**Abstract**

In 1943 Michael Kalecki outlined the demise of full employment capitalism in the UK and theorized a finance-led accumulation regime -what is now termed financialization which necessitates a falling labour share and rising inequality. A contemporary challenge for economic-sociologists is to explain how a concentration on financial value rather than use-value requires producers and suppliers to appropriate and extract value from labour to prompt two research questions. Firstly, have producers moved from a concentration on use value to financial value? Secondly, in what ways does the appropriation of value from labour legitimize a falling wages share? These questions require the application of analytical and theoretical categories which can capture and framework appropriation and extraction in terms of value. This article uses Kalecki (1943) as a primary source which informs and isolates shifting uses of profits and shifting claims on profit under contemporary finance-led capitalism in the UK.

**Keywords:** Appropriation of Value from Labour, Financialization in the UK, Kalecki, Investor-Owner-Rentiers, Finance-Led Capitalism.

**Introduction**

**1, Financialization -** *From Producers of Use Value to Producers of Financial Value*

Financialization is frequently defined as the emergence of a new regime of accumulation which prioritizes the interests of investor-owners over those of other stakeholders (van der Zwan 2014). The processes which are now understood as financialization began to unfold around 1970. Globally the demise of the Bretton Woods fixed-exchange rate system saw financial markets change focus as the motives of financial actors changed within the beginnings of what became a globally unregulated international financial system (Eichengreen, 2008). By the 1980s the UK was centre stage in global capitalism and since then the City has further developed entrepreneurial capture in global asset management for hedge funds, private equity firms and sovereign wealth funds (Augar, 2009). The presence of support services for these intermediaries in the City combined with a Reagan-Thatcher inspired framework for business saw the removal of regulatory obstacles to international capital movements and foreign ownership of British firms (Harvey, 2007:62, 70-73, Pendleton and Gospel, 2014:88). For others the period since the collapse of the fixed exchange rate system and its disciplinary effects on domestic credit creation has facilitated a systematic financialization of British capitalism that has changed the underlying conduct of producers and suppliers, financial institutions and households (Lapavitatas, 2013:15). Therein financial market makers in the British economy have over the past forty years diffused successive waves of financial innovation both in terms of motives and instruments. Yet others emphasise the one-directional nature of financialization since the City ‘Big Bang’ in 1986, stressing how privatization, financialization and the associated shift of power to banks and away from governments and the manufacturing sector cannot be undone other than on the margins (Seifert, 2016:751).

Financialization in the forms of share buy-backs and finance driven corporate re-structuring is now increasingly detached from firm level performance and the development of core operational capability in a business. These activities can be initiated or stimulated by managers in a firm, external investor-owner rentiers or intermediary rentiers acting on behalf of a globally focussed rentier class. Rentiers such as hedge funds, private equity funds, and sovereign wealth funds and associated asset management represent an approach to the ownership of firms and corporate governance within firms which prioritizes the interests of investor-owners. Representative of the culmination of a series of financial innovations these interests have costs and consequences for labour across the economy. The financialization of British capitalism was achieved by financial de-regulation and integration internationally where financial capital and capital markets are centrally concerned with the market for corporate control and investor and shareholder value.

What is clear, however, is that at the macro level a declining wages share of national income indicates that value is being appropriated from labour. This is an important development which de-couples earnings from output to imply that productivity gains no longer translate into broad rises in pay. UK national accounts demonstrate that since 1982 the wages share of national income has been less than 56% whereas in the 1970s it rose to 61% of national income. Financialized behaviour such as this has a negative impact on workplace bargains where the profit share as a percentage of national income rose to 28% in 2011 (TUC, 2013). The wage share is defined to include wages and non-wage benefits such as pensions and national insurance contribution levels. These inclusions are important because pensions and national insurance payments represent reproduction costs for labour. Further still financialization is present beyond the employment relationship as workers leverage their financial assets and use debt to sustain consumption patterns which falling real wages undermine. A declining wages share of national income and a rising profit share are not unique to the UK; however, both phenomena are more prevalent in economies which have fully embraced financialization. In contrast economies which have embraced but contained financialization have experienced less severe declines in the wages share (OECD, 2015:1-18).

By moving the theoretical focus of financialization from a declining labour share of national income, to how this is happening and its effects on labour financialization is more appropriately defined as the costs and consequences of financial innovation for labour across the economy. This definition incorporates the macro accumulation regime, a micro theory of the firm centred on investor and shareholder value and the mining of worker assets and liabilities. So financialization is shaped, embraced and contained by the wider dynamics of capitalist accumulation and class relations where work and employment are located.

