

200 YEARS of MARX

# CAPITALISM IN DECLINE

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International Crisis Observatory

## **IN MEMORY OF**

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founders and eminent leaders of  
the World Forum for Alternatives  
founded in 1996**

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# Introduction

## The central problem of capitalism today

It is a well-known fact that all human production is part of a process of social relations of production that are neither permanent nor static. Throughout history they are subject to quantitative changes and qualitative transformations which, in a market economy, they acquire monetary expression. Within monetary relations, however, a distinction can be made between commercial and non-commercial relations. Not all production is distributed as a commodity, since there is non-market distribution via the State, for example. In a market economy, these monetized and non-commercially distributed products and services are accounted for at the national level. Even in times of capitalism there is non-monetary production such as for self-consumption. This kind of production is neither commercial nor monetary. The family production of products and services for its own consumption, since it is not monetized, is not included in national accounts and does not even exist as work from the point of view of capital.

Social wealth, in an economy based on monetary relations, is limited to what is accountable. Social wealth, in an economy based on monetary relations, is only considered when it is part of national accounting, and anything that cannot be included in national accounts does not exist as social wealth. Thus, nature and work for self-consumption or domestic use, and with it a non-negligible part of actual social wealth, is not considered as



wealth. However, when viewed in terms of their monetary form or relationship, this wealth is not accounted for. This fact demonstrates that for capital wealth only exists when it forms part of the capitalist appropriation process, thus laying the basis for capital's contempt for unpaid labor, even though that work is essential to the logic of the reproduction of the work-force and therefore to the reproduction of capital. It also shows that there is a space where work is not organized or directly subordinated to capital.

Nature, from the point of view of content, is wealth, but not from the point of view of dominant social forms or relations, in other words for capital, hence its blindness and lack of responsibility for the ecosphere. The shortening of the useful life of consumer goods in general, through obsolescence programmed by capital, implies sacrificing natural wealth to artificially impose the generation of *exchange-values* at an ever increasing speed. This process accelerates capital turnover times in order to boost the process of accumulation, but it does so at the cost of "artificially shortening" the useful life of *use-values* and natural wealth in general. This implies a specific and progressive subordination of *use-value* to *exchange-value*, which sooner or later will find its limit in the reproduction of nature, its reproduction time and its reproduction in general. Individual capital determining that *use-value* exists when it is proven to have *exchange-value*, whatever its content, constitutes the clearest expression of this subordination. Thereafter, needs are defined by capital, no longer by the individual subject and even less by the collective one, taking the fetishism of merchandise to the extreme.

In order to survive in the competitive struggle, individual capital increasingly shortens the useful life

of its means of production or fixed capital (machinery, buildings, etc.), in order to acquire state-of-the-art technology that allows it to obtain extraordinary added value in comparison to its competitors. The generalization of this practice leads to the costs of Research and Development (R&D) outstripping the labor savings that are made possible by the use of such technology, setting an increasingly irreversible downward trend in the rate of profit. This development of productive forces, in other words, clashes with the same relations of production and shows that they cannot be eternal, opening the way to crises and cracks through which other social formations emerge and manifest themselves and though not yet definitive are clearly in structural conflict with capitalism.

Two hundred years after the birth of Marx, in this book we address the contradictions and economic and political implications of the rationality of the capitalist mode at this time in history, which is increasingly inadequate in terms of social relations, since it can no longer accommodate a growing workforce, in terms of relations with nature since it can no longer guarantee its reproduction, and in terms of the crises, which are structural in character and of increasing dimensions, that it unleashes within itself. This forces us to define the concepts of productive and unproductive labor from two possible angles: that of the dominant social form or capitalist relationship and that of its content. Productive labor specific to the capitalist mode of production is work that produces *surplus value*. For Marx, the concept of productive labor for capital, that is, productive work from the perspective of its *form*, is a historically specific concept. Capitalist relations require productive labor for capital to be distinguished from productive work in general. This is a subject that Marx addresses in the unpublished 'Chapter VI' of *Capital* and

which belongs in its logic to the first volume, in which he carries out his analysis without making a distinction between the angle of individual capital and that of capital in its totality.

The conceptualization of productive labor in terms of its combined form and content is better elaborated in the second and third volumes of *Capital*, and even more so in *Theories of Surplus Value*. Productive work from the point of view of content ignores the current social relationship. The content deals with productive work for any comparative study of societies. Productive work, without reference to the social relations of production, is work that creates material or spiritual wealth, that is to say, work that generates *use-values*. In terms of content, productive work generates not only tangible wealth but also many services. For Marx it is wrong to conceive of services in general as unproductive, as Adam Smith did in his work on *The Wealth of Nations*.

Mercantile and monetary relations are social relations that constitute a fundamental basis for the functioning of capitalism. The distinction between work and production, and work in relation to circulation, is not clear-cut in the day-to-day activity of commerce. Strictly speaking, marketing refers to the formal transfer of goods. The notarial activity that transfers the title of ownership of merchandise (real estate) is a formal transfer that does not increase wealth by a single atom, no matter how many times the property is transferred in a particular period. This does not preclude a division of labor between the two activities of circulation and production usually increasing the turnover or speed of capital reproduction in favor of capital accumulation as a whole. However, sheltering capital in the sphere of circulation, such as speculation in real estate or assets (stocks, bonds) for example, may

enrich its intermediaries, but will lead to a more limited reproduction of capital as a whole.

From the standpoint of individual capital, profits generated by production and profits generated in the field of so-called *circulation* are equally productive. This leads Marx to identify unproductive work at the level of the whole, which is at once productive if viewed from the perspective of individual capital. Circulation is an unproductive activity from the point of view of content, since it does not create any *use-value* or social wealth and is therefore unproductive work from the point of view of capital at the level of the whole. Mercantile relations (the act of buying and selling) and monetary relations (the act of lending and borrowing money) in themselves, and the work they imply, for Marx do not create any use value or wealth, therefore they cannot generate surplus value either. The income and profits they generate are the product of wealth distribution produced within society, that is to say, a redistribution of surplus value between the productive sector, where it is generated, and commercial capital and interest capital in the form of a commercial gain and an interest rate.

From the point of view of individual capital, however, all gainful labor is productive, regardless of its content or the kind of work. Insurance against fire, devaluation or bankruptcy, etc. and various forms of reinsurance (such as derivatives) represent nothing more than a redistribution or socialization of losses at the global social level. What at the level of individual capital in this sphere can be a considerable source of profit, at the total level of accumulation turns out to be merely a redistribution of losses. The function of this redistribution is to alleviate disasters, thereby indirectly dampening limited reproduction. Sheltering capital in the domain of

redistribution opens the doors to speculation on losses or bankruptcies, thus encouraging the concentration of wealth in fewer hands and, at the same time, provoking a limited reproduction of capital as a whole.

Two hundred years on from Marx, productive labor from the perspective of individual capital continues to be the engine of economic rationale and entails maximizing the profit rate at the private level. The downward trend in the rate of profit in the productive sphere means that capital is seeking to achieve this while engaging less and less productive labor and, therefore, without creating *value*. The sum total of the growing wealth accumulated privately is increasingly devoid of substance, therefore increasingly fictitious, and results in a loss of wealth at the level of the whole, in other words leads to limited reproduction. What seems to be increasingly rational from the point of view of private interests is increasingly irrational at the level of the whole and thus illustrates the senile phase of capitalism (Amin, 2003).

The contradiction of maximizing profits at the private level with the increasing loss of vitality in the reproduction of capital at the level of the whole, not only occurs every time more capital is invested in unproductive sectors, but even more so when capital tries to accumulate without the labor factor. Interest-bearing capital that seeks to participate in capital gains created at the level of the real economy by lending money in exchange for more money does not directly generate wealth, although it may indirectly increase the process of capital reproduction extended to the level of totality by allowing productive capital to increase its turnover and magnitude. This makes it an indirectly productive activity or work.

However, when capital takes refuge in this sphere in order to obtain profits, becoming less and less linked to the

productive sphere, it takes on a parasitic and speculative character, its profits are fictitious, and the accumulation of capital becomes fictitious. The development of fictitious capital in turn leads to the limited reproduction of capital at the level of the whole, and accumulation at the individual level increasingly means a concentration of wealth in fewer hands, in the hands of a small minority. National accounts that account fictitious profits as real profit represent fictitious wealth and not real growth.

Faced with the downward trend in the rate of profit in the productive sphere, capital shows a growing resistance to returning to the real or productive economy. The increasing difficulty of return to the productive sphere often occurs when the cost of technological innovation and development (R&D) no longer offsets the savings in labor costs when the new technology is applied in the productive sphere. With the increasing difficulty of raising the rate of profit, capital flight to countries with lower labor costs was a way out for productive capital. But not all capital can participate in this process of globalization like Uber, Amazon.com, Facebook, etc. Others cannot even move beyond the scale of the nation-state with the same ease, like construction for example. Some capital did develop on a continental scale (European Union, NAFTA, etc.) in an earlier period, but now is increasingly unable to make progress, and others continue to operate as capital just on a national/local scale, such as President Trump and his investments.

We are beginning to see unequal growth of different types of capital, benefiting those who can operate on a global scale. These so-called Globalists are actually more interested in the appropriation of existing social wealth rather than in promoting the extended reproduction of capital at the level of the whole. Moreover, the very

development of globalization (global capital) also created conditions for the rise of a multipolar project, bringing together countries and regions that could become a new emerging social formation, with China and Russia as the main but not the only driving forces, and that proportionally do direct their investments more towards the expanded reproduction of social wealth at the level of the whole, especially with their world project of the New Silk Road (OBOR or BRI).

The general thesis of our work is that this Great Emerging Social Formation could well reconnect investment with the creation of social wealth in terms of content, since we observe that its development is necessarily connected. Therefore, it can, and will have to, subordinate and/or renounce the logic of capital accumulation. The decisive possibility that opens up is that the creation of social wealth, from then on, would not happen with a view to accumulating more and more value in order to survive but to define *use-values* that meet the real needs of a Collective Subject, and no longer the private needs of capital.

# Chapter 1

## The limits of productivity

In order to grow continuously, capitalism also needs continuously to develop productivity and therefore its productive forces, which has historically given rise to technological development that has led from manufacturing to mechanization, from there to automation and finally to the robotization of production processes. This means that capitalist development implies a trend towards greater use of (and innovation in) capital-intensive technologies, which entails less use of labor force per unit of capital invested. In other words, capitalism has a tendency to reduce labor in production processes. This also leads to a permanent restructuring of the career paths and skills of the workforce in line with technological development. What is decisive is that this circumstance implies a chronic process of *over-accumulation* of invested capital per unit of value generated. This means that as the greater weighting of fixed capital (machinery) relative to variable capital (human beings) increases the *organic composition of capital*, labor productivity can increase, but less value (and therefore profit) is generated in proportion. That is to say, the relative reduction of the labor force in a given production process also reduces the mass of value that it represents (in terms of *surplus value*, because it is only extracted from human beings), leaving less and less room for productivity gains to have an impact on the increase in



the rate of surplus value.<sup>1</sup> As a result, the upward race for productivity in order to obtain extraordinary profits, which is the basic objective of capitalist investment, finds the way increasingly obstructed. In other words, there comes a time when the paths of productivity and profit cease to run parallel and may even contradict each other.

As automation of the productive processes means that the amount of labor time invested in each product will be lower, the productivity of each worker must increase (he must 'make' more products or services in the same unit of time) so that the total realizable profit does not decrease i.e., if currently merchandise is turned out with one tenth of the value it had a decade ago, then ten times more items of that merchandise need to be made and sold in order not to lose the surplus value previously generated and so the possibility of capitalist profit. This leads to the paradox that the more the productivity of the productive forces increases, the more it needs to increase its sales in order to try to maintain the rate of profit. Thus, if productivity

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1 In order to increase the absolute surplus value (more abstract human labor working hours dedicated to production) it is necessary to incorporate more hired human labor or to lengthen the working hours of already hired labor (but the latter has clear physiological and natural limits, as well as political ones-class struggles). In order to increase the surplus value in a relative way, the productivity and thus the efficiency of the hired labor needs to be increased. Productivity, then, saves human labor, resulting in a flagrant contradiction: it tends to reduce value. Although fundamental, this is not the only cause of periodic crises, since in the capitalist economy the negative influence of technical change on profitability is always combined, to a greater or lesser extent, with difficulties of realization caused by competition and the anarchic growth of production, which can give rise to imbalances between branches and overproduction, among other deficiencies. However, over-accumulation is ultimately the chronic disease of capitalism, from which it cannot escape, and which in the end will determine its structural tendency not only to enter into crisis but also to decline.

grows by five per cent, for example, accumulation must grow at the same level in order to maintain employment (and therefore the possibilities of surplus value). In order to do this, however, *consumption must also increase exponentially in order to adapt to productivity increases and parallel increases in production.*

Capitalism, therefore, must maintain a continuous expansion of consumption on a planetary scale as we observe with the process of globalization. The World Bank's struggle against poverty, with the incorporation of self-supporting peasants into the market economy, proposes increased sales of cell phones, for example, and other global products and services. This forces capital to achieve a consumerist drive. This applies not just in middle class segments with a certain purchasing power but even includes the poor. With globalization, a permanent struggle between capitals to expand the market and appropriate a greater share of it becomes harder.

With the current scientific-technical revolution applied to production (Richta, 1969), the socially necessary work time of labor is reduced to the limit, so that immediate human work is less and less related to the production of wealth, and with it there is a growing loss of value in the new forces that stimulate production and generate material and immaterial wealth. The value becomes more anachronistic in terms of the potential production of wealth and therefore of the productive forces to which it gives rise (Postone, 2006: 270). We can already begin to gauge the enormous consequences of this in a mode of production based precisely on the production of value (abstract wealth) rather than on that of material and social wealth or *use-values*. The social relations of capitalist production lose their rationale or *raison d'être* and are increasingly becoming a hindrance to human progress.

In the worsening of this internal limit, capitalist competition itself intervenes. The historical process of technification involves a scaling up of the battle over R&D, which is becoming more and more onerous, given that rapid technological expiration does not allow the satisfactory amortization of the capital invested.

In order to survive in the competition, companies shorten the average useful life of the fixed capital (essentially buildings and machinery) they use in order to obtain the latest technology. The above-mentioned trend has given an enormous boost to post-war productive capital and technological inventions. However, in the late 1960s and early 1970s, technological substitution reached the limit of what was possible to increase the rate of profit in the central social formations of the capitalist world system. Since then, the average useful life of fixed capital has greatly decreased. As the socially necessary time of production is reduced, a lower value is transferred to the product or service through technology, and which is normally also expressed in lower production costs and therefore in greater “competitiveness”. This reaches a point where it does not compensate for the reduction in labor costs that occurs when using this new technology. The enormous speed of technological replacement becomes a hindrance to increasing the rate of profit: it does not give time to amortize the investment in new machinery. Current production relations become obsolete. Out of these processes a trend emerges that is increasingly difficult to conceal, and which sets the internal limit of capitalist development: *the fall in the average rate of profit*. This is at the root of its recurrent crises. It has been said that capitalism is the only society that enters into crisis due to abundance

rather than scarcity).<sup>2</sup> Great depressions begin when a sustained decrease in the profit rate takes place. That is, when the total mass of value produced is less in relation to

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2 The downward trend in the rate of profit has, however, been historically countered by various mechanisms: lowering the cost of constant capital, foreign investment to expand markets, as well as different movements of capital (for example, spatial displacement, consisting of investment in places where there has not yet been an over-accumulation of capital, usually the peripheral formations of the System).

The countertrend has also been the result of what has just been pointed out in the text: the shortening of the speed of capital rotation, as well as the conquest of market shares (displacing or eliminating competition), which results in bankruptcies, takeovers and, sometimes, mergers of companies. These processes result, among other things, in a generalized loss of competition from medium and small capital and a struggle in which there are losers even among the big ones. This translates into an increasing and enormous concentration of capital (which can set monopoly prices above the value of goods).

The downward trend in the rate of profit also has a historical counterpart in the increase in the rate of exploitation of the labor force. Today, the trend towards a smaller employed labor force as a proportion of the total labor force is more likely to lead to an extensive and intensive increase in labor exploitation in an attempt to compensate for the loss of sources of surplus value (human beings) in production processes. We will look at this a bit later on.

Nor must we forget a drastic last-minute solution to prevent over-accumulation: the devaluation of capital through its mass destruction. This is the territory of war, to which we will also return later.

So many countertrend mechanisms have cast doubt on the real existence of this tendency, including for many self-styled Marxist authors. Nevertheless, this whole set of processes partially counteracted the fall in the mass of profit. They did not reverse the trend (see a clear illustration of this in Maito, 2013, one of the graphs of which we have incorporated below); it finally manifests itself strongly in the face of the development of productive forces and especially the current scientific-technical revolution. The seriousness of the present moment, moreover, is that all the countertrend measures, which cannot act indefinitely, are reaching their limits, as we will see in this book. This is logical if we bear in mind that *the scarcity of value tends to become greater as each economic cycle closes out with an increasing level of productivity.*

the total capital put into play. The mass of profit, at its core, translates a crisis of value as *surplus value*, the pursuit of which is the *raison d'être* of the capitalist economy.

*Capital is indifferent to the value of the goods it produces. What is of interest is merely the surplus value of which value is a carrier, and only as long as it is possible to realize it as profit. Moreover, as surplus value grows with the increase in labor productivity, value decreases due to the same shift, giving rise to a process that diminishes the value of goods and increases the surplus value it contains.*

(Marx, 1978a: 275-276).

