



**Daniel Campos**

# **The End of the Corporations**

**A Marxist explanation to the world economic capitalist crisis**





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## Foreword

***"The accumulation possibilities of the system have peaked. We can be sure that in 30 years we will no longer live under the capitalist world-system. But what system will we live in then? It could be a much better system or a much worse one. possibilities are open"***

**Immanuel Wallerstein 1/31/09**

The economic crisis that the world economy has been going through since 2007 is the most important in the history of capitalism. Its most spectacular expression is bailouts, a massive fund injection operation that exceeds 60 billion US \$, and is still under development. This operation carried out by capitalist governments to save multinational corporations from bankruptcy is of a colossal magnitude, of such a proportion that it would make it possible to rebuild Haiti 40 times, banish hunger in the world, put an end to the destruction of the environment and grant housing to all the inhabitants of the planet.

The crisis is installed in the center, in the economy of the G7 countries. This occurs because the heart attack was suffered by the heart of the world capitalist system, global corporations, large companies and banks in the US, Europe and Japan. For decades the heart of the world capitalist system has been the modern multinationals and large companies, banks and investment funds whose interests are increasingly deeply and intimately intertwined. From the collapse of the current crisis, they could only be revived with the massive intervention of the G7 states and the backward countries.

This crisis is the product of a long process of decline of capitalism, which began at the beginning of the 20th century, which after World War II established the supremacy of the United States in the world economy and the emergence and development of multinationals. From there to today, the world capitalist economy went through two phases or regimes of uneven accumulation and combined development with the aim of counteracting its decline and historical crisis. The first that started in the 40s, continued in the '50s,' 60s and was exhausted in the '70s, was known as the Keynesian model or "*welfare state*".

The second regime was called "*Globalization*", or "*Neoliberalism*" began in the '80s, the '90s, and begins to run out in this first decade of the XXI century. Both regimes of accumulation contributed to sharpen, in different ways, the historical contradictions of capitalism and were exhausted. The current crisis, which began in 2007, shows the exhaustion of the globalization regime and the Global Corporations which, had it not been for the massive intervention of the central banks and the support of the G7 states, would have disappeared.

Global corporations are the highest expression of capital appreciation and private property that concentrate high percentages of GDP and world trade. Their massive bankruptcy revealed what they apparently hide, that they are an obstacle to the development of the productive forces, a parasitic outgrowth of high destructive power, whose defense of profits and benefits constitute a serious danger to man, nature and drags barbarism to humanity.

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The multinationals will continue to exist, despite having collapsed, because they emerged with the support of the most formidable imperialist state in the history of mankind, the US. The G7 countries will continue to support them with massive funds, with their overwhelming technological dominance and the military might of their armies. They will only disappear if the states that sustain them disappear. And although the vulnerable nature of transnationals as an economic entity has never been shown as in this crisis, it is a reflection of the increasingly vulnerable political situation in which the governments and states that support them find themselves, fundamentally that of USA.

The current crisis shows that multinationals are unviable and need to be expropriated and nationalized, which would allow a colossal development of the productive forces. The objective situation of the capitalist system requires these measures in such a way that at the peak of the crisis, General Motors, the emblem of the domination of the multinationals and of the hegemony of the United States, had to be rescued with state funds, in order to that can continue to exist.

But expropriating the multinationals is a measure that should be part of a program that can only be carried out by governments with class interests diametrically opposed to the current capitalist governments, both in the G7 and in backward countries that act in defense of the interests of the great industrialists and boards of the multinationals. Never have economics and politics been so closely intertwined. For this reason, precisely, the explanation for the crisis cannot be reduced merely to the economic sphere.

Let us leave these explanations to journalists, economists and vulgar Marxism, who try to explain development and economic crises separately and in isolation from class struggle and political processes, as if economic processes were developed in a laboratory, or as if they were a cold process, isolated from political and social phenomena.

In this book we are going to delve into and analyze the long decline that capitalism has been developing, without which the current crisis cannot be understood. Nor can this be understood without linking it to the revolutionary processes that, since the last century, have questioned capitalism and moved the world. Marx's concept of political economy is precisely that of economics deeply intertwined with political events and the class struggle. If with the birth of Marxism, political, social and cultural facts begin to be explained from the economy, with the decline of capitalism, this relationship is reversed, and politics begins to explain the economy.

This is how Nahuel Moreno raised it with the Causality Reversal Law: "... In relation to the great historical epochs and the normal development of societies, Marxism has argued that the red thread that explains all phenomena is economic processes. But in a revolutionary and crisis time, this general law has a particular refraction that reverses causal relationships, transforming the most subjective of factors, the revolutionary leadership, into the fundamental cause of all other phenomena, even economic ones ... Summing up, The two determining elements of all contemporary phenomena, the ultimate and first causes, which determine all phenomena with their different combinations, are the revolutionary rise of the struggles of the working class and backward peoples on the one hand, and the crisis of revolutionary leadership for the other ". (1)

Precisely, it is about understanding the current crisis in the framework of the time of the economic decline of capitalism that went through different phases, stages, moments and even rebirth such as the postwar "boom". After the first and second world wars, senile capitalism acquired the physiognomy that we know it today. In turn, it is necessary to analyze the concatenation and intimate connection of each of these moments or phases with the respective political events. The fall of the Berlin Wall and the current crisis of capitalism, in which the myocardial infarction occurs at the heart of the world capitalist system, are the most important events of this new world stage. And preparatory, for the advent of the most important political and social events in history.