The financialization of the British economy encountered no significant bloc of business opposition lobbying for an alternative corporatist or co-ordinated policy (van der Pijl, 2006, Harvey, 2007). Financialization and neo-liberalism have however, undermined countervailing forces such as trade unions which have encountered a thirty year political intervention in voluntarism (Gamble 2014:14). Today so complete is the rise of internationalized capital and investor-rentier capital in the UK that neither group nor the state have to contend with major organized opposing interest groups other than civil society groups, for example Occupy, which only harass capital (Crouch, 2011).

By association labour market reforms and in particular a decline in the coverage of collective bargaining across workplaces are a prominent explanation for the falling wages share across OECD nations. These reforms combine with the effects of globalization and skill-biased technological change to witness a fall in the wages share across OECD nations due to the diffusion of finance-led accumulation (Bengtsson and Ryner, 2015). It is however, necessary to go beyond the application of aggregate data to further theorise the falling labour share in the UK. Financialization is a key driver of increased claims made by employers and management on behalf of investor-owner-rentiers creating an upward concentration of income and therefore falling wages shares further down the distribution. It is this concentration on financial value which shapes workplace regimes and workplace outcomes for labour where financialization transforms the relationship between financial markets and non-financial corporations. Hein (2015:15) demonstrates both theoretically and empirically a rising retained profit share returned to rentiers where investment in capital stock is now subject to a rentier and investor return constraint. This development sees firm level management align itself with rentiers and shareholders at the expense of workers, hence a falling labour income share in the functional distribution of income. Firstly, by the manner in which delivery of investor and SHV has become normalised as a firm level objective above all others. Secondly, in the manner by which investment is financialized whereupon the share of financial assets held by manufacturing firms and service providers has increased significantly. That is, the extent to which surplus available for investment in innovation is appropriated for return to rentiers beyond core activities. Thirdly, in the financialization of firm level operations where financialized activities may be offered to customers for example, in the form of high denomination store cards which are effectively credit cards. In 2014, for example, 97% of credit in the UK economy was created by private financial institutions either in the financial sector or by financial operating arms of non-financial firms (McLeay et.al. 2014). Similarly the development of financialized relationships are imposed on labour as consumers, suppliers and workers, their labour markets and labour process (Baud and Durand, 2012). Part two theorizes the demise of full-employment capitalism and arrival of finance-led capitalism in the framework outlined by Kalecki (1943).

**2, Kalecki and Power Relations in the State**

Kalecki had a lifelong concern with the business cycle and the framework detailed in his 1943 article, the application of which forms the key contribution of this article, must be understood in this context. *Political Aspects of Full Employment* is significant because unlike most of Kalecki’s work on the business cycle it focuses not on technical aspects (objective rationality) but rather on socio-economic power relations (political will) in policy formulation (Toporowski, 2013). In *Political Aspects* Kalecki argues that business and business leaders – capital are opposed to government spending and an active government role in economic management for three reasons. Firstly, an ideological opposition to state intervention in the economy; secondly, opposition to the use of government spending in public expenditure and subsidies to consumption and thirdly political opposition to the socio-economic, that is, industrial relations changes which long lasting full-employment brings about. The first reason focusses on the desire of business leaders to maintain that capital alone is central to economic and social stability and the only effective means of prosperity. If government expenditure can bring about prosperity capital loses power because stakeholders in civil society are less likely to tolerate macro-economic and workplace disciplines which are necessary to deliver and ensure a sound state of confidence to private investment. The second reason centres on what in the 1970s became known as the ‘crowding out’ effect, (Bacon and Eltis, 1976) flowing from pubic investment competing with private investment, reducing investment opportunities. The third reason follows on from public investment and full employment which make (collective) labour less willing to accept the managerial prerogative and workplace discipline as workers can easily find alternative employment. (For the definitive account of this position and trade union immunities from civil liabilities in times of full employment see the Inns of Court Conservative Association, 1958). Therefore full employment reduces capitalist power, since unemployment is no longer effective as a credible threat which helps to secure a disciplined workforce. Each of these three reasons is connected to power relations within the state. The first reason is connected to power in the sense that civil society and labour to should rely solely on capital. The second is connected to the power to control finance, labour, production and service markets to obtain profits. The third reason is connected to the control of the workforce.