The total value decreases with increasing productivity as the socially necessary production time decreases. However, this does not concern individual capitalists as long as they can generate fewer portions of value but share more surplus value. *The problem for capital in general is that the tendency of value (socially necessary time) to go down can only be countered to a certain extent by increasing surplus value (surplus time, which each worker uses only for the benefit of capital), as there is less and less human labor involved. As machines replace human labor, in the end there is simply no surplus work left.* From this basic contradiction come the evils of the capitalist economy and its recurring crises.

So far individual capitalists have circumvented this problem fundamentally by producing more goods. Although they each contain less value (less socially necessary abstract human labor time), the increase in number (with increased productivity) more than compensates for this loss of value. In addition, they can lower the price and thus displace the competition. In other words, the loss of value associated with productivity has so far been resolved by selling more cheap goods. It requires

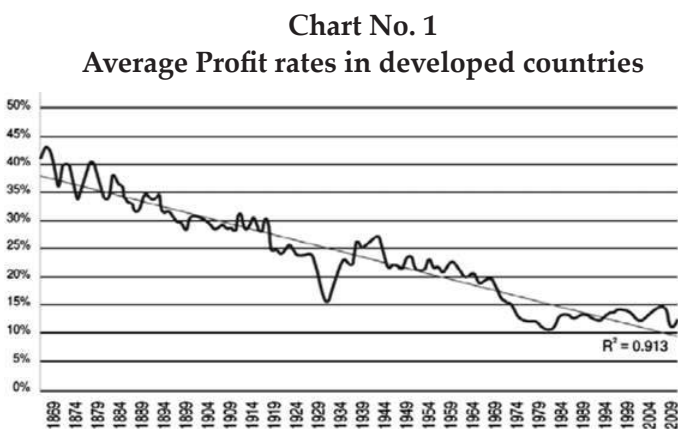
permanently expanding the market (although with fewer competitors), requiring both a certain “socialization” of the purchasing power of the population and the consequent establishment of *society* (of certain types of stable - or if you prefer Baumanian language, “solid” - societies). This is what Fordism achieved for a brief period. But this solution only works as long as investment in the development of new products and for expansion sufficiently exceed investment in the development of new processes (Kurz, 2009:40). The only condition for this is that the increase in productivity (with the consequent trend towards a decrease in employment and value) will be less than the expansion of internal and external markets that it makes possible.

At a certain level of technological development, the expansion of the market created new possibilities for the incorporation of the workforce into production processes, thus once again guaranteeing the reproduction of value once, in what appeared to be an indestructible virtuous cycle. However, once the development of the productive forces has exceeded a certain limit, with the current scientific-technical revolution, the workforce reductions exceed the possibilities of capital expansion (which should produce and sell goods tending to infinity as the value tends to zero) (Piqueras, 2017a). “Faced with relatively saturated markets, new advances in productivity growth have the opposite effect, that is, they outstrip the expansion of labor and commodities markets that they made possible (Kurz, 2009: 41). Today the market has already become global and cannot expand even at the rate at which productivity increases with the automation of production processes. As the *organic composition of capital* (fixed capital or machines over variable capital or human beings) increases exponentially, even possible new market expansions do not entail a parallel incorporation of labor,

given the very high levels of productivity achieved. That is to say, the rate of growth of productive labor from the point of view of capital appreciation does not match the level of productivity growth. The rate of profit (necessarily linked to the amount of value incorporated in each production process) decreases at such a rate that it drags the mass of global profit down with it (the global mass of value begins to decline). Furthermore, if this leaves more of the population without employment, and therefore with a marked tendency towards impoverishment, as we shall see below, it will be more difficult even to expand the market at all.

The frenetic pace of today's capitalist technological competition ends the cycle by making the rate of decline of the mass of value greater.

Below is a graphical representation of the evolution of the average rate of profit for the central formations.



Source: Maito (2013)

Globalization and its dynamics of corporate delocalization, as well as the neoliberal political-economic offensive, were neither natural nor casual processes, but

rather the forced result intended to compensate, for a time, for the fall in the rate of profit in the central economies of the capitalist system. First by investing capital in peripheral economies (better known as the “Third World”) where the process of over-accumulation had not yet taken place and where more *live labor* could still be incorporated for the extraction of surplus value (thus relaunching an extensive accumulation of capital), and at the same time expanding the market, the speed of capital rotation and shortening product life. Secondly, by increasing exploitation of the workforce and reducing redistribution of the (diminishing) profits generated to the population as a whole. New spaces have been created to enhance the value of the common good and human activities to preserve life (i.e., all the *social wealth* that was left outside the market; this also implies the creation of a new extensive accumulation of capital at home). All this also implies intensifying the reduction in the price of nature as a source of energy and resources (accentuation of fossilism). The combination of all these processes has provided extra time for capitalism. Capitalism has bought some time since the 1970s (Streeck, 2014), but in the end, one after another, these processes are proving to be wearing out their capacity to continue compensating for the tendency of the profit rate to fall: over-accumulation also reaches the peripheral economies, converted by the massive global investment of foreign transnational capital into “emerging” economies, faster than desired. It is increasingly difficult to reinvest massively in other peripheries as less *value* is produced to do so. The speed and scale at which the market reproduces cannot counteract the density and complexity of the fall in *value*. The increase in exploitation aimed at increasing surplus value reaches a point at which, as we have seen, it does not compensate for the fall in value. The impoverishment



of society contradicts capitalist realization (or the sale of what is produced). As for the commodification of the activities that sustain life and social wealth in general, most of its sole purpose is to appropriate portions of the value already generated, rather than create *new value*. Therefore, the ecological limits inherent in all these dynamics are rendered unmistakable. That is why it is important to bear in mind that it is the “internal” limit of capital that leads the system to its “external” or ecological limit.

## Chapter 2

# The increase of unproductive labor in terms of content and form

There is endless controversy over the concepts of "productive labor" and "unproductive work", even among us. We summarize by saying that any work activity was considered by Marx as productive or non-productive because of its content (substantially) or its form (formally). The latter is related to value as surplus value. Productive work in terms of form is viewed from the perspective of individual capital and is understood as all work that generates surplus value, and only that which generates surplus value, in any sector of the economy (for example, weapons of mass destruction would be "productive", as would the purchase and resale of a house). Productive work in terms of its content creates or adds use-value in the production of goods and services in the strict sphere of production, but not in those activities that take place in the process of circulation (commerce and banking) and social reproduction.

The act of selling and buying is an unproductive one as it does not add value. It just forms part of the circulation process of capital. If the act of lending money leads to production in the next production cycle, it contributes indirectly to capital expansion. Specialized intermediary services in selling houses make it possible to shorten the reproduction cycle of capital and contribute in this way to capital accumulation. On the other hand, property

speculation with borrowed capital does not create any new use-value. This use of capital is unproductive and called fictitious capital. The production of arms is unproductive because they do not favor the expansion cycle of capital and because they are not used in the next (re)production cycle. The only thing that is difficult to ascertain is where to draw the line in relation to what is considered an "indirect contribution" to productive work. In short, in terms of its content or substance, productive work is related to the creation of new collective wealth, and unproductive work to its redistribution. That it is "unproductive" does not mean that it is unnecessary - far from it. But if in the economy unproductive work predominates over productive work and if, besides, work that is productive in terms of its form predominates over work that is productive by its content, then profits will be possible only at the level of some individual capital. This will immediately hamper the collective dynamics of capital accumulation and widen inequality.

Substantial productive efficiency on a collective scale is what marks the *vitality* of the economy as a whole, while the prevalence of production only by form and unproductive by content, implies the *morbidity* of the economy. Thus, what so often is called "rational" from the perspective of private neoliberal interests, in reality is "irrational" or inefficient from the perspective of the economy and capital as a whole. The sum of individual interests, far from leading to the "common good", just annihilates it (Dierckxsens, 1998; Carcanholo, 2015). Little by little, these processes are leading inexorably to a general crisis and even the decay of capital.

**Destructive consumption of means of consumption and productivity by content**

As moral and physical wear and tear on *use-values* increases, the *use-values'* lifespan shortens and the propensity to consume is stimulated. When the average lifespan of the *use-values* decreases, the work required to produce a commodity is reduced by technological development, so production has to be repeated with increasing frequency because of the shorter lifetime of these *use-values*. Capital produced by way of form increases at the expense of obsolete use-values and in terms of content means a loss of real wealth. More and more, the content value of wealth produced is sacrificed to accelerate capital accumulation and so stimulates labor that is productive from the perspective of its form of value. Seen from the perspective of content, it means losing wealth but in terms of form just bigger gains.

In terms of content, it is necessary to repeat the creation of (almost) equal use-values as their socially useful life becomes more quickly obsolete. From the standpoint of content, labor productivity has decreased due to the increase in the speed of capital turnover. On the other hand, labor productivity in terms of form increases as capital turnover increases, since wealth creation in terms of value increases over the same period (usually one year). A higher turnover of capital means a greater realization of value and surplus value in a given time, i.e., a higher overall productivity of labor from the perspective of its form.

With planned obsolescence, the content qualities of a product tend to be contingent on the possibilities of its valorization. There are different ways in which use-values cease to be socially useful before they cease to be technically useable. The valorization process is repeated with products

that are in fashion because even though the existing wealth is still present, socially it is obsolete. Obsolescence can also be planned technically through a lack of replacement parts. Scheduled obsolescence, in whatever form, means a loss of overall labor productivity from the perspective of content, although the opposite is true in terms of its form.

This subordination of use-value to exchange-value goes even further. As consumer society develops, the use-value of everything produced is increasingly derived exclusively within the limits that are expressed as exchange-value. To the extent that it is possible to sell an article (whatever it is), when it is sold (or valued), its usefulness is proven in the eyes of the market.

Thereafter, needs are no longer defined by the individual subject and even less by collective needs; it is capital itself that generates artificial needs that are generally quite different from the real needs of the majority. However useless or even harmful a use-value may be, the mere fact that it is sold proves that it has been valued. Here we really have reached pure commodity fetishism.

In late capitalism, exchange-value is increasingly becoming the only evidence of use-value. It is precisely because it is better positioned technologically that monopoly capital can afford to produce products that are useless, or even harmful, cheap and short-lived. These are products whose only usefulness consists in having managed to be sold, by means of further work which is unproductive from the point of view of content: advertising. Following this logic, our needs seem infinite and therefore also capital accumulation. Thus, monopoly capital expands its market not only in space (new geographic markets), in time (greater capital turnover as the average life of use-values shortens) but also through the creation of limitless desires through advertising. It is in this sense that we can talk about 'capital

subsuming the consumer'. From the point of view of content and life itself, it is an economy of waste. From the point of view of form, however, it increases wealth and capital accumulation considerably.

This accelerated valorization of capital means a spiral of waste of material wealth and natural resources. Permanent accumulation through the increasingly aggressive realization of *value* means spiraling consumption of raw materials, i.e., an ever-increasing assault on nature. However, as long as natural wealth reproduces itself or is substitutable in space or replaceable by other matter, this wealth destruction from the point of view of content does not mean loss of value in terms of form and therefore is not entered as a loss in the accounting of a monetized economy.

The waste of resources and the generation of mountains of polluting waste are losses only in terms of content. Capital does not see them as a loss or destruction of wealth, but as an important source of its valorization process. Capital sees nature, like people, as simple external factors to the reproduction process of capital and therefore to the economy.

The destruction of nature and the deterioration of the environment and of the health of the population do not figure in the national accounts. Capitalist economic development in terms of form is thus destroying the basic content of all wealth. In monetary terms, there is development, but in terms of content and life itself, there is often more destruction of wealth than production of it. The national accounts, by balancing wealth generated and wealth destroyed from the point of view of content, might well show a negative balance. Overall work productivity in terms of content would reach, in other words, negative values.

The regeneration of finite natural resources or biotic resources requires much longer time frames than those imposed by the reproduction of capital, causing an increasing imbalance between the two reproduction processes. The imbalance between the two reproduction processes is already affecting the sustainability of the development of capital itself.

### **Unproductive consumption of means of production and loss of labor productivity by form**

The consumption of means of production is also subject to the trend of planned obsolescence. The same struggle for competition leads to the increasingly rapid replacement of the means of production. The means of production as a use-value are replaced even though their useful technical life is not yet exhausted. The motive is to obtain the latest cutting-edge technology.

From the point of view of content, we can already speak of a loss of productivity. At the same time, however, the rate of profit and thus the productivity of labor increase from the point of view of form. The former trend has given an enormous boost to post-war productive capital and technological inventions. The result has been that Research and Development (R&D) has become a separate productive sector.

The knowledge acquired in R&D is patented in order to maintain the ability to compete for longer, due to the existing social relationship. Having the patent means living off the income from monopolizing knowledge. It is an unproductive and parasitic way of making a temporary extraordinary profit. It is unproductive income.

More and more patents have no application in the sphere of production. R&D costs not linked to the productive sphere become unproductive when also

seen from the perspective of form. In the medium term, patent policy does not guarantee a lasting trend towards an increase in the rate of return. More and more R&D costs have to be transferred to the product or service, contributing to the downward trend in the profit rate in the other productive sectors, lowering the general productivity of labor from point of view of its form.

### **Means of destruction; loss of work productivity in terms of form and content**

Faced with the downward trend in the rate of profit in the real economy, not including war economy, the war economy offers an alternative and explains the trend towards the development of the military-industrial complex dating from the post-war period in the United States. It is here that US capital-to-interest is developed, based on the military-industrial complex. This requires a growing link between politicians, large war business corporations and the big banks.

Work in the military-industrial complex for the purpose of war, with the programmed destruction of human lives, natural and material wealth, is unproductive work because of its content, but becomes the most productive sector seen from the perspective of form, which invites individual capital to abandon the civilian sphere.

Seen from the point of view of content, the sale of war products and the means of destruction in general will allow the realization of surplus value and profit in a given cycle. During this first economic cycle, goods produced count as real wealth at the national level. Even when the destructive products sold to the State are not destructively used (consumed), that is, they are not used in war and therefore do not cause direct destruction, in the following economic cycle these products do not contribute to the extended



reproduction of capital at the global social level.

In the following production cycle, such weapons do not count as means of production for renewing or expanding fixed capital in the real economy, nor are they among the means of consumption needed to rehire the same or larger labor force in the real economy. So even in terms of form, military products and real wealth or capital generated in one cycle become an obstacle to stimulating overall growth and capital accumulation in the following cycle.

The relatively autonomous development of capital in the military-industrial complex, with chains that require several cycles (years), leads to the limited reproduction of capital at the global social level by the end of various cycles of production. Its development causes a decline in the rate of investment in civilian production and that affects overall economic growth and capital accumulation and, therefore, lowers overall labor productivity, both in form and content. This limited reproduction is not immediately evident, but eventually emerges many years later.

The defense industry is becoming a sector with apparent autonomy, but its excessive development will ultimately have a negative impact on the expanded reproduction of the economy as a whole. The expanded reproduction of the military-industrial complex fuels a rising false expenditure for the whole of society. Since defense expenditure is a false expenditure, the sale of arms transfers unproductive costs to third parties. This depends on the degree of openness of an economy. To achieve this, it is necessary to increase the number of military conflicts, or real or invented threats of aggression, thereby causing destruction and lower growth rates in the rest of the world.

## Chapter 3

# The tendency to accumulate without labor

### The financialization of the economy since the 1970s

According to World Bank data, the main indicators of the capitalist system show a constant downward trend in the rate of growth of production and profitability, as an expression of capital over-accumulation since the 1960s.

The overproduction of capital to maintain or restore profitability after the crisis of the 1960s led the world economy to move from a system relatively regulated by the Bretton Woods rules to one increasingly deregulated, which would accentuate the cyclical instability and volatility of output and employment growth rates and key variables (interest and exchange rates) in the world system. Consolidated in the so-called neoliberal period, deregulation continues to advance today. Instability and volatility, mainly in interest and exchange rates, increased future risks due to the impossibility of any predictability, or probability, in relation to future debt or exchange contracts, with floating or even fixed rates. This opened the way for so-called “financial innovations” in the search for security with regard to future commitments; on the one hand, contracts known as *hedge swaps*, which allowed the transference of risk by betting on the future of interest rates; on the other, *currency swaps*, which allowed a debt in one currency to be replaced by another in a different currency. From these new derivatives emerged and developed, in

both national and international credit systems, giving rise to the “global financial casino”.

In our view, this period began in the 1970s, when the financialization of expansion (with its corresponding “speculative infrastructure”) started, and was characterized by the predominance and forms of capital that became autonomous: monetary capital and interest-bearing capital.<sup>3</sup>

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3 Industrial capital has three distinct functional forms but is a single capital. It can take the form of monetary capital, productive capital and commodity capital. Monetary capital assumes the functions of money as a general means of purchase and payment, as a representation of the immateriality of social value. It is said that this money is made capital by enabling the creation of productive capital, through the purchase of very special goods: means of production and human beings (or “labor force”). In this process, capital not only seeks to create value, but also a continuous process of generating surplus value, which is obtained through human work on the means of production, with the consequent production of goods. Once produced, a new (added) value is deposited in the goods as surplus value, which is transformed into profit when sold, constituting commodity-capital, insofar as it is through the goods that the value becomes material. Once the goods are sold, the capital returns to its monetary form, ready again to restart the cycle.