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## **Notes**

**(1)** Nahuel Moreno. Update of the Transition Programm (1980)



## CHAPTER I BAILOUTS

***"A moment ago, the citizen, carried away by his rationalist chimera and his intoxication of prosperity, proclaimed money as an empty illusion. There was no money other than merchandise. The cry that now resounds from one end of the world market to another is There is no other commodity than money! And like the deer for fresh water, his soul now howls for money, the only wealth "***

***Karl Marx Capital, Vol I***

The world crisis of capitalism began in March 2000 when the "dot.com" bubble burst. But the sharp peak of this crisis happened broke out on August 9, 2007 **(1)** when the French bank BNP Paribas announced that its funds ran out of money. The announcement was preceded by serious events such as the withdrawal of the New Century mortgage from the stock market due to insolvency and alleged accounting crime, the bankruptcy of Bear Stearns hedge funds, the bankruptcy of Blackstone, German bank IKB and National City Home Equity . That day the general bankruptcy shot up throughout the capitalist system and began a chain process of bankruptcies of multinationals and investment banks.

Although many warned about the existing imbalances in the economy, no economist, nor governor, nor official, wrote, nor did they foresee, about the direction and magnitude of the crisis that erupted from that moment on. The crisis was the product of the fall in sub-prime loans, bad debts, which began to mercilessly hit banks and investment funds. But it infected all the papers, debts, assets and derivatives of the world. The entire world financial system, with different rates and inequalities, went bankrupt.

This forced the central banks, the Federal Reserve (Fed), the European Central Bank (ECB), the Bank of Japan and the Bank of England to intervene jointly, which, as if following Walter Bagehot's advice **(2)**, began the bailouts. From the outbreak of the crisis, the intervention of the Central Banks became chronic, and the bailouts a permanent maneuver. Interbank credit, one of the most important institutions of capitalism, immediately broke down.

US President George W. Bush declared: "the foundations of the American economy remain solid", but the banks ignored him, they did not lend more money; or they did it reluctantly, at very high rates, out of mutual mistrust. The Bank of England saved Northern Rock whose clients withdrew 3,000 million euros in a weekend, the Swiss Global Conglomerate UBS announced losses of 3,400 million US \$, Merrill Lynch 7,900 million US \$. The British Global Conglomerate Barclays lost assets of 1,818 million euros, the Citigroup for 3,100 million US \$.

The Swiss insurer Swiss Re announced losses of 733 million euros, the British bank Royal Bank of Scotland (RBS) announced bad debts of 1,737 million euros. In Spain its own housing bubble collapsed, the banks of Iceland and Ireland collapsed. The Global Corporation and holder of the second Investment Bank in the US Morgan Stanley, reported losses of 9,000 million US \$ and the sale of 10% of its shares to the Chinese government.

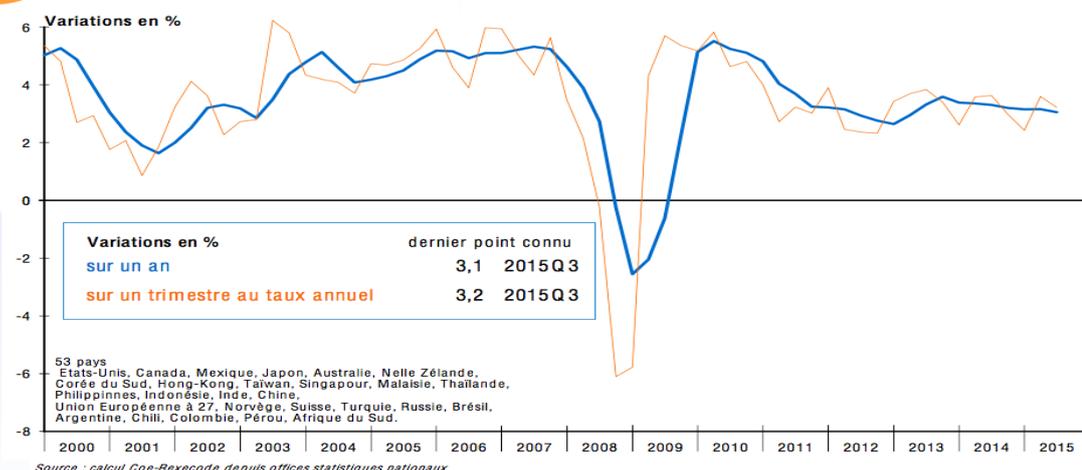
The interest rate, an expression of the rate of profit, collapsed since the beginning of the crisis and remains almost at zero until today. The bankruptcy of interbank credit, of credit in general, and the collapse of interest rates affected the process of capital circulation, vital for the

functioning of capitalism, similar to the process of blood circulation in the human organism. The central banks tried through bailouts to revive the capital circulation process, but the damages were immense, requiring operations of enormous magnitude to stop them. The year 2007 closed with a serious disturbance in the process of expanded reproduction and circulation of capital, which prepared the conditions for the heart attacks that occurred in the capitalist system in 2008.

