Financialization: The AIDS of economic system♥

By Juan Pablo Durán Ortiz♣

ABSTRACT

Epistemologically the economic system can be understood through two approaches: biology and physics. The biological approach has been used to illustrate financialization, which is the process of reorienting all the economic resources from real production to the speculative market. This approach compares the economic system to the system of the human body in order to study the financialization process and its effects in the economic system. Specifically, this paper demonstrates that the financialization process develops on the economy as AIDS spreads in the human body. The financialization process has some special characteristics that make it very similar to AIDS, not only because of how it grows inside the system, but also because of the consequences that these processes have in the system. The paper concludes by proposing actions that can be taking to minimize risks of crises in the economic system taking into account their real causes.

♥ I am deeply grateful with Silvana Durán from Ohio University (US) for her explanations about HIV virus and with Kurt Belgum from Georgia Institute of Technology (US) and Eliza Montoya from IBSER (Colombia) for their help and comments while I was writing this document.

♣ Economist and Master (MSc) in Finance. Currently Director of the International Bureau of Social and Economic Research (IBSER). E-mail: juan.duran@ibser.org. @juanduraneco

Two methods of understanding economics

In order to understand the economic system by using physics methods, economists reduce the social and institutional behavior of every agent to stochastic movements. To do this, economists have to introduce very unreal and strong assumptions in order to match the reality to their mathematics models. When the models fail to predict the behavior of the real economy, which happens on a regular basis, these physical-based economists don´t look for the mistakes inside their models or their assumptions. Instead, they look for the mistakes inside the reality itself. This is why it is very common to hear explanations of their failures in terms of “it was because actually we have a lot of monopolistic sectors” or “the model didn´t work because the national state has a strong intervention in the current economy”. Inside these economists´ minds, the solution to improve their fancy predictions is not about changing their models. The solution it is to change the reality so that their models can work better. The most important thing for this branch of economic science is not to understand the reality of the economy; the most important thing to them is to demonstrate that their models are right.

The biology-based method, on the other hand, studies first reality in order to make conclusions about the behavior of the economic agents and about the best practices and policies. The biology-based economists use mathematical tools too, but their goal is not to demonstrate a given paradigm about how the economy works. Instead, their goal is to understand how the economy works and what the best policies are to improve its outcomes. In this sense, the mathematic models inside the biological approach become just a tool to prove (or disapprove) assumptions and hypotheses.

Physical-based economists believe that all agents behave according to given rules, and they believe also that space, time and sizes don´t exist in any meaningful way. For them, the behavior doesn´t change according to the place and the time, because the behavior is always the same. Thus, in their models time and space don´t exist. For physical-based economists, all the people are the same in terms of their feelings, intelligence and culture. This is why everybody can be averaged into a “representative agent” that behaves according to three “rational” mathematized rules. The same happens with businesses, states and countries. For example, under this “representative agent” model, a huge corporation like Google can be “averaged” in exactly the same way as a street vendor assuming that they behave the same, so physical based economists believe that they can build a “representative agent” that represents all business. Hence, differences simply don´t exists between agents, whether they are businesses or even countries. In a perfect world where everything and everybody is the same, and behaves the same, and time and space don´t exist, the models results are always the same egalitarian outputs: the market always moves towards at “equilibrium” and crises, unemployment, violence, and inequality don´t exists in the long term.

In contrast, the biological-based economists believe that agents´ behavior depends on their environment. The rules of behavior depend on the conditions that surround the agent, such as location, history, and size, among many others factors. Furthermore, they believe that economic system works like the human body, which has a lot of connections between organs, and its health depends on the external and internal *shocks* that affect the system. Consequently, the system doesn´t work perfectly at all times because it has diseases that could cause the body to end up *crises* or even dead. However, the system, under the biological method, can also develop into a healthy-state when the negative external *shocks* are regulated, neutralizing the diseases.

This paper studies the financialization process and its effects on the economic system using the analogy of the human body to illustrate this process. This paper demonstrates that the financialization process develops in the economy as AIDS spreads in the human body. The financialization process has some special characteristics that make it very similar to AIDS, not only because of how it grows inside the system, but also because of the consequences that these processes have on the system.

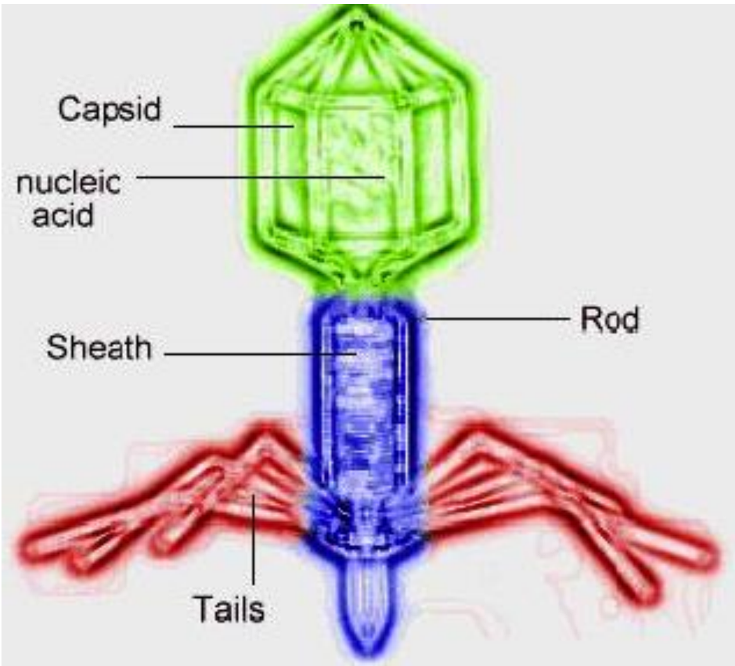
HIV: How it works

DNA carries all the relevant genetic information of a human body. It identifies the role of every cell inside the body and dictates what has to be done by the cell´s inner workings. In turn, every cell does its job as a part of a tissue, and every tissue does its job as a part of an organ. In this sense, each cell is controlled by DNA that is common to all the cells, but machinery inside each cell does different things depending on the specific piece of information that DNA activates for it (Seeman, 2003). This is why the wellbeing of humans depends, above all, on DNA information.

With the correct DNA information, every organ of the human body does its particular job in an interdependent way with other organs. Some organs have important functions of self-regulation and protection of the body. Any imbalance in an organ or in the relationship between organs could cause disease, crisis, and even death.