In this way, capital which, throughout the cycle of production-circulation, adopts the successive functional forms (money-capital, productive capital and commodity capital, to become again money-capital), is called industrial capital. Since this is the basic operating cycle of capitalism, there has been a tendency to confuse capital with industrial capital (industrial capital represents the simplified synthesis of three autonomous capitals which separately perform three different functions, but which together comprise the entire capitalist cycle). However, the different forms of the latter can acquire their own autonomy. When commodity capital becomes autonomous, it becomes merchant or trading capital. Autonomous money-capital, on the other hand, becomes interest-bearing capital (while productive capital remains as productive capital).

Money is transformed into capital when it is spent directly on the valorization of abstract work, thus becoming, from a given value, a value that begets value, that increases itself. Money without goods (or money itself as a commodity) is a social absurdity.

For a more in-depth look at this category and at the category of autonomous forms derived from it, such as fictitious capital, see

Their cyclical movements reflect the cycles of expansion and crisis derived from these forms of capital.

*In the US, the process of centralization of capital accumulation in its financial form starts in the fifties without drawing much attention. In Europe, it is possible to date the beginning of the contemporary financial accumulation in the 1960s. [...] The impact of the crisis of the thirties and the end of the Second World War got much more attention. In Europe, one can date the beginning of contemporary financial accumulation to the mid-1960s [...] While exchange control peaked in 1958, the City of London was able to become "offshore" - almost a tax haven, with its own status, an interbank market for liquid capital registered in dollars, called the "Eurodollar market". This was to become the first international base of operations for interest-bearing capital.*

(Chesnais, 2005: pages 37 and 38)

From 1960 on, capital overproduction accumulated in the form of monetary capital. It was invested as capital at interest mainly through the *City* of London, putting pressure on and accelerating the external indebtedness<sup>4</sup> of most peripheral and dependent formations. Capital accumulated in the London market was initially recycled through the Eurodollar market and then through petrodollars, in the form of debt. That is to say, a process of external indebtedness of the peripheral formations developed from the first part of the 1960s onwards, justified

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Section V of *Capital*, III: "Division of profit into interest and business profit. Interest-bearing capital" (Marx, 1978c).

<sup>4</sup> Another mechanism of indebtedness was reported by John Perkins (2005) in *Confessions of an Economic Killer*.

as financing industrialization.<sup>5</sup>

Wars in Central and West Asia also contributed to the growth of foreign debt, giving rise to the so-called oil crises of 1973 and 1979, which forced countries that import this essential raw material to accelerate their debt over the following years. This expanded and turned the Eurodollar market into the petrodollar market in London, and in addition to hitting oil-importing countries hard, it led to a deepening of the crisis in the main formations of advanced capitalism. Aggravation of the *debt crisis* occurred as a result of monetary policy measures, mainly due to the brutal rise in the interest rate led by Paul Volcker, who took the helm of the *Federal Reserve* (FED) in August 1979.<sup>6</sup>

The United States' attempt to overcome its crisis at the end of the 1970s, through a monetary policy that generated a sharp increase in the *preferential interest rate*, led to widespread convulsions in all the peripheral countries, particularly in Latin America, beginning with Mexico in 1982, which resulted in the so-called "Lost Decade".

It is evident that the 1980s were lost to the workers of the world capitalist system, but not to the ruling classes

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5 In the period 1950-1963, the total inflow of foreign capital into Latin America, in the form of foreign direct investment, public loans and private donations, was \$4,342 million; and the total outflow, in the form of depreciation, interest and profits, was \$5,122 million. This represents a drain of \$780 million (in 1960 dollars; Furtado, 1969: 245). was financed between 1950 and 1963, unlike the theses that defend the inflow of foreign capital and indebtedness as a source of financing for Latin American industrialization, Latin America financed the large international capitals.

6 The *prime rate*, the FED's basic interest rate, rose from 10.47% in July 1979 to 20% in April 1980, was reduced to 11.0% in July 1980 and was increased again to 21.5% in December 1980. It was again reduced (to 17%) and increased again by more than 20.0% a few months later. Thus, between August 1979 and December 1982, the average FED interest rate was 16.3%. It was Volcker who laid the foundations for the "infrastructure of speculation".

of the peripheral formations, much less to those of the central ones. According to World Bank data, the average growth rate of GDP in Latin America was -0.54% between 1981 and 1990.<sup>7</sup> For the region's largest economies - Brazil, Mexico and Argentina - the rate was -0.34%, -0.22% and -2.87%, respectively. In contrast, the world's major economies (with the exception of China, whose trajectory is completely different due to its performance and central planning, as we shall see later), showed enviable *per capita* GDP growth rates, from the point of view of the capitalist crisis conditions: USA 2.39%, Germany 2.19% and the United Kingdom 2.78%. While Japan, the world economy at that time, showed an extraordinary growth in *per capita* GDP of 4.06% on average over the entire period 1981-1990.

The unfolding of this period of crisis and contraction of capital, determined by the accumulation of capital in its financial forms, was at the same time producing and expanding the chaos, the misery and many unsuccessful attempts of solution through the most diverse forms of economic policy in the peripheral states or dependent capitalism.<sup>8</sup> It was, also, paving the way for the advance of economic and ideological policy measures that are known as neoliberalism. (...) That is to say, that the field was also cleared for the domination of the financial forms of interest capital and its fictitious manifestations, which we call *parasitic speculative capital* (Carcanholo and Nakatani, 2015), which we will soon address.

In this way, the United States prepared proposals

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7 These figures were calculated from the information available in the World Bank Database: <http://data.worldbank.org/indicator/NY.GDP.PCAP.KD.ZG> (World Bank, 2017).

8 The debt crisis was expressed in Latin America through sharp inflationary processes, several of which reached the point of hyperinflation. All countries moved on to implementing "packages" or orthodox economic plans.

for the “solution” of the debt crisis through its Treasury Secretaries, first with the Baker Plan (1985), which was not widely taken up, and then with the Brady Plan (1989). The latter essentially proposed, in addition to debt renegotiation and some discounts, the conversion of debtor countries’ public debt contracts marketable securities on the stock exchange, a process also known as *debt securitization*.

This period of crisis gives way to a new period of relative stability and the end of the previous contradictions of the world system, a new phase of expansion but also of explosions of cyclical crises that erupted throughout the world and were expressed as financial crises throughout the 1990s and 2000s.

### **Towards fictitious capital: contradictions and crises from the 1990s**

The decade of the 1990s was ushered in by the fall of the Berlin Wall, the collapse of the Soviet Union and the end of the Cold War. The conversion of the former Soviet socialist republics to capitalism, together with the opening up of the Chinese economy following the rise of Deng Xiaoping, placed under the dominion of international capital a gigantic mass of workers for the production of surplus value, while putting the world working class in mutual competition for employment and wages.<sup>9</sup>

These changes in the world system allowed an apparently enviable performance on the side where the

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9 "From 1985 to 2000, the population of the 'global economic world' - that is, that which is entirely within the reach of the world capitalist market - grew from 2.5 billion to 6 billion people - what happened in that period? The opening of China to foreign capital, the collapse of the USSR and the consequent end of India's so-called 'autarchy' - that is, the large-scale surrender of the Indian capitalist class in 1991 and of its country's economic sovereignty to the International Monetary Fund and the penetration of foreign investment". (Goldstein, 2008: 4).

greatest capitalist development on the planet had taken place. The average annual growth rate of the US economy reached 3.45% between 1991 and 2000; OECD countries grew by an average of 2.70% and the European Union by 2.25% over the same period (World Bank, 2017). The average growth rate of the world economy was 2.81%, driven by China's phenomenal performance, with an average of 10.45% per year, in the same period.

This period is also characterized by rapid growth in the business of managers of mutual funds, hedge funds, pension funds and insurance companies, linked to or associated with the big banks, who handled the management of resources in tens or hundreds of thousands of dollars, and sought to obtain financial returns throughout the deregulated financial world.<sup>10</sup> The 1990s, in particular, saw the euphoria of interest-bearing capital in its various ramifications, most notably that of fictitious capital, especially in shares and public debt securities.

### **The dementia of fictitious capital**

Interest-bearing capital is in itself an illusory expression, in that it implies that money generates money by itself, without human labor being involved. At the same time, it may lead one to believe the opposite phenomenon, that all monetary income comes from capital. Let us say that this illusory expression is distinguished by the current value of a regular return on any amount of money deposited at interest. This does not pose any major problem, regardless of how it may affect social consciousness. However, interest-bearing capital becomes *fictitious* when the right to such remuneration or return on

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10 This story can be consulted in an enormous quantity and variety of books and texts from the most diverse sources. See for example: Chancellor (2001), Giraud (2001), Orléan (1999) and Shiller (2000).



interest or debt incurred is represented by a marketable security, with the possibility of being sold to third parties. That is to say, when capital that is debt and that does not really exist begins to be traded (this is the basis of its *fiction*, which finances will later make very complex).<sup>11</sup> This sale and its subsequent resale generates the whole cycle of fiction of interest-bearing capital. Debts may be resold many times over. In this way, the (“illusory”) utmost dream of the capitalist class seems to become reality: that capital reproduces itself beyond human labor, beyond material wealth and beyond the energy bases that make the latter possible.

This creates extreme distortion in the credit system. The huge sums of fictitious capital that are accumulating no longer have a proportional relationship with production, but rather increasingly feed upon themselves, and are also increasingly detached from real wealth, so that *fictitious capital* becomes more and more parasitic, that is, parasitic speculative. In the end, a larger proportion of capital, in general, becomes rentier and a larger part of this rentier capital is fictitious. As a result, speculative fictitious interest capital will also dominate other forms of rentierism, which will consequently lose economic importance and social relevance (Piqueras, 2017b).<sup>12</sup>

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11 On the definition and detailed explanation of the concept of fictitious capital, its expressions and its current enormous oversize, as well as on the most important types of fictitious capital, see Carcanholo and Nakatani (2000 and 2015), Marques and Nakatani (2009), Carcanholo (2009 and 2011). The origin of the concept in Marx (1978c).

12 We recall at this point that capitalism developed as a means of production in the face of late-feudal rentierism. That rentierism was expressed through land rent and interest. Capitalism had to overcome both, as well as fight secularly against the populations that, among other objectives, tried to avoid their own conversion into “labor force”. Financial parasitism (which includes both income and interest) today helps productive capital to crush the opposition of the Labor factor, but

Fictitious capital covers not only derivatives from the renegotiation of peripheral countries' external public debt following very serious external debt crises, but also company share capital. Capital is counted twice. First capital counts as real physical capital. Second, it counts as share capital. In terms of ownership, shares may be at a value far removed from real capital. It can be expressed as:

- Common stock (whoever holds the shares has the right to vote and to make decisions at shareholders' meetings).
- Preferred shares (without voting rights but in exchange they have priority when supposed interest is paid and dividends distributed).

Shares can be far removed from the real value of the company's assets when converted into marketable securities that are bought and sold to make a profit from changes in the prices of those assets.

The expansion of internationalized banking capital was also to become actively involved in the process.<sup>13</sup> Despite the essentially speculative nature of the movements of these autonomous forms of capital, they were still seeking valorization through the extraction of surplus value produced by industrial capital, continuously pressing for an increase in the rate of exploitation of labor. This occurs, not only in their country of origin, but also in the worldwide labor force, with ensuing expansion and

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at the same time it undermines it from within.

13 "To the extent that the Bank issues notes that are not covered by the cash reserves stored in its safe deposit box, it creates value signs that constitute not only means of circulation, but also additional, albeit fictitious, capital in the nominal value of these notes without coverage. And that extra capital gives him extra profit." (Marx, 1978c: 69). Marx refers here to the issue of paper money by issuing banks, which he also calls bank notes. This process currently takes place through accounting records using the system known as fractional reserves.

recurrent collapses on the world's major stock exchanges. Integrated into the cycles of capital, both industrial and monetary, also called financial, the periods of expansion and retraction affected a large part of the world economy and were reflected in crises called monetary or financial in the various affected countries.

The decade also allowed the accelerated development of other forms of fictitious capital in the international financial markets: derivatives. These are securities derived from other securities. For example, a financier makes a loan to someone to buy a car and, on the basis of the invoice, issues a bill of exchange sold in the financial market with a term equal to that of the loan. Debt can be resold many times, increasing fictitious capital (with which you can buy means of production and goods in general).

In this case the different capital units will devour each other, that is, the gains and losses will fundamentally mean transfers between the private or individual units of capital in which one loses what the other gains. The contracts, established mainly on future interest and exchange rates, reached stratospheric levels. After their expiration date, the result is calculated individually. In fact, the expression "notional value" was created for the representation of the global estimates of the stocks of future contracts.

During this period, the crises arising from the overaccumulation of capital triggered by the different forms of interest-bearing capital continued. Let us remember that if there is no profit rate, the debts of interest-bearing capital are not satisfied. The crises continued to produce negative impacts in several peripheral countries successively; after the moratorium in 1982 and the renegotiation of its foreign debt, Mexico was hit again in 1994 with the crisis known as the *tequila effect*, which was marked by speculation, capital flight and potential insolvency. In 1997 it was

the turn of several Asian countries such as Malaysia, the Philippines, Thailand, Indonesia and South Korea, which faced similar problems. Capital flight precipitated the devaluation of local currencies and led to internal processes of accelerating inflation while at the same time speculative attacks were taking place as a result of their insufficient reserves for the remuneration of international capital. In 1998 it was Russia's turn, harassed by the same mechanisms and behaviors stemming from the speculative logic of accumulated capital in the international financial sphere. Brazil suffered the same impact in 1998, which resulted in the end of the Real Plan. Speculative attacks on the Real exhausted international reserves in terms of the need to repatriate interest, profits and dividends from foreign capital in the second half of the year and forced the government again to seek international support.<sup>14</sup> The consequences of this are still being felt today.

The following decade began with the attack on the twin towers of the *World Trade Center* in New York on September 11, 2001, brought the housing crisis or *subprime* crisis in the United States to an end, beginning with the *crash* in the *Dow Jones* index in July 2007.

Despite the enormous negative repercussions in political terms and international relations, the attacks of September 11 seem not to have significantly altered the general trends of world economic behavior, even with the intensification and deepening of the wars in the Middle East since the Gulf War began in 1991. In terms of economic performance, the average growth rate of the world economy, which was 4.40% in 2000, fell to 1.94% in 2001 and increased to 2.14% in 2002. The negative result

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14 International cash reserves were US\$ 73.9 billion in April 1998. They fell to US\$ 43.6 billion in December, to US\$ 32.8 billion in March 1999 (BCB, 2017).

from 2000 onwards was the consequence of the enormous speculation and the bursting of the so-called “internet bubble” or “dot-com” companies, with the collapse in the price of their shares in NASDAQ, an ongoing expression of the need for super-accumulated monetary capital to depreciate. Meanwhile, Argentina, for example, was still hard hit by the negative impacts of the debt crisis of the 1980s, unrelated to the attacks of September 11, with successive falls in its GDP growth rate of -0.79% in 2000, -4.41% in 2001 and -10.89% in 2002 (World Bank, 2017).

Throughout this period, the “overaccumulation” of monetary capital continued to evolve in the world credit system. After the process of deregulation of international capital flows, followed by the decompartmentalization and disintermediation of markets, the process of fictitious valorization of interest-bearing monetary capital has advanced as never before. On the one hand, the so-called institutional investors, represented by the Mutual Investment Funds, insurance companies, banks and pension funds, mostly but not only North American, accumulated gigantic masses of monetary resources in pursuit of value across the planet. These institutional investors were backed by major international organizations, such as the OECD, the IMF and the World Bank, through rules and standards of conduct set out for so-called Corporate Governance, which mainly involved separating company ownership and management. The management executives hired mainly by large international corporations, began to receive an additional incentive: *stock options*, or the option to purchase shares in the company itself at the market price on the date of admission (Jaffré and Mauduit, 2002), which they could exercise this option after a period of management in the company. Thus, the main incentive for these top executives, in addition to millions of dollars

in salary, was continuously to seek growth in market value or shareholder value, that is, the market price of their own company's shares in the respective stock exchanges. This caused an increasingly serious spiral of rewards of any kind to shareholders, from the distribution of profits withheld as dividends to the payment of fictitious dividends and various forms of deceit and crime.<sup>15</sup> This also contributed to the fall of the NASDAQ and not only of the "dot-com" companies but also of others intertwined in the overall process of capital reproduction.

### **The Great World Crisis from 2008 onwards**

For the credit systems of the world's major capitalist economies, beginning by the United States, 2007 was an extremely turbulent year. The original manifestation of the crisis in the US real estate and derivatives market led most analysts to interpret the crisis as financial. The last episode is linked to the movement of capital of the financial sector to the civil construction sector in the US, particularly residential property.