That year the heart of capitalism collapsed, because between March and September the Investment Banks began to fail. In March the Bear Stearns Global Corporation collapsed, which had survived the Wall Street "crash" of 1929, was the "most admired" in the Fortune rankings, but had debts in the billions and a leverage ratio of 35.5 to 1. Several managers faced criminal charges and the Fed gave JP Morgan a loan to buy Bear.

The crisis of the sub prime papers did not stop deepening. The Association of Mortgage Banks of the USA revealed that the number of defaults was 6 million contracts for 600,000 million US \$. Home prices fell 8.9%, the biggest drop in 20 years. Mortgage Bankers Association raised the social gravity of unprecedented magnitude in US history: the executions and expulsions of families who lost their homes reached the record level in history.

## Croissance du PIB mondial en volume



The graph shows the short "V" movement that expresses the sharp peak of the world crisis of capitalism between 2007-2008-2009. After the brutal fall to -3%, the world GDP once again suffered from the impact of the bailouts. The caption reads: "Global GDP Growth in Volume". Source: French Office for National Statistics

After Bear's bankruptcy there was the largest bailout in US history, with state funds rescued the giant Global Mortgage Corporations Fannie Mae and Freddie Mac. Fannie Mae is the popular name of the National Federal Mortgage Association, created in 1938 under the Roosevelt government. Freddie Mac is the Federal Residential Mortgage Loan Corporation created in 1970. Both handled a volume of US \$ 5 billion, equivalent to the GDP of Latin America, with more than 50% of the mortgages in the country.

The bankruptcy of the two mortgage lending giants threatened the Sovereign Bank, Pimco, the world's largest fixed-income fund manager, the State of China, numerous Central Banks and Sovereign Investment Funds linked to the mortgage giants for owning credits in US foreign debt papers, made up of Treasury Bonds, and Fannie and Freddie bonds. Yu Yongding, an advisor to the People's Bank of China, China's central bank, warned: "If the government allows Fannie and Freddie to go bankrupt and international investors are not adequately compensated the consequences would be catastrophic." (The Privateer, 8/08) (3)

Bush invested billions of dollars in the purchase of shares in Fannie and Freddie, defending the interests of businessmen in the US and the world. The multi-million dollar bailout plan was designed by the president of the Federal Reserve, Ben Bernanke, the head of the Federal Housing Finance Agency (FHFA) James Lockhart, the CEOs of both mortgages and the Secretary of the Treasury, Henry Paulson.

The tranquility that the intervention produced in Freddie Mac and Fannie Mae lasted a week. On September 15, there was an entire economic earthquake: the Lehman Brothers Global Corporation went bankrupt. The company had weathered the civil war and the Great Depression but was full of debt and lost 73% of its value. Its fall was of such importance that many analysts consider that day as the beginning of the crisis. The fall of Lehman was a blow to world trade because it issued hundreds of billions of dollars in short-term debt, a fundamental cog in the trade that is short, 30-day, 60 and 90-day credits.

The Lehman papers acted as the lubricant and fuel of the trade, but without Lehman, they plummeted. World trade came to a halt, and it is still struggling to recover. As the World Trade Organization (WTO) reported in its 2008 report: *"The months that followed last September have seen world production and trade plummet, first in developed economies and later also in developing countries. developing"*. At the end of 2008, world trade contracted by 40%. Following Lehman's collapse, American International Group (AIG), the world's largest insurer, went bankrupt following the collapse of its market for credit default swaps (CDS) derived from credit risk.

AIG offered advice on sophisticated tax avoidance techniques because the conglomerate is intimately linked to offshore financial centers, or *"tax havens."* (4) The US took control of almost 80% of the shares of AIG and Nouriel Roubini, ironically: *"... with the nationalization of AIG ... the United States is now the world's largest insurance company ... socialism for the rich ... Wall Street, the place where profits are privatized and losses socialized. "*

After the bankruptcy of AIG came the one starring Washington Mutual. Until 2008, the largest bank collapse in American history had been the fall of the Continental Illinois National Bank and Trust in 1984. But it paled against the one starring Washington Mutual, known as WaMu, the largest savings bank association. The largest US bank, at 119 years old, it became the largest bank failure in history.

If Lehman impacted on commerce, Fannie and Freddie on credit and AIG on insurance, Washington Mutual did it on commercial banking. WaMu sold deposits and subsidiaries to JP Morgan Chase, an operation that aroused all kinds of suspicions because for the second time in 6 months, JP Morgan Chase took over the deposits and assets of a financial institution, which made it the largest bank in the United States. by deposits.

### **The first global bailout of Bush and the G7: The QE1 is born**

Until then, the policy of the powers and their Central Banks was to come to the aid of multinationals and corporations to the extent that they required financial assistance and were heading or directly declaring bankruptcy. This policy of *"random bailouts"*, putting out the fires that occurred in Europe, the US and Japan as they were occurring, began to prove insufficient. To face a crisis of this magnitude, larger operations were necessary. Between the months of September and October 2008, the first coordinated and global salvage process took place.