HIV is a particular kind of virus. The main function of HIV is to **transport** certain kind of DNA information. So, HIV is the vehicle that carries a special kind of DNA. The behavior of viruses in the body is like a science fiction movie (See for example Boehringer Ingelheim, 2013 and NPR, 2013). With their long tails and rod, Viruses are like spiders with long legs and a syringe to inject their DNA into our cell´s DNA (See figure 1). Viruses use their tails to attach themselves to our cells, and then use their rod to inject their DNA inside our cells and change our DNA.

Figure 1. Parts of a virus.



Viruses´ objective is to reproduce themselves, but they don´t have their own means to do it, so viruses inject their DNA inside our cells and change our own DNA information. The new information forces our cells to employ their own inner workings to reproduce the virus. Viruses literally change our DNA information to use our cell's machinery in their benefit. In this way, all the cells, tissues and organs of the body become a big factory for new viruses. Basically, successful viruses operate by turning our bodies against us. HIV is very dangerous for two main reasons.

The first reason is the long amount of time that the body needs to detect HIV. In this sense, there are two kinds of viruses. The first one uses cells to create an exponential number of new viruses, which then destroy our cells very quickly and is therefore easier to be detected by the body and its protection system. The second type creates new viruses slowly into every cell. This second type of virus makes use of a “passive time,” when the virus cannot be detected by the body, so it is virtually invisible while it is infecting the entire system. In this way, it is too late when the second type of virus is finally detected by the body´s protection system. This second type of virus includes the HIV. HIV’s “passive time” is usually more than five years (Klein, Hurley and Merrill, et al; 2003).

The second reason that turns HIV so dangerous is the kind of cell that HIV uses to reproduce itself. It uses the human body’s own special protection cells. Usually, the main objective of these special cells is to find, neutralize, or destroy all the risk to the system. These cells are like a giant force of policemen, army, navy, and firefighters that patrol our system looking for thieves, gangsters and other felons. One of the most important members of this self-protection force is the erythrocyte cells (commonly known as WBCs). The offenders can be bad tumors, parasites, fungi, bacteria and viruses, among others. HIV attacks our erythrocyte cells, effectively turning them into HIV virus factories. In this way, HIV inject the information that make us destroy our main source of protection and leaves us to the fate of all kinds of diseases that are inside and outside our system.

Deregulation of Financial Markets: The virus becoming the disease.

As HIV transport and spread harmful information to our erythrocytes cells, some academic institutions transport and spread harmful information to our government and other important institutions which their main objective is to protect the economic system. In the same way, as the DNA information into the HIV force the erythrocytes cells to become in HIV factories, Neoliberalism force our government and other important institutions to empower the capture all the economic resources and turn them into speculation assets. One of the main mandates of Neoliberalism is the deregulation of financial markets.

According to Adam Smith (2005: 245): "Had every particular banking company always understand and attend to its own particular interest, the circulation never could have been overstocked with paper money. But every particular banking company has not always understood or attend to its own particular interest, and the circulation has frequently been overstocked with paper money". In the "Wealth of Nations" Smith argues deeply and broadly why the overstock of money has to be discouraged. In fact according to Amartya Sen (2013), "One of the roles of the state that Adam Smith saw was in restraining when the markets get overexcited, and he said maybe prophetically in 1776, that there is a tendency of the financial sector to be moved by a very unsound calculation, and he wanted to restrain the financial sector. So when the deregulation was taking place in this country [the US] people often cited Smith, but they didn´t read very much Smith, because he was very much against it."

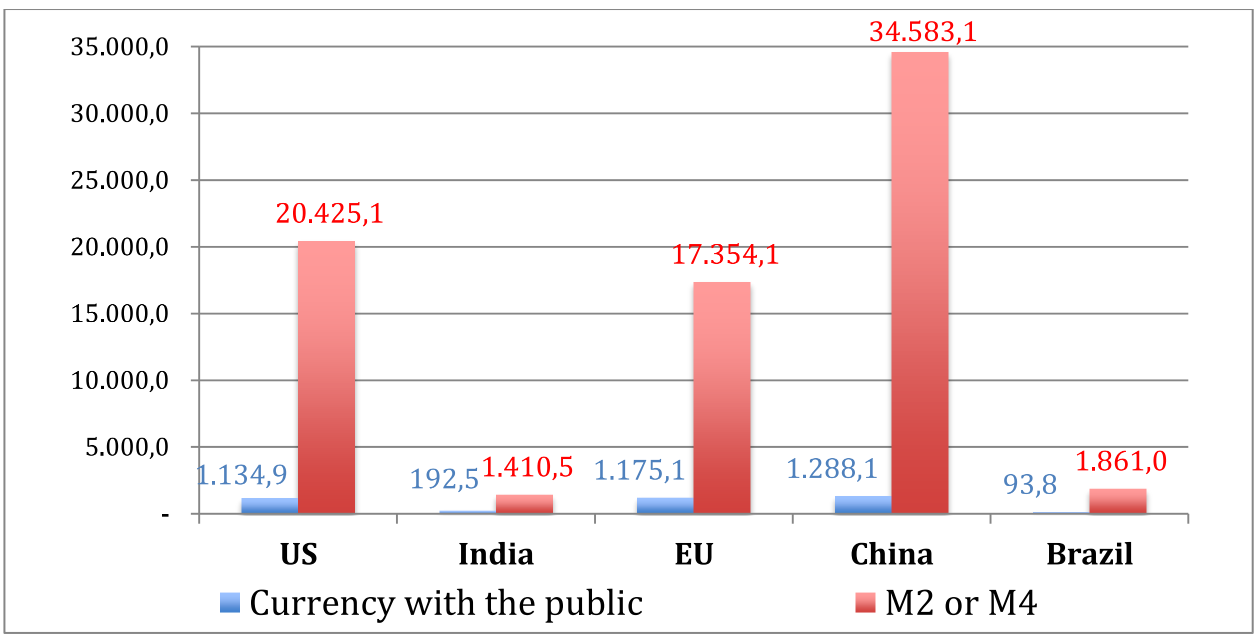
In Smith's time, it was still the *gold standard* for money issuance: "…the whole paper money of every kind which can easily circulate in any country, never can exceed the value of the gold and silver of which it supplies the place, or which (the commerce being supposed the same) would circulate there, if there was no paper money" (Smith, 2005: 243). In the 1950s, after the Bretton Woods agreement, the states abandoned the *gold standard* because they could not maintain the high cost of keeping the necessary supply of gold. Smith, surprisingly, was ahead of his time when he predicted this kind unsustainable cost for his country (and its colonies): "…Whatever coin, therefore, was wanted to support this excessive circulation occasioned in the necessary coin of the kingdom, the Bank of England was obliged to supply them. The Scotch banks, no doubt, paid all of them very dearly for their own imprudence and inattention; but the Bank of England paid very dearly, not only for its own imprudence, but for the more greater imprudence of almost all Scotch banks." (Smith, 2005: 246)