In any case, the steps leading to the crisis appeared to be reversed (or backward), as if the Fed's policy and the functioning of the US financial market were the main determinants of the crisis and not the over-accumulation of capital and the insufficient production of surplus value. The subsequent discussion generated a controversy, also at the level of appearances. Then were those who surmised that the crisis would be V-shaped, with a significant fall in production and employment followed by recovery, with a more or less prolonged period of retrenchment and recovery. In contrast, others advocated a W-shaped

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15 Alex Gibney's documentary "Enron, the most expert in the room" illustrates this process very well. The film is available at <https://www.youtube.com/watch?v=5DKwOJKHgHJM>.

crisis, that is, first a fall, then a time of recovery and again a fall, followed by a further recovery. A final interpretation contended that the crisis would be L-shaped, in other words a fall without any foreseeable recovery. In fact, it is this form we have been observing over the last ten years. The Great Crisis spread throughout the world, generating extremely serious successive crises in the main countries of the European Union, such as Germany, the United Kingdom, France and Italy, exploded in the public debt crises in the PIG (Portugal, Ireland and Greece) and would reach Japan. The result in Latin America was no different; the larger economies such as Brazil, Argentina and Mexico are still suffering the impacts of the crisis today. Both the European Union and the United States along with the other above-mentioned economies suffered serious falls in their growth rates. In terms of per capita GDP the average growth rate between 2008 and 2016 was close to zero. However, we must point out that China and India are two countries that did not suffer any impact, the first showing an average annual growth in per *capita* GDP of 7.87%, and the second of 5.72% over the same period.

### *The subprime crisis and the Great Financial Crisis*

The initial manifestation of the crisis emerged in the early months of 2007,<sup>16</sup> but accelerated with the collapse of New Century Financial (Nielsen, 2007), with the brutal fall in its share price from US\$64.00 to US\$0.10 between December 2004 and March 2007. This company, founded in 1995, which had specialized in mortgage lending, had reached one of the top positions in the genre and, together with *Countrywide Financial Corporation*, was at the forefront of subprime lending in the United States,

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16 For a detailed chronology of the emergence and development of the crisis, see chapter 2 of Corrêa's (2008) monograph.

with a total of US\$56.1 billion in mortgages through 2005.<sup>17</sup> Problems began to arise in the first quarter of 2006, with the interruption of the rapid rise in house prices, but *New Century* continued to produce subprime loans, assuming that borrowers would continue to refinance their mortgages at variable interest rates, and Wall Street would also continue to recycle derivatives created from those loans. At the end of 2006 the whole scheme began to crumble with the exhaustion of the process of recycling contracts through derivatives.<sup>18</sup> On March 12, the company's shares fell by 90% with a loss of US\$ 1.5 billion in market value, and the New York Stock Exchange (NYSE) suspended business with them.

*Subprime* derivatives, created through complex financial instruments, were not confined to the U.S. mortgage credit market, and spread to the major central countries. In fact, the development of the world crisis had an immediate impact in the form of the first bank run in the United Kingdom since 1866 (Economist, 2007). For three days, depositors at *Northern Rock Bank*, the fifth largest mortgage lender in the country, panicked and lined

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17 Subprime loans were those made to families without a regular source of income and without a favorable repayment history and were distinct from prime loans. The former received high risk assessment scores, while the latter received low or nil risk scores with the highest rating. Both types of contracts were "packaged" in CDO derivatives.

18 These derivatives, called Collateralized Debt Obligation (CDO) - more intelligible if we explain them as an asset-backed debt security - emerged in the late 1980s, and were secured by mortgage loans, credit card debt and even college debt. As these derivatives included subprime debt, they were associated with swap contracts, the Credit Default Swap (CDS), through which CDO buyers sought insurance by paying a portion of their income. That is when they joined American International Group (AIG), the world's largest insurer at the time, Fannie Mae and Freddie Mac, which guaranteed mortgage loans, which all collapsed in 2008.



up outside the branches. The bank, just like US financial market institutions, raised funds through savings and loan deposits, and created mortgage loans, packaging them into derivatives (CDOs) and selling them to international financial markets. In general, they took shortterm resources and applied them in the long term, spread throughout the system.

That system collapsed when “investors” began to flee from such securities and the bank run only stopped after the announcement that the British government and the Bank of England would guarantee the deposits. After some unsuccessful attempts to sell it, *Northern Rock* was nationalized in 2008 (in a new example of loss socialization).

This development of the crisis affected other institutions and other countries. In August 2007, *BNP-Paribas*, the largest French bank, froze its hedge funds due to negative impacts on the international real estate derivatives market, particularly those originating in the United States. The end result of this whole process, also considered to be the beginning of the financial crisis, was the bankruptcy of the *Lehman Brothers* Bank, the fourth largest investment bank in the United States, on September 15, 2008, following the *Bank of America* purchase of Merrill Lynch, considered the largest brokerage firm in the world with more than 15,000 brokers and US\$2.2 trillion in assets. *Bank of America* paid just 50,000 million dollars.<sup>19</sup>

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19 This whole story is told in films, books and articles, so we won't go into more detail. For example, *Capitalism: A love story* (2009), *The Last Days of Lehman Brothers* (2009), *Internal Work* (2010), *Wall Street - O Dinheiro Nunca Dorme* (2010), *Margin Call - O Dia Antes do Fim* (2011), *Grande Demais para Quebrar* (2011) or the award-winning *A Grande Aposta* (2016).

*Derivatives: vulture capital par excellence*

The Fed's policy, after the crisis of the early 2000s - the so-called "dot-com" crisis - was to reduce the interest rate drastically from an average of 6.24% in 2000 to 1.82% in December 2001, keeping it below 2% until November 2004 on the interbank market. From then on the rate gradually increased to over 5% by mid-2005.<sup>20</sup> The national average interest rate for 30-year mortgages was reduced, according to data from the largest insurer in the mortgage market, Freddie Mac.<sup>21</sup> It rose from 8.05% on average weekly values in 2000 to 5.94% in 2003, 5.95% in 2004 and 5.87% in 2005, rising again from 2006 onwards to 6.46% in 2007.<sup>22</sup> This gave the already expanding real estate market an additional boost, with house prices on the rise, due to the transfer of monetary capital from the other spheres of the financial market in crisis, to this market.

In the quest for ever-increasing profits, the banking network, with the backing, support and resources of the big banks, real estate insurers and investors of all kinds and from various countries, turned to the poorest families, with

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20 Here we are using the effective interest rate on federal funds, which commercial banks, savings and loan associations, credit unions and economic cooperatives use for interbank operations. Available at <https://fred.stlouisfed.org/series/FEDFUNDS>.

21 Federal Home Loan Mortgage Corporation (Freddie Mac), which together with the Federal National Mortgage Association (Fannie Mae), owned or guaranteed half of the U.S. real estate market for \$12 billion (*The New York Times*, July 11, 2008).

<http://www.nytimes.com/2008/07/11/business/11ripple.html?ex=1373515200&en=8ad22040403fcfcf6e&ei=5124&partner=permalink&expprod=permalink> Access 30/09 / 2017.

22 Data available at: <https://fred.stlouisfed.org/serie/MORTGAGE30US>. Source: Freddie Mac, 30-Year Fixed Rate Average Mortgage in the United States [MORTGAGE30US]. Retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/MORTGAGE30US>, October 11, 2017.

no regular source of income and even a negative credit history. It offered loans at relatively low interest rates, but with a two year term after which the contractual terms, i.e. the interest rate, would be reviewed. Thus, while collection rates remained very low, interest payments and housing loans remained at relatively bearable levels for these families. In addition, the recovery of the economy after the early 2000s generated jobs and income for this layer of workers, which allowed debts, or benefits, to be paid. In this period, the expansion of the economy based on the real estate market was producing an additional surplus value partly appropriated by interest-bearing monetary capital.

The differential between the interest rates for raising and applying funds was at levels that stimulated distribution among the various layers of the credit system, from the lender at the top of the market to the large banks and institutional investors, both within the United States and in the international financial markets. The mechanism for dissemination of these contracts went from the original contract to their sale in the credit market. In the end, they were “packaged” with others, forming real estate derivatives (CDOs), through which performance and risk were shared at different levels of the system.

The mechanism for this procedure was devised through complex schemes in which the differential between the interest rate on the funds raised and the interest rate charged to the debtors was divided among the various participants in the system. The intervention of the rating and risk control agencies and the supposed overcoming of these risks disseminated through incomprehensible mathematical models, such as the Black & Sholes model, guaranteed the maintenance and sustainability of the market and allowed the system to be reproduced. These agencies, each with its own criteria, evaluated and gave

marks according to the composition of the real estate contract packages.

The loan contracts of families with regular income sources and positive credit history were combined in different proportions with the contracts of *subprime* families and were also mixed with a variety of other debts such as credit card or college debts. The three major credit rating agencies, Standard & Poors, Fitch and Moody's, gave these "bundles", known as derivatives, each composed of up to 50% of the *subprime* securities, the highest rating (AAA), i.e., virtually risk-free.

The collapse of the system began with the change in the Fed's interest policy. On the one hand, the increase in the basic interest rate began to discourage economic growth, generating a reduction in the supply of jobs. On the other hand, the renegotiation of contracts with large interest rate increases for mortgage loans, particularly for low-income families, set off the delinquency process. The reduction in the rate of growth, together with the decrease in employment, affected families with *subprime* contracts more acutely, generating a vicious circle in which the tendency for unemployment to increase caused a reduction in wages and other income and increased the insolvency of these families.

As a result, the banks that had created the network<sup>23</sup> of *subprime* real estate contracts ran out of resources for the remuneration of the original derivatives that affected all the CDOs. The consequence was an accelerated race to sell off these securities on the stock exchanges, with the brutal fall in their prices, well below their nominal values. This

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23 The U.S. banking system is extremely oligopolistic, but at the time it had more than 10,000 banking institutions. The *subprime* crisis led to an accelerated process of bankruptcy proceedings. Big Banking acquired thousands of small banks.

contaminated the whole set of derivatives, including the *prime* (or solvent) contracts, regardless of their composition. Similarly, credit default swaps (CDS - swaps or credit against default by the seller), which were underwritten through the CDOs, also suffered a violent devaluation in the space of a few months. The functioning of the mechanism was as follows: as the agents at the top of the market began to suffer from nonpayment (delinquency), they were unable to pay their share to the other institutional investors, banks and so forth. At the same time, the institutions involved in the scheme were subject to short-term profitability. In comparison to the bigger banks, the damage to the smaller banks was moderate but significant and was increased by the packaging of derivative contracts. The damage was magnified in growing proportions for the bigger credit institutions. As a result, the expected profits and dividends fell sharply, causing a collapse in the market price of the shares of large financial institutions such as *New Century Financial*, *Countrywide Financial Corporation* and all the credit system institutions to which we have already referred.

The result was bankruptcy proceedings and the purchase of these smaller banks by more powerful institutions, supported by the Fed in the case of the United States.

### *The domino effect of the Great Crisis*

The repercussions of the crisis were made apparent in a brutal fall in the rate of GDP growth in all the world's major capitalist economies in 2009.

The average growth rate of the world economy, which had been 4.26% in 2007, fell to -1.74% in 2009. In the United States, these rates were 1.78% and -2.78%, respectively. The performance of the European Union was no different;

the rates went from 3.09% to -4.38%. In 2009, Japan's GDP fell by 5.42%; in Russia, the negative yield was 7.82%. The largest economies in Europe, Germany, France, Italy, the United Kingdom and the United States saw falls of 5.62%, 2.94%, 4.33% and 5.48%, respectively. In Latin America, the picture was no different, with the three largest economies showing the following results: Brazil -0.13%, Mexico -4.70% and Argentina -5.92%. (World Bank, 2017).

On the other hand, the economies that were less integrated into the international credit system, that is to say the least developed, or with less effective controls, such as China and India, showed surprising growth. These two countries grew by 9.40% and 8.48% respectively in 2009. The economies of East Asia and the Pacific (excluding those with the highest incomes) grew 7.66% in 2009 and 9.77% in 2010. The least developed countries, according to the UN classification, grew by 4.95% and 5.99% in the same years, and the countries of sub-Saharan Africa grew by 2.87% and 5.43% respectively (World Bank, 2017). In this sense, the negative impacts were not homogenously distributed, given the characteristics of the world capitalist system itself, with regions more or less integrated into the credit system of world imperialism.

In Europe, where the collapse of the US financial institutions hit the big European institutions equally hard, with millions in losses in equity values and the consequent damage to investors and to all those who transferred their savings or surplus wealth in monetary terms, the fallout of the crisis was harsh for the so-called sovereign public debts of some countries, particularly in the emblematic cases of Portugal, Ireland, Greece and Spain (which were renamed PIGS and which, with the subsequent inclusion of Italy, would become the PIIGS) (Gontijo and de Oliveira, 2012). The mechanism of deregulated and decompartmentalized

credit systems allows for a continuous transfer of invested interest-bearing capital between the different financial markets, such as the Stock Exchange, the Mercantile and Futures Exchanges and the Open Market. The latter is operated by the central banks, where the main asset traded is public debt securities. Thus, as the collapse of large banks, whether in the United States or Europe, was devaluing capital in the form of subprime derivatives, all those investors, particularly institutional investors, who managed to escape in one way or another, transferred their resources, albeit devalued, to public stock markets.

The PIIGS crisis was caused by the peculiar way in which the eurozone credit system is regulated, in addition to the impact of the global crisis. All the countries participating in this common monetary area abdicated any sovereignty over their monetary policy, as enshrined in the European Constitution, that is to say, over the entire process of primary creation of national currency. Although the single currency is created by the European Central Bank, it is still determined by the private interests of commercial banks. Thus, these countries accepted that the monetization of their economies should be controlled by private banks, generally the largest in the credit system.<sup>24</sup>

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24 The mechanism of sovereignty of monetary policy is organized through the primary creation of currency by the respective Central Banks. Even with all the contradictions and interests involved, the purchase and sale of public debt securities is one of the main instruments of autonomy of the Central Banks. Through it they have relative control over an average or base interest rate on which the whole set of the most diverse rates is based, right across the market in all the particular forms of lending.

In the current credit system of the eurozone, primary currency creation takes place through the purchase of private debt securities issued by large banks at the base interest rate. As the crisis unfolded, the European Central Bank drastically reduced the base rate, allowing banks to monetize their debts at the lowest possible cost, even at

# Chapter 4

## Preparing the mother of all bubbles?

### The decoupling of “work” and “making money”

When the bubble of fictitious capital that had been growing since the 1980s burst in 2007-2008, it caused a financial bank cataclysm. The hole in the banking system was filled from that moment on by the issuance of unsecured money on a continuous basis. Since Bernanke took over as a chairman of the US Federal Reserve (Fed), in February 2006,<sup>25</sup> it became legal for a problem to be solved

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negative rates. From then on, the central banks of the euro-zone countries sold the securities of their respective national treasuries to the private banking system and the interest rate was set by the international credit markets, linked to the assessments of the credit rating agencies (Standard & Poors, Fitch and Moody's). All countries whose primary balances in their budget executions were negative, were negatively rated by the major credit rating agencies, and the interest rates to be paid on the public debts of the countries most dependent on this capital grew recklessly, particularly in the PIIGS. In short, it is the participants in the credit system who determine the interest rate that the Treasuries of the respective countries must pay to provide a very important part of the monetization of the economy and the national credit system.

25 The departure of Federal Reserve (Fed) Chairman Ben Bernanke in 2018 marks the end of one of the most expansive periods of monetary policy in the history of the US Central Bank, to address the crisis resulting from the bursting of the housing bubble in 2008. Bernanke, appointed by George W. Bush in 2006 and confirmed by Barack Obama in 2009, launched an aggressive stimulus policy through a multi-billion-dollar bond-buying program, while lowering benchmark interest rates to between 0% and 0.25%, where they have been for years since



by creating billions of dollars out of "nothing" with a simple issue of the Central Bank without any backing in the real economy, and to use them to buy a large amount of toxic assets. From this point on nothing seemed easier for central banks: every time the stock market is down, the solution will be to create new money, buy and buy more stock index funds and the problem will be solved, as the stock market stops falling and bounces back quickly because the central banks are behind it.

This massive generation of "ex nihilo" money has taken place above all through cross-borrowing between banks,<sup>26</sup>

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2009. An invention of money by more and more central banks (what has elegantly been called "quantitative easing").

26 When a commercial bank makes a loan, for example to someone who takes out a mortgage, the bank records a "credit" deposit equal to the amount of the mortgage in their account. From that registration the bank creates new currency (i.e., the debt functions as money. That is why the Banks are increasingly interested in debts with them that they do not have real money, since these involve a registration as "debt" of the bank, as "liabilities" of the bank. In reality our accounts are not really "in the Banks", they are only listed as notes. However, banks can fictitiously multiply the amount: in many countries the minimum reserve ratio is currently 2%, which means that for every two euros we deposit with the bank, the institution can lend 98 euros, as if it were real money). The issue is exacerbated when debts are securitized as if they were real assets, which can often be bought back at increasingly expensive prices, in an insane spiral of "fiction" (if the mortgages or debts taken out are not paid off, all the money invented from them is finally perceived as pure invention of money; but even if the original debt were settled, it would already be at an abysmal distance from all the fictitious money that has multiplied around it).

*In fact, the issuing central banks, in the years of crisis that followed the collapse of Lehman Brothers, threw away all their inhibitions. They flood the economy with money deprived of substance and receive in exchange waste certificates as a "guarantee"; they massively buy up state debt securities without ever taking the trouble to take a detour through the banking system and private investors, thus turning the final embankment into rotten credits to the value of many trillions of monetary units. (Kurz, 2015: 15)*

as well as through the invention of money by central banks. The US Fed has been creating 50 billion dollars a month out of nothing, while the EU Central Bank has invented 60 billion euros a month up to December 2017. In total, between the US, the EU, Japan and Great Britain, more than 10 trillion dollars of money has been invented since 2008 (more than 10 times the Spanish GDP and more than all the profits of the top 500 companies on the S&P list), to which should be added the money printed out of thin air by the Central Bank of China.

