CITYPERC Working Paper Series

Who Owes? Class Struggle, Inequality and the Political Economy of Leverage as Power in the 21st Century

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CITYPERC Working Paper No. 2021-02
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Who owes? Class struggle, inequality and the political economy of leverage as power in the 21st century

First version, August 2020

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Abstract

The prevalent consensus in critical social sciences is that finance articulates the world economy as a global hierarchy of creditor-debtor relations that reproduce and further aggravate existing income and wealth inequalities. Class struggle is conformingly understood as a conflict between elite creditors, members of the global top 1 percent of wealth holders, and mass debtors burdened by growing costs of servicing public and private debts. The article offers an alternative understanding of how debt, inequality and class relate to one another. At its basis is the recognition that over the past four decades finance has empowered upper class borrowers, including the top 1 percent, as it has magnified their capacity to generate capital gains and capture greater wealth and income shares via levered-up investments and other forms of 'positioning' in financial and property markets. The article thus provides a political economy of leverage as power and shows how contemporary global finance has not given shape to a distributional conflict between creditors and debtors as two distinct classes, but has set *debtors against debtors*, and namely the greater borrowers versus the lesser ones.

Keywords

Class; debt; inequality; leverage; power; finance.

1. Introduction

Debt is capitalism's biggest (going) concern. According to a January 2020 Global Debt Monitor report by the Institute of International Finance (IIF), global debt is going to exceed $257 trillion in the first quarter of 2020 and reach 322 percent of global GDP, "[s]purred by low interest rates and loose financial conditions" (IIF 2020: 1). In 1980, it was only 120 percent of global GDP[1]. While 'the world is drowning in debt'[2] and its elites are preparing for the 'Great Reset'[3], inequality has reached inexplicable heights. According to the 2019 Global Wealth Report by Credit Suisse, the bottom half of the world population owns less than 1.8 percent of global wealth while the top 0.9 percent owns 43.9 percent of it[4]. None of this is new: debt and inequality have grown *pari passu* over the past four decades and scholars have explained the relationship between the two as a historical process whereby the enriched strata of society have come to lend their excess income to the impoverished ones (by means of 'market-based' financial intermediation). As a result, to paraphrase Marx, the wealth of contemporary capitalist societies presents itself as a 'monstrous collection of securities' (Ascher 2016) accumulating on the portfolios of big banks, money managers and financial market investors. Piles of promises of payments issued by banks, shadow banks, money market funds backed by nothing but piles of promises of payments issued by governments, corporations, households: there is no walking away from this worldwide web of debts refashioned as more or less 'safe' assets (until proven otherwise), a foundation of the world economy that is as 'material' as one's word can be.

Unsurprisingly, the creditor-debtor relation has become the prevalent paradigm for understanding power and class struggle in the 21st century. The consensus in critical social theory, anthropology, sociology and IPE, is that finance articulates the world economy as a global hierarchy of creditor-debtor relations that cut across states and societies. Sitting at the top of this hierarchy is a creditor elite encompassing ultra-rich household savers, members of the global top 1 percent of wealth holders who are *owed* money from the rest of the world. Their subjects include all sorts of indebted people, from the average taxpayer to those consumers and students who, in addition to shouldering public debts, are also encroached by soaring private and family debt burdens. Class struggle is conformingly understood as a conflict between elite creditors and mass debtors, while finance is thought to stand 'in between', seemingly as a neutral intermediary of loanable funds, in fact as an apparatus for extracting value that only answers "to the requirements of the creditor class" (Ross 2014: 13).

While the ethos of this article remains critical of contemporary finance, it nevertheless challenges the current consensus, presented in section two, and offers in the remaining sections an alternative understanding of how debt, inequality and class relate to one another. At its basis is the recognition that debt can empower borrowers as it magnifies their capacity to generate capital gains and capture greater income shares via levered-up investments and other forms of

[1] Following the onset of the coronavirus pandemic, a new IIF report from April 2020 estimated global debt at 342 percent of global GDP in 2020.

[2] https://edition.cnn.com/2020/01/13/economy/global-debt-record/index.html

[3] https://www.weforum.org/agenda/2020/06/now-is-the-time-for-a-great-reset/

[4] The next top 9.8 percent possesses 38.9 percent of total global wealth, which in 2019 was estimated at the equivalent of USD $360 trillion (Credit Suisse 2019).

'positioning' in financial and property markets. In short, when looked at through the lenses of leverage, debt *is* power. In outlining a political economy of debt as leverage, the article builds on an emerging research agenda (cf. Sgambati 2016; 2019; Knafo and Dutta 2016; 2019) that challenges traditional discourses on the 'structural' power of rentiers, creditors and shareholders and instead prioritises the focus on the 'agential' power of those specific financial market participants that have historically relied on leveraging practices to generate differential gains and acquire greater power – be they broker-dealer banks, money managers or corporate managers.

The article goes one step further in this direction. In addition to discussing how leverage provides the master key to unlock power in the celestial sphere of Wall Street and corporate finance, it also shows that the same applies to the sublunary realm of Main Street and household finance. Historical data on U.S. household leverage, discussed in section three, confirms the view that those who receive more income are also those who have historically borrowed the most both in absolute terms and in relation to their income levels. The addiction to leverage extends to those at the very top of the income and wealth pyramid. As it will be argued in section four, ultra-rich households borrow far more than everybody else, though the true extent of their debt exposure cannot be captured by statistics on household debt. This is because the ultra-rich borrow not only *from* banks but also *through* banks and other levered-up money managers (e.g. hedge funds) of which they are majority shareholders, distinguished beneficiaries and top managers, trading on their own accounts as well as on behalf of their high-end peers. As the late Peter Gowan (2009) pointed out in this respect, the dramatic growth of household debt from 1980 up to the 2007-08 crisis pales in comparison to the massive expansion of financial debt, mostly incurred to feed the portfolios of the rich.

The fact that the rich and the ultra-rich households are the greater borrowers casts a long shadow on current characterisations of global finance as 'pro-creditor' finance. As it will be pointed out in section five, the extraordinary bailouts and 'pro-debtor' monetary policies that have characterised the past two decades have exposed the true political nature of global finance as a cartel of too-big-to-pay banks and satellite financial institutions that are not representatives of a fabled creditor class but of hugely indebted financial investors and speculators. This should not surprise us. The power of global finance is literally the power to 'make money' (*new* money, *more* money) out of marketizing and monetising debts and carrying them over to the future, making it altogether possible for the world economy to operate as One Big Debt Economy. Here the provision of liquidity is contingent on a financial infrastructure that routinely generates purchasing power out of bank-engendered debtor-debtor relations: under such settings, creditors are never the initial holders but merely the ultimate acceptors, validators and savers of a money that is fully a *debtors' money* (Sgambati 2016; 2019). Altogether, this begs us to reconsider how finance shapes class struggle. The main objective of the article is to demonstrate that contemporary global finance has not given shape to a conflict between (elite) creditors and (mass) debtors as two distinct classes, but has set *debtors against debtors*, and namely the greater borrowers versus the lesser ones. The political implications of its argument, discussed in the conclusion, are simple and yet revolutionary: in the 21st century global elites are not owed money; on the contrary, they are the largest debtors on earth and class struggle should not be simply about redistribution but also *restitution*.