The theoretical framework presented by Kalecki (1943:322-331) projected a future trajectory for the demise of full employment capitalism. The political business cycle was effectively an electoral cycle where Kalecki predicted that economic policy would be driven less by the longer term interests of civil society and the economy but instead the short-term political interests of government and opposition, that is, the political institutions of the state and associated actors in the capitalist class. Centred not on a managed distribution of the income share to maintain aggregate demand the trajectory would be informed by the political expediency of short-termism as political parties geared policy proposals to win general elections. There have been eight short-term electoral business cycles; 1945-1951 under Labour, 1951-1964 under Conservatives, 1964-1970 (Labour), 1970-1974 (Conservatives), 1974-1979 (Labour), 1979-1997 (Conservatives), 1997-2010 (Labour), 2010+ (Coalition, until 2015, 2016+ Conservative). The predictive power of Kalecki’s framework to the phenomena of financialization contains three segments.

**2.1 The limitations of Full Employment Capitalism**

Kalecki predicted that full employment capitalism would soon become a politically inspired electoral business cycle. In actuality the cycle, which came to be known as ‘stop-go’ or demand management weakened the productivity capacity of the manufacturing sector. Kalecki recognised that high productivity supports high wages growth which sustains consumption expenditure keeping it in line with production. More significantly still Kalecki, (1943& 1971) identified that lower income groups have a high marginal propensity to consume and a lesser marginal propensity to save. Therefore squeezing the labour share of low income earners will reduce overall income levels by reducing consumption, the associated investment multiplier and aggregate demand. This first application of the Kalecki framework will address the first research question on the contemporary concentration on financial value. Defence of finance-led capitalism and the associated movement away from full employment capitalism has led to what in the contemporary period is termed austerity.

**2.2 The Global Interests of British financial capital and a Preference for Balanced Budgets**

The global interests of financial capital and state managers who favoured balanced budgets held the potential to undermine full employment capitalism. There is a well-established literature on finance capital which alongside the more recent literature on financialization in the UK contextualises the approach of Kalecki. Hilferding (1910) defined finance capital as a fusion of bank and industrial capital where capital comes to assume the form of finance capital. If the interest rate on loaned capital to entrepreneurs is less than the rate of profit earned on use of loaned capital, for example, share issues this creates a ‘founders profit’ a portion of which is returned to those who financed the loan, (Lapavitsas 2013:43-60). In contemporary parlance finance capital represents rentier investing formulated in new business models associated with hedge funds, private equity funds and the shadow banking system more generally.

Longstreath (1979) argues that historically financial capital has, with the support of the state, successfully positioned its fractional interests as the general capitalist interest. Ingham (1984, 2009) suggests that this is best summarised in the dominance of City interests focussed on intermediary financing in commodity brokerage, that is, deal making and underwriting in freight and trade rather than the finance of industry. Such rent-seeking is not necessarily in the interests of industry or full employment. Fine and Harris (1984) demonstrate that the dominant global role of British based financial institutions is actually in the interests of many of the UKs globally focussed manufacturing firms. Christophers (2012) emphasises the importance of internationally focussed demand for financial services and finance and contrasts this with the relatively limited growth in demand for such services by domestically focussed capital. Coates (2014a&b) further develops this theme to argue that banking and finance capital per se is not a dominant interest group but derives its dominance vicariously because of the global aspirations of many of the UKs multinational firms. Here the capitalist nature of firms and their relationship to the state forged in early industrialization and subsequent global economic dominance culminated in a form of economic imperialism. Kalecki (1943) suggested that this dominance would be held back by full employment capitalism, hence the likelihood of resistance to full employment capitalism and efforts to undermine it politically. The argument developed in this article is that these embedded characteristics – globally focussed multinational financial and rentier capital form the foundation of the UKs contemporary economy and associated accumulation regime. This derived dominance underpinned the development of the financial sector and non-financial sector towards financialization.

Kalecki (1943) formulated a framework wherein ‘big business’ (324-5, 327-8) now termed multinational capital and the ‘rentier class’(328-330) now termed financial capital, could thrive from the end of full employment capitalism. To secure this these interests actively lobbied for financial de-regulation and liberalization as part of a wider eclipse of global Keynesianism and the installation of neo-liberalism. This application of the Kalecki framework will address the first research question on financial value and the second research question on labour and the labour process as sources of value appropriation under finance-led capitalism.