Just as when high interest rates were inhibiting lending and growth, the solution was to create a few trillion dollars out of nothing and use them to buy enough sovereign bonds to reduce interest rates to zero and even beyond, at a negative rate, so when demand for real estate dropped because of high prices, the solution was to create unsecured money, which in the hands of local government agents was used to buy empty buildings. Again, when there is deflation due to falling demand, one possible solution will be to issue billions of dollars in government bonds and to use the money to finance mega weapons projects. Their future linkage to the real economy will only be guaranteed (at least in part) to the extent that substantial foreign sales are achieved (see Chapter 2).

The mechanism for solving economic problems by creating trillions of new money out of nothing with near-zero interest rates would appear to be a perpetual motion machine with no limits, since even interest payments can be financed with this fictitious, unsecured money. Moreover, the Federal Reserve even buys Treasury bonds (without any real backing) and with the income that this

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From the increase in the prices of property titles, which are without substance but increasingly inflated, a boom in civil construction was born, which societies took for real.

"money out of thin air" generates, returns money to the Treasury to re-issue more bonds, thus setting in motion a seemingly perpetual money-making machine. The policy of creating billions from scratch to buy billions in assets has inflated a "mother of all bubbles" in all asset classes of bonds and money held or bought by central banks and their representatives, with no real *value* backing.

The entire global asset market - stocks, bonds, real estate and "commodities" - is essentially a Ponzi pyramid scheme in which rapid credit expansion (*fictitious capital*) drives asset prices upward, and since assets are collateral for additional debt, higher (*fictitious*) profit rates enable a new round of hyper-credit expansion. This pushes asset valuations even higher, creating the scenario for further credit expansion (*fictitious capital*), based on an astonishing alleged increase in the collateral supporting the new debt as "value". Central banks have promoted this pyramid scheme by buying bonds and shares with currencies created out of nothing and thereby fomented economic and social inequality as has never been seen before in the history of capitalism (Dierckxsens and Formento, 2017).

This is a new giant step forward in the decoupling of "work" and "money", since here unsubstantiated money no longer even passes through the regular financial markets; rather, social reproduction in the form of commodities is fed directly with volumes of currency created out of nothing, based on the mere decision of the state.

Naturally, the unbridled need for credit could not allow the money to remain in the *form* it had until then. Its convertibility into any real value had to come down to earth and, therefore, also the real substance-value of the money systems. The preservation of value through money rests, after the loss of convertibility to gold, only on convention and subjective acceptance, and no longer on an

objective foundation.

### **The de-substantiation of money**

This means that capitalist society is always and increasingly dominated by the logic of value and less and less determined by the use-value. The goods themselves are becoming more and more *valuable* and less and less valuable in terms of use. There is a parallel process of dematerialization of wealth. Its use-value, its materiality, loses more and more relevance, as it goes from the simple form of value to total and general value.

The same thing happens with wealth as with money: it has materiality, but it is becoming increasingly dematerialized. We can say that the development of the form of value is a process of gradual dematerialization of the equivalent, until value reaches its purest and most abstract representation. In the words of Corazza (1998), this is a process of liberation from materiality (Carcanholo, 1993)<sup>27</sup>.

What conclusion can we draw from all this? Gold itself, although it may ultimately continue to be able to serve as an international means of payment, is no longer necessary as a measure of values, at least under the “normal” operating conditions of the capitalist economy. On the contrary, throughout the development of the value of capital and capitalist society, we see a gradual process

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27 Furthermore, Corazza expresses the matter in a synthetic and very clear way: “The unfolding of the forms in which the value of goods become manifest us always in the direction of a liberation from materiality, towards forms that are more and more independent, autonomous and free from materiality, that capture immaterial value, like a strait-jacket, a limit, a barrier to the social, abstract and expansive nature of value. Marx emphasizes this in many passages” (Corazza, 1998). In Piqueras (2018) the social consequences of all this can be tracked, and also for the reproduction of capital itself.

of dematerialization of the equivalent and, ultimately, of money. This dematerialization is, in reality, the opposite of the development and domination of parasitic speculative capital.

## Chapter 5

# Financial empires and geopolitics

The current systemic crisis of capitalism forces us to redefine world geopolitics, the form of the state and therefore also that of dominant capital. The geopolitical framework today is complex with many possible contradictions and alliances. The future of the world will depend to a large extent on the correlation of forces existing between the different factions of capital, and at the same time on the social struggles that will undoubtedly emerge in this battle that also accentuates the risk of Total War.

### **The conservative American financial faction**

If the policy of the globalists, as global financial capital personified,<sup>28</sup> seeks the structural dismantling of national sovereignty, not only of the dependent social formations but now also and specifically of the central ones, there is a strong neoconservative financial bloc (led by the Tea Party) within the US that is resolutely opposed to this. These neoconservative factions seek to perpetuate the old imperialism of the central country by promoting the strategy of a unilateral unipolarism, sustained by the

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28 According to the definition of Hilferding (1980), financial capital is industrial monopoly capital fused with bank monopoly capital. This conception is not in Marx, which within the functional forms of capital speaks of *interest-bearing capital*, as far as we have gathered. However, in the following pages we will take the liberty of speaking of *financial capital* as a power bloc, linked to the growing global autonomy of interest-bearing capital and the powerful interests and strategies it stirs up.

strong arm of the Pentagon and the military-industrial complex. The suppliers of this complex are Lockheed, Boeing, General Dynamics and Northrop, among others. This power bloc can rely on the financial faction led by JPMorgan Chase (which was the first commercial bank in the United States) and the Bank of America (the second). Then there is Goldman Sachs, one of the world's largest investment banking and securities groups. This financial capital depends on the survival of the dollar, as the international reference currency, protected because it is backed by the military-industrial complex. Their project is to strive for another *American century* and preserve their unipolar world along with other subordinate continental power blocs, such as the pre-Brexit EU, including the United Kingdom, and Japan which controlled Southeast Asia and part of China.

To this financial capital belong the large multinational companies of the Rockefeller Empire. The link between the military-industrial complex and the JPMorgan Chase (of the Rockefeller dynasty) has been very direct. Just as the globalists (with the Rothschild dynasty) have managed NATO as their armed wing, so the Rockefellers have the military-industrial complex and the Pentagon. JPMorgan Chase also controls ESSO and Halliburton. The Rockefeller oil empire is also expressed through oil companies such as Exxon Mobil, Chevron Texaco, BP Amoco and Marathon Oil, which have recently become very energy self-sufficient through the extraction of shale gas in the United States and its neighboring NAFTA countries. The Rockefellers also control the aircraft manufacturer Boeing, United Airlines, Delta and Northwest Airlines and major pharmaceutical companies. In political terms, the dynasty has been better represented by the Republicans.

By linking their investments much more to the national

or continental territory (NAFTA), these neoconservative forces need to defend national sovereignty at all costs, in the face of the policies of globalized financial capital aimed at undermining it. On no condition can they accept that the US should lose its power as a central country and as a hegemonic power. During the era of globalization (which began approximately in 1979-82), the reality of this neoconservative financial capital has been a loss of power in the economic, political and cultural-ideological domain in comparison to its opponents, globalist capital. For this reason, this political-strategic project is on the defensive and is increasingly clinging to the nationstate and the region-state, deepening geographical controls, especially in Latin America. Their project is to halt the advance of global finance capital, as a new dominant form that is on the offensive and advancing on the sovereignty of the United States.

This large unipolar conservative faction holds its power through increased investment in the military-industrial complex. Its expenditure is not only on the technological development of the military industry, but increasingly on the installation and maintenance of numerous costly military bases around the world, which it is constantly contesting with NATO. After the fall of the Berlin Wall in 1989, this military expenditure was mainly based on a growing debt in dollars. This is achieved by issuing Treasury bonds, i.e., from a certain form of fictitious capital. As long as you manage to place your Treasury bonds abroad, you can transfer this "fictitious capital" to third countries.

From the early 1970s onwards, oil-importing countries were obliged to buy oil in dollars. As long as the nations of the world buy oil and its price remains high, the demand for dollars will remain high. It is understood from this



that financial capital based on the continental, unipolar and unilateral state has tried to maintain control over the petrodollar even at the cost of war. In fact, wars have occurred mainly in the Middle East, where the purchase/sale of oil in dollars is concentrated and where the emerging players who dispute this supremacy are also located. The reserves of Venezuela and South America, on the other hand, were never a cause for confrontation while they were controlled by the United States until 2001-08.

Today, the petrodollar is facing competition from the alliance between Russia (the largest producer of fossil energy) and China (the largest consumer of that energy), countries that already buy and sell both gas and oil outside the dollar. Iran also joined this plan and stopped selling oil in dollars. While the media is talking about the nuclear threat still posed by Iran, the country was actually sanctioned for selling oil outside of the dollar zone.

In 2018, the United States again imposed sanctions against the country to provoke a rise in the price of the dollar and keep the price of oil high. Due to the economic and military power of Iran (and its international backers), the case of Saddam Hussein's Iraq and Gaddafi's Libya was not repeated. It is a fact that the current sanctions had the opposite effect than expected, as Iran has since sold more oil to East Asia in Chinese yuan and less to the West in dollar terms at least up until 2018 when new heavy sanctions were imposed by the US. Along with Russia, China and Iran, more and more social formations in Eurasia, and even in Africa, were no longer negotiating oil and gas in dollars.

With the recent introduction and rapid acceptance of the petro-yuan-gold, "faith" in the petrodollar collapsed. Countries with large trade surpluses with the United States, which hold large amounts of their Treasury bonds

(China in particular), have great power over the eventual manipulation of the dollar price, as they are able to make more or less massive sales of Treasury bonds. China no longer only demands the purchase and sale of oil in petroyuan, but also in the trade of raw materials in general and especially metals.

André Gunder Frank (2005) argued with certainty that if one of the two pillars of US hegemonic power destabilized, the United States could no longer continue to be the world's most powerful country. The dollar as the international reference currency, nowadays tends to be undermined. The other pillar, military support, is also undermined, as it depends on its borrowing capacity. When Treasury bonds are no longer in demand, the capacity of the United States to finance the military-industrial complex will fall, underscoring the unproductive and sterile, or fictitious, nature of the complex. In other words, the US will not be able to maintain its large military expenditure and, above all, the maintenance of so many military bases abroad. Its great economic, political and military power allowed it to dominate the world unilaterally but will be put on the line.

### **The globalized Anglo-American financial faction**

There are transnational companies located in the new economy (computers, internet, artificial intelligence, robotics, supercomputers, telecommunications, etc.) that have no means or interest in investing within their country of origin, in the same way as industries linked to the military-industrial complex that depend on state financing and purchases because it is still the State in the central countries that decides and conducts military war, although the "outsourcing" of war to contractors by globalists takes place on the basis of wars subcontracted to mercenary

corporations, which may appear to be closely linked to terrorism.

Transnational corporations function best without any commitment to national political-economic boundaries and even less to their citizens (Dierckxsens, 1998). Among them are the main communication platforms that are no longer just media but essentially digital social networks: WhatsApp, Facebook, Instagram, Google, etc. and CNN, BBC, Deutsche Welle, Reuters News, Associated Press, ABC, CBS, NBC, CNBC, and other television channels and newspapers around the world that are already dominantly circulating and producing in digital format and operating knowledge technologies.

It is not surprising then that such globalized and intertwined investments control the so-called "Fourth Power". They are the promoters and defenders of globalization. The field of production includes companies such as Apple, Microsoft, Google, Facebook, Amazon.com, Netflix, Uber, etc. This capital is integrated with investment banks that are more mobile across borders because they are not governed by international law, as is commercial banking. Here we refer to banks such as City Group (the largest investment bank in the world until the fall of Lehman Brothers), based in New York; HSBC (the second largest investment bank), based in London; Lloyd's (the largest insurance and reinsurance market, based in London) and Barclays (the fourth largest investment bank in the world), also based in London. It should be noted that the Rothschild dynasty controls the Bank of Central Banks in Basel, Switzerland and thus manages to integrate a globalized financial network. Having no control over the Pentagon, this financial capital has struggled to control the Central Intelligence Agency (CIA), as well as NATO, which it seeks to establish as a kind of global armed wing, in

particular.

This new form of capital can and needs to deny the nation-state, even that of the world's largest power, as a way of organizing and producing a state of power-value with no geographical link or territorial reference. It is a Global State-Network of Financial Cities with its headquarters on Wall Street and the City of London, but with branches in Hong Kong, Bombay, Frankfurt, Paris, Buenos Aires, São Paulo, etc. (Formento and Merino, 2011).

The increase in zero interest credit for financial banks, granted by the Federal Reserve, the European Central Bank, the Bank of England and other central banks, allows global financial capital to invest directly through its transnational companies located in emerging countries, and especially in China. By linking this capital with productive investments (until 2008) it is transformed into global real capital. This process of debt financing "outsourcing" creates fictitious capital, which leads to its transformation into globalized productive capital, making it real. A second type of fictitious capital, on the other hand, reproduces itself in an unsupported money-issuing chain, enabling companies to buy their own shares so that their capital is self-multiplying.

### **New Emerging Social Formations**

China, Russia, India, Brazil and South Africa (BRICS) have been called "emerging" countries or economies because they are territories for the delocalization of capital in the global interest. This process in particular gets underway from 1995 on. The BRICS initially expressed a strategic relationship subordinated to the financial interests of the globalist transnationals. Then, when its weight in the real-world economy begins to stand out, it is China that, not being accepted as a true partner in the International

Monetary Fund (IMF), seeks its own geopolitical space (Dierckxsens and Formento, 2016). It must be made clear that China is not just any emerging country, as we shall see later. In 2010 the IMF had first proposed announcing the inclusion of the yuan and again in 2014. Under pressure from the US and especially the globalists, however, the inclusion of the yuan in the IMF's basket of international reserve currencies was postponed on several occasions. Acceptance of the yuan finally took place on September 30, 2016. It was the first firm step to be considered as an international reserve currency.

China and the BRICS as a whole can be characterized as a strategic non-financial project, typical of the up to now peripheral formations, which has taken advantage of the economic and political warfare between globalists and continentalisms in the US. This conflict gave the IMF room to align itself with its own project in confrontation with the unipolar financial power bloc (both globalist and continentalism). The "emerging" dependent world already manifested itself as a new polycentric unit of production and consumption of social wealth, the place where productive labor and real capital prevail, and which contrasts sharply with the two unipolar financial forms, essentially fed by fictitious capital.

The presence of Russia, its military agreement with China and other Asian countries, gives greater geopolitical dissuasive force to the BRICS-Enlarged project compared to unipolar projects. This global strategic proposal includes a Development Bank (NBD), a Contingency Reserve Fund (CRA) and moves towards its own International Transfer System (ICPS and SPFs), among the most important instruments. It also has an Asian Investment and Infrastructure Bank (AIIB), which is fundamental to its flagship project or economic-strategic plan for the *New*

*Silk Road* (NRS), and which aims to promote productive-commercial development on a global scale (Dierckxsens and Formento, 2018).

### **The European Union, a continent state in the midst of all forces**

In this context, the European Union (EU) is a regional bloc of central power (the mainland state in a weak sense), made up of 27 countries. At the end of the Cold War, European capital no longer had a particular need to migrate to other countries in search of cheap labor or markets for its products. The large German financial capitals, Deutsche Bank in the first place, together with those of France in second place (BNP-Paribas, Crédit Agricole), left behind their national base to transform themselves into financial capitals of the EU, to hegemonize this continental bloc.

The very integration of Eastern Europe and Southern Europe into the EU did not require European capital to expand around the world in the same way as unipolar US financial capital did.<sup>29</sup> There was also less need for cheap labor immigration from outside the EU, as citizens from the same countries of the South and especially from the East (with high qualifications) were free to move to the core of the EU. Nor was it necessary for capital in the continental European interest to seek new markets beyond the EU, since its large companies concentrated in the north managed to gain access to the eastern and southern

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29 North American continentalism, starting in 1950, expanded to confront and defeat the Soviet Union, first integrating both the European Economic Community and Japan, with its Southeast Asian economic community plus China. Later, between 1973 and 1991, it undertook a widespread continentalism, which tried to create a kind of global state, a multilateral globalist unipolarism, denying any sovereignty or national citizenship, including that of the United States itself, and thus confronted the forces of continental unipolarism in this country.

markets at the expense of smaller local companies, which had a decisive negative impact on employment there. EU integration allowed German capital to remain linked to the real economy with a relatively favorable rate of return. The consequence has been that fixed capital in EU countries (not only in Germany) has not aged as much since the 1970s, but kept up to date, contrary to what happened in the US and Japan (Görzig, 2007).

The European Union is a supra-state construction designed to maintain relations of imbalance between its parts, a deficit-surplus system designed to transfer collective wealth from the majority of the states to a few and above all Germany and its central European “hinterland”, especially through the single currency mechanism. It is the greatest example of the institutionalization of neoliberalism on a regional scale.<sup>30</sup> At the moment it is under serious

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30 There are two main reasons for the current situation that bring small-scale (institutional) politics to a close: 1) The degenerative capitalism in which we find ourselves has constitutionalized, that is to say, shielded, the myriad of capillary (neo-liberal socio-economic-political) devices on which it bases and regenerates its power throughout the social metabolism. 2) This shielding goes hand in hand with a systematic weakening of the capacities for social regulation expressed through the State. This means that the mechanisms of exploitation and command of capital are transnationalized (and sometimes inserted into the state-region, the most advanced example of which is the EU), while the operational possibilities of the different labor forces remain linked to the local level.