2. Contemporary finance: the structural power of the creditor class?

Critical assessments of contemporary finance echo old Marxist and institutionalist analyses of late-nineteenth and early-twentieth century capitalism. The type of capitalist finance that emerged at the turn of the century was the child of a union of investment bankers and corporate owners of industrial cartels – indeed the culmination of a process by which 'scattered capitalists' were transformed into a historical bloc of dominant owners and managers of idle money now repurposed as 'finance capital'. Finance capital was not synonymous with 'finance' *sui generis*. Instead, it entailed a peculiar form of speculative credit: one that did not finance production but instead funded the trading and accumulation of financial claims over production. Far from incarnating the entrepreneurial spirit of traditional moneylenders and venture capitalists, capitalist financiers were a moneyed class of functionless rentiers, speculators, shareholders of big businesses or money trusts or both – that is, 'absentee owners' who had *disinvested* from industry and instead put their 'surplus capital' to work by making shorter-term portfolio investments, by buying and selling equities and bonds across multiple financial markets with the sole purpose of making arbitrage gains and extracting rents from industries and states. To that objective, capitalist financiers relied on a complex financial infrastructure that enveloped nation-states with their banking institutions and markets. This global network of credit operated on the monetary platform of the international gold standard, a hierarchy of monies with the British Pound at its apex and with Lombard Street at its core.

In many ways, contemporary finance is thought to resemble the unfettered finance of the Robber Barons. It is once again a global infrastructure for storing idle money and governing the liquidity of a credit system that is geared towards funding financial market trading and the accumulation of securities. In other words, it is a type of 'absentee finance' that does not seem to *finance* anything at all – that is, except for itself. Its most critical assessments are merciless: finance is exploitative and parasitical in nature (Hudson 2012); profiting without producing (Lapavitsas 2013); concentrating the means of credit into the hands of quasi-monopolistic banking cartels extracting financial rents (Christophers 2018); using its despotic power to lend to charge usurious (real) rates of interest (Pettifor 2017); creating a polarised society of 'takers' versus 'makers' (Foroohar 2016; Mazzucato 2018). Global finance is accordingly portrayed as a complex financial ecology of predators and scavengers, a 'working-rich' stratum of financial market investors, bankers, broker-dealers, asset managers, hedge fund consultants, corporate lawyers and shareholder activists. All these financial agents are thought to be *membra* of a Leviathan-like body politick of 'market people' (Streeck 2014) feeding the portfolios of 'coupon-clipping rentiers' and 'patrimonial capitalism' (Piketty 2014), lieutenants of a 'creditocracy' (Ross 2014) that is owed money from, and yet paradoxically does not really lend to, 'the real economy'.

As a 'rule by the creditors for the creditors' (a variation on the classic plutocratic regime), contemporary global finance constitutes the locus of contemporary politics *tout court*. For not only does credit serve as a capillary apparatus of capitalist 'capture', 'predation' and 'extraction' on the whole of society (or, better, 'the 99 percent'), but it also "functions as a mechanism for the production and 'government' of collective and individual subjectivities" (Lazzarato 2012: 29). Impoverished and precarious workers, students, renters and, more generally, taxpayers burdened with the costs of servicing ever-growing public debts:

contemporary subjects of capitalism may be considered specimens of *homo obaeratus*, that is, social beings apt to pursue the neoliberal virtues of personal entrepreneurship and creditworthiness, calculating costs and assessing the risks of borrowing money, “making themselves attractive to investors” (Feher 2018: 17), haunted and overwhelmed by the existential burden of unpayable debts that yet ought to be paid (Lazzarato 2012; Haiven 2020).

Feasting on this hecatomb of atomised balance sheets in red is a transnationally integrated class of creditors (Streeck 2014; Roos 2019), or anyway a “formidable bond of interests” (Hager 2016: 8) unifying financial market investors worldwide. Creditors have become a second constituency of the state (Streeck 2014), exerting their power instrumentally, through active lobbying, revolving doors, regulatory and cultural capture of governing bodies, but especially from behind the curtain of ‘the markets’. From there they can routinely voice their grievances by shifting their portfolio preferences, for example by selling off or boycotting new auctions of public debts (Streeck 2014; Roos 2019). Their Damocles’ Sword of Credit is an ever-present and imminent market force – indeed a “structural power” that “may be operative even when its bearer cannot be seen to exert direct influence or control over the political process” (Roos 2019: 58). Most of the time, to keep their indebted subjects in check, creditors only ought to threaten to withhold credit or “stage an outright ‘capital strike’” (Roos 2019: 55).

What creditors want is there for all to see, yet it is not as straightforward as it may seem. For they too have been caught in what could be termed the ‘double bind’ of contemporary public finances. On the one hand, creditors are concerned that public debt increases may affect governments’ long-term ability to meet their liabilities and therefore jeopardise their creditworthiness, with the risk of causing a generalised loss of confidence among the international community of bondholders. Hence, they demand that governments enforce pro-creditor, anti-inflationary policies of ‘sound money’ by means of balanced budgeting. On the other hand, creditors are aware that governments may be politically compelled to tax their idle money to balance their budgets, which they of course abhor. And so, they have gladly accepted a favourable fiscal trade-off whereby instead of paying more taxes they lend greater sums to governments at lower interest rates (Streeck 2014).

More to the point, creditors know that the mass production of public debts is indispensable for the stability and profitability of the global financial ecology that they inhabit. Public debts provide sought-after collateral security for money market instruments – the broad money supply of ‘cash equivalents’ including short-term and overnight Treasury repos, money market fund shares, negotiable CDs and asset-backed commercial paper (see Murau 2017; Ricks 2017). In other words, public debts are ‘safe assets’ (cf. Gabor 2020) ensuring a stable and elastic anchor to the international money market (in lieu of inelastic gold), making it possible for wealth-holders and their money-managers to retain their liquidity preference at no loss (i.e. zero discount). Without a steady supply of safe assets, the store of value function of creditors’ money is at risk (Kaltenbrunner and Lysandrou 2017). A sudden shortage would put pressures on global banks’ capacity to fund the liquidity of capital market trading at low costs and therefore jeopardise the viability of all those speculative activities that are likely to inflate the value of the assets owned by creditor elites. With this on their minds, creditors fear that a significant reduction of public debt outputs would compromise the liquidity and risk management capacities of global finance.