With this policy, the *"random"* rescue stage ended and this new stage was entered thanks to the Emergency Economic Stabilization Act (*"The Emergency Economic Stabilization Act 110- 343"*) on 10/3/08, promoted by Bush by an approximate amount of 700,000 million U \$ S. This first bailout was prepared by Secretary of the Treasury Henry Paulson who was a member of the board of directors of the Goldman Sachs Investment Bank, together with Fed Chairman Ben Bernanke and agreed with the 9 largest banks in the US (5)

The bailout included the Troubled Asset Relief Program, (in English, Trobled Asset Relief Program, TARP), aimed at the purchase of troubled papers with the aim of strengthening banks, recovering credit and reviving the flow of capital. To oversee the bailout, the Office of Financial Stability was created and Paulson appointed another Goldman Sachs man, Neel Kashkari, as interim incumbent of the new Office. With Paulson and Kashkari at the highest level of decision, the investment banks took control of the entire bailout operation. Europe, Japan, and the BRIC'S followed in the footsteps of the US, the Federal Reserve (FED) and Wall Street set

the orientation that all countries adopted. The EU and the ECB had to put out the fires that threatened all the most important European Investment Banks and multinationals. The 1st EU Summit in September 2008 launched a bailout of almost US \$ 4 billion to help and curb the threat of financial bankruptcy in several Eastern European countries such as Poland, Hungary, Ukraine, Latvia and Lithuania. These movements of the Central Banks of the United States and Europe are called QE1 (in English, Quantitative Easing, QE, in Spanish, Quantitative Flexibilización)

These measures were risky, but motivated by even greater risks: if some of these countries declared bankruptcy, they could cause the collapse of creditor banks such as UBS in Switzerland, Austrian bank Raiffeisen, Commerzbank AG, Deutsche Bank in Germany or the BNP Paribas of France. There was also the case of countries that sought to become financial havens and suffered a currency leakage shock like Ireland. Or Iceland whose stock market sank 76% after being closed for a few days.

The blow of the crisis in China forced Premier Wen Jiabao to promote a bailout that reached the figure of 5 billion US \$, with the main objective of developing public works and credits to reactivate the economy. The shock suffered by China due to the decline in its exports translated into the closure of factories in the south of the country and the destruction of thousands of jobs. Growth went from 11.4% in 2007 to 9% in 2008. As we will see later, the Chinese bailout was transformed, among other things, into a powerful real estate bubble.

The crisis made it possible to corroborate the central role that the United States maintains as a world protector of capitalism. The dollar and Treasury Bonds became the main havens from the global collapse. Despite the fact that the crisis broke out in the heart of the US economy, paradoxically the reaction of investors and countries was to safeguard their assets and reserves in dollars. The dollar strengthened because it began to be demanded by banks around the world, after the successive paralysis suffered by interbank loans.

The Bank for International Settlements (BIS) central bank of central banks, assessed that the dollar came to represent 55% of assets and liabilities, more than 70% of reserves, 80% of transactions, the 70% of imports and almost all of the oil trade in the world. At the same time that Russia, Brazil, India, South Korea and Taiwan came to lead the global accumulation of reserves in dollars, this currency became, according to the definition of the BIS, the *"favorite currency of central banks"*.

At the most acute and dramatic peak of the crisis, nothing more quickly refuted the groups of intellectuals and analysts who were beginning to propose the "Decoupling Theory" and the "loss of US hegemony." The exclusive fact of reality is that in the midst of the greatest crisis in the history of capitalism and the US economy, the only thing that strengthened was the dollar. All the G7 countries, and most of the backward countries rushed to take refuge and protect their dollar reserves and US Treasury assets. The demand for the dollar in the midst of the crisis is the clearest sign that large companies, countries and capitalist powers consider the United States with its 7 fleets, its military dominance and arms power as the greatest guarantor of last resort of capitalism, against any eventuality that questions it.

On November 14 and 15, the G20 met in Washington, a body that, although it had existed since 1999, became an important instrument for the actions of capitalist governments together with the G7. At the G20 in Washington, the US imposed the world bailout line, of giving money to multinationals and Investment Banks, adding words of commitment in the final document, such as *"establishing financial regulation standards"*, that is, setting controls to unbridled speculation, an issue that ultimately never happened.