Thus, first of all, the de-substantiation of the institutions of popular representation has been carried out, creating or giving more and more power instead to supra-state entities outside any kind of democratic election (Central Banks, European Commission, G-20, IMF, WTO, Davos Forum). Thereafter, state laws are subordinated to supra-state laws, even getting rid of state sovereignty in order to have their own economic policy (and in the case of EU states not even a sovereign currency), subordinate to the financial markets and their risk assessment agencies, which are not exactly democratically elected, so that whatever is voted on must obey dictates that come from outside. Finally,

internal strain (the euro and the lack of fiscal compensation mechanisms are destroying the deficit countries, among which France itself is beginning to find itself),<sup>31</sup> while at the same time it faces a very difficult redefinition of its relations with the US due to the new sanctions imposed by Washington on Iran and the measures taken against China and Russia, which will unleash potential wars and economic, financial and monetary crises that are very harmful to European interests (which the US has clearly disregarded).

Europe is losing weight in the world by leaps and bounds, but it is still a key player in the global balance of power. Whichever way it beds, it can decide the final balance of forces. For the time being, the US plans have

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the constitutions themselves are modified, so that it is "unconstitutional" to try to change the lack of sovereignty, while at the same time measures are being taken to directly expel minority parties from the electoral contest (through the requirement of a large number of guarantees in order to present themselves, for example). But should all this fail, there is always the threat of chaos (the famous strikes and capital flight) that will occur if there is no "acceptable" option for the markets, pressure to repeat elections, political and economic blackmail, etc.

In this way it is possible to transcend the framework of relative democratization of the State (typical of "Keynesian capitalism") to which historical social struggles had led, in order to conduct politics from supra-state institutions where those struggles have not yet arrived. The transnationalization of capital also weakens the bargaining power of the labor force in all areas (labor, social and political).

That is why the current degenerative capitalism does not need formally to abolish liberal democracy, because it has emptied it of content. It has practically achieved the *annulment of politics*.

31 From a capital point of view, only a combination of the euro and national currencies could save the project. There would be internal currencies of each State, only convertible into euros. The parity of each currency in relation to the euro is regularly adjusted (e.g. annually), especially when intra-area trade deficits and surpluses become significant. The euro would remain the currency for international trade within the euro zone (GEAB, 2017).



been to confront Russia, making Europe the world's battleground once again, far from the American coasts. The non-sovereign states that make up the EU, with the exception of Germany, are subject to the latter's decision from now on. Within, its capitalist class is torn between its security commitments (military, economic and investment) to the Anglo-Saxon Unipolar Axis, and the real interests that lead it to strengthen ties with the emerging Asian world.

NATO's military deployment in Eastern Europe (now with a new emphasis on Poland) and the economic war against Russia are intended to deter the German capitalist class from choosing the orientation towards the emerging Asian world. Meanwhile, the economic damage to the EU as a whole is already evident. It will not emerge from its economic-political crisis (not to mention its energy impasses) as long as it does not establish good relations with Russia, as a European country too, which can contribute to its energy and military security rather than threaten it (especially given that at the moment Russia seems to have military superiority over NATO - Martyanov, 2018 - which in the event of a military conflict would leave Europe defenseless, another reason why it really has no other short-term alternative but to reach an understanding with Russia). Will it, in any case, end up dusting off the EU's old common defense project, outside the framework of the United States? There are signs of change even in some of the more central countries such as Italy. It depends on Europe whether the rise of Asia is really the rise of *Eurasia*.

At the moment, Germany, France and Russia are trying to unblock the conflicts created by the globalists, with NATO as their armed wing and the use of local forces at their discretion. Currently the two most flagrant are those

in Ukraine and Syria. These blockages still exist because globalist forces have sought to prevent the development of the Silk Roads (an initiative consisting of multiple land and sea routes) and the EU's membership of them. With Britain outside the European Union following Brexit, and Trump in the White House and distancing himself from NATO, the interests and forces to support the EU militarily have diminished markedly and with it NATO's decision-making capacity (Formento and Dierckxsens, 2018). Instead, Germany and France are leading the way in strengthening Europe's capacity to conduct its own security operations. The plans for cooperation at European level in the military field and in the field of mutual defense are becoming more concrete. This would mean a defeat for the globalists who still dominate NATO but are no longer hegemonic. This, together with Trump's nationalism and protectionism, as evidenced by his departure from the globalist trade agreements (TTP, TTIP and TISA) and the continentalist trade agreement (NAFTA), would also mean the growing isolation of the United States, which could lead to the collapse of the plans of globalist unipolarism in favor of a multipolarism that is gradually gaining ground.



## Chapter 6

# The geopolitical option: towards a multipolar currency world?

### Crypto-currencies: new forms of fictitious money

Money appears more and more fetishized since the development of the capitalist mode of production and, under the rule of capital, becomes the main form of expression of wealth as a fetish, even eclipsing capital. In its diverse forms of existence, and right from the start, wealth autonomized as money assumed the most varied forms, monetary and as merchandise, whose utmost materialization has taken the form of gold coins since ancient times (even though there was no capital in ancient times). However, the diversity of currencies and monetary patterns, as well as the fundamental contradiction between their nominal content (their name) and their real content (the amount of gold) opened the way for their replacement by representative signs of value. The history of the coins is extremely rich in the description of these contradictions and the problems they create.

In order to reduce the costs of circulation and increase their security, premises for the custody of gold were developed with the intensification of commercial transactions. Against these deposits, goldsmiths, and later money traders and banks, started issuing certificates. From the beginning, it was possible to issue more certificates (which are lent with interest) than the amount of gold held. Banking crises for centuries have evidenced the

contradiction between the amount of gold in deposit and the quantity of Certificates or Bank Notes issued.

In other words, this enormous confusion created by the different systems, with recurrent crises, collapses and bank bankruptcies, led some banks, depending on their economic and political power in their respective countries, to go on to perform functions that are currently the responsibility of the central banks.

Crypto-currencies or virtual currencies, which we should also call fictitious money, are characterized by extreme instability and volatility in exchange rates, which greatly exacerbate exchange rate risks. The first of these, called bitcoin, was created and launched in 2009. One expectation is that bitcoin will become a world currency as the number of people and companies who accept it as their currency increases rapidly. After the successful launch of bitcoin, hundreds of other virtual currencies made their appearance on a decentralized network created from a technology called blockchain.

Most of them were launched as a kind of means of circulation or payment between the different national currencies. Its specificity is that it allows direct contact between a creditor and a debtor, bypassing the centralized mechanisms of the global banking system and, more importantly, bypassing the different national tax systems.

The creation of bitcoin is based on an extremely sophisticated and complex process of networked data processing on a global scale, called, not by chance, "mining". Without going into technical details, the solution was the creation of a peer-to-peer network, in which each "point" or each team that comprises it is both a client and a server. This network is connected around open source software and each member receives two keys, one "public", known throughout the network, and the other private,

stealthy.

The creation of bitcoins implies a production cost derived from equipment wear and energy consumption. At its starting point, the production cost of each bitcoin was quite low, rising as larger quantities were extracted. Since all these things are denominated in their respective national currency patterns, a certain exchange rate must be established between the bitcoin and the respective national currencies. If we assume the existence of an exchange rate between bitcoin and one currency or another, in which all economic transactions are denominated in bitcoin, whose measurement pattern is also decimal, then by the same process national currencies could be replaced by bitcoin. The greatest difficulty stems from the determination of this conversion rate, due to the spectacular growth in the market price of bitcoin, as well as its volatility, which is typical of an essentially speculative market.

The available information indicates that bitcoin has been used more and more frequently worldwide as a means of circulation and payment, that is, it participates in the final metamorphosis of capital, of goods into virtual money. It increases the need for credit creation in bitcoin or any other crypto-currency, completely free of any restriction or regulation, as is currently the case. Exchange rates are determined in virtual markets with thousands of currencies.

Bitcoin, as well as any of the crypto-currencies, could replace national currencies and also become a world currency. The necessary condition is that any of the crypto-currencies that come to assume this role, or the functions of the value pattern, should become the daily means of circulation, capital, money and accepted worldwide as money, instead of the currencies that already exercise these functions in the contemporary capitalist system.

The economic and geopolitical difficulties stem from the interest of the United States in preserving the dollar as the world currency, and of other countries that may possibly wish in some way to support that.

### **Crypto-currencies: new social power relations**

The geopolitical battle between the main factions of capital at world level takes on a new special dimension with the introduction of crypto money. With the arrival of crypto coins such as *bitcoin*, the monetary system has expanded considerably, and this has been translated into a currency war. Every form of money is a social construction and thus also an expression of economic-social interests and power. What makes crypto coin potentially so different is the fact that it is allowing its users to become increasingly independent of the current dollar-dominated monetary system, the SWIFT (the Society for Worldwide Interbank Financial Telecommunication) system, etc.

The crypto coin allows for a different social construction, a new mediation in the social relations of power, by making it possible to free oneself from the former economic, political and social powers. But this will not be possible without a great battle between the powers that ascend and gain positions and those that decline and give up positions in the economic, political and strategic spheres.

This is already being expressed in Latin America today with the introduction of the first national crypto mania in Venezuela (the *petro*), which is being introduced to evade the economic sanctions imposed on the country by the United States, having negotiated the sale of oil outside the scope of the dollar. As a result, Washington closed credit possibilities seeking to suffocate the economy through financial mechanisms. The purchase of Venezuelan bonds

by China and the restructuring of the country's debt with Russia have been palliative steps. Since February 20, 2018, the *petro* has been sold in Venezuela anchored to oil.

On a broader level, we see that globalist forces are making their entry into crypto-currencies by issuing bitcoin futures contracts from 17 December 2017, when the *Chicago Mercantile Exchange (CME)*, the world's largest futures market, launched that bitcoin trade. This opened the way for manipulating the prices of crypto coins. Companies registered on Wall Street buy and sell in Chicago futures contracts (derivatives) in bitcoins and thus this "digital asset" makes its entry into the great world of finance. Banks and institutional traders (such as pension funds, among others) may buy and sell futures contracts in bitcoins, but only a few of them are able to have crypto-currencies in stock and trade in real bitcoins, maintaining power over that market.

The unipolar and global financial elite, their CEOs on the boards of the Central Banks and the Rothschild family-controlled Bank of Central Banks (BIS) in Basel, launched the project to impose a global crypto coin in September 2017. The project is called "*Utility Settlement Coin*" (USC), promoted by financial institutions such as Barclays, HSBC, Santander, Credit Suisse and Deutsche Bank, among others. The objective of the project is to pave the way for central banks to have crypto-currency in the future by enabling global institutions to conduct a wide variety of transactions with each other through the use of secured assets in a chain of blocks. With this, globalized financial capital would initiate a decisive phase of the (crypto-)currency war. Central bank crypto-currencies would simply become an extension of the current global system based on debt, but no longer centered on the dollar. Whoever controls power over such a crypto-currency will become dominant. It's a



matter of the geopolitics of power.

China began the crusade against the emergence of crypto coins in September 2017. The Central Bank of China decided to issue its own digital currency in a public and sovereign manner. The aim was to ensure *a secure system of registration and transfer against tax evasion and money laundering*. China had already conducted its first test in late 2016. Chinese digital currency has a geopolitical character as a means of exchange on the new Silk Road as it would replace the dollar and, more importantly, cut off the globalists from their plan to introduce their currency on that regional scale. Globalists are also in confrontation with North American continentalism interests seeking to introduce Fed-Coin. China is far from being interested in attacking the dollar head-on, as the globalist media claims, hiding that it is they themselves who are weakening it.

### **Towards a multipolar currency world?**

All indications are that the dollar is about to take a major step backwards. In 1944-45 the Dollar-Gold prevailed, displacing the pound sterling as the world's reference currency, but at the beginning of the 1970s the crisis that had been dragging on since 1967 became visible. In 1971, the dollar was no longer anchored in gold. The *petrodollar* is then introduced with an agreement made by former US Secretary of State Henry Kissinger and the House of Saud in Saudi Arabia. The *petrodollar* was the currency that came to express the interests of the North American multinational corporations already expanded in Europe and Japan. It was these corporations that dominated the production, international trade and global consumption of oil-based energy. For this reason, they were able to agree and impose the new world reference currency, the *petrodollar*, as a tool of extortion by forcing

all countries to exchange real products and work for a currency without backing, sustained by means of promises of payment, in other words, pure debt.

Today, more and more countries are questioning the dominance of the dollar as an obstacle to their sovereignty and good performance in the global economy. This questioning reveals the current crisis of hegemony of the United States and its multinational corporations. In the recent past relatively small countries such as Iraq and Libya were invaded when they tried to negotiate oil outside the dollar and today there is a serious threat of invasion of Venezuela because it has also established the right to negotiate its oil outside the dollar. But it is at this same juncture that the multipolar countries such as China, with Russia and Iran, the axis with the greatest economic growth in recent years, launched the *petro-yuan-gold* as their alternative world reference currency, with great prospects in the immediate future for displacing the dollar as the dominant currency.

The *petro-yuan-gold* is a global currency project that not only relies on the most important commodity, oil, but is also anchored in gold, something that the United States can no longer do at this stage. China's advantage lies not only in its economic dynamism, but also in the fact that it is, together with Russia, the main producer and buyer of gold. China and Russia have formed huge reserves to support the *yuan*. On March 26, 2018, China took the decision to launch the petro-yuan-gold exchange scheme on the International Energy Exchange and the metal-yuan-gold exchange scheme in May. This will change the international monetary system at its core. China offers to exchange the yuan received into gold, not only against oil delivery but also when buying metals. The Hong Kong Stock Exchange will also issue futures contracts in yuan for oil and metal

derivatives that will be convertible into gold. Oil exporters may even withdraw such gold certificates outside China, i.e. ,“petro-yuan” will be available for payment even at the so-called “Bullion Banks” in London.

The setting of oil prices in yuan - along with the Hong Kong Stock Exchange's plan to sell yuan-valued physical gold contracts - created a system through which the country could bypass the US banking system and not just the global interbank payments system based on dollars (SWIFT), even the entire Bretton Woods system. Moreover, not only oil, gas and metals are entering this new world situation, but other raw materials will soon be able to do so. One would therefore expect China to get rid of its treasury bonds more quickly in exchange for dollars, in turn changing these dollars into yuan.

In order to avoid what happened to the dollar in the early 1970s, when the US had to abandon the gold standard, it is to be expected that China will introduce the yuan as a currency step-by-step (raw material by raw material) to maintain a sufficient volume of gold as a backup. The strategy of China-Multipolar, moreover, is not to attack the petrodollar system head-on, but for the yuan to occupy sufficient space so as to be able to operate with sovereignty in order to build a Multipolar World of Currencies. There are agreements between the Central Bank of China (CBC) and the Central Bank of the European Union (ECB) to allow direct exchanges between the yuan and the euro. These agreements have been signed to enable the two currencies finally to strengthen each other *independently* and to promote the interpenetration of the financial systems of both regions. This is a clear sign that the European Union is keeping the door open for integration into the Multipolar World.

It is not only China that has big plans to keep the dollar

out of its economic life. On September 20, 2017, Russian President Vladimir Putin instructed that by the end of that year the dollar should no longer be the currency of payment in all the country's ports. On February 14, 2018 Arkady Dvorkovich, Deputy Prime Minister, announced that Russian financial institutions are ready to operate without access to the global dollar-based interbank payment network (SWIFT). Since SWIFT is a mechanism for blocking international bank payments, affecting countries like Iran or Venezuela today and even persons considered "non grata" by the US, through these measures Russia seeks to avoid the applicability of sanctions imposed on its economy.



## Chapter 7

# Will there be (other) new Emerging Social Forms?

### China: First and Last Emerging Social Form?

The clear success of the Chinese economy, illustrated in particular by a very rapid growth rate of its gross domestic product (GDP) - indeed, the highest in the world on average in the last three decades - as well as by the leadership role it tends to play today in peripheral formations, leads to the erroneous conclusion, both in the mainstream media and even in the academic literature, that this country has recently "emerged".

The concept of "emergence" - in fact, just like that of "BRICS", forged in the think tanks of the US high finance industry - suggests that a "take-off" was in fact feasible in the context of current globalization, despite the dysfunctions of the capitalist world system, which is so visibly unfavorable for the peripheral countries in general. However, the argument that the Chinese economy "emerged" or "took off" just after - and only after - Mao's disappearance, is implicitly attached to the idea that the country started to develop only and precisely because of its "re-orientation" and "opening up" to the capitalist world system.

Here three fundamental realities are hidden at the same time. The first of these is the millennial depth of China's

history and importance (China's accounted for as much as a third of world GDP in the early 19th century). The second reality left aside is China's GDP growth: it began regularly to exceed the 10% mark in the 1980s when most of the structures and institutions of socialism were still in place. The third fact is the high speed of China's GDP growth rate before Mao's death. It is true that economic growth accelerated from the 1980s, but there was already a growth rate of 8.2% between 1963 and 1978. Between 1970 and 1979, China's economic growth rate was 6.8%, more than double that of the United States during the same period (3.2%). Over the long period from 1952 to 2015, China's average annual GDP growth rate was 8.3%, 6.3% between 1952 and 1978 and 9.9% between 1979 and 2015.

