House of Representatives, the Senate and for the office

36 https://www.fec.gov/resources/cms-content/documents/feca.pdf (20.09.2020).
37 https://www.congress.gov/bill/107th-congress/house-bill/2356 (20.09.2020).
38 Cf. https://supreme.justia.com/cases/federal/us/256/232/ (10.09.2020).

of the president, as well as to finance party and election conventions and political parties (art. 30118)[39].

The contemporary stage in the development of the process under discussion was the decision of the supreme Court on *Citizen United v. FEC* from 2010[40], whose beginnings go back to 2007, the time when the domination of neoliberal views among the political and economic elites in the United States was a definite fact. The Supreme Court fit itself into this predominant conviction about realization of policy according to neoliberal recommendations and the role of financial corporations, banks and other transnational economic entities in it. The decision on *Citizens United v. FEC* did not only do away with the restrictions placed on *soft money* but it also reversed the logic of the process of legal regulations in financing elections campaign in the United States which started in 1907, at the same time clearly favouring the financial and banking environments and corporations which contribute considerable amounts of money to the campaign funds of particular candidates and political parties[41]. At the beginning of the 21st century *soft money* covered 42% of all expenditures of American political parties[42].

Considering the existing ideological and political conditions, although the decision of the Supreme Court was criticized by a lot of politicians and researchers, it cannot surprise. It was and still is the next step in the financial and banking elites appropriating institutions of the state and its bodies and in depreciation of the democratic system, additionally referring to the First amendment to the Constitution of the Unites States (the freedom of speech)[43]. The negative effects of such a solution could also be seen during the election campaign and the elections in the United States in 2020.

39 After the decision of the Supreme Court of the USA on *Citizens United v. FEC* these limitations no longer have any application towards the money spent by corporations on *independent expenditure* and *electioneering communications*.

40 Cf. U.S. Supreme Court Center, *Citizens United v. Federal Election Commission* (558 U.S. 310(2010)), http://supreme.justia.com/us/558/08–205/index.html (21.09.2020).

41 Cf. J.E. Stiglitz, *Of the 1%, by the 1%, for the 1%*, «Vanity Fair» May 2011, http://www. vanityfair.com/society/features/2011/05/top-one-percent-201105 (6.10.2020), J.E. Stiglitz, *Demokracja specjalnych interesów*, [in:] A. Domosławski (ed.), *Ameryka zbuntowana. Siedemnaście dialogów o ciemnych stronach imperium wolności*, Warszawa 2007.

42 Cf. D. Gill, *Soft Money and Hard Choices: Why Political Parties Might Legislate Against Soft Money Donations*, «Public Choice» 2005, Vol. 123, No. 3–4.

43 In this matter very characteristic was a still earlier decision on *First National Bank of Boston v. Bellotti*. Cf. U.S. Supreme Court Center, *First National Bank of Boston v. Bellotti* (435 U.S. 765(1978)), http://supreme.justia.com/us/435/765/case.html (19.09.2020).

Conclusions

The conclusion is frequently drawn from the analysis of the financialization process that it is an objective process in contemporary economies of capitalist countries as well as in the world economy. The situation was similar to the process of the contemporary version of globalization, where we were "globalized objectively" like those subjected to the common law of gravity. Today we know exactly who was the beneficiary of neoliberal globalization and who was the loser. We also know that both processes result from the essence of the capitalist formation whose logic is based on an unrestrained pursuit of profit maximization. If today profits can be most effectively maximized within the FIRE sector, the latter will dominate not only in the economic life but it will also aim at dominating other spheres including the political and cultural ones as well as the private sphere of each inhabitant of our globe. The threats to these spheres are then real and not imaginary.

Financial markets, the institutions functioning on those markets, like the so-called free market with its mechanisms and entities, are not based on democratic procedures but just the opposite. There is an objective contradiction between them and the democratic system and its institutions. Democracy is not a gift which the western world received from the social group called capitalists and neither is it a reward from supernatural powers. These are real mechanisms and institutions which have been established for centuries by thinkers and theoreticians. Contemporary financialization in the sphere of politics threatens the realization of liberal rules of the political system, beginning with the principle of sovereignty. The development of the discussed process favours commodification of the sphere of politics with its democratic mechanisms of establishing the most important organs in the state, beginning with the head of state and parliament. The threat of "commodifying the sovereign", however vague in the theoretical thought, can become a real political practice just like the spheres of real and virtual spheres are commodified. Economic freedom today does not condition political freedom and national sovereignty, which means that the so-called free market is not identical to political democracy. This is emphatically indicated by the analysis of the causes and the essence of the financial and banking crisis 2007+, where financial problems brought about a danger of bankruptcy of states and in certain cases this bankruptcy was the fact. "When privatized Keynesianism became the dominating economic model, it became a kind of a bizarre public commodity rooted in the activities of private investors (...) Millions of people could buy real estates and other real goods by means of unreal money created by banks. And therefore, it was this irresponsibility which became the public good (...). In this case the connection between private and public interests was expressed in a weird form of a relation between irresponsible activity of banks and the general welfare"[44].

Oligarchization and pathologization of political parties in many countries, some of which are still classified as "mature democracies", is nowadays easily seen not only by specialists but also by relatively attentive and critical observers of political life. It almost always has its source in the problem of access to financial means which would secure for definite environments the influence on political and economic decisions. Financialization of the processes of appointing the most important organs of the state and next the political decisions which will favour transfer of public money to private corporations are two sides of the same coin. As we have shown in the present text, both processes can be called more *science* that *fiction* since they are significant features of the observed stage in the development of global capitalism. In the axiological and spatial sense, neoliberal capitalism is closer to different autocratic forms of governance than to liberal democracy. In addition, in the international view, financial means become a significant instrument of non-democratic international organizations of regional or global reach attempting to corrupt societies and democratically elected political institutions in national states. Their activity begins to depart from what used to be called public utility or common good in the name of what appeared as a result of a "peculiar non-death of neoliberalism".

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