After the crisis, the solution for the oversupply of money was not to discourage the private issuance of money. In fact, the solution was the exact opposite: to abandon the gold standard in favor of money issuance. With the gold standard broken, the private banks were allowed to issue even more money to the worldwide economy. This happened, in a more dangerous environment than in Smith´s times, because the post-war economy was more interconnected by multinational banks and the stock markets. The oversupply of money that "could not easily absorb and employ" for real production, went to the financial stock exchange markets, creating big price bubbles. This was the main characteristic of the last three big crises: the 90´s crisis in underdeveloped countries, the *.com* crisis in the U.S. in 2001, and now the great recession in developed countries.

However, the moral hazard that caused today's crisis has remained since 1776: "The over-trading of some bold projectors in both parts of the United Kingdom, was the original cause of this excessive circulation of paper money" (Smith, 2005: 247). Today, in the name of Smith (but against his instructions), a few bankers and financial investors have captured the State and even the real production to increase their profits and their political and economic power at the expense of the rest of the population (Stiglitz, 2012 and Crotty, 2009).

Figure 2. Comparison between currency issued by the central banks and the total money in some world economies.

US billions. June of 2013.



Source: Central Banks of the countries.

As a result, today the difference between the money that circulates in the economy issued by private companies compared with the money issued by the central banks is more than 26 times in

China, 19 times in Brazil, 17 times in the United States, 15 times in the European Union, and more than 9 times in India (See Figure 2). This means that, more than 90% of the money in the worldwide economy is issued by private banks, not by the State. This happens because almost all the money is not in bills and currency with the public. Almost all the money is in bank accounts and the stock markets. These bank accounts and stock accounts are created, from nothing, by the private financial system because in the financial system, the loan (or investment) creates the deposit, not the other way around as people usually think. Consequently, it is in the interest of the owners of the financial system to lend more money from the banks and invest more money in the stock exchange, no matter what might happen in the real economy (Nadal, 2013).

Financialization: current measures, evidence and economic impacts.

Financialization is the process to reorient all the economic resources from real production to speculative markets. The concept of financialization in academic literature has been used to describe a lot of phenomena inside the economy. This definition of financialization is closer with the concept used by some authors such as Dumény and Lévy (2002), and Greider (1997). According to Krippner (2005), for these authors financialization reflects the increasing political and economic power of a *rentier* class. This definition is also correlated with Krippner (2005) and Arrighi (1994) when they define financialization as a pattern of accumulation in which profit–making occurs increasingly through financial channels rather than through trade and commodity production.

From a structural point of view, the cause of the financialization process has been the change of the financial architecture since the early eighties, characterized by a radical deregulation of financial markets "pushed by financial institutions and justified by efficient financial market theory." (Crotty, 2009: 2)

From an operational point of view, financialization results from two processes. The first one is the over issuance of money by the commercial and investment banks, and the second one is the securitization of all the economic resources. The private issuance of money ensures the demand for speculative assets; securitization ensures the supply of speculative assets. Both processes grow powerful inside the capital markets.

In the securitization process, all economic factors and products become a security. The securities represent today all kind of resources like land (titles), companies (stocks), properties (mortgages), food, clothes and other basic products (derivatives), and public and private debt (bonds), among others. These new assets can be negotiated individually or packaged with other assets. Some "financial innovations" create structured financial products called *Special Investments Vehicles (SIV).* SIVs allow traders and brokers in the speculative markets to (1) package all kinds the securities (through CDOs and MBAs for example), (2) negotiate securities that are going to exist in the future (through futures, options, forwards and swaps), and (3) insure real assets and speculative securities (through new insurance products and credit default swaps (CDS) for example). All securities are supposed to be based on resources from the real economy. However, in part because of all these *"financial innovations,"* the world speculative market has increased broadly.

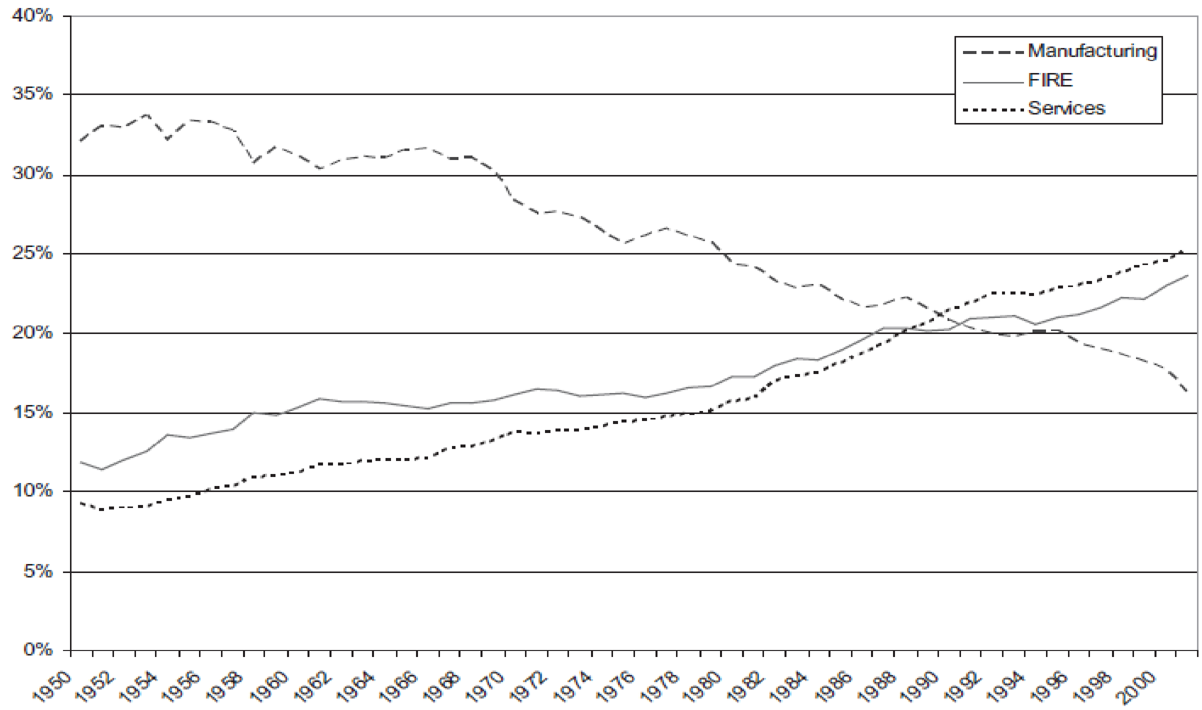
According to Krippner (2005), the financialization of the American economy has had two main impacts. First, the financial system now controls the modern corporations inside the US. Second, the (globalized) financialization has eroded the autonomy of the state. According to this author, there are two measures of financialization. On one hand there are measures based on employment and GDP that are called "activity-centered". On the other hand, there are measures centered on profits that are called "accumulation-centered"[1].