Balanced budgeting being a chimera, governments have recurred to austerity to make the 'consolidation' of public debt growth a desirable option for the creditor class and its bond vigilantes. Besides offering a temporary fix to the dilemma of public finances, social spending cuts have relieved "some of the pressures for tax hikes, which would fall more heavily on the incomes of the dominant owners of the public debt" (Hager 2016: 68). The same can be said of the politics of 'cheap' or 'easy' credit promoted by monetary authorities. For governments committed to austerity, lending to an ever-growing number of lower-income households has offered a path of least resistance (Rajan 2010), a *quid pro quo* that has further deflected calls for progressive income taxation in exchange for the promise of a privatised 'debt safety net' and a new 'asset-based welfare' forged in the heat of equity and housing markets (Montgomerie and Büdenbender 2015; Cooper 2017). Unsurprisingly, while it has bought time to governments uncapable or unwilling to address the structural issue of inequality, easy credit has not alleviated the socio-economic tensions caused by austerity. On the contrary, concealing itself behind the rhetoric of 'financial inclusion' and 'democratisation of credit', lending to the poor has proven to be a highly profitable business as well as a means to "dispossess and (re)impose silent compulsions and structural violence" (Soeberberg 2014: 42) on the lowest strata of society (see also LeBaron 2014; Krippner 2017).

Despite the innumerable calls for reform since (and before) the 2007-08 global financial crash, there seem to be no foreseeable end to the current state of finance. As it were, the structural power of creditors appears unsurmountable, forcing its subjects to submit to the secular truth of debt no matter how big it grows and how badly it affects the world economy. For most scholars, the root cause of contemporary financial dominance remains deepening inequality. The underlying assumption is that finance can only thrive if some mechanisms for producing at once an excess of idle money (or 'surplus capital' in Marxist jargon) *and* a growing demand for credit is already in place. Traditional Marxist analyses point to excess capacity and a generalised fall of profitability in the manufacturing sectors of the Global North as secular drivers of real wage decline, long-term economic stagnation, and the use of finance as the last refuge for surplus capital recycling (for a review, see Lapavitsas 2013). Other theories of income inequality point to changes in technology and globalisation, human capital, governmental fiscal policy, corporate governance (the shift to shareholder value) as secular drivers of income inequality (for a review, see Hager 2018). Notably, all these theories see the rise of finance not as a cause, but as the endgame of a historical process by which enriched households have been compelled to lend to impoverished ones.

This logic is formalised in a well-established economic model of the rise of US household debt by Kumhof and Ranciere (2010; see also Kumhof, Ranciere and Winant 2015; Berisha and Meszaros 2017; Berisha et al 2018). According to this model, households in the top 5 percent of the income distribution, also referred as 'investors', 'capital owners' or simply 'the rich', have enjoyed a long-term increase in their income share – a phenomenon that has been recently referred to the 'saving glut of the rich' (Mian, Straub and Sufi 2020). The rich have used "part of their increased income to purchase additional assets backed by loans to workers" (Kumhof and Ranciere 2010:1), or else the bottom 95 percent. As a result, workers have experienced a dramatic increase in their debt-to-income ratios, and this has been a major source of financial fragility and crises (Kumhof, Ranciere and Winant 2015: 1243). Interestingly enough, this type of argumentation is not at all at odds with Marxist analyses of financial expansion as an epiphenomenon of the 'over-accumulation of capital' (e.g. Harvey 2004), a house of cards bound to collapse over and over again, unable to address the underlying contradictions of capitalism but only offering a temporal fix to them, revealing at once the 'transcendental' omnipotence and yet 'imminent' fragility of creditors' power.

3. *Who owes money?* Some unsettling facts about household debt

The overarching consensus shared by both critical social theorists and mainstream economists can be reassumed as follows: over the past decades, impoverished households have come to borrow the extra income that enriched households – the top 1 to 5 percent of the income distribution – have been able to save due to a variety of reasons (other than finance itself). As compelling as it may sound, this narrative must be rejected in toto. For while there can be no denying that lower-income households have expanded their share of total consumption debt and experienced a dramatic increase in their family debt burden, it would be a great mistake to single them out as the main drivers of household debt. As a matter of fact, it only takes a quick look at the latest available data provided by the US Survey of Consumer Finances, the UK Office of National Statistics and the Household Finance and Consumer Survey by the ECB, to make the unsettling discovery that the probability of incurring larger sums of debt is positively correlated with income levels. For instance, the 2016 census on US household debt shows that nearly 43 percent of U.S. households in the bottom two quintiles have no debt at all; another 47 percent has debt up to $99,999 while only 10 percent has debt above $100,000. By contrast, 51.4 percent of households in the top two quintiles has debt above $100,000 and only 14.2 percent has no debt at all. Unsurprisingly, while the median value of total debt for the bottom two quintiles is respectively $13,100 (lowest) and $20,400 (second), for the top two quintiles it is $99,000 (fourth) and $185,900 (highest). Data on household debt in the EU and the UK indicate a similar pattern (Harari 2018; ECB 2020).

In a historical analysis of the rise of U.S. household debt from 1949 to 2013, Kuhn, Schularick and Steins (2017) have found that, contrary to common sense, household debt remains an upper-to-middle class phenomenon for the most part. This is only reasonable to expect since "richer households have a greater capacity to carry debt" (Kuhn, Schularick and Steins 2017: 3). The share of total debt owed by richer households has increased since the 1950s – in other words, "the correlation between debt and income has become more positive over time" (Kuhn, Schularick and Steins 2017: 3). More specifically, "shares in housing debt slightly decreased for income groups up to the 4th quintile. In contrast, the share of the top 20% income households increased from 41% in 1950 to 55% in 2013. *This increase is mainly driven by the top 5%*" (Kuhn, Schularick and Steins 2017: 8, emphasis added). Even after excluding data on the immediate post-war period (i.e. 1949-1970), there appears to be no room for doubt: "the strongest increase" in household debt since the 1970s "did not take place in the bottom of the income distribution but rather in the middle and top" (Kuhn, Schularick and Steins 2017: 10).

Another study of US household debt and income distribution over the 1983-2013 period by Mason (2018) confirms the above findings. As Mason (2018: 24) explains, "[m]ost stories that link rising debt to increased income inequality imply that the largest rises in debt should be found down the income distribution" and this is true "if the question is framed in terms of the top 5 percent and the bottom 95 percent". However, if we look at how debt is broadly distributed we get a radically different picture: "[m]ore than three-quarters of household debt is owed by the top 40 percent of the income distribution; less than 10 percent is owed by the bottom 40 percent" (Mason 2018: 30). Contrary to what conventional narratives of household leverage suggest (e.g. Foster and Magdoff 2009; Kumhof and Ranciere 2010), data shows that "the absolute level of debt rises monotonically with income" to then "fall somewhat at the very top of the distribution" (Mason 2018: 32), that is, around the top 1 percent.