**2.3 A Potential Institutional Weakness in Full Employment Capitalism**

Kalecki predicted both the presence of this weakness and that it required a new socio-political settlement to institutionalize or incorporate the increased bargaining power of the working classes, (p.326). This prediction of a deliberate or benign preference for voluntary industrial relations pre-figured the Donovan Commission (1968) recommendations for a continuation of voluntary industrial relations rather than more integral legal regulation. The failure of voluntary industrial relations reform within full employment capitalism broadly defined was one prompt for what are now termed neo-liberal state managers to abandon full employment capitalism in favour of what is now termed finance-led capitalism and financialization (Overbeek, 1990). This application of the Kalecki framework addresses both research questions.

**3. Financialization and Finance-Led Capitalism in the UK, 1958-2016**

Kalecki foresaw the emergence of financialization and incorporated banks and financial markets into his analysis. The political preference for financialization and its economic rejuvenation provide a historical narrative on how finance-led capitalism sank full employment capitalism in the UK.

Pressures from big business leaders’ and the ‘rentier class’ for more orthodox balanced budget economics and a move away from Keynesian demand management (Kalecki, 1943:235, 329-330) became significant in 1959 during the 1951-1964 electoral cycle. Within the Conservative government there was widespread negative reaction to the 1959 Radcliffe Report which confirmed the priority of fiscal policy over monetary policy and a more concerted control of inflation (Alford, 1996:242). Secondly, in 1962 Harold Macmillan was forced to sack cabinet level dissenters who argued for a movement away from demand management and a return to sterling convertibility in what became known as the ‘night of the long knives’, (Stewart, 1977). Similar pressures re-surfaced in 1967 during the 1964-1970 electoral cycle when in the wake of sterling devaluation Harold Wilson became the first post-war Prime Minister to deliberately increase unemployment to protect sterling and the external role of the pound (Sked and Cook, 1993). These pressures became more severe in the mid-1970s during the 1974-1979 cycle as Austrian theories of economic management and monetarist theory came to prominence. The Times newspaper under the editorship of William Rees Moog was an early convert to monetarist approaches. Influential economists such as Samuel Brittan (1975, 1978) and Peter Jay (1976) too began to promote the benefits of a movement to more orthodox balanced budget macro-economic policy focussed on the control of inflation rather than maintaining full employment. Similarly, in 1974 Sir Keith Joseph created the Centre for Policy Studies to promote a more free market Austrian inspired approach to conservatism (Coates and Hillard, 1996).

A sterling crisis in 1976 saw the political pressures for monetarist economic policy become significant as the International Monetary Fund stipulated more concerted control of inflation as a necessary pre-condition for a loan. Empirically, the opposition of business and politicians to full employment policies had by 1976 gathered sufficient strength as a political trend where a policy choice of stagnation prevailed as government was pre-occupied with inflation and public debt (Steindl, 1979:11). More specifically the IMF ‘crisis’ was used to insulate state managers from domestic political reaction to the abandonment of full employment capitalism (Rogers 2013:14). Finally the election of a Conservative government led by Margaret Thatcher followed by the election of New Labour under Tony Blair witnessed a fuller conversion to monetarism and an associated rejection of full employment capitalism which installed two lengthy electoral cycles (1979-1997 and 1997-2010). Both were characterized by short-term asset bubbles that were deflated by the Exchange Rate Mechanism, (ERM) crisis of 1992 the current financial crisis since 2008 (Bonefeld et.al., 1995, Wolf, 2014). The cause of both recessions was excessive mortgage lending subsequent credit squeezes and stalled then falling property prices. In the current crisis and the previous ERM crisis of 1992 policy corrections focussed on squeezing the wages share and boosting securities prices to reduce average incomes and significantly increase inequality.

Elites in financial capitalism have unwound the UKs Keynesian social compact which informed full employment capitalism (Daguerre, 2014). In turn this unwinding undermined alliances between managerial elites and workers at the heart of Fordism with consequences for workers which are still unravelling today. ‘Shifts in the neo-liberal regime’ sustain these newly empowered elites in financial capitalism (Jessop, 2014:71). New Labour’s relationship to the City and financial capital demonstrate these shifts.

**3.2 The Financialization of New Labour**

By 1997 capital markets and banking played a central role in the UKs accumulation regime and moreover, British financial institutions were integral to the global financial system. Rather than conduct lending and borrowing related directly to customer deposits British and American banks, followed by others too in France (BNP) and Germany (Deutsche Bank) began in the 1990s to engage in open trading in financial markets as a key source of funds for their own lending. More critically, by the early 2000s British banks such as RBS, Northern Rock and Bradford and Bingley took this a stage further by trading short in financial markets to lend long on a kind of revolver basis to fund their own account lending in both on and off balance sheet methods. Therein these financial institutions and those in the ‘shadow banking’ sector (so-called because shadow financial institutions such as hedge funds and private equity funds do not inter face with the public nor do they lend to the public) began to engage in credit risk transfer on a massive scale. Here loan sales, sometimes at fire sale prices, use of derivatives and securitization facilitated the transfer of credit and financial exposure to third parties (Lewis, 2015).