In order to measure financialization in US with both approaches Krippner (2005) divides the economy in three sectors: manufacturing, FIRE, and services. FIRE is the industry group comprised by finance, insurance and real state. Services comprise the broadest meaning of the term.

As figure 1 shows, the rise of the service sector above the manufacturing sector is supporting evidence for the post-industrialism and the information economy. Furthermore, the rise of the financial sector showed by the FIRE line is an empirical evidence of financialization since the "activity-centered" point of view. In this sense, in 2000 the share of the wide service sector of GDP was 25%, and the share of the three financial subsectors (FIRE) was almost 24% of GDP.

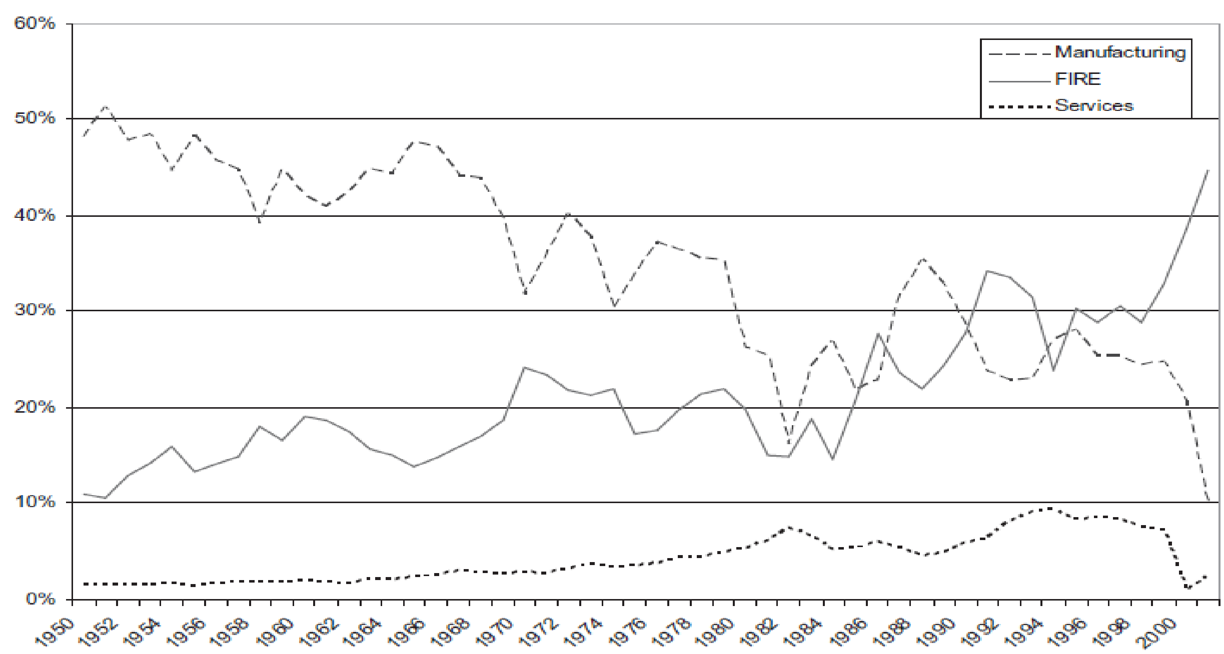
[1] Measuring financialization through changes in employment or the mix of goods and services produced could be incorrect because the financial sector is not employment-intensive and its products do not show up in transparent ways in national economic statistics

Figure 1. Relative Industry Shares of current-dollar GDP in US Economy. 1950 -2001



Source: Krippner (2005): 178

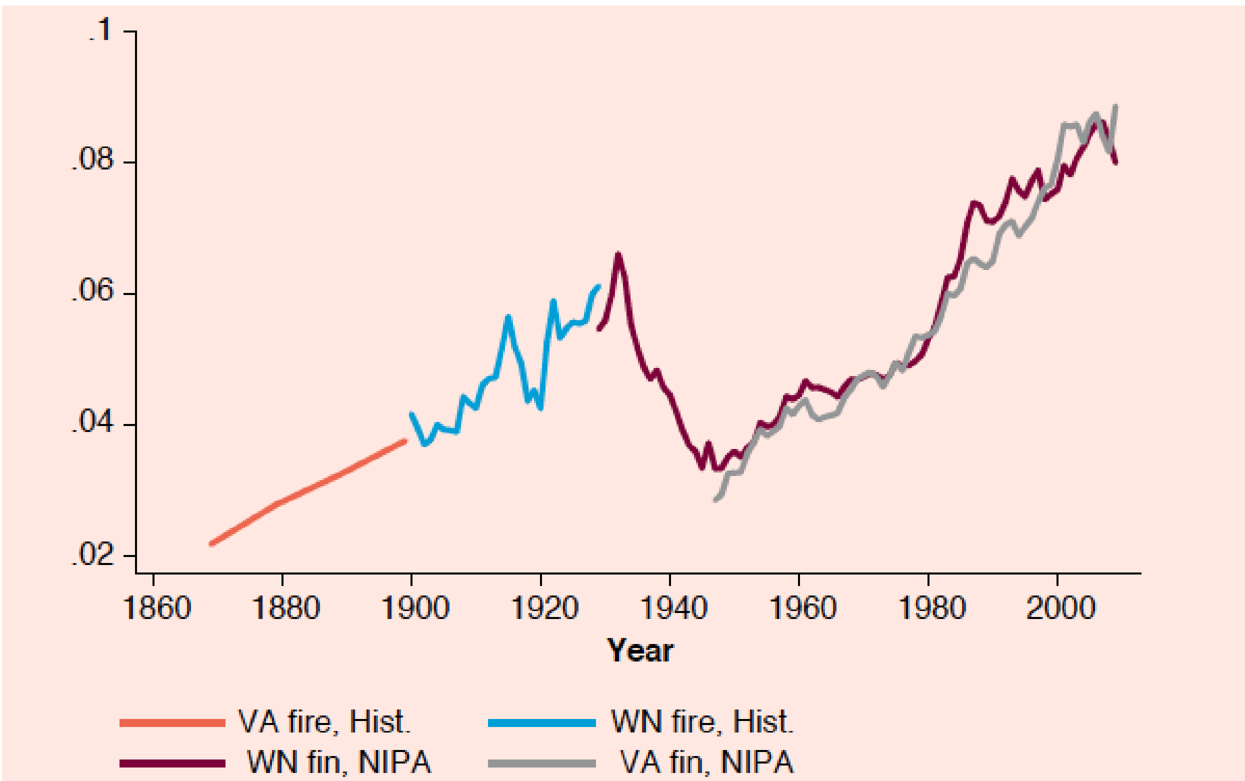
Figure 2. Relative Industry Shares of corporate profits in US Economy. 1950 -2001