The fact that 'those who have more money' are also likely to be 'those who borrow more money' may sound paradoxical at first, especially for those orthodox economists who still understand household debt as a 'consumption smoothing' device over one's life cycle – an intertemporal trade-off whereby borrowing today entails a subtraction of income tomorrow. But in practice the great majority of household debt has been incurred not to smooth consumption but to finance the acquisition of assets – in particular, housing. Far from causing a reduction of income over time, homeownership has generated capital gains, equity-extraction gains and/or other rent-related gains that in many cases have more than compensated for debt service costs and therefore boosted inequality over the past decades. Unsurprisingly, while the debt-to-income ratios of top-income earners have surged, their debt-to-asset ratios have not changed much (Kuhn, Schularick and Steins 2017: 17): in short, *their wealth has grown together with their leverage*. By contrast, both debt-to-income and debt-to-asset ratios of households in the bottom quintiles have increased dramatically. The reason is simple: poorer households have mostly 'borrowed to pay' for bills, education, healthcare and more, sinking into the quicksand of consumption credit, while richer households have mostly 'borrowed to invest', using bank credit as a lever to acquire more income-generating wealth.

Despite conventional claims about the role that the financial inclusion of the poor and the subprime boom of the 2000s have played in the secular rise of household debt, borrowing to invest remains a rather *exclusive* business. In the U.S., only a small fraction of the poorest households has got access to the housing market, often falling prey to predatory lending. Rather than mortgages, student loans seem to be a key factor of the rising indebtedness of poorer households (Kuhn, Schularick and Steins 2017: 18). More generally, rapid increases in household leverage over the last forty years have not been driven by a democratisation of credit (i.e. more households taking on new debt) but by an intensification "in the intensive margin of debt" (Kuhn, Schularick and Steins 2017: 15): households have simply increased their leverage ratios in response to changes in interest and inflation rates (Mason 2018), and not least due to the procyclical effects of mortgage credit on housing market inflation, which have made homeownership a more and more expensive (qua exclusive) type of investment.

These unsettling facts about U.S. household debt beg us to reconsider our understanding of inequality in highly leveraged societies. We have grown comfortable with explaining the late capitalist phenomenon of household debt as a product of the inequality-driven 'saving glut of the rich' who have loaned their excess income to the poor. But in reality "[t]here is very little in the data to support the idea that poorer strata of the population have borrowed more than richer households" (Kuhn, Schularick and Steins 2017: 31), or to suggest that they have experienced higher leverage ratios vis-à-vis the wealthier strata. Quite the contrary, "[i]f we were to single out an income group, it would be households between the 80th and 90th percentile that have borrowed the most relative to their incomes" (Kuhn, Schularick and Steins 2017: 31-2). What is more significant is that, pace Kumhof and Ranciere (2010), *the very wealthy households in the top 5 percent of the income distribution have experienced the greatest* *increase in their shares of both housing and non-housing debt relatively to everybody else*. Debt shares of the alleged creditor class have gone up from respectively 11.3 percent (housing debt) and 4.2 percent (non-housing debt) in 1971 to 20 percent and 11.6 percent in 2013 (Kuhn, Schularick and Steins 2017).

We are therefore left with a $16 trillion-dollar question (roughly corresponding to the amount of outstanding US household liabilities as of January 2020): if the creditors are in fact the largest debtors in the U.S., *who financed the dramatic rise of US household debt?* According to proponents of the 'saving glut of the rich' thesis, "the lion's share of household debt is held as a financial asset by US households" (Mian, Straub and Sufi 2020: 36). This conclusion is reached after a detailed decomposition of the Financial Accounts of the United States – a process that the authors describe as "an attempt to remove the veil of financial intermediation" (Mian, Straub and Sufi 2020: 29). Once this veil is removed, we are left with one possible interpretation: the phenomenon of U.S. household leverage is yet another iteration of the socialism for the rich, i.e. wealthy savers lending to wealthy borrowers. Alas, this interpretation too would be inaccurate and nothing short of a distortion. For if we recompose the U.S. flow of funds and 'bring finance back' (in other words, if we reject the orthodox view of finance as intermediation) we get a far more nuanced understanding of the institutional foundations of household leverage. According to the US flow of funds (2019, Q4), U.S. households (including their hedge funds, private equity funds, and personal trusts) possess wealth for the total value of $95 trillion; yet they only own $721 billion worth of household debt in the form of agency- and GSE-backed securities. That is, US households only own 4.5 percent of outstanding household debt. The remaining share (with its associated credit risk) is predominantly held by GSEs (Fannie Mae and Freddie Mac) and by U.S. banks, followed by the Fed. In other words, far from owning their own debts or funding each other, the American upper classes are members of a community of money that gets full support from a hybrid, public-private infrastructure of financial agencies backed by the general public and committed to making money for an affluent society of debtors, not creditors.

4. *Who makes money?* A political economy of leverage as power

The problem with existing socio-economic interpretations of the twin phenomena of soaring debt and inequality (e.g. over-accumulation of capital, saving glut of the rich) is that they draw conclusions that are often inadvertently premised on the erroneous view that contemporary finance is a mere 'go-between' or 'intermediary' structure, gathering the excess income of enriched households to fund the debt-driven consumption of impoverished households. Financial relations are conformingly understood as a zero-sum game between elite creditors and mass debtors, with banks and money-managers at the battlefront of a financial war that reproduces and further aggravates wealth and income disparities. And it would indeed make sense to think of finance in those terms if money were a scarce resource, if capital were a fund of savings[5], and if financiers were a multitude of 'middlemen' standing between those with surplus money (net creditors) and those who needed it (net debtors). If finance were like a juke

[5] This neoclassical view of capital is held for instance by Piketty (2014), Kumhof and Ranciere (2010), Mian, Sufi and Straub (2020).

box that could only play the pass-the-parcel music of credit once savers had inserted a coin, then ‘saving glut’ hypotheses would provide the only plausible explanation for the rise of household debt.

However, this is not the case. Banking, the beating heart of modern finance and financial markets (cf. Sgambati 2016; 2019; Sissoko 2016; 2017), is not about intermediating other people’s money. Heterodox economists have long argued that the intermediation view of banking is no more than a fairy tale and that new money is ‘endogenously’ created by banks whenever they make loans (cf. Arestis and Sawyer 2006). This idea has widely circulated in social sciences circles for more than two decades (e.g. Ingham 1996; Smithin 2000; Mellor 2010; Koddenbrock 2019). What is more significant, since the 2007-08 financial crisis many macro-financial economists from major financial and monetary institutions worldwide (e.g. McLeay, Radia and Thomas 2014; Borio 2014; Borio and Disyatat 2015; Jakab and Kumhof 2015) have also rejected intermediation theory and embraced a more critical understanding of finance that (a) questions the validity of ‘saving glut’ hypotheses and (b) acknowledges the heterodox notion that banks can create *ex-nihilo* money. The new consensus recognises that money is not a scarce good, hence the production of loans cannot be ‘supply-constrained’ in principle. On the contrary, the money supply is ‘demand-driven’, that is, primarily determined by economic agents’ willingness to borrow. In the real world, loans make deposits and savings are a consequence of debt-driven investments, not the other way around. Here money is forged in the heat of relationships of mutual indebtedness (debtor-debtor relations) occurring among banks and their borrowers, while savers are simply the final recipients and validators of what is in principle a *debtors’ money*: a money created by debtors *for* debtors (cf. Sgambati 2016; 2019).