Securitization takes a group of usually less liquid assets and through financial engineering transposes them into a security, for example a mortgage backed security secured by a collection of mortgages. Cash-flows are generated as financial institutions use securitization to immediately realise the value of an in-theory cash producing asset such as a buy-to let mortgage in the UK or a sub-prime mortgage loan in the USA. Empirically this component of financialization is contagious in three ways. Firstly, it encourages non-financial firms to do the same. Secondly, it turned the sub-prime crisis into a financial crisis as investors realised the toxicity of many such securitized assets which in reality had no revenue stream or value other than junk status. Thirdly, this realization turned into an economic crisis as inter-bank lending dried up and financial and non-financial institutions could no longer secure liquidity to remain solvent with consequent calls for bail-outs.

As quickly as giving bail outs to financial institutions the Labour government emphasised that the financial crisis was a global event in a globally driven financial capitalism. Essentially New Labour further re-balanced the economy in favour of capital, a process that began during the 1979 electoral cycle under the Thatcher and Major governments, but did so in a manner which promoted the interests of financial capital, in particular hedge funds, private equity funds and financial capital asset managers, (see Augar, 2009). This re-balancing operated in two ways, internally and externally. Internally, a policy innovation quietly pushed out in New Labour’s 1998 budget exempted from capital gains tax business assets held for initially ten, but then very quickly only two years. This exemption was designed to stimulate venture capitalists and small business start-ups but the de-regulation was drafted so loosely that it created a tax break available to all capital. Hedge funds and private equity funds which specialized in buying ‘asset rich’ listed firms took advantage of the regulations to fund these acquisitions with massive levels of leverage, up to 70% in some cases. After the 1998 budget changes chargeable gains were tapered against the length of time an asset was held with the taper applied to net gains that are chargeable after the deduction of any allowances including interest on loans secured to buy an asset. This produces the lowest possible charge. So of a business asset held for two years only 25% of the gain would be chargeable creating an effective higher rate taxation at 10% (IFS, 2008:214; Seely 2010:3). In the then benign economic conditions (stable inflation, exchange rates, commodity and oil prices) and rising asset values (stocks, commercial and residential property) these acquisitions could be realized (as new private firms, newly listed firms or spun off assets) relatively quickly at a massive gain to vicarious investors in these funds and the limited partners who put the deals together.

Externally New Labour superficially engaged with, but did not embrace, partnership and stakeholder initiatives epitomised by Hutton’s (1995) arguments, however, rather more substantively it was Hutton’s (2002) discussion of globalization which really caught the ear of New Labour. From the 1998 Budget onwards New Labour policy on financial regulation legitimized the argument that firms were only accountable to vicarious rentier, investor-owners, associated asset managers and shareholders. In Kaleckian terms this began a politically calculated electoral business cycle or ‘great moderation’ which secured an alliance with the City that extended over three general election victories and well beyond the financial crisis that began in 2007 (authors 1). Hence the financialization of government fiscal policy promoted as serving the interests of venture capital and business secured the general capitalist interest but more subtly secured the interests of newer more innovative fractions of financial capital - asset managers, hedge funds and private equity funds. These fractions whilst operative and in some cases registered in the UK are internationalized operations which act in the interests of global financial capital.

As part one established financialization has come to define capitalism in the neo-liberal phase, so-called finance-led capitalism. A structural transformation in the electoral business cycle dominates where the priorities of financial capital inform state policy. By the early 2000s a neo-Liberalist ideology and associated values had fully permeated the then Labour government to the extent that it actively encouraged what post-Keynesian economists (who are largely inspired by Kalecki) term the resurgence of the rentier class, (Stockhammer, 2004, 2008). So by 2007 financialization had fully arrived but its consequences remained unseen.