Source: Krippner (2005): 179

Since the "accumulation- centered" point of view, the declining of manufacturing is also dramatic, but now FIRE is the dominant sector of the economy, with services accounting for a relative small share of total profits (Figure 2)[2]. A similar phenomenon has happened in European countries. In these countries after 1950s the income share of finance grows from less than 3% to almost 10% in 2010 (Figure 3).

Figure 3. Income Share of finance (non-farm) civilian. 1870 -2010



Source: Lallemand, 2012: 14

In the last decade, the financialization process and its consequences have been enhanced not only in the US, but also inside all the industrialized countries. According to Assa (2012), In 1970 only two countries[3] of the 32 members of the OECD had have more than 20% of value added coming

[2] The same author demonstrates how even the non-financial firms has been used increasingly the speculative market as a source of profits.

[3] These countries are France and Mexico

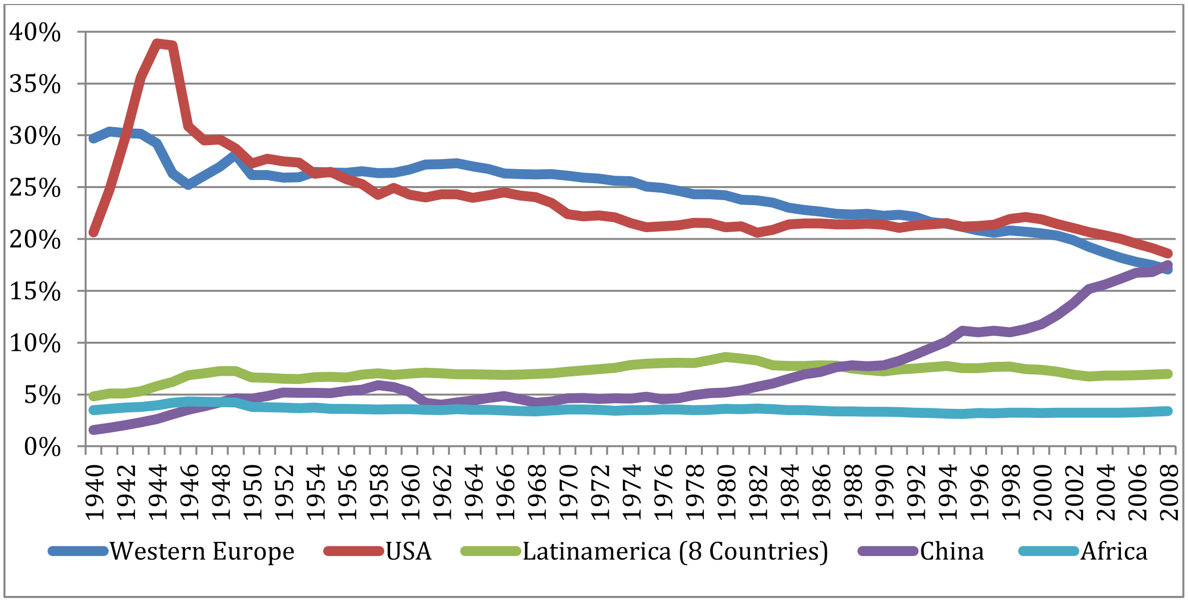
from finance. By 2008, 28 countries had finance shares exceeding 20%. In terms of employment, in 1970 all OECD countries had have less than 10% of the working force employment in finance. By 2008, 23 countries of these countries had more than 10% of the working force employment in finance.

These results would not be troubling if not for its negative impact on economic instability, income distribution, unemployment and growth.

The relationship between financialization and income inequality is strongly positive for OECD countries. According to Assa (2012), each percentage increase in the share of finance in total value added is associated with up to 0.57% more inequality, while each percentage increase in the share of finance in total employment is associated with up to 0,81% more inequality. In terms of growth, increasing financialization has a negative relationship with GDP growth: each percentage increase in the share of finance in total value added is associated with up to 0.12% slower growth, while each percentage increase in the share of finance in total employment is associated with up to 0.1% slower growth. The relationship between financialization and unemployment for OECD countries has similar effects: each percentage increase in the share of finance in total value added is associated with up to 0.34% more unemployment, while each percentage increase in the share of finance in total employment is associated with up to 0.74% more unemployment (Assa, 2012: 3-6).

