

Financialization

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AirBnB, Amazon, Booking, Uber, Google, Deliveroo; the list goes on of multinationals that are a middleman collecting fees from the seller and the consumer. In tourism I have seen how Airbnb and Booking.com have captured the advertising market through search engines such as Google. There has always been an advertising market but in the past it was more fragmented and most smaller businesses could manage on a modest advertising budget to market their product. It is a necessary added cost that must be picked up by someone but needs to be managed.

The other aspect of this platform oligopoly is that products and services become commoditized and there is pressure to compete on price. Clearly competition is good but when something becomes commoditised there is a danger that service and product suppliers are driven to cut costs with wages driven down and in some cases the quality is sacrificed.

These platforms are evidence of further financialization of our economies as money is hoovered up by these global players. New entrants are forced to join these platforms and therefore subjected to their algorithmic management of marketing and pricing. Airbnb and Booking have flexible pricing strategy to maximise revenue from the supply and demand curve. Whilst a restaurant or accommodation supplier may need a certain price to be profitable they are encouraged to fit the aims of the platforms that are only concerned with maximising commission from sales.

We have all seen push back against Uber in large metropolitan areas where traditional licenced taxis have been undercut by the Uber App. I am not defending the licenced cabs because they had their own problems with plates trading and a 'closed shop' mentality preventing new entrants. However, Uber and others have commoditised this service to the point where price matters and many drivers struggle to make a decent living.

Financialization of commodities such as oil, steel, corn, copper etc has been with us for decades but in many cases there is no added value and it becomes a casino for speculators to skim. I recall as a merchant navy officer in the late 1970s having to 'slow steam' off the North West of Africa to delay delivery of about a million barrels of crude oil to allow the Rotterdam spot price to rise. Clearly this has been happening with all sorts of commodities and farmers are always calculating what is most profitable to plant and when to harvest for maximum profits. However, modern algorithmic trading allows derivatives and other financial products to skew the market and skim value from the traded commodity with no extra input in either production, transport or retail operation.

Our whole world is gradually becoming centralised and commoditized to the point where society can be manipulated for profit by the few global elites. This could not have happened if we had kept to sound money. Ever since Kings and despots clipped coins to fight wars or win favours, debasement of our money has lead to failure. This financialization will stop and be reversed when the fiat debt system collapses. We need not go back to the dark ages but rather a decentralised economic model where growth is bottom up rather than top down and communities get fair reward for their work and input to the overall system.

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