An emergent dialectic for the British state was that whilst it successfully exercised denial in the domestic promotion of financialized capital it was less able to dissociate itself from the down-side of this as the crisis unfolded. The structural transformation in global capitalism of which the UKs autonomous financialization was part, caused the crisis, however, New Labour was unable to de-politicize this autonomy. Reminiscent of Kalecki (1943) Strange (2014:140-144) argues that de-politicization of finance capital via de-regulation and privatization was not the solution to the dialectic of full employment capitalism but rather something which reinforced the crisis tendencies inherent in capitalism. The dialectic which underscored the de-politicization of financialization depended on reducing the labour share but also rested on mechanisms which sustained aggregate demand. In turn these measures financialized fiscal policy and in the wake of lesser levels of income devoted to consumption, the ready availability of credit and financial speculation were curtailed by the crisis.

**4. Re-Defining the Alliance between Capital and the State**

In the contemporary period of finance-led capitalism this alliance emphasises the interests of rentier-investor capital and managers. The alliance ushers in new claims on profit and legitimizes higher claims on profit which at firm level are greater than those levied under full-employment capitalism and contains three components.

**4.1 A Globally Focussed Neo-Liberalism**

A globally focussed neo-liberalism supersedes the *embedded* liberalism of full-employment capitalism. Use of Kalecki (1943) as a primary source establishes three reasons why capital opposed embedded liberalism in full-employment capitalism in the UK; dislike of government intervention and associated dislike of government spending for public investment and a dislike of the lasting socio-political impact of Fordism resulting from government intervention in the economy. ‘Flawed Fordism’ saw a contested diffusion of mass production and mass consumption integrated within a broadly defined but equally contested political compromise in electoral business cycles between state planners, managers and workers. The UKs ‘Flawed Fordism’ was able to anchor but not necessarily institutionalise productivity growth and more or less sophisticated Taylorist management within full employment capitalism voluntary industrial relations (authors 2, Boyer, 2010, Vidal, 2013:452).

A declining rate of profit in the 1970s witnessed a parallel fall in the stock of fixed capital but as profits increased in the 1980s after Big-Bang capital stock failed to recover (Duménil and Lévy, 2004:24-37 for general elaboration and ONS, 2015a for UK). Not only is the UKs finance-led accumulation regime connected to a fall in the labour share and a decline in the agency of collective bargaining and trade unions but a greater debt burden as labour seeks to sustain consumption levels. The financialization of British capitalism accentuates and exacerbates established trends in post-war electoral business cycles where capitalist re-structuring prioritizes financial value over use value in production. This priority has morphed into an alliance between investor-rentier capital and managers who respond to the demands of financial markets not labour markets but beyond institutional settings. Hence, the UKs finance-led accumulation regime is as flawed as its Fordist predecessor centred as it is on asset bubbles, speculation and leverage.

Accumulated capital in the form of profit is appropriated from existing value produced by labour; this circulation of value re-distributes surplus-value. Within Fordism under full-employment capitalism much of this was invested at firm level to stimulate innovation by the diffusion of new technology and skills – the key determinants of productivity. It is here that the extension of the market and new sources of consumer demand associated with mass production and mass consumption under Fordism are now dis-connected because a key difference between Fordism and finance-led capitalism is a reduced emphasis on production.

New value is created by investment in capital stock, innovation and skills which can be termed profit-seeking and can be distinguished from rent-seeking which generates profits via changes in the financial structure of a firm. Rent-seeking is frequently instigated by investor-owner-rentier investors who position themselves to extract or appropriate value from firms they invest in. This may appropriate value within the labour process by squeezing labour costs and revenues but also beyond the labour process as investors breach or default on supplier contracts or place a portfolio firm in administration where associated firms may buy it at a discounted price (Authors 3, Cushen and Thompson 2016). In April 2016 this is exactly what TATA steel attempted to do with its UK operations. The firm threatened to put the whole operation into administration unless the UK government guaranteed its pension fund liabilities therefore making the firm much more saleable to a new buyer who will effectively secure the firm and its assets but not its major liability. In the case of TATAs Scunthorpe plant such a deal was secured by new rentier-investor owners Greybull capital. Workers agreed to a 3% pay cut and termination of their participation in the TATA final salary pension scheme. Evidence such as this grounds the abstraction ‘the competitive necessity of legitimizing a reduced labour share of value under finance-led capitalism’. It is achieved directly through squeezing labour or indirectly by other breaches of contracts which in turn affect the labour beyond the immediate firm.