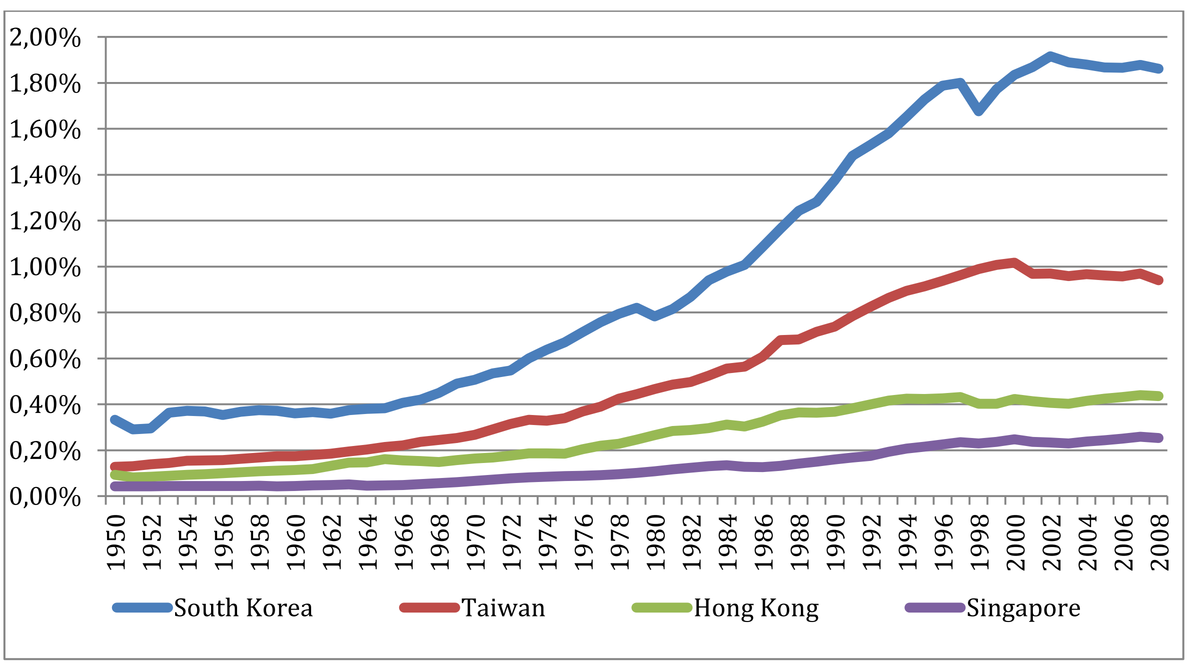
Both the financialization process in developed western countries and the strong focus on industrial policies in the Asian countries could explain the changes on the global GDP shares since the mid-seventies. The rising share of the global GDP in China is outstanding (Figure 4), such as the rise of South Korea, Taiwan, Hong Kong, and Singapore (Figure 5). A similar effect can be seem backwards in Latin America: since 1950 to 1980 strong industrial policies were expand in Latin America causing a growing share in the global GDP. From 1980 the Washington consensus and deregulation were imposed with its costs in terms of GDP share (Figure 6).

Figure 4. Global GDP Shares by region. 1940 -2008



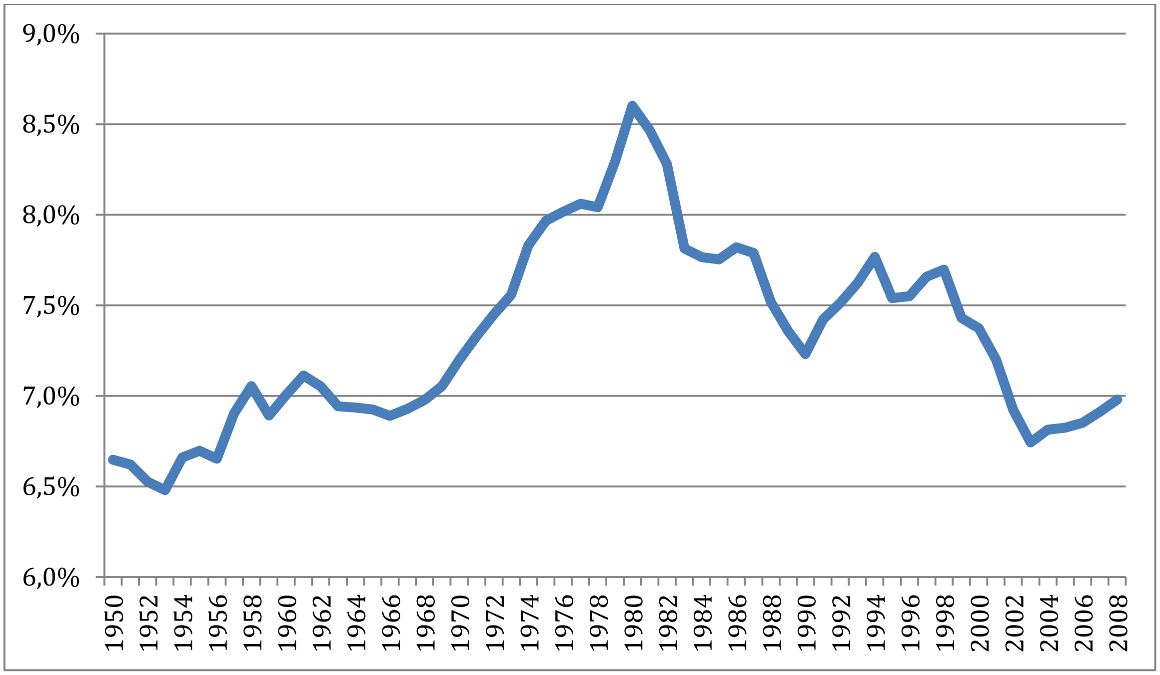
Source: Author calculations based on World Bank data

Figure 5. Asian Tigers Share in Global GDP. 1940 -2008



Source: Author calculations based on World Bank data

Figure 5. Latin America Share in Global GDP. 1950 -2008



Source: Author calculations based on World Bank data

Financialization: How does it work in the economic system?

Like the human body, the economic system has a lot of "organs" with specific functions for the system. The heart, for example, could be viewed as the central bank, and the circulatory system in the body can be seen as the financial system in the economy. The circulatory system must deliver all the oxygen and the nutrients to the rest of the body. Without the oxygen and the nutrients delivered by the circulatory system, the organs could not work. In the same way, without the money given by the financial system, any firm, person, family, or government couldn´t subsist. The central bank (that is the heart) has the main role of creating the money and deciding how fast and how strong the system will need this money (blood) for its work. Like in the body, if the system is fully engaged, the central bank has to deliver more money, faster and stronger; but if the system is "sleepy", the central bank has to deliver less money, more slowly and under friendlier terms.