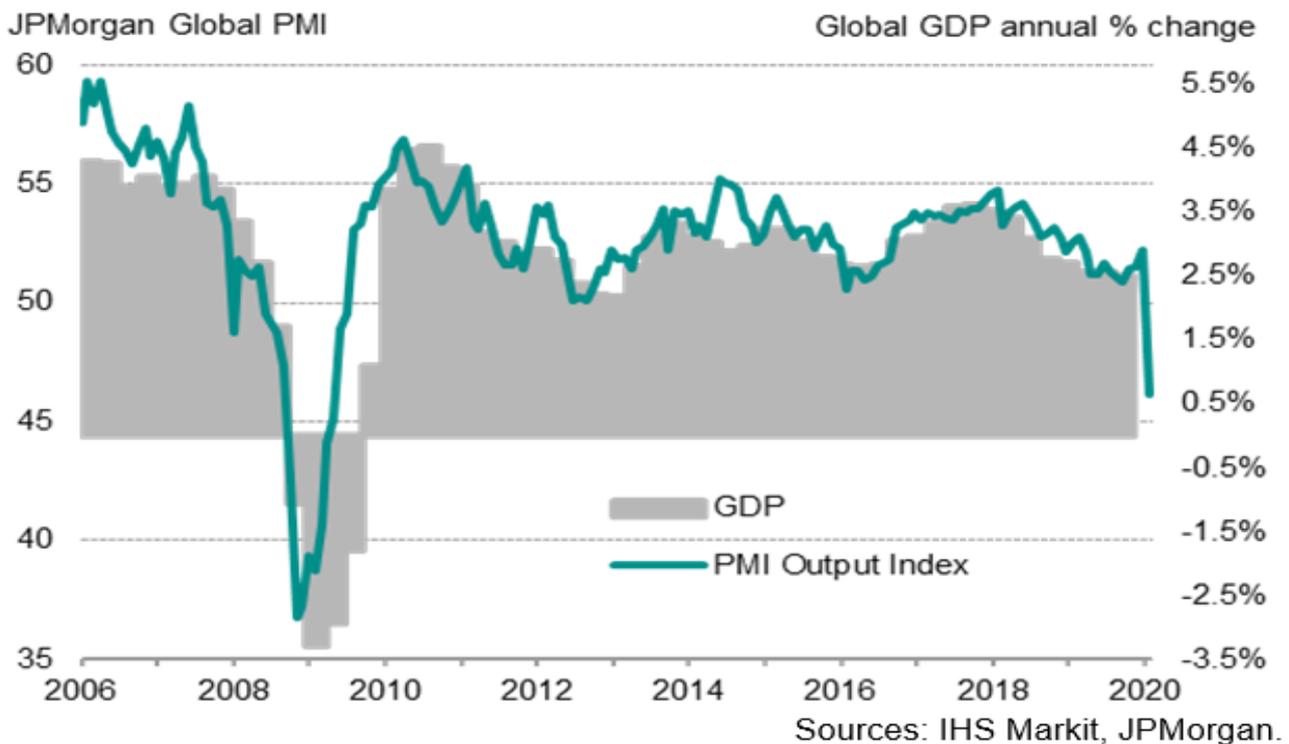
The G20 consolidated US dominance. It consolidated bailouts as a policy to save Global Corporations at any cost. The G20 in Washington included the incorporation into decision-making of smaller capitalist countries such as China, Brazil, India, Russia, Australia or South Africa, which is a distorted expression of the blow suffered by the imperialist countries and the historical

degree of the magnitude of the crisis of capitalism, which forced the G7 governments to appeal for the support of backward countries to go ahead with their plans.

### **The Obama administration and the second part of QE1**

Obama continued Bush's economic policy, a course made clear when he appointed Timothy Geithner as the 75th Treasury Secretary to replace Paulson. Geithner, from Kissinger Associates, a consultant for Henry Kissinger and Brent Scowcroft, (6) was serving at the time of his appointment as President of the New York Fed, where he was appointed by Bush. From that position, Geithner actively promoted the bailouts for corporations, which earned him complaints about the diversion of funds to different investment banks.

## **Global PMI and GDP**



**The sharp peak of the world crisis of capitalism expressed in the spectacular fall of the Gross Domestic Product between the years 2007/08/09 reflected in the "V"**

Obama appointed Lawrence Summers, who was Reagan's adviser, Chief Economist at the World Bank and Clinton's Secretary of the Treasury, as his chief economic adviser. Together with him, he appointed a Board of Advisors made up of the most distinguished members of the financial oligarchy. In the presidency of the Board he summoned Paul Volcker, linked to the Rockefeller Group, an American economist who served as Fed director during the Carter and Reagan presidencies.

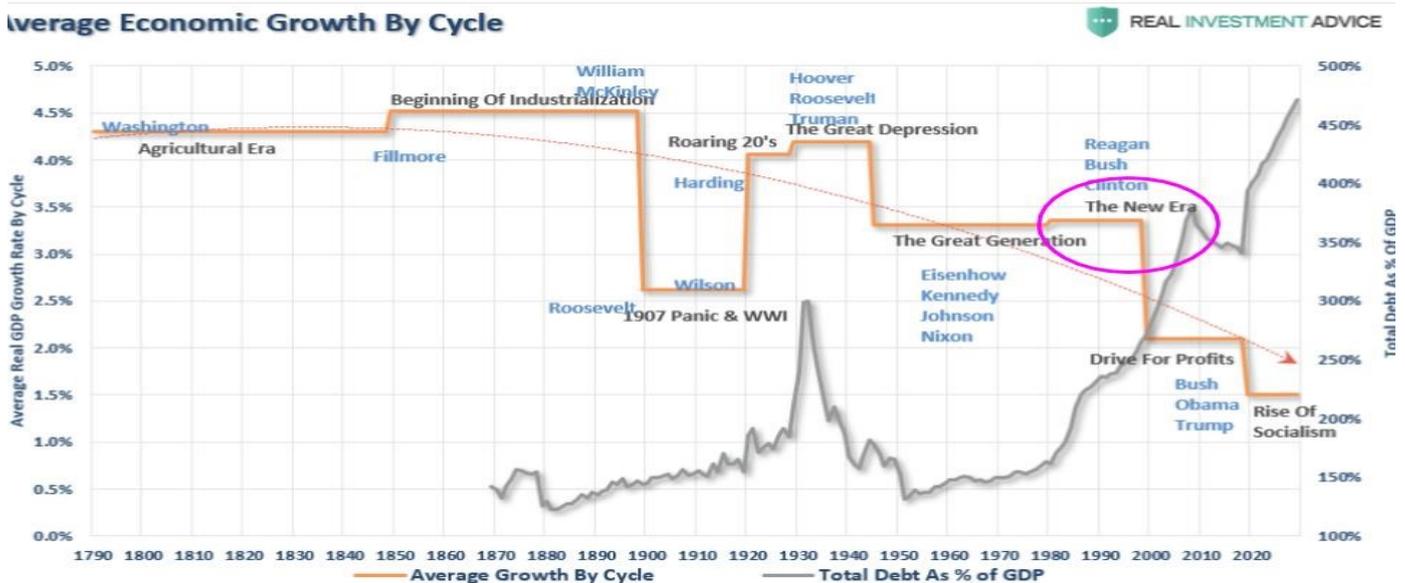
He also appointed Robert Rubin from Citigroup, William Daley from JP Morgan Chase, Roger Ferguson from TIAA-CREF, Anne Mulcahy from Xerox, Richard Parsons from Time Warner and Eric Schmidt from Google, among others. Obama decided to replace the head of the bailout oversight office appointed by the Bush administration, Neel Kashkari, with Herbert Allison, a man from Fannie Mae Global Corporations and TIAA-CREF.