**4.2 The Global Interests of Financial Capital, Re-structuring and Performance Management**

In the UKs finance-led capitalism the growth of profit does not have to rely on the growth of capital stock, that is, re-invested profit as long as the labour wage share is falling and value is appropriated from labour and re-distributed to capital. Use of Kalecki (1943) identifies that the end of full-employment capitalism not only allowed the state to legitimize a sustained high level of unemployment but also aided the internationalization of British capital and the interests of rentier investors. More critically these firm level effects result from financialized actors positioning themselves in firms as new claimants to value, both its appropriation and extraction (Lazonick and Mazzucato, 2013:1096).

Investor-owner-rentiers such as hedge funds, private equity funds, sovereign wealth funds and associated asset management firms, who invest the funds of investors vicariously, represent a short-term value driven approach to investment in firms and corporate governance within firms. They operate by taking-up ownership positions in firms sometimes on an activist basis to encourage incumbent management to improve returns to investors via divestment or closure of under-performing units; hedge funds are particularly noted for this behaviour. Alternatively, large private equity funds can take positions in listed firms with the aim of launching a hostile buy-out followed by a re-structure. Here private equity funds are often supported by hedge funds who take positions on behalf of other private equity investors. Beyond these examples of investor activism the presence and impact of investor-rentier-owner capital is greater than the less than 20% direct ownership of British capital these funds hold under management, many of which are private firms (BVCA, 2008).

By value 59% of total share holdings - over one billion pounds of shares in listed firms - are held in opaque forms of investor-owner-rentier capital. Many of these ‘internationalized multiple interim intermediary ownership pooled accounts’ are owned by investors from ‘the rest of the world’, (ONS, 2015b). These accounts can be held on deposit by unknown intermediary-rentier third parties, they can subject to swaps where owners either intermediaries or registered end owners change frequently as asset managers seek to secure value for their investors. In April 2016 the use of these types of account exploded into public view when a whistle blower released documents from the Panamanian legal firm Mossack Fonseca. The documents demonstrated the use of these accounts to reduce tax liabilities for an investor in their country of origin and disguise beneficial ownership of interim shareholdings held by Mossack Fonseca. The globalization of financial markets and the autonomous role of the City and intermediary owner-investors therein is a key factor in the fragmentation of ownership. Fragmentation of ownership is further reinforced by unknown levels of highly leveraged unregulated overseas investment into hedge funds, private equity funds and sovereign wealth funds that operate out of London but which are not necessarily domiciled there. Interim or registered end-owner rentier-investor-owners divert profit and re-investment in capital stock and innovation towards investor returns and shareholder value in the forms of dividend re-capitalizations, share-buy-backs, payments to private investors, investors in private equity funds, hedge funds, third party intermediary owners and performance bonuses for senior managers.

In addition to these current claims on value rentier-owner-investors appropriate portions of previously earned (deferred) labour income in pensions as the state, private sector employers and investor-owner-rentiers re-structure pension schemes from final salary to average salary schemes or even money purchase schemes. Additionally private sector pension funds can be sold for a cash fee and contributions then managed on a contractual basis with the option of pension contribution holidays for employers. Similarly, pension funds can be used as collateral for loans and or interim dividend re-capitalisations for business owners. Rentiers are in competition with labour and retired labour for access to deferred income as the process of financialization ushered in by the British state aims to consolidate, scale-down and limit pensioner claims in all types of pension scheme (Streeck, 2013:113). Correction of ‘policy legacies’ appropriates value by cutting pension entitlement and extending working life for many workers to create extra value for capital as labour buy additional private insurance and pension contributions.

**4.3 The Institutional Weakness of Labour, Market Discipline and Market Attitudes**

The reluctance of pluralist state managers to institutionalize industrial relations in the 1970s was one reason neo-liberal inspired state managers explicitly rejected full-employment capitalism in the early 1980s, a rejection that was in the planning since the 1975 election of Margaret Thatcher as Conservative Party leader (Smith, 2011:137-148). Rejection included all elements of embedded liberalism, (beyond the basic institutions of capitalism), which developed in the UKs post-war capitalist compromise (Gamble, 1988).

Neo-liberalism also focusses on privatization and associated measures such as reduced state spending. The latter demonizes fiscal policy and combines with a policy preference for lower taxation on capital and high-worth individuals. In turn de-regulation, privatization and reduced state spending have stimulated an attack by big business on the embedded post-war state and trade unions. Each of these measures has over the past thirty years weakened the position of labour to the extent that there is little risk that wages will squeeze profits. Conversely the extension of the market principle within firms and the decline of firm-based career chief executives is one example of new additional claims on profit. Empirically the development of a market for outside chief executives and associated increases in chief executive remuneration are too related to short-term financial performance (Bell and Van Reenen, 2013). Here executive remuneration is in part funded by the appropriation and extraction of value from labour productivity particularly where owner-investor-rentiers are present.