In the same way, the immune system in the body is like the state in the economic system. The state creates the regulations, has the armies, and builds the institutional tools to identify, remove, and discourage all the actions that can be harmful to the system, whether they are from inside or outside the system. When some “illness” creates real damage in the system, the state (in this case the immune system) takes all the resources it can from the system to neutralize the causes of the illness. In the same way, in an economic crisis, for example, the state has to be more active. In contrast, when the system is healthy the state only has to be aware and regulate a small number of activities. In other words, when the system has a healthy growth and development, the state intervention has to be minimal. However, if the system is in crisis, it has to intervene more.

Financialization process starts with some vehicles (HIV) such as mainstream colleges and institutions that spread mainstream economic theories. Specifically neoliberalism is like the DNA information that is inside the HIV. In the same way that the DNA inside HIV reprogram otherwise healthy cells so that they now fight against the health of the body, since the 1980´s, neoliberalism inside some mainstream institutions has instructed the system to behave in a very unnatural and strange way:

First, the new information says that the immune system (the state) has to be minimal at all times (even during crises, even when the diseases become a real threat to the system).

A second thing that the new information says is that a lot of organs can become hearts. So now the quantity of money (the blood) in the economic system, its speed, and strength are not set by the Central Bank (the original hearth) depending on the levels of activity inside the system. Now they are determined by a lot of secondary private banks (secondary hearths), more powerful than the original centralized one, which can reproduce money by themselves, so the quantity, strength and speed of money depend on the will of each private bank. Every private bank can create and reproduce money on its own as if it were an independent system.

Third, the new information that neoliberalism states is that the system has to be wide open to the external impacts because all of them are going to be helpful (the theory of free trade agreements). This approach assumes that they are not negative external impacts.

Finally, the new information says that other organs from inside and outside the system should be in charge of the immune system. In other words, it says that agents from inside and outside the country, those that have particular interests other than to protect the system, have to be in charge of the state (the theory of privatization and minimal state).

As well as the DNA information inside HIV destroys the body´s protection cells; these four new rules make weaker the economic protection system inside the countries. In this weaker context, financialization develops freely and stronger.

This information allows two processes into the system: the first one is that private agents can now create great amounts of money (Over-issuance of money that creates the demand). The second one is that all the productive resources of the system turn into speculative securities (securitization process that create the supply). Now great amounts of money are invested in the new speculative system empowered by a growing amount of securities for speculation. As the information inside HIV turns all the organs of the human body into virus factories, neoliberalism inside mainstream schools turns all the economic resources into securities to fuel speculation. All the resources of the economy are becoming speculation factories.

Speculation doesn´t create products, services, jobs or wealth. Furthermore, when all the economic resources are captured by speculation process, the supply of products and services decrease, unemployment increases and wealth becomes a luxury outcome.

Viral diseases use the body's inner workings to reproduce themselves. In the same way, financialization cannot reproduce itself without the help of the state and the resources of the entire economic system. A minimal State is easy to capture by private speculation interests. Then, these interests can create new regulations for their selves; can use public and private resources to create money, and can ensure that the economy provide securities to speculate on. But the financialization process is like AIDS and not like other kinds of viral diseases because two main reasons.

The first reason is that, like AIDS, financialization has a passive time between when it enters the system and is identified by the system. Actually, the economic system has some symptoms of financialization such as state capture by private interests, speculative bubbles in the stock markets that end in crises, lack of accountability systems in the countries, growing inequality, and general distrust of democracy (such as the people believe that corporations have more power than the people), among others. In fact, some researchers have started to say that we are confronting a new rare economic disease called financialization, but they are to few, so by the time everybody identifies the real disease, it could be too late for the economic system, as we know it.

Second, like AIDS, financialization attacks the immune system (the state) to grow itself. This is why it is so dangerous. The whole neoliberal theory has a vast focus on minimizing and destroying the mechanism that the state has to protect the economic system. Deregulation, privatization, and liberalization, among others, are principles of the same ideology that aims to minimize the mechanisms of protection that the economic system has. With a weaker state, financialization and its promoters achieve, over time, a better capacity to capture the state, which allows the financialization process to grow faster and stronger.

Conclusion: Preventing crisis (or death) in the economic system

Just as good doctors should make accurate diagnosis in order to treat their patients successfully, good economists should identify and differentiate between the disease, the causes of the disease, and the symptoms of the disease.

In this sense, bankruptcy, or losses in the exchange markets are just the symptoms that something bad is happening inside the system. They are not the causes of the illness or the illness itself. This is why economists that propose assisting American and European banks and insurance companies in the current crisis as a way to solve the problems are not solving the problem. They are just treating the symptoms. In addition, the economists that claim to improve the financial regulations are solving a consequence of the problem, which is the weakness of the state, but the main problem, and the causes of the problem remains unsolved.

Through the analogy of AIDS, we can identify and differentiate these issues. According to our analogy, the problem is the AIDS disease, the causes of the problem are HIV and the DNA information that is inside the HIV, and the symptoms of the problem are the bad feelings and other diseases that attack the body when AIDS finally spreads inside the human body. In the same way, for the economic system the problem is financialization, the causes of the problem are mainstream economics and neoliberalism, and the symptoms of the problem are bankruptcies and losses in the financial system (See Table 1).

Table 1. Elements in the analogy between Financialization and AIDS

Part of the economic System	Parallel part in the human body	Function
Neoliberalism	Information into DNA HIV	The information that makes the system behave against itself
World Bank, IMF, universities, think tanks and other academic institutions that spread mainstream economic thinking	HIV	The vehicles to transport the harmful information. They can identify the parts that protect the system and attach to them to spread the harmful information.
Financialization: Securitization and over-issuance of money	AIDS	The disease itself. The system doesn´t have a strong protection system, and the resources of the system have become illness factories.
Crises: Bankruptcies, rise of inequality, unemployment, loses in the exchange markets.	Symptoms of AIDS	They appear after years of self-destruction. The system begins to break down frequently and each time happens sooner and is worse than the last.

Today, there is no cure for the AIDS disease, but there are a lot of treatments that can improve a patient's years and quality of life. Drugs to treat AIDS today are focusing on improving the immune system so that the body can create enough erythrocytes to replace those that are creating more viruses. Hence, the body can have some portion of cells focus only on protecting the body.