The Bush bailout had prevented the bankruptcy of multinational corporations, but the crisis continued to worsen and to gradually affect the entire world economic and political system in its different dimensions, dragging new parts of the capitalist system into crisis. There was a general collapse, the growing loss of asset value, mistrust in indicators and measurement instruments, in rating agencies, in governments, suspicion, disappointment and confusion prevailing in many sectors.

The fall in all indicators, the drop in retail sales in the US and the prospect of bankruptcy of large companies forced Obama to launch a new bailout of 8 billion US \$ through the US Recovery Act and the Reinvestment Law. In March, Geithner launched a "public-private investment program" to buy assets and loans, "toxic" and uncollectible papers, which caused great euphoria in the stock market.

After the enactment of the law, the US carried out the purchase of shares in the company General Motors (GM), which formalized its bankruptcy filing in June 2009. Fearing the fall of the automotive industry with axle in Detroit, Obama rescued GM, which for 77 years was the world's No. 1 automaker and an emblem of capitalism. The US controlled 60% of the company, Canada and the province of Ontario kept 12% of the shares.

The bailout involved a violent attack on workers, reduction of its dealer network, plant closures, and the elimination of thousands of jobs. In Europe, too, governments came to the aid of their automakers. The credit rating agencies Standard & Poors, Moody's and Fitch began to have a great role as their ratings decide which debts and papers have value and which ones are not, which in a time of large debts like the one that opened with bailouts, it is vital to the destiny of capitalist companies and states. In April, the new G20 summit took place in London, which decided to provide an additional half trillion dollars to the IMF to reinforce its role as an international lender.



**Economic growth of capitalism between the years 1790 and 2020. The purple circle shows the fall in world GDP in the year 2000, which marks the beginning of the current world crisis of capitalism. Source: Real Investment Advice**

Given the contraction in world trade caused by the Lehman Brothers crash, the G-20 decided to inject US \$ 250 billion destined to reactivate global trade and US \$ 100 billion for international development banks, with the aim of rebuilding it. At the G20 in London he did not reach any agreement on the reform of the financial system, and tax havens. In the third and fourth quarters of 2009, huge bailouts caused a slight rebound in the global economy, but global imbalances continued. In November, Dubai World, the official company of the Emirate of Dubai, one of the seven emirates that has made up the United Arab Emirates since 1971, caused by a speculative bubble that was saved by the Abu Dhabi bank, went bankrupt.

The world movement of capital movement continued to decline. If by 2007 the flow was estimated at 1.2 trillion US \$, it was reduced to in 2008 to 707 billion US \$. The projections of the World Bank, in its report "The world economic crisis seriously affects capital flows to developing countries" of June 2009, placed international capital flows in decline to reach 363,000 million US \$ in 2009, which brought to the fore the dangers affecting capitalism. To avoid the brutal decline in capital flows, which continued to decline sharply, the most likely prospect was another global

bailout, coordinated between the various governments of the capitalist powers and the central banks. The bailouts carried out between October 2008 and April 2009, were denominated in economic jargon QE1 (in English, Quantitative Easing, QE, in Spanish, Quantitative Flexibilization) that is, monetary issuance without gold backing. That fabulous injection of money weakly reactivated the world economy, and many economists spoke of recovery, relying on the trend that was reflected in the drawings of the famous "V" that indicated that the indices were going up again, after the spectacular decline in the years 2007/08.

But together with the weak growth indices that developed throughout 2009 and 2010, other indices exploded that pointed to the deepening of the crisis. On the one hand, a global wave of unemployment, inflation in backward countries and rising food prices was triggered, exacerbating the food crisis around the world. The crisis was descending from Investment Banks, multinationals and Central Banks to companies, real estate, regions, cities and municipalities. In the interior of the United States, the crisis of the states and local municipalities began. US municipal bonds, known as "Munis" that serve to finance municipal transportation, health, education and sanitation infrastructure, began to collapse due to the increasing inability of municipalities and states to pay their debts, which also affected the financial entities that had "*Munis*" in their coffers.

And all this deterioration of conditions occurred on the basis that QE1 was coming to an end and neither the US economy, nor the world economy had been reactivated. Neither had consumption, production, or trade been reactivated. The weak recovery that QE1 produced was over with the bailout itself. Faced with this critical panorama, the G20 Summit of Finance Ministers and Central Bank Governors that met in Busan (South Korea) in May failed, as did the G20 Summit in Toronto, Canada in June.