This emerging consensus calls for a profound reconsideration of what scholars take as the institutional foundations of contemporary financial power. The notion of ‘structural power’ – the idea that the wealthy owners of capital can threaten to withhold their money, or even go on a capital strike – is untenable in the light of the fact that: a) the supply of bank credit is not constrained by the supply of existing savings, and b) the ability of money holders to save their surpluses rests on the liquidity of a global financial infrastructure that would collapse if lines of credits were to come to a sudden halt. In fact, finance has proven to be a great ally of the wealthier strata of society, not because it has enabled the recycling of their idle money in the form of income-extracting loans to the lower classes, but because it has served as the lever by which new wealth has been appropriated and new capital and rental gains have been made *on borrowed money*. All the extra income that the wealthy households have been able to accumulate over the past decades – indeed the whole of money that exists today – was originally loaned into being by banks and the rich themselves have been the foremost recipients of such credit.

Consider for instance the subprime mortgage bubble and bust at the roots of the 2007-08 global financial crash. The conventional narrative is that cheap credit facilitated the financial inclusion of subprime borrowers with high-risk profiles, previously excluded from the circuits of mortgage finance. As it is well-known, banks, mortgage brokers and other primary lenders started to underwrite non-documentation mortgages, piggyback mortgages and even the notorious NINJA mortgages (“no income, no job, no asset” asked), de facto competing with GSEs (Fannie Mae and Freddie Mac) in a race to the bottom of credit standards. At the peak of the bubble, the volume of subprime loans stood at 15 to 21 percent of outstanding mortgage liabilities (Ferreira and Gyourko 2015: 2). Lower-income households have been naturally singled out as the foremost recipients of subprime credit for the simple reason that they typically received low credit scores. Creditworthiness, however, did not constitute the sole criterion for establishing what made a borrower a 'subprime' one. As pointed out by Ferreira and Gyourko (2015), subprime borrowers cannot be so easily distinguished from prime borrowers on a class or income basis. While "the unconditional probability of a subprime owner losing its home is well more than double the rate a prime owner does […] [t]here is no evidence that subprime borrowers purchased systematically smaller or appreciably older units" (Ferreira and Gyourko 2015: 16-17). More to the point, data indicate that, *on average, subprime borrowers were only marginally less rich than prime borrowers*: mean income values were respectively \$125,100 versus \$117,500 (Ferreira and Gyourko 2015: 37). Finally, both groups included a similar proportion of non-occupant homeowners, i.e. investors who bought property for rental income and/or capital gains. The percentage of non-occupant homeowners was 21 percent among prime borrowers and 19 percent among subprime borrowers (Ferreira and Gyourko 2015: 39).

In effect, the subprime bubble and bust were "marked by a disproportionate rise and fall in home buying and mortgage borrowing by non-occupant owners" (Robinson and Todd 2010; see also Robinson 2012). At the peak of the housing boom, namely "during the time period 2003-2005, home purchases by investors increased almost 50 percent, while home purchases to owner occupants just 6.4 percent" (Robinson 2012: 117)[6]. By 2005, the overall share of mortgages purchased for non-occupant purposes grew to 17 percent at national level, reaching over 40 percent in some regions (Goldstein 2018: 1109). Notably, although on average non-occupant housing investors enjoyed higher income levels[7] and, by common underwriting standards, had better credit scores in comparison to occupant home buyers, they were nonetheless offered stricter terms on their mortgages. That is, banks, brokers and other primary lenders discounted and embedded in their mortgage deals the higher probability that non-occupant housing investors would exercise their foreclosure options and offered lower loan-to-income ratios and interest rate premia ranging from 25 to 100 basis points (Robinson and Todd 2010: 5-6). In short, *loans to non-occupant housing investors were often earmarked as 'subprime' because of their speculative nature and regardless of their relatively higher income and better credit scores*.

Finally, the increase in the share of subprime lending over the decade prior to the crash came exclusively at the expense of mortgage loans insured by the Federal Housing Administration and Veterans Administration (Ferreira and Gyourko 2015: 3). In other words, *the subprime lending bonanza squeezed out FHA-insured loans that were typically issued to households in lower income groups compared to both prime and subprime borrowers*. What is more interesting, as the foreclosure crisis progressed, it became clear that although in its first stage (between 2006 and 2008) more homes had been lost by subprime borrowers relative to prime borrowers, this was completely reversed in the 2009-2012 period. By the end of 2012, "twice

[6] In absolute terms, "[i]n 2003, home sales for primary residents were slightly more than 4.5 million units, while home sales to non-owner occupants were almost 2.25 million units…[H]ome sales to non-owner occupants were largest in 2005, where they reached almost 3.5 million units" (Robinson 2012: 116).

[7] Between 2004 and 2007, the median income for non-occupant homeowners rose from \$100,000 to \$125,000 – this was almost twice as much the median income for occupant homeowners, which rose from \$60,000 to \$65,000 (Robinson 2012: 120).

as many prime borrowers lost their homes than did subprime borrowers" (Ferreira and Gyourko 2015: 3). Considered altogether, all these elements strongly suggest that subprime borrowers were not in principle more financially disadvantaged or distressed than prime borrowers. Many of them were (amateur) speculators and wannabe 'petit rentiers' from the upper-middle classes (Goldstein 2018). In the end, the subprime mortgage bubble caused the financial exclusion of lower-income households, for while it fuelled the capital gains of levered-up housing investors and speculators and stimulated further wealth extraction by higher-income homeowners via home equity lines of credit (HELOCs)[8], it also priced out of the rapidly appreciating housing market the poorer strata of American society.

What is more important, the subprime bubble also created tremendous opportunities for the top 1 percent. As investors jumped *en masse* into the housing market in the hope of making leveraged gains, the very rich and ultra-rich households in the top 1 percent did not stand back and watch, *let alone lend*. A far greater financial bubble of Collateralised Debt Obligations (CDOs) was building on top of the housing bubble, fuelled by global banks, money-managers and, especially, hedge funds – the highly levered-up funds of (Ultra) High Net Worth Individuals (HNWI) 'seeking alpha'. CDOs were structured financial products created by the shadow banking complex, packaging together mortgage-backed securities and other types of household debt. Starting from 2002, hedge funds got deeply involved in the CDOs market – so much so that, according to one estimate, they came to hold "a little over 1 percent of the world's total stock of securities" but "nearly 50% of the total stock of CDOs" by the end of 2006 (Lysandrou 2011: 233).