This treatment, however, doesn´t solve the problem or the causes of the problem, but it does allow people who have the disease to live longer and better. In terms of the economic systems, this treatment is the same as improving the size of the state, its regulations, and accountability systems. With this treatment, some portion of the state focuses on discouraging securitization, over-issuance of money, and speculation. The bigger the portion of the state doing this, the better.

Other experimental treatments focus on preventing HIV information from attaching to our DNA information inside the cells because even if this happens, the HIV can be in our system and attach inside our erythrocytes cells, but the harmful information will still not be able to change our cells´ behavior. In the same way, mainstream think tanks and colleges can be in our economic system, but we can prevent neoliberalism from changing the behavior of the state. Preventing this can be done by recognizing that neoliberalism and mainstream economics have been very harmful for our system. Such recognition can help the state and the citizens to be aware that this kind of thinking doesn´t dictates the behavior of our state, our regulations, and our public policies. Today some organization and movements such as IDEAs, INET, WEA, and the CAPORDE-like programs are making a difference, but they are also experimental movements that are not spread throughout the economic system to any significant degree.

One of the main problems of the solutions described above is that HIV and harmful DNA information is still in the human body. Viruses have the capacity to mutate fast. They change with time and learn how to skip over our protection tools. Mutant viruses are able to dress up and cheat the immune system, so the immune system doesn´t recognize the virus and lets him deliver the harmful information into our protection cells. In the same way, neoliberal ideology and mainstream economics change the way that they call things and change their strategy to cheat the state and the citizens by using different names and strategies to sell the same ideology and practices. Public–Private Partnerships, Social Capital, Governance, Investment Safety, among others, are new names designed to minimize the role of the state and control it in order to empower financialization.

A more effective solution is to prevent financialization itself by discouraging money over-issuance and securitization. According to Adam Smith: “When, partly by the convenience of discount bills, and partly by that cash accounts, the creditable traders of any country can be dispensed from the necessity of keeping any part of their stock by them unemployed, and in ready money, for answering occasional demands, they can reasonable expect no farther assistance from hanks and bankers, who, when they have gone thus far, cannot consistently with its own interest, advance to a trader the whole, or even the greater part of the circulating capital with which he trades; because, though that capital is continually returning to him in the shape of money, and going from him in the same shape, yet the whole of the returns is too distant from the whole of the outgoings, and the sum of his repayments could not equal the sum of his advances within such moderate periods of time as suit the convenience of a bank." (Smith, 2005: 249).

In this sense, Smith was against the over-issuance of money by private banks and the oversupply of money from private banks to traders, no matter the success of the projects they had, and he was also against the state assisting the private banks if they fell into bankruptcy in the event that, "they have gone thus far." In conclusion, from the most classical economic point of view, it is very important that the amount of money in the market can be easily "absorbed and employed." This means that the amount of money has to be a function of the real production. This also means that the role of the state to discourage the oversupply of money and the overexpansion of the capital markets is vital in order to achieve economic stability.

These two basic things in economics are not a component of our economic thinking today. Mainstream think tanks and neoliberal ideology are the virus and the harmful information that successfully make our states behave against our system, creating growing and frequently waves of crises. The name of this disease is financialization, the AIDS of the economic system.

Bibliographic References

Assa, 2012. Financialization and its consequences: The OECD experience. New School for Social Research. 5 p.

Banco Central do Brasil (2013). Economic Indicators. In: http://www.bcb.gov.br/?INDICATORS. Last seeing at 8 of August of 2013.

Boehringer Ingelheim, 2013. HIV Replication. In: http://www.youtube.com/watch?v=nr0whXiYCBM. Last seeing at 5 of August of 2013.

Central Bank of the Republic of China (2013). Financial Statistics Monthly, Republic of China. In: http://www.cbc.gov.tw/ct.asp?xItem=1059&ctNode=535&mp=2. Last seeing at 8 of August of 2013.

Crotty, 2009. Structural causes of the global financial crises: a critical assessment of the new financial architecture. Cambridge Journal of Economics. 33, 563 – 580. Oxford University Press.

ECB, 2013. Monetary Statistics. Euro Area Statistics. In: https://stats.ecb.europa.eu/stats/download/bsi_tab02_03/bsi_tab02_03/bsi_tab02_03.pdf. Last seeing at 8 of August of 2013.

Federal Reserve Statistical Release (2013). Money Stock Measures. In: http://www.federalreserve.gov/releases/h6/current/h6.htm. Last seeing at 8 of August of 2013.

Krippner; 2005. The financialization of the American Economy. In: Socio-Economic Review. 173 – 208. 36 p

Klein, Hurley and Merrill, et al; 2003. Review of Medical Encounters in the 5 Years Before a Diagnosis of HIV-1 Infection: Implications for Early Detection. JAIDS Journal of Acquired Immune Deficiency Syndromes. 1 February 2003. Volume 32. Issue 2. Pp 143-152.

Lallemand, 2012. Finance Watch: Investing not betting, making financial markets serve society. A position paper on MiFID 2/MiFIR. April 2012. 67 p.

Nadal, 2013. Alejandro Nadal: los bancos crean dinero de la nada. 15 Mbcn.tv In: http://www.youtube.com/watch?v=Qnjm3trrf04. Last seeing at 8 of August of 2013.

NPR, 2013. Flu Attack! How a virus invades your body. In: http://www.youtube.com/watch?v=Rpj0emEGShQ. Last seeing at 5 of August of 2013.

Reserve Bank of India (2013). RBI Bulletin. In: http://www.rbi.org.in/scripts/BS_ViewBulletin.aspx. Last seeing at 8 of August of 2013.

Seeman, 2003. Feature DNA in a material world. Nature: International weekly Journal of Science. *Nature* **421**, 427-431. 23 January 2003.

Sen, 2013. Why China is ahead of India? In: http://live.worldbank.org/china-ahead-india-amartya-sen. 20 of June 2013. Washington D.C. The World Bank Group.

Smith, 2005. An inquiry into the nature and causes of the wealth of nations. Electronic Classic Series Publication. Pennsylvania State University. Jim Manis (Ed). In: www2.hn.psu.edu/faculty/jmanis/adam-smith/wealth-nations.pdf. Last review: 6 of August 2013.

Stiglitz, 2012. Joseph Stiglitz explains the price of Inequality. The Leonard Lopate Show. In: http://www.wnyc.org/shows/lopate/2012/jun/06/joseph-stiglitz-explains-price-inequality/.
WNYC. BBC World Service. Last Review: 9 of August of 2013