The failure of these summits did not have to do with the magnitude of the crisis only, but with the development of the crisis in Europe that posed an unresolved historical problem of European capitalism. Unlike the US, which is a single state that dominates the world economy and can issue currency with its Central Bank to implement bailouts, Europe is not a single country, but the sum of countries with very unequal economies. Powers such as Germany and France coexist in the EU, powers in decline, such as Italy, Portugal or Spain, or backward countries such as those of the East. And although there is a Central Bank, the ECB, there were no clauses in the Union treaty that allowed their countries to financially rescue another **(7)**

The magnitude of the crisis forced the dominant imperialist countries Germany and France to confront the historical contradictions and unresolved problems of European capitalism and establish measures to overcome them even in a precarious way. The crisis of the so-called PIGS (Portugal, Italy, Greece and Spain) caused the implementation of bailouts to avoid a collapse of the common currency, the euro.

After a long round of negotiations, back and forth struggles, a bailout of € 1.1 trillion was implemented in May to help Greece and it was agreed to create the European Financial Stability Fund (EFSF) through a combination of contributions from different governments and the IMF composed of a fund of up to US \$ 7.5 trillion.

The creation of the EFSF was a political change for the European institutional structure, since it meant the constitution of a supranational entity that began to make decisions that involve the more than 500 million inhabitants of the EU. The EFSF meant an undemocratic leap, to the detriment of the interests of the population and in favor of the interests of the bankers. In the days of the announcement of the creation of the EFSF, the stock markets soared and the Euro achieved its biggest gain in 18 months.

The ECB also changed its credit rating policy and announced that it would accept all outstanding debt as collateral, regardless of credit rating. But even so, the friction between the European countries, Great Britain and the United States, reflected not only the inequality in the course of the crisis, but also the beginning of a global political crisis in the G7 governments. The growing pressure of the discontent of the masses and the questioning of the bailouts of the Global Corporations began to act as a factor.

Discontent began to express itself in mobilizations, general strikes and protests of all kinds, in the US and Europe. From Paris to Berlin, from Lisbon to Dublin, from the United States to Bucharest, from London to Rome, the popular workers' struggles began, against adjustment plans and budget cuts that affected retirees, state workers, students and the unemployed. These first signs of resistance showed the discontent of the peoples and were the prelude to a great wave of mobilizations and protests that began to travel the world.

Beyond occasional and conjunctural frictions, the capitalist governments launched adjustment packages that affected the health, education, retirement and public works budgets, in the common consideration that the crisis should be paid for by the workers and peoples of the world. After the bailouts, as of May 2010 Portugal, Italy, Greece and Spain announced severe cuts in public spending and tax increases. Great Britain, France, and Germany, too, made their own adjustments.

The growth of poverty, unemployment and the deterioration of the living conditions of millions, aroused worldwide outrage over the bailouts of corporations. This wave of disapproval of the policies implemented by the G7 governments was the trigger for the political crises that began to develop in the US and led to the first wear, discontent and disillusionment of the population in the Obama administration. This led to resignations from the cabinet of Herbert Allison, Larry Summers, Christina Romer and Peter Orszag.

Allison was replaced by Tim Massad of the New York firm of Cravath, Swaine & Moore LLP. The same attrition and political crisis unfolded in the EU, causing a round of downfall of the governments of the UK, Ireland, the Netherlands, in Finland twice, in Denmark, Portugal, Hungary, the Czech Republic, in Slovakia twice, too. in Belgium, Spain, Greece and Italy, since the beginning of the crisis. In Romania, which received bailouts of 25,000 million euros between 2009 and 2012, the prime minister fell at the beginning of 2012.

In November 2010, when all economic indices showed that the world economy was once again approaching a collapse, a new round of bailouts or QE2 began. The Obama administration injected US \$ 6 trillion into the economy, the Fed acted by massively buying US Treasury Bonds (T-Bonds). With this maneuver, the Fed's coffers aggravated the character of its balance sheet and added mountains of fictitious capital to the already existing mountain of fictitious capital.

The Bank of England acquired almost 1.5 trillion US \$, also the Eurozone began a round of bailouts. Ireland, which had suffered the failure of the six main banks to finance a housing bubble with losses of 1 trillion euros, received a bailout from the IMF, Great Britain, Denmark and Sweden of 67,500 million euros. Portugal in serious situation also received a bailout of 78,000 million euros. The European Council in December agreed to modify article 136 of the Treaty on the Functioning of the EU signed in 1992 in Maastrich to allow bailouts of countries whose currency is the euro.