Hedge funds employed leverage to buy CDOs. Once bought, CDOs were 'marked to market', positively re-evaluated and re-collateralised in a process by which hedge funds could obtain more liquidity from banks, thus causing a self-reinforcing pattern of leverage-driven, asset-price inflation of CDOs (Sgambati 2019: 302-3). While they were getting heavily exposed in the CDOs market, hedge funds also hedged themselves by investing in so-called 'synthetic' CDOs, i.e. complex derivatives instruments that combined traditional CDOs with credit default swaps. These synthetic instruments generated off-balance-sheet 'short' positions that were meant to offset on-balance-sheet 'long' positions in traditional CDOs (Mählmann 2013). After riding the CDOs bubble on borrowed money for about five years, hedge funds beat the gun and started to deleverage in a collective selling effort *before* the house of cards began to collapse in mid-2007 (cf. Ang et al. 2011: 121; see also Liu & Mello 2011). Not all hedge funds got out of the CDOs market in time. In August 2007 BNP Paribas announced that it could no longer assess the market value of the CDOs held by three of its hedge funds, and the market for CDOs quickly collapsed (Lysandrou 2011: 243). A month later Lehman Brothers filed for Chapter 11 bankruptcy.

We know the rest of the story and now we have also learned the moral of it: leverage *is* power. Debt has been the lever by which the upper classes and the ultra-rich have magnified their

[8] According to Fligstein and Goldstein (2015: 594), "by 2007, approximately one-third of all homeowners carried some sort of home equity debt for purposes other than purchasing the property". More generally, a recent study by Bartscher, Kuhn, Schularick and Steins (2020: 3) suggests that "the combined effects of home equity extraction through refinancing, HELOCs, and second mortgages were quantitatively large and explain a substantial share of the increase in household debt since the 1970s". For the authors, home equity borrowing might account for about half of the increase in U.S. household debt since the 1970s (see also Mian and Sufi 2011).

ability to make differential gains in housing and financial markets, through direct access to bank credit or via a constellation of highly levered-up money managers, such as the aforementioned hedge funds but also real estate investment trusts (REITs), private equity funds and other elite funds seeking above-market returns on investments – also known as 'alpha' in financial jargon. These money managers and the banks that routinely finance them are responsible for generating large volumes of financial debt that remain invisible to a great extent. Hedge funds, for instance, borrow from banks through a combination of on-balance-sheet debt contracts, such as 'reverse repo loans' and 'securities lending', and off-balance-sheet contracts such as 'derivatives margining' and 'swaps'. Like other debt contracts that appear on balance, derivatives (e.g. foreign exchange swaps and forwards) similarly create mutual liabilities for the counterparts and practically serve as 'credit' (Borio et al 2017). However, they are executed 'over the counter' and/or in 'dark pools' and therefore remain off balance sheet, weaving an invisible net of hybrid derivatives-loan contracts with a notional value of \$640 trillion and a gross market value of \$12 trillion (BIS 2019a) – a 'dark matter' of global finance that makes it altogether impossible to give a true estimate of how much financial debt is incurred to feed the portfolios of the ultra-rich.

5. Class struggle in highly leveraged societies

We had glimpses of what class struggle signifies in the 21st century when we saw the Occupy movement taking to Wall Street in the aftermath of the 2007-09 financial crisis, once it had become clear that average Americans had been put on a cross of debt to bail out the rich and their financiers. Protesters carried slogans saying: 'we are the 99 percent', 'we are not a loan', 'Chase, give us our money back', 'we bailed you out, time to pay us back with interest'. These slogans, perhaps inadvertently, captured what was truly at stake in those 'exceptional times' (the Fed had just completed a second round of quantitative easing to accommodate the liquidity of financial markets and backstop big banks): far from having accumulated credits against the people, the top 1 percent *owed* them. Students, renters, workers and unemployed – crowds of laypeople representatives of the most disadvantaged groups in society stood for weeks outside the temples of finance, knowing that they were being sacrificed for 'sins' that they had not committed or for which they were only marginally responsible. Their struggle was not about redistribution but *restitution*, namely returning money and money-creating financial institutions to the people.

The aftermath of the 2007-09 crisis has shown the true face of contemporary finance, indeed the 'new normal' of its subtle politics: its ability to make promises over promises that are never fulfilled but only carried to the next day, a gospel for Wall Street and its levered-up players who stand to lose trillions if the train of capital market inflation were to stop or even slow down. The normalisation of quantitative easing and zero-interest rate monetary policy means that it no longer takes a reckoning day or, more prosaically, a 'Minsky moment', for 'balance-sheet crucifixions' of the people to occur. The cost of financing the wealthier strata of society is routinely shifted onto those who are 'too small not to pay' and avoid taxation, or too poor to afford a mortgage, or simply too powerless to bargain with their employers, landlords, masters. Everyday renters, precarious workers, and various other debtors of the state are systematically overwhelmed by the burden of *unpayable debts incurred by others that yet ought to be paid by them* via regressive taxes, high rents and palliative administrations of austerity.

The struggle between the indebted rich and the burdened poor has many shades. At one extreme are low-income households that may have become addicted to revolving credit to 'keep up with the Joneses', or which may have never borrowed from a bank and have developed a risk-averse attitude to credit due to their extreme financial vulnerability and 'net worthlessness'. *Nolens volens*, these households are chained to debts they never wished for and are forced to bear the cost of funding a 'finance culture' (Fligstein and Goldstein 2015) that rewards high degrees of risk and leverage that they cannot afford. At the other extreme are rich and ultra-rich households that may or may not borrow directly but which anyway benefit from the massive borrowing carried out by the financial and non-financial firms of which they are main beneficiaries and dominant shareholders. In the middle are households that, to varying degrees, are trying to climb up the social ladder and possibly 'keep up with the Gateses' in the top 1 percent. These junior members of the 'portfolio society' (Ascher 2016) borrow to invest in housing and/or use their homes as ATMs to fund other expenditures, including very expensive tuition fees at Ivy League universities and other status-seeking items of 'conspicuous consumption' (e.g. Frank et al 2014; Di Muzio 2015; Sparkes 2019).

Class struggle does not always manifest itself as overt political conflict. Most of the time, it is simply a financial offensive by the rich and ultra-rich against common people oblivious of what's hitting them. The offensive does not necessarily come directly from 'the markets', or the private sector, but is generally conducted through monetary and financial governance by central banks. Branding themselves as independent bastions of market neutrality, central banks have historically cushioned financial markets with their active market-making and positively contributed to financial globalisation (Braun, Krampft and Murau 2020). Since the Great Financial crisis of 2007-08, central banks have been endowed with exceptional autonomy in monetary and financial governance (Jakobs and King 2016; van 'T Klooster 2018) and have been using their emergency powers to routinely 'govern through markets'. Yet, paradoxically, the more they govern through markets, the more they contribute to generating 'infrastructural power' for those private financial actors that they seek to discipline (Braun 2018; Walter and Wansleben 2019). Central banks have thus proven to be highly politicised financial agencies committed to pursue anti-inflationary policies of sound money for Main Street whilst availing privatised forms of stock market Keynesianism for Wall Street (Brenner 2009; Crouch 2009), using their exceptional policy tools to bolster a pro-debtor monetary regime that systematically rewards the greater borrowers.