Analyzing several original time series of physical capital stocks for China over the long period (1952-2015), reconstructed by Rémy Herrera and Zhiming Long (2016), we observed high growth rates. The average growth rates of the stock of capital we call "productive" (including all equipment, machinery, tools, industrial buildings and facilities, but not residential buildings or the value of their land) were 9.7% for the period 1952-1978 and 10.9% for the period 1979-2015. If we select a capital stock that, in addition to the inventories, also includes residential buildings and their land (not directly productive components), the average annual growth rate of this capital stock was 9.1% between 1952 and 1978 and 10.9% between 1979 and 2015, which means that China's emerging economy dates back to well before the period of neoliberalism.

Taking into account long time series (1949-2015), also constructed by Herrera and Long (2018a), of indicators of educational resource levels of the Chinese population, the average annual growth rates of the total stock of Chinese

educational resources in both periods were extremely similar: 4.19% during the period 1949-1978 and 4.22% for the period 1979-2015. When looking at the "productive" educational stock (when making calculations based on the labor force), the average annual growth rate of this stock of educational resources was 5.07% between 1949 and 1978 and 3.55% between 1979 and 2015; that is, a more marked growth in the first period, before the so-called reforms of 1978.

During the period 1949-2015, (flows of) research and development (R&D) expenditures show average annual growth rates of over 14% (Herrera and Long, 2018b). The average growth of these R&D expenditures was much higher in the period 1949-1978 than in the period from 1979 to 2015. In other words, China's level of scientific and technological development is not of recent date and today it can hold its own with the more advanced countries of capitalism. There can therefore be no other conclusion: it is the development strategy of the revolution that has set the conditions for the current success of the Chinese economy, which is nothing but a continuation of the past. And from this conclusion we can only draw a very clear conclusion: this "emergence" cannot be transferred to other social groups, such as India, for example, which do not have this previous period. It is therefore unlikely that when China reaches its level of "over-accumulation" and excessive speed of technological replacement (the so-called "Japanese disease"), outsourcing to other social formations or continents will not be possible again. On the contrary, the limits of the globalization process are clear here.

We should add that today land ownership in China is still state or collective, even if it is often degraded and sometimes even under effective private control over certain lands. Access to land for the peasantry is perhaps the most



valuable contribution of the Maoist revolutionary heritage, as it has avoided the process of mass dispossession of the peasants (eviction from their lands or original accumulation) and their expulsion to the big cities, a phenomenon that is observed in all the peripheral countries and which was also experienced by the central countries during the First and Second Industrial Revolutions, when millions and millions of peasants were dispossessed of their livelihoods and turned into proletarians.

### **Is China reaching its over-accumulation point?**

Based on the construction of new statistical series of stocks of productive physical capital and fixed assets of companies, and on a rigorous definition of the boundaries of the industrial sector, Herrera and Long (2017) calculated several profit rate indicators for China's micro and macroeconomic levels, from 1952 to 2014. These indicators are rarely seen in the literature. The results obtained by these two methods (micro and macro) are quite original and show a downward trend in profit rates over the long term, for both levels of analysis. It is above all the increase in the organic composition of capital that tends to put downward pressure on the rate of profit (Herrera and Long, 2017).

As we have already seen, technological development in China is not recent. In 2013, no less than 629,612 patents were registered in China, 200,000 more than the US registered in the same year. A World Intellectual Property Indicators publication in 2014 reported that 32% of the 2.57 million patents registered worldwide were in China. The country sees this as its key strategy for becoming a major global player in the technological innovation sectors, as did Japan in the 1970s and 1980s. This race for technological renewal involves an ever-increasing rotation

of fixed capital, which implies a permanent increase in the costs of Innovation and Development for the country's manufacturing production, which are increasingly difficult to transfer to the final product. This makes the rate of profit of productive capital show a clear downward trend. To this must be added an upward cost of labor, as the demand for an increasingly skilled workforce is logical. The end result is the relative abandonment by capital of the productive sphere and consequently a rate of downward economic growth.

In 2014, China officially reported a growth rate of just over 7%, the lowest in twenty-four years. When you look at the rate of growth in electricity consumption (which, like energy in general, seems to be a more reliable instrument for measuring the evolution of economic growth), it only grew by 3.8%, so the real rate could turn out to be lower.<sup>32</sup> Historically, the evolution in energy (electricity) consumption and economic growth have run parallel courses in China, as a 1% GDP growth has tended to require a 1.09% increase in electricity consumption. From this historical sequence, a growth rate of 3.5% is now more likely. In 2015, electricity consumption in February fell by 6.3% compared to the previous month and in March it fell

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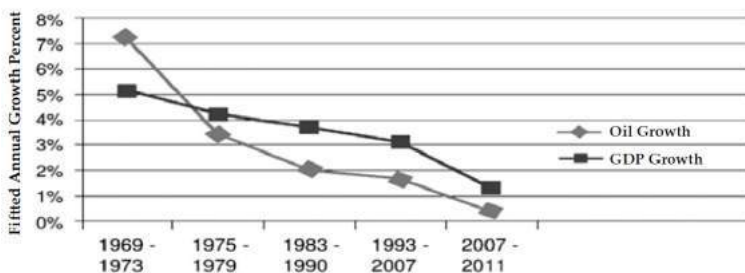
32 According to Bloomberg (2016), China's GDP, expressed in dollars, rose by 4.25% during the fourth quarter of 2015.

by a further 2.2%. In other words, China's economic growth is on a downward trend.

### **Is a new cycle of capitalist economic growth possible?**

The downward trend in energy consumption (oil in this case) is observed worldwide. The reduction in growth in energy use is a sign of stagnation in world economic growth, as can be seen in Chart No. 2. If so, it appears that the possibilities of realizing relative surplus value are drying up everywhere, so that the prospects for a new reconnection with the real economy seem to be drying up at the scale of the globalized economy.

**Chart No. 2**  
**Growth of oil consumption and GDP growth in the world**



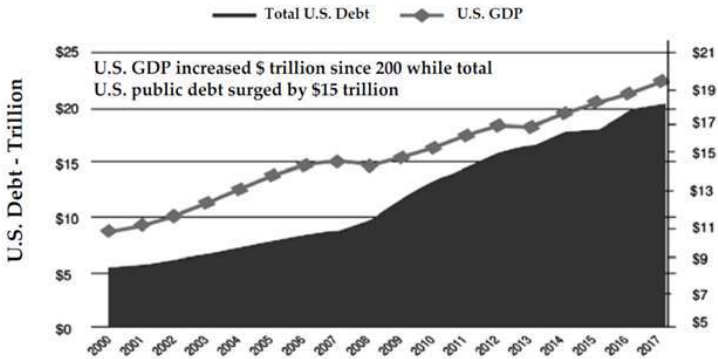
Source: Steve Angelo, *Why U.S. GDP hasn't really increased since 2000*, [www.srsroccoreport.com](http://www.srsroccoreport.com), February 28, 2018.

Due to the downward trend of the rate of profit at the global level and the growing impossibility of reconnecting with the productive sphere, capital escapes to the financial sphere, where it makes profits without the labor factor. Chart No. 3 shows a close correlation between the growth

of US debt and the rate of economic growth.

### Chart No. 3

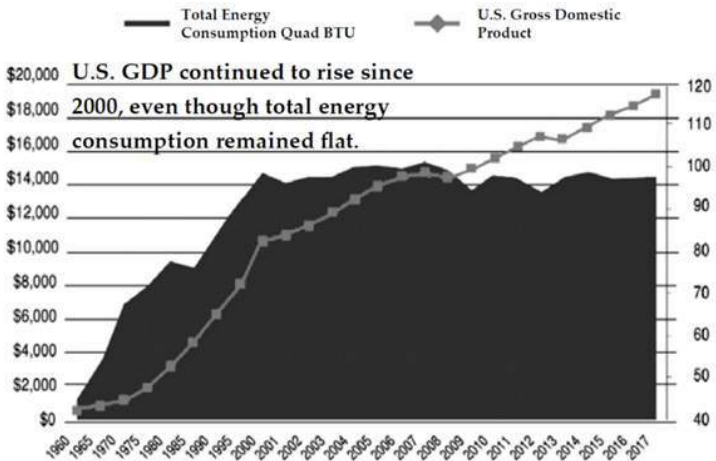
#### U.S. GDP and Public Debt Growth, 2000-2018



Source: Federal Reserve Statistical Release

### Chart No. 4

#### U.S. GDP Growth and Total Energy Consumption 1960-2018

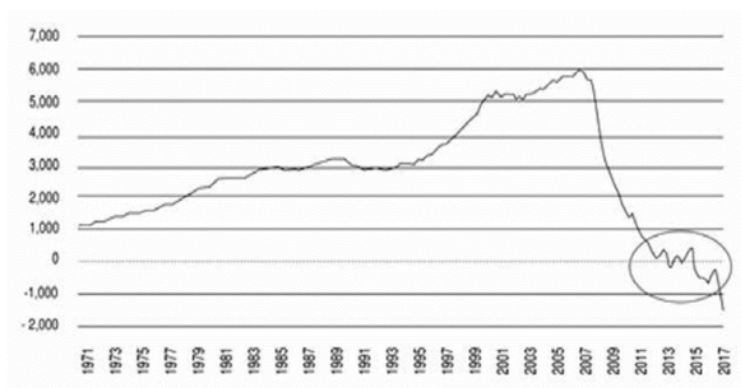


Source: Federal Reserve Statistical Release

Everything indicates, therefore, that the economic growth recorded by the US national accounts from the mid-1990s onwards, with no correspondence in the growth of energy demand (Chart No. 4), is very probably a fictitious growth. The explanation is that the increase in indebtedness at interest rates of almost zero (as of 2009) allowed speculative interest capital to obtain free credit to purchase its own shares on the Stock Exchange, thus raising the price of these shares and the resulting profits (which are also fictitious and speculative). (See Chart No. 5.)

### Chart No. 5

#### U.S. GDP growth without the issuance of public debt 1971 to 2018



Source: Bill Holter (2018)

Chart No. 5 shows that the current real growth in the US is negative, as the Central Bank's (Fed's) debt exceeds the country's Gross Domestic Product: 21 vs. 19 trillion dollars. This situation has been characterized as a time

of debt saturation and carries a very high risk of collapse (Holter, 2018). It seems increasingly clear, therefore, that it is becoming more and more difficult for all economies to reconnect with the productive sphere, which reveals not only a crisis of globalization but also a deeper crisis of systemic dimensions.

**Is it possible to reconnect capital with the real economy in China and can it be the last bastion of productive capital?**

In the face of falling investment in the real economy, indebtedness has been the recipe for boosting China's domestic demand at an unprecedented rate, driven by rising wages for workers and peasants as well as high public spending on infrastructure. Between November 2014 and October 2015, the Chinese central bank lowered interest rates six times and reduced the cash coefficients - the reserves that banks are obliged not to lend - five times. Thus, Chinese banks lent 70.2% more in January 2016 than they did in January 2015 and Chinese indebtedness has been increasing for several years. China has become, in other words, another debt addict. Even the People's Bank of China now has the same policy of buying its own bonds to issue unsecured money. One after another of the world's largest central banks have been forced to print money without backing, increasing credit at zero or negative interest rates, and China is no exception.

Given the limitations to generating high economic returns in the real economy, capital begins to look for alternative investment areas that do not require so much labor, so they tend to be speculative in nature. In China, for example, largescale investments were made in urban building projects without any guarantee of occupancy. As these buildings become empty (even entire neighborhoods

of buildings, many of them unfinished), these investments are no longer linked to the real economy<sup>33</sup>. In general, investments of this type are growing, and as a result they are pushing China's economic growth rate downwards.

At a time when its economic growth has started to slow down and when several bubbles could burst, China has chosen, instead of a greater development of purely financial (globalist style) or military (like US continentalism) fictitious capital, a very active state strategy focused on production, and with the intention of making it global. In this case, profit through the military-industrial complex could be guaranteed by the State, but it could not transfer the unproductive expenditure to third countries, since the yuan is not an international reference currency with a monopoly position, as has been the case with the dollar. Not surprisingly, China's military spending in 2015 was three times smaller than US military spending, with the two economies of a similar size.

What the New Great Emerging Social Formation, under the leadership of China, seeks above all is, therefore, a boost to productive-commercial development on a global scale and especially in the field of Eurasia. With the creation of the Asian Investment and Infrastructure Bank (AIIB), China launched the global project known as the New Silk Road. What it seeks, through this means, is to consolidate at least Eurasia as an integrated economy. Europeans were quick to accept China's invitation to participate in the AIIB (with London first, followed immediately by Paris, Rome and Berlin, and even Israel). The US (Wall Street) and Japan were the major absentees from the AIIB.

The New Great Emerging Social Formation has already

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33 As a result, property prices in China have fallen in 66 of the 70 largest cities, according to the country's National Statistics Office. In 2014 alone, property prices fell by 7.6%.

created the conditions for reinventing an international multi-currency system without the subordination of the participating countries to a dominant power and its scope is potentially global: the New Silk Road involves an immense infrastructure of pipelines of gas and oil, roads, railways, airports and ports that seek to integrate Eurasia through heavy investment in infrastructure. But not only is the objective to connect China with Russia, Europe and Africa, the project seeks to expand to Oceania and Latin America, promoting a real-world economy of production and trade. The center of the New Silk Road will be the capital of XinJiang, which is no accident, given that it is the Muslim province of China in the north-west of the country, precisely where globalized Anglo-American financial capital sought to destabilize China with ISIS mercenaries, who were to have established a toehold with the prior invasion and destabilization of Syria.

Completely in line with the geopolitics of Mackinder's declaration, China is moving into the World-Island,<sup>34</sup> in an attempt to redesign the geopolitical foundations of world power. By establishing an elaborate and very expensive network of high-speed rail lines for the transport of large volumes of goods, as well as oil and gas pipelines across the vast expanse of Eurasia, the Emerging New Great Social Formation hopes to move the nerve center of geopolitical

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34 Harold McKinder (who is considered the forerunner of modern geostrategy) is famous for his maxim: "Who rules East Europe commands the Heartland; who rules the Heartland commands the World-Island; who rules the World-Island commands the world." The Island of the World is none other than Eurasia, the *Heartland* of the planet (in terms of resources, population, dimensions, civilizational history, potentialities...), against which, as Kissinger acknowledged, the USA is not, as far as geopolitics, geography and psychology are concerned, but "an island off the coast of the great continental mass of Eurasia" (Masdeu, 2012: 104).



power from the maritime periphery to the interior of the continent, the Heartland.

It is obvious that Eurasian integration is beyond China's financial capabilities on its own, with rapidly rising public debt. That is why it is looking for allies to provide capital and develop these infrastructure projects. More and more countries are seeing in the New Silk Road project the possibility of a kind of "productive development project" at the Eurasian level. The US and Japan, who are intractably opposed to the integration of Eurasia, are rightly left out of this. The efforts of the globalists, in particular, are intended, as was said, to prevent Europe from looking to Asia, which is why NATO is setting up with more and more equipment and troops in Eastern Europe. Its intention is even to undermine the "European Union" project itself (as highlighted, among so many other points, by the incited "migration crisis" from Syria and Africa).

The key question is, can this development of the real economy on a transcontinental scale be driven forward with a new upward trend in the rate of profit? If it refuses to recover from the disease of Chinese over-accumulation, capitalism will most likely be shown to have reached its final limit.

## Chapter 8

# Leaving behind capitalism in the attempt to emerge from the capitalist crisis?

### **The attempt to emerge from the crisis of capitalism without success**

With Trump's government, not only is the agonizing, turbulent and conflictive crisis of capitalism clearly evident, but the impossibility of emerging from it is also increasingly evident. Expressing an industrialist nationalism, anti-financial oligarchy, Trump tries to break out of the American crisis at the expense firstly of the globalists but even continentalism. This implies a total confrontation with the forces of the globalist power scheme (represented in the US by the globalist financial-political establishment at the top of the Democratic Party). Secondarily, it is confronted with the US continentalist scheme (the Republican Party's financial-political establishment, specifically the Tea Party). Since it was not the main confrontation, it was possible to agree on a government coalition to guarantee a minimum of stability and approval for Trump's policies. This deep internal confrontation in the forefront, but no longer the only, world power, restricts the possibility of exporting the crisis to other countries. This is a quite new geopolitical situation with no easy solution, if there is one.

The confrontation with globalists can be seen in Trump's position on major trade agreements: his first

step was the withdrawal of the Trans-Pacific Economic Cooperation Agreement (TPP) and the Agreement on Trade in Services (TISA), with the aim of dismantling Obama/Clinton's globalist geostrategic design. His confrontation stems from the departure from the Transatlantic Treaty on Trade and Investment, the Agreement on Trade in Services (TTIP). The Trump administration has greater caution with the continentalist treaty with Mexico and Canada (NAFTA), which it wants to renegotiate, even separately with each state. Burying the NAFTA project will meet much resistance within the Republican Party. The common denominator of all these policies is to achieve the relocation of the large transnational corporations to US territory (in their last attempt to "Make America Great Again").

The star companies of globalism in artificial intelligence, computer science, internet, robotics, supercomputers, telecommunications, etc., very often with strong investments in China, are in turn attacked by the policies and verbal interventions of Trump, who has started an economic war not so much against China as a country, but first and foremost against Anglo-American transnational companies with strong investments outside the US, with the aim of "relocating" them back to US territory. In the sessions since March 2018, the red numbers on the New York Stock Exchange imposed their law, driving down not only Facebook but also Twitter, Netflix, Alphabet, Google, Apple, Instagram, Amazon and Microsoft. All of them have suffered considerable losses on the Stock Exchange.