The wages share matters because there is a clear change in the focus of the financial sector and non-financial sector firms towards rent-seeking behaviour. Empirically rent-seeking by management is a response to the demands of the financial market not labour markets generating a new ‘social compromise’ between not management and workers but top managers, rentier capital, investors and shareholders. Boyer (2010:231) demonstrates empirically how the growth of CEO compensation is now a claim on profits which rentiers, investor and shareholder groups accept as necessary to protect and secure value for investors. In 2011 The High Pay Commission reported the top 0.1% of wage earners most of whom work as directors in the non-financial sector or business services and real estate captured approximately 5% of all income up from 3% in 1995 (HP Commission, 2011). The income growth of the top 0.1% of wage earners has captured a significant portion of real productivity gains in non-financial firms where fixed capital investment fell from 19% of output in 1997 to just over 13% in 2010 rising to 15% in 2014 (HP Centre, 2015). Hence the discipline and rigour of marketized approaches to executive remuneration appropriate value at the expense of labour.

**5. Discussion and Conclusion**

To meet the challenge of explaining how a concentration on financial value rather than use-value by producers and suppliers necessitates the appropriation and extraction of value from labour use of Kalecki as a primary source isolates a shifting use of profits and shifting claims on profit under finance-led capitalism. An accumulation regime centred on financial capitalism prioritizes the interests of rentier capital and financial capital to dominate the electoral business cycle by diverting profits and productivity increases to rentiers and away from productive investment. The ascendency of investor and shareholder value as an objective in the firm legitimizes the appropriation of rents from some stakeholders, for example, employees, suppliers and the Exchequer and a re-distribution of these to investors and shareholders. Since the 1980s finance-led capitalism has diffused new forms of finance which prioritise the market for corporate control and fetishize investor and shareholder value to ‘hyper-activate’– speed-up - short-term management and investment strategies. Financialized profits are returned to investors not re-invested in capital stock this too speeds up the crisis prone nature of capitalism. At the level of the economy financialization not only sustains financialized profits it periodically supports a massive expansion of debt to maintain consumption expenditure.

These effects are evident in the re-shoring of textiles and garment manufacturing to the UKs east midlands where emphasis on quick response production and supply chain management is the basis of renewed growth in UK apparel manufacturing. Greater pressure from lead firms has resulted in manufacturers maintaining profit levels, mainly through informal sub-contracting and informal employment, in low-value small scale workplaces as opposed to increasing productivity (Authors 4, Hammer and Plugor, forthcoming). Similarly, the diffusion of road-side hand car washes witnesses the low cost of sometimes informal labour make higher technology mechanized roll-over car washes obsolete (authors 5). Further examples are present in road-side recovery services and parcel delivery where empirical material reveals how work intensification, performance management and required revenue generation at the AA have, over the past ten years, facilitated the recent re-listing of the firm on the stock market. As part of the drive to re-listing investor-owners appropriated value from the business but imposed the cost of this on the AA balance sheet and the labour process of its workforce going forward. This figure stood at £2.7 billion in spring 2015 built on a debt to earnings ratio of 6.9% on floatation – an unusually high leverage figure for a recently listed firm. This is so because the weight of debt and annual debt interest imposed on the balance sheet has the potential to undermine the business model as in the case of City Link Parcels (authors 6)

Kalecki predicted full employment capitalism was not sufficiently deeply embedded in the state and capital to become a transformational characteristic. Rather, the interests of globally focussed financial capital remained embedded in the state becoming visible and active once what is now termed financialization gathered momentum in the 1980s. Under Fordism it was necessary to re-produce labour power as a commodity based on its exploitation by capital where rising profits supported higher wages and greater surplus-value. Under finance-led accumulation the absence of sustained re-investment in the capital stock has squeezed labour costs both directly and indirectly to produce a falling-cost of re-producing labour power. This enables capital and finance capital in particular to legitimize new claims on profit and appropriate and extract value from labour via intensification of the labour process and appropriate deferred income previously paid as pension contributions. At firm level the claims of internationalized rentier investors in the forms of share buy-backs and finance driven corporate re-structuring are now largely disconnected from firm level performance and the development of core operational capability in a business. The rigour of the market and the rejection of embedded liberalism have so weakened collective labour organization and labour resistance that neo-liberalism is the active policy of the British state.

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