Consider ZIRPs, or zero interest rates policies. These were politically accepted on the ground that they would promote cheap credit for enterprises, economic recovery, job creation and so on. In fact, a recent study shows "a direct link between increases to income inequality, defined as the income disparity between the top 1% and bottom 99% income groups, and low interest rates" (Berisha et al 2018: 13). Perhaps unsurprisingly, low interest rates stimulate leverage-driven capital market inflation: a cornucopia for the top 1 and 0.1 percent income earners who derive a substantial portion of their income – between 20 and 40 percent – from capital gains (Berisha et al 2018). What is more surprising is that, as a result of its exceptional monetary governance, the Fed too has more than doubled its profits over the past ten years, to the point that it has become more profitable than any of the most profitable U.S. corporations listed on Fortune 500. As reported in a recent *Forbes* article, between 2009 and 2019, the Fed remitted to the U.S. Treasury (after paying annual dividends to shareholders) an average of $77 billion, reaching a record $97.7 billion in 2015, "when the Fed balance sheet peaked at $4.5 trillion and the IOER rate (interest on excess reserves) was near zero"[9]. As the Fed's balance sheet is projected to balloon to £10 trillion because of pandemic-related QE and bailouts, Fed transfers to the federal government are estimated to top the staggering sum of $140 billion in 2021. As a term of comparison, profits for the entire U.S. banking industry amounted to $233 billion in 2019.

The fact that the Fed is projected to be the most lucrative business in the world, despite not being motivated in principle by profit, says something about the power of 'creating money' out of thin air. Besides more than doubling its yearly remittances to the US Treasury since 2009[10], the Fed has also created tremendous opportunities for Corporate America with its cheap credit. Over the past ten years, low interest rates have incentivised the growth of debt-based stock buybacks and a general surge in corporate leverage (McKinsey Global Institute 2018). Corporations have become so addicted to cheap credit that, according to a recent BIS report, back in 2016 some 12 percent of listed non-financial corporations in fourteen advanced economies were 'zombie companies' that issued junk bonds simply to fund their current liabilities (Banerjee and Hoffman 2018; see also Hallak et al 2018). The coronavirus pandemic has only precipitated the corporate debt crisis, causing a surge in fallen-angel bonds and prompting the Fed to bolster market liquidity and initiate yet another corporate bailout of biblical proportions (see Brenner 2020).

Notably, the Fed had a taste of what financial markets were cooking up in response to its quantitative tightening (QT) attempt already in December 2018, 'the worst December since the Great Depression'. The Fed started QT in 2015 and interest rate targets began to slowly move up accordingly: from 0.5 percent in December 2015 to 2.5 percent in December 2018. The markets could not take it. Already in October 2018 about $2 trillion had been lost after the Fed had raised interest rates by 25 basis points (on 27 September). When in December the Fed raised its target by another 25 basis points, the stock market plunged, causing $3.4 trillion to be wiped out[11]. Many blamed the U.S.-China trade war for causing uncertainty and volatility in the stock market[12]. However, as soon as the Fed promised to stop raising interest rates in January 2019, the markets bounced back. The recovery was short-lived. On 1 August 2019, the Fed was forced to lower interest rates for the first time since December 2008 amidst concerns for slow growth. It had to lower them again on 19 September, officially ending its feeble attempt to rein in the credit bonanza. The reason was a sudden money market crunch. On 16-17 September, the overnight repo rate spiked to almost 10 percent and this immediately evoked fear of another 'run on repos' (cf. Gorton and Metrick 2012). This unexpected event, aptly termed 'repocalypse' by one observer[13], was promptly met by a massive open market operation as the Fed began to pump liquidity in the money market to the tune of $50 to $75 billion a day. The effect of this unprecedented open market operation was to quickly undo the quantitative tightening started in 2015, which had caused the balance sheet of the Fed to shrink to $3.7

[9] https://www.forbes.com/sites/garthfriesen/2020/05/03/profits-from-fed-balance-sheet-expansion-could-top-140-billion/#3af378e43259

[10] https://www.stlouisfed.org/on-the-economy/2018/september/fed-payments-treasury-rising-interest-rates

[11] See https://www.federalreserve.gov/releases/z1/dataviz/z1/changes_in_net_worth/chart/

[12] E.g. https://www.washingtonpost.com/graphics/2018/business/stock-market-crash-comparison/

[13] https://seekingalpha.com/article/4307665-repocalypse-little-crisis-roared

trillion from a peak of about $4.5 trillion. Over the course of five months and a $400-billion money market stimulus, the balance sheet of the Fed was back to $4.1 trillion. This was before the stimulus packages and bailout responses to the pandemic crisis.

The repocalypse signalled the normalisation of the 'state of exception' of contemporary central banking and its deep entanglement with financial markets. It's worth mentioning in this respect that, according to a BIS report (December 2019) and, more recently, a Bank of England publication (February 2020), hedge funds are likely to have played a leading role in precipitating the 2019 repo crisis. In the first quarters of 2019, "leveraged players (e.g. hedge funds) were increasing their demand for Treasury repos to fund arbitrage trades between cash bonds and derivatives" and "[t]he resulting drain and swings in reserves are likely to have reduced the cash buffers of the big four banks and their willingness to lend into the repo market" (BIS 2019b: 13-14). In practice, due to financing hedge funds for months via reverse repo lending, the four big banks – JP Morgan Chase, Citigroup, Bank of America and Wells Fargo – were crammed with Treasury bonds but strapped for funds, and money market funds (MMFs) were growing reluctant to provide them at zero or low discount (BIS 2019b: 14). Repo rates spiked as a result, and one cannot exclude the possibility that another run on the money market might have occurred, had the Fed not intervened with its large-scale 'repo funding of last resort'. Alas, by saving the day, the Fed also saved levered-up speculators and their financiers – once again socialising the costs of elite leveraging and putting resources into an infrastructure of liquidity governance that is geared towards ensuring money-making for the rich.

This brings us to the final point. As global finance continues to be framed as the function and apparatus of one specific class, we lose sight of the fact that in a world where money is routinely created to finance positioning in financial and property markets, class struggle often takes place 'in thin air', embedded as it were *within finance* itself. Every day an invisible warfare goes on which encompasses banks, money managers, institutional investors and central banks – all of them invested to varying degrees in a 'war of position' in financial markets. Due to its limited scope, this article could not fully open the black box of class struggle within finance but only focus on its most levered-up players. However, it should be clear that not all financial agents can afford high levels of leverage. In this respect, we could heuristically distinguish between two main types of antagonistic money-managers, representatives of the 'haves' and 'have-nots' of global finance: the already-mentioned levered-up funds of elite investors whose goal is generate high returns on risky and generally shorter-term investments; the largely un-levered funds of (mass) institutional investors whose goal is to meet their liabilities, diversify risk over a broad range of generally longer-term investments, and make sure that they do not lose the money (see also Poszar 2015; Sgambati 2019). For sake of simplicity, we can refer to these two categories as respectively 'alpha' and 'beta' money-managers. Hedge funds and private equity funds are archetypical alphas; by contrast, pension funds, mutual funds and other large institutional investors are traditional examples of betas[14].