Facebook, the social network that caused an earthquake in the sector after the data of 50 million users was leaked, has been the biggest loser, having lost nearly 20% of its capitalization in the subsequent couple of months. Donald Trump plans to change Amazon's tax regime and

is considering imposing a local sales tax on Amazon and Netflix. Google (Alphabet) has suffered a major setback in its legal battle over patents with Oracle ([www.cincodias.elpais.com](http://www.cincodias.elpais.com), March 28, 2018).

The stock market crisis in "blue-chip stocks" is the most recent indicator that has lowered hopes for a new technological cycle led by globalist financial capital. First, it shows that current capitalism is not in a position to generate an expansive cycle in the sphere of production. Secondly, the sudden drops in "blue-chip stocks" on the New York Stock Exchange of all these leading globalist companies, which operate mainly with offshore capital outside the US and with their investments concentrated in China, are a manifestation of the anti-globalist policy of the power faction behind Trump, which aims to bring transnational corporations back to the US, avoiding the dismantling of the US economy and state power.

The use of trade warfare implies a re-ordering of the transnational value chains that had defined globalization. These chains are no longer integrated as they used to be, but through increasingly larger and larger geopolitical conflicts. When it comes to the restructuring of the China-America value chain, the EU, and more specifically Germany, could be seriously affected by the costs of this crisis. Hence Germany and the EU seek a change in global strategy.

Trump's current protectionism could provide temporary opportunities for the real US economy by reducing its trade deficit with China and Germany, for example. However, the responses of the blocs and countries concerned will also materialize in the immediate future, and there is every indication that there is a tendency towards generalized protectionism with a more nationalist and clearly anti-globalist policy. If protectionism were to

become widespread and more and more tariff barriers were to be introduced, this would lead to a decline in international trade and hence a reduction in global economic growth. We already clearly witnessed this phenomenon during the midterm elections in the US. This will most likely lead to lower net profits or even losses, and a consequent widespread crisis, i.e., a global recession. This is expected to lead to a stock market collapse of global dimensions, in all kinds of bubbles (real estate, cars, credit cards, etc.).

A global crisis with little prospect of a way out makes it possible that struggles for "national sovereignty" will increase throughout the world. Since national concerns, however, are closely linked to transnational capital devoid of effective sovereignty, there is little chance of improving the living conditions of the populations if not linked to a vision and policy of popular sovereignty.

The inability to escape the capitalist crisis ultimately lies in the inability to shorten the life of fixed capital even more than has already been achieved. In such a scenario, therefore, it is not only possible to extend the average useful life of fixed capital, but it is even strictly necessary in view of the losses obtained on a global scale. A return to investment in the real economy inevitably leads to an increase in the average life of fixed capital (machinery and buildings) of all businesses and first and foremost of large corporations. With a longer capital reproduction cycle, the technological cost transferred to the final product is lowered and will eventually take the companies out of loss for a while. This is more feasible when the borders are closed, i.e., with more protectionism, which in turn leads to a downward spiral of accumulation. Just as the protectionism of the medieval guilds suffocated and ultimately led to the death of their economy and facilitated

the rise of capitalism, so protectionism in this final phase of senile capitalism will suffocate global capital in the first place and may open the way to leave capitalism behind.

In the Great Emerging Social Formation (with the potential to be made up of several countries) these dynamics have already taken on a clear tone of "disengagement", sometimes with marked anti-imperialist features (as is certainly the case in China and Russia). In any case, it is very likely that the world of capital that we have hitherto known, commanded by the Anglo-Saxon Axis since 1700, with its successive unipolar globalizing expansions that have aborted any kind of popular national sovereignty, is coming to an end. The collapse or implosion of this latest phase of globalization will also affect the very construction of economic and political blocs, such as the European Union.

Faced with this decline, the Great Emerging Social Formation (with China as its epicenter and the Sino-Russian Axis as its driving force) proposes reconnecting fictitious capital to the productive economy, trade networks, investment in infrastructure and the use of energy in the face of an energy transition. A Zone of Stability, in short, to give the world extra time for a possible smooth transition to post-capitalism.

For its part, the Anglo-Saxon Globalist Axis is reluctant to give up its position as world hegemon. It undermines all attempts to build the "Silk Highway" by opening holes in it (Afghanistan, Iraq, now Syria), or by destabilizing entire regions (Pakistan, India, Central Asia in general and North and Central Africa). Trump, on the other hand, intends to increase his military budget in pursuit of his project to re-industrialize the US economy, reducing direct military interventionism in the world, reducing his (financial) support for NATO and lowering military spending for

military bases abroad. US military spending is at an abysmal distance from that of any other country. With more than 450 offshore military bases in 70% of the world's countries, US military expenditure is very high, as it also has to maintain around a quarter of a million Army, Navy and Air Force troops, so its chances of continuing to sustain such a deployment are slipping away, especially as it loses the anchor of the petrodollar.

Trump is aware of the inevitable retreat of the petrodollar from the petro-yuan-gold. His administration does not officially align itself with the Great Emerging Social Formation, but to date it has not generated further destruction and "black holes" of disorder and barbarism where the Emerging Axis intends to build a productive economy and trade, as Obama's globalist government did. The objective of the interventions of the Axis of Chaos (Anglo-Saxon Globalist Axis, with NATO as its armed wing) was and is to prevent a New Social Formation with sovereign power from being imposed. Interventions in Libya, Syria, Somalia, Yemen and Sudan must also be understood in this context. After the midterm elections, Trump's international policy won't change as he controls the Senate. With it, the globalist project is losing ground. We wonder if this opens up a possibility for the New Great Emerging Social Formation to prevail without military cataclysms.

### **The possibility of leaving capitalism behind by not being able to emerge from the capitalist crisis**

Among the possibilities that we consider in this scenario are total destruction, widespread barbarization under the globalist project, or, with minimal stability, an interface with a multipolarity based on the advance of the New Great Emerging Social Formation, as a pre-post-

capitalist situation (in which a "Market Socialism" could be consolidated for the time being).

We present below a possible causality concatenation that would allow a post-capitalist path. These are hypothetical processes, but they are very feasible and based on current dynamics.

In the midst of the Great Depression of the 21st Century, any possibility of a way out under a capitalist economic rationale seem to be exhausted. That open a door to begin to develop another type of rationale, other social relations of production. For example, extending the average life span of everything we produce will, in terms of value, lead to the negative growth of a monetized economy, although only in this way can we achieve greater genuine well-being in terms of content. The same thing happens when collective needs are satisfied above individual needs: there will be less wealth creation in terms of exchange-values but more wealth in terms of satisfying real needs.

A systemic crisis of the magnitude that is developing also provides conditions to raise awareness that needs must be defined more by a communitarian subject, over and above autistic individualism in the economic sphere (the famous capitalist "*homo economicus*"). The sustainable use of goods and the prioritization of the satisfaction of collective needs will become a priority and necessity so that nature can reproduce itself again, thus putting an end to the logic of valorization for the sake of valorization. By no longer providing competitive advantages, innovations can be declared a common heritage of humanity, to which they can have free access. There will be no place anymore for patents.

By giving a longer life to products in general and by substituting individualized consumption for more collective consumption of goods and services, natural



resources will be liberated above all in the central formations of the capitalist world system, precisely where they are scarce. Today, 80% of the natural resources, exploited year after year mainly in peripheral areas, are used by 20% of the world's population, mainly concentrated in central areas. Therefore, if the life of products were doubled, for example, more than 40 per cent of the world's exploited natural resources would be released. The same would be true, if goods and services were twice as collective. The greatest positive effect of this combined formula speaks for itself.

Just as in the central countries it is necessary to generate an "economy of the sufficient", eliminating the economy of the superfluous (the aim of political ecologists), it is necessary at the same time to an "economy of the necessary", especially in the peripheral formations (which is the object of much of the political-social struggles in them). These two types of economies, combining the sufficient and the necessary, are not only the only real possibility for improving the quality of life of the great majorities, but they also expand the planet's ecological boundaries. But all this is antithetical to capitalism, as are also the most significant consequences that would be imposed by this new economy: greater decentralization of production and greater democratization in the decision-making process on what, how, where and for whom it is produced indispensable source of a comprehensive political and social democracy.<sup>35</sup> After all, we are talking about an

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35 If in times of real socialism such planning suffered from errors and even operational horrors, in the current digital age it no longer seems a utopia and in the not too distant future it may well be a reality. Cockshott and Nieto (2017), based on Cockshott and Cottrell's line of research in *Towards a New Socialism*, are making an important effort to show how the accounting of different jobs (direct and indirect, more or less simple or complex), as well as the distribution and compensation

economic democracy, the indispensable mainspring of a comprehensive political and social democracy.

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of what they produce in a planned economy, could be undertaken today.



## Final synthesis

In *A contribution to the Critique of Political Economy* (see: Grundrisse der Kritik der Politischen Oekonomie), Marx studies the Pre-capitalist Economic Formations and attempts to establish the mode and times of the process of social change: the formation of the social relations of production that correspond to a defined stage of the development of the productive forces and the "epochs of social revolution" in which social relations are necessarily transformed to adjust to the new level and scale of development of the productive forces. Historically, the period of transition from one mode of production to another can be analyzed from the point of view of the category of productive and unproductive work in terms of content, and we even consider that the work presented in this book may well provide a greater capacity for prospective analysis by taking a brief retrospective look into the history of humanity.

Following Marx 200 years later, it is possible to analyze the development and demise of production relations based on the categories of productive and unproductive work. Permanent warfare (unproductive work) during the Roman Empire was a necessary condition for sustaining the capacity to replace slaves. In Greece, Athens was not a hegemonic "State" and debt bondage of the citizens (mostly peasants) led to the limited reproduction of the third class that had to pay taxes and go to war to make the replacement of slaves owned by the patricians possible. With no hegemonic status Athens had to go to war with other Greek "States" (such as Sparta). Athens could not

develop itself as a real Empire and was overruled by Rome. It left more of a cultural heritage.

The Roman Empire was based on its absolute hegemony in Italy. Without hegemony it would not have been possible to build up a growing army to build an ever-greater Empire. In this context Rome did not even need to forbid the enslavement of peasants by debt. Instead the army ensured the capacity to replace slaves and those who did not resist the conquest could obtain Roman citizenship. Slave relations reached their height with the first wars of the Empire (Punic Wars), when replacement capacity reached unprecedented levels that also coincided with the cruelest episode in the treatment of slaves. The cost of the war rose with the expansion of the Empire into ever more distant territories. Replacing slave labor became more expensive as the cost of warfare increased considerably. Moreover, it imposed the need to hire an increasing number of mercenary forces instead of Roman citizens, and even to grant Roman citizenship to these people. The reproduction of the slave-owning social relationship became more costly and difficult for the Empire to sustain. The costs outweighed the benefits of productive slave labor. Slaves had to reproduce themselves and got pieces of land to do so. Hence the progressive need for the emancipation of slaves (freed-men) implies the transition to a new social relationship of production.

Marx also studied the Asiatic mode of production, although in reality this social formation was not exclusively Asian. It can be observed that this social formation was not only developing in Asia but also in ancient Egypt and in the pre-Columbian cultures of Latin America. The category of productive work can be seen in the collective work of forming terraces, irrigation, canals and the collective production that it unleashed. Ceremonial works

(such as the pyramids), on the other hand, were a way to appropriate surpluses and a new mode of exploitation. Such works are unproductive but originally contributions to the gods of fertility, the sun or the moon were one of the ways of making the social relationship of exploitation created between the “ruling community” and “lower communities” socially legitimate, with the former directing the carrying out of communal works. As long as the “cultural works” of worship reaffirm solidarity they can be considered indirectly productive.

However, if such works entail increasingly unproductive luxuries, overstretching obligations in labor and in kind contributions, and these are at the expense of productive labor in the field, unproductive labor tends to destroy the basis of its own support. Internal rebellions will be the outcome and even the disintegration of the communities. In the Mayan culture no “cultural center” held a hegemonic position and none emerged as an empire, subordinating other centers through war, as we may observe in the case of the Aztecs and the Incas, for example. The larger a territory becomes to control, the more difficult it is to sustain such an empire and external rebellions will break out with the eventual breakdown of the empire (Dierckxsens 1983).

Later, under capitalism, the subordination of use-value to exchange-value (by proving that a commodity has use-value if it is sold as exchange-value, however useless the former may be) has led to unproductive labor prevailing over productive labor. We observed how destructive consumption of the means of consumption (programmed obsolescence) entails a loss of labor productivity from the point of view of content; how destructive consumption of the means of production (by inevitably lowering the rate of profit) leads to the loss of labor productivity because of its

form; and how consumption of the means of destruction and production for war leads to the loss of labor productivity because of its form and content (Dierckxsens, 1994). These trends, in which exchange-value outweighs use-value, push more and more beyond the limits and put the reproduction of capital itself in its totality in a situation of structural world crisis.

We observe that, as a consequence of the above, there is a prolonged downward trend in the rate of profit. Individual capital then seeks expanded accumulation, leaving the central countries (which are beginning to cease to be so) in search of cheaper productive labor, to move towards certain peripheral economies, which then become "emerging", leading to a scaling up within, initially enabling them to move from the national to the continental level, and then even to engage on a global scale.

The globalization of capital means the globalization of the general laws of accumulation and value, by universalizing the fundamental contradiction between capital and labor. The contradiction appears as the globalization of capital vs. the universalization of the national, where the *national* contains all productive labor and the real economy, while the global expresses fictitious, unproductive and parasitic capital. The universalization of the national includes the necessary defense of the preservation of nature and its natural cycle of reproduction of life that includes humanity itself. As global capital is invested in "emerging economies", and particularly the Chinese emerging global economy develops (1981-2006), the conditions are created for a New Great Emerging Social Formation to emerge which no longer necessarily clings to the capitalist rationale of value without labor. Although it is logical that new one still develops itself within its old metabolism.

Since global capital cannot be reconnected with productive labor from the point of view of content, it cannot resolve how to emerge from a crisis that is structural or organic, which not only gives rise to the ongoing implosion of global capital (Piqueras and Dierckxsens, 2011), but opens up the historic opportunity to leave capitalism itself behind and overcome it. Such an "opportunity" entails a strategic conflict of interest of global dimensions, which manifests itself as a challenge as well as a threat. The real battle against globalism takes place in the US and cannot be exported. In this context we need to see what is happening nowadays with Trump as president. After the midterm elections, the war against globalism will be heavier at the international level and may create a dangerous situation. Internally a battle with the Federal Reserve (still a globalist private entity) will take place to control interest rates more directly. If necessary, Trump will try to control those interests more directly via the Treasury. This will produce high tensions between Democrats (globalist) and Republicans and may lead to internal rebellion. The collapse of Wall Street will be inevitable, and an economic depression will take place not just in the US but worldwide.

The heterogeneity and national diversity contained in the universal are how the new social formations emerge and are developing and putting forward the answers that the globalization of capital lacks or can no longer find. This very lack of internal solutions to the global accumulation of capital is, moreover, in itself a threat to humanity, since globalized capital (but not the nationalists) can only understand it in terms of a huge mass of surplus population, which implies that it can contemplate the extermination of several billion human beings. After all, this was the way capitalism solved other historical bottlenecks, such as the Great Wars of 1914-18 and 1939-44.



However, even that would not be a viable way out for this mode of production, because its real problem is not that it has too many human beings, but that it lacks more and more *value* and *added value*. And this is precisely because of the scientific and technical revolution underway and because of the fact that human beings are being rapidly cut off from productive processes.

On the other hand, the national-in-the-universal cannot express itself in the New Social Formation except by affirming itself and persisting. Its only chance of prospering is to aggregate into large national blocks (regions) that contain and express the multiple historical national identities, affirming them in their historical-cultural diversity and heterogeneity. This gives rise to the universal being manifested as *pluriversal*, containing, recognizing and enhancing all the diversity and heterogeneity of the national, social and natural (according to the latter the decisive importance of being an irreplaceable common denominator, and therefore managed collectively as an intrinsic wealth and not as a source of value).

In short, we are at a strategic and historic moment of transition, Marx would say, that would allow us to make observable, to participate and to link the development of global interest-bearing capital, as a form of growth in a mode of accumulation that belongs to the old social formations of capitalism, with a New Great Emerging Social Formation made up of a diversity of distinct social formations. We consider that this transition is in full process, subject to enormous forces that are in conflict, and one of the most important concrete manifestations of it is the subordination of the exchange-value to use-value, and therefore the subordination of productive work in terms of form to productive work in terms of content. In this struggle our own possibilities as a species may be decided.

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This book is a timely intervention at a time when Capitalocene is pronouncing a death sentence to nature and humanity. It shows that Marx's thinking is far from obsolete even almost two centuries have elapsed. Instead it can be used provokingly to shed light on the plight we are in, hence to lay down the conditions for collective work to revert our situation by turning the worst of times into the best of times. In that analysis about transition, the distinction between productive work by form and content is crucial. The authors deploy Marx's distinction between productive and unproductive capital for an understanding of the internal contradictory dynamics of the development of globalization which leads to the tyranny of financial (fictitious) capital, where socially produced wealth is increasingly privatized and controlled in a few hands. The capitalist machine increasingly requires short-sightedness and depoliticized subjectivities of private individuals. Yet it is exactly the failure of capitalism under the hegemony of US petrodollars that gives emergence to other social formations for the production of a collective subject that can only be sustained in diversity and democratic practices for a new chapter of humanity.

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