Whereas alphas aim to 'beat the market', betas are content with 'following the market' and not making a loss. Perhaps unsurprisingly, alphas capture the social imaginary as the 'wolves' of Wall Street. Betas, on the contrary, might as well be the 'sheep' of Wall Street, since they show

[14] Somewhat halfway along the spectrum of money-managers are passive index funds such exchange traded funds (ETFs) that combine passive asset management with leverage (see Fichtner et al 2017).

‘institutional trade persistence’ and ‘herding behaviour’ (Choi and Sias 2009; Dasgupta et al 2011). What’s worse, betas share a propensity to buy overvalued stocks and the assets that they sell tend to outperform the assets that they buy after a period of about two years (Edelen et al 2016). Betas are likely to invest in the wrong direction because on average they trade “against better informed insiders and are systematically unaware of this fact” (Dasgupta et al 2011: 638; see also Lewellen 2011). Betas also engage minimally in stewardship activities, especially when compared to activist hedge funds and private equity funds, which demonstrate a far greater ability to steer corporate management despite being relatively smaller shareholders (see Kleine and Zur 2009; Appel et al 2016; Bebchuck et al 2017; Knafo and Dutta 2019). Finally, betas lack speed, powerful computers and sophisticated algorithms used by high frequency traders, such as large broker-dealer banks and hedge funds, “the natural enemy of the large institutional investors” (Mattli 2019: 132). In many cases, structurally underfunded betas such as pension funds invest part of their cash into hedge funds (cf. Leal and Mendes 2010; Bouvatier and Rigot 2013), hoping to generate above-average returns that will compensate for their asset-liability mismatches. For them leverage has become a ‘survival constraint’ in the current global financial ecology. Alas, in a bid to ensure pension payments tomorrow, workers’ savings are burnt today on the altar of financial markets, their flagrant smoke gleamed for the gods of Wall Street. This, too, is class struggle in thin air.

6. Conclusion: for a radical politics of monetary restitution

The bitter irony of our time is that while a moral economy of debt in the form of guilt and austerity has been imposed on the poorer strata of society, its elites have learned how to stop worrying and love the leverage bomb. For not only have they intensified their indebtedness by obtaining ever-growing volumes of bank loans, but they have also magnified their capital and arbitrage gains through the largely invisible debt exposure of dealer banks, hedge funds and money-managers alike that have been leveraging on their behalf. Trillions have been conjured up to finance a leverage-driven game of money-making that has mostly benefited a small group of too-big-to-pay debtors and their sycophant financiers. In this respect, one might be tempted to reverse the conventional narrative about the power of finance and proclaim the ‘structural power’ of debtors over creditors. This, however, would lead to yet another misdiagnosis of contemporary financial struggles. For rather than fuelling a conflict between creditors and debtors as two distinct classes, contemporary finance has set *debtors against debtors*, and namely the greater borrowers versus the lesser ones, thus giving shape to a historically-specific form of class struggle whose deeper dynamics cannot be seen as we continue to look at finance through the traditional lenses of the creditor-debtor dichotomy – a point that has been recently made also by Adkins, Cooper and Konings (2019).

As critical accounts of finance continue to portray global economic elites as creditors, they inadvertently relieve them of the economic burden and political responsibility they should bear. To refer to the rich and ultra-rich as lenders and investors it to obscure the tragic truth that these are in fact ‘absentee debtors’ who have mortgaged the future in order to plunder the present or anyway finance their accumulation of wealth. We need a new language for making sense of contemporary finance and the struggles that it arouses. More to the point, we need a new politics that critiques and addresses the contemporary political economy of leverage as power.

Taxing the wealth of the elites is only reasonable at this point, however it will not take away their ownership of the means of credit and their privileged access to leverage. Proclaiming a Universal Debt Jubilee or a Great Reset, as the World Economic Forum is currently suggesting, will only grant them with an underserved clean slate. Retaining cheap credit policies in the name of perpetual crisis management will only continue to make them richer. Radical progressives have been advocating for Universal Basic Income and a Green New Deal on the ground that they would provide economic respite for the many and tackle the climate emergency. While these political projects might indeed save the planet, improve material conditions and defuse social conflict, they are not going to address the political economy of leverage outlined in this article. To harness the power of finance, we must aim for more than a progressive politics of fiscal redistribution and perhaps a return to Keynesianism: we need a radical politics of monetary restitution that has no precedent in history.

By 'monetary restitution' I mean more than 'payment', 'compensation', namely returning the money that has been borrowed, as if to settle the scores. For this money would be once again a debtors' money that could not truly redeem or extinguish the sort of obligations that are owed to future generations: it would be just another promise part of a skein of promises rolling over into the future. Occupy protesters did not scream for mere monetary retribution but for *equity*. The question of equity is generally understood as a problem of 'fairness', 'equitableness' and 'justice' – that is, something that is achieved through good governance, accountability and transparency. However, in its more specific legal-financial acceptation, equity also refers to *shared ownership*. These two dimensions of equity are inseparable. Granted that a) contemporary money is not a scarce good but potentially infinite, cost-free energy for the world economy, and b) states are already backing up the global financial infrastructure with their 'safe assets' and other forms of legal-economic insurance for the money-creating banking complex, then *the general public should have an actual stake, or participation, in the business of making money*. In other words, monetary institutions should be returned to the people and central banks should be first on the list.

Monetary policy, which is currently covertly politicised to avail the interests of the greater borrowers, should be taken away from technocrats. Central bankers might think of themselves as Platonic philosopher-kings, yet their pretence of knowledge is often based on abstract economic models of reality that are only representative of their ignorance (be it strategic or genuine). Experts are and will be needed to carry out all sorts of credit policy, open market operations, QE, ad-hoc bailouts and so on. However, the choice of what goes in the portfolio of a central bank should not be the behind-the-door prerogative of some benevolent technocrat, but a matter of public debate. Monetary autonomy *is* fiscal sovereignty; as such, it should never be abdicated in favour of an enlightened absolutism of expertise. The same discourse applies to banking at large. Decisions about how banks go about their unique power to create money should be politicised to include all stakeholders. Banks' liquidity and credit risks are not borne by shareholders (whose equity capital is not even enough to fund 5 percent of total bank liabilities, and this is without considering off-balance-sheet debt exposures) but are socialised among the much larger population of account holders and are ultimately shouldered by the public. This being the case, it is only fair that *all* bank liabilities be treated as *equity* shares conferring voting and stewardship powers to bank account holders or their elected representatives. Admittedly, it would be easier for a camel to go through the eye of a needle than for laypeople to 'occupy' the temples of modern money and finance. However, to repurpose money as a public resource and reclaim a future of prosperity for the many, the headquarters of global money and finance must be democratised. Without a radical politics of monetary restitution, progressive fiscal redistribution will only deliver 'small change'.

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