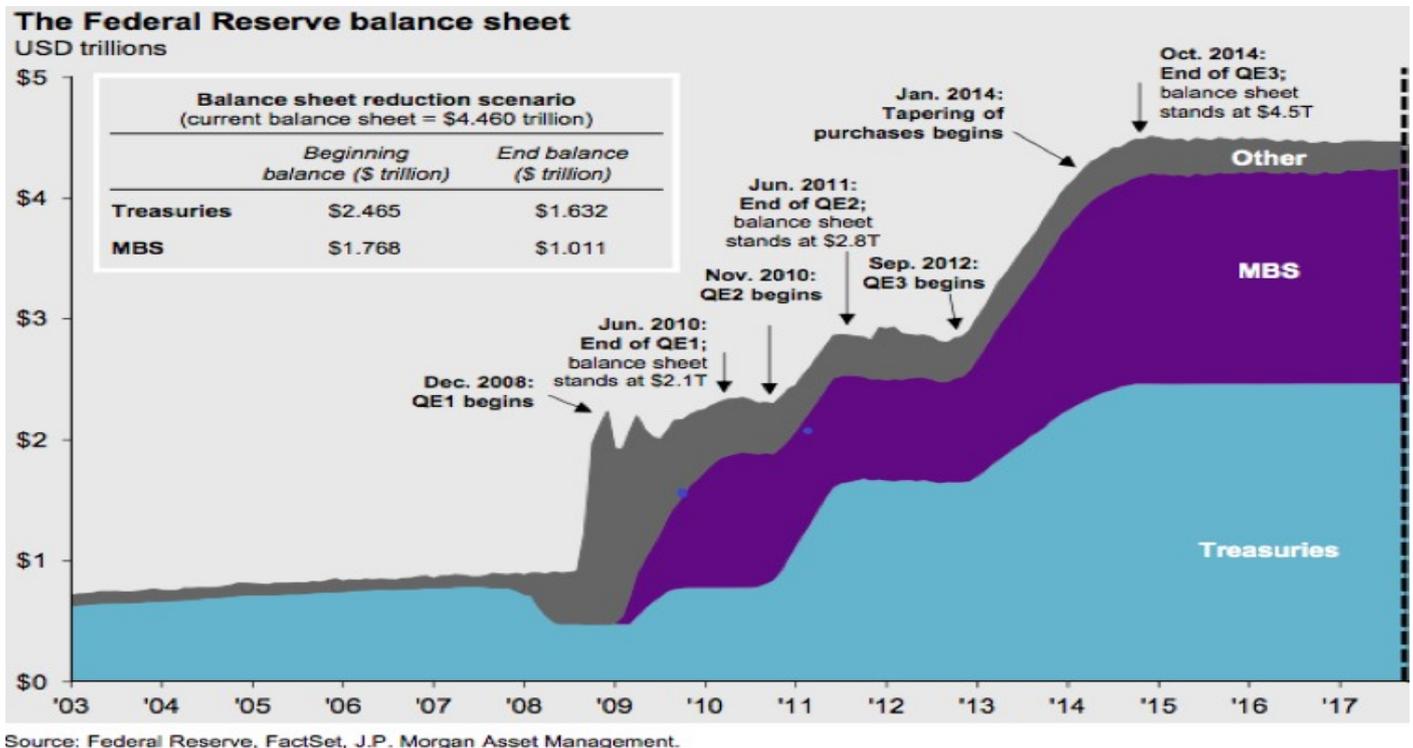
The year 2011 was the year that Japan, the world's third largest economy, was also severely hit by an earthquake and tsunami on March 11 that left 12,157 dead, 15,496 missing and 161,000 refugees. Faced with the tragedy, investment funds and speculators bet on the "reconstruction business" around 15 trillion yen, speculating that Japanese insurers would repatriate funds to pay compensation and carry out public works for which it began to cause the rise of the yen

The cost of reconstruction impacted on Japan's huge public debt, of more than 200% of GDP, the largest in the world, and triggered the risk of a default by the state. After the tsunami there were two big "bailouts" one of 5 trillion and another of 8.9 trillion yen by the Bank of Japan, to avoid the bankruptcy of insurers and banks. The Japanese disaster affected the US and China because Japan is the buyer of 10% of the exports of both countries.

### **The road to QE4 "*whatever it takes*"**

Summarizing, the first salvage tranche was called QE1, and began in September 2008, until 3/31/10. When the world economy showed recession symptoms again, the second round of bailouts began on 3/11/10 called QE2 until 6/30/11. But it did not manage to ward off the danger of

crisis which led to a third round of bailouts called QE3, which began on 9/13/12 until 10/29/14, when it stopped in the US In Europe the QE was developed during 2015. As the QE had avoided bankruptcy, revived circulation and avoided recession, by 2015 all the economic authorities, analysts and officials of capitalism assured that the crisis had been overcome.



**Balance Sheet of the US Federal Reserve between the years 2003 - 2017. Note the development of the bailouts, QE1, QE2, and QE3. Source: Federal Reserve & J. P. Morgan Chase**

Janet Yellen, the president of the Fed, went so far as to say that there would be no more crisis *"for many years, and perhaps never again"* A whole chorus of charlatans argued that we were facing the "longest economic growth since the postwar period," *that the "worst was over"*, and that the time had come to *"normalize"* the economy. However, the reality was the opposite. What produced 10 years of injection of trillions of dollars was a veritable disaster that pushed capitalism into greater and more serious dangers. If what had caused the outbreak was a crisis in US mortgages, now that mortgage crisis had multiplied by 12 and spread to 11 countries.

On the other hand, one of the reasons for the crisis was the size of the companies that dominate the world economy. It is these companies that over-accumulate capital and push capitalism into crisis. But after years of injections of monstrous masses of capital, the *"Too Big to Fall"* are now bigger and more dangerous. Having injected these huge financial parasites with bailouts, I exploit the development of old speculative maneuvers such as share buybacks, and all kinds of fraudulent activities. Criminal financial activities multiplied, which according to capitalist analysts themselves are *"weapons of mass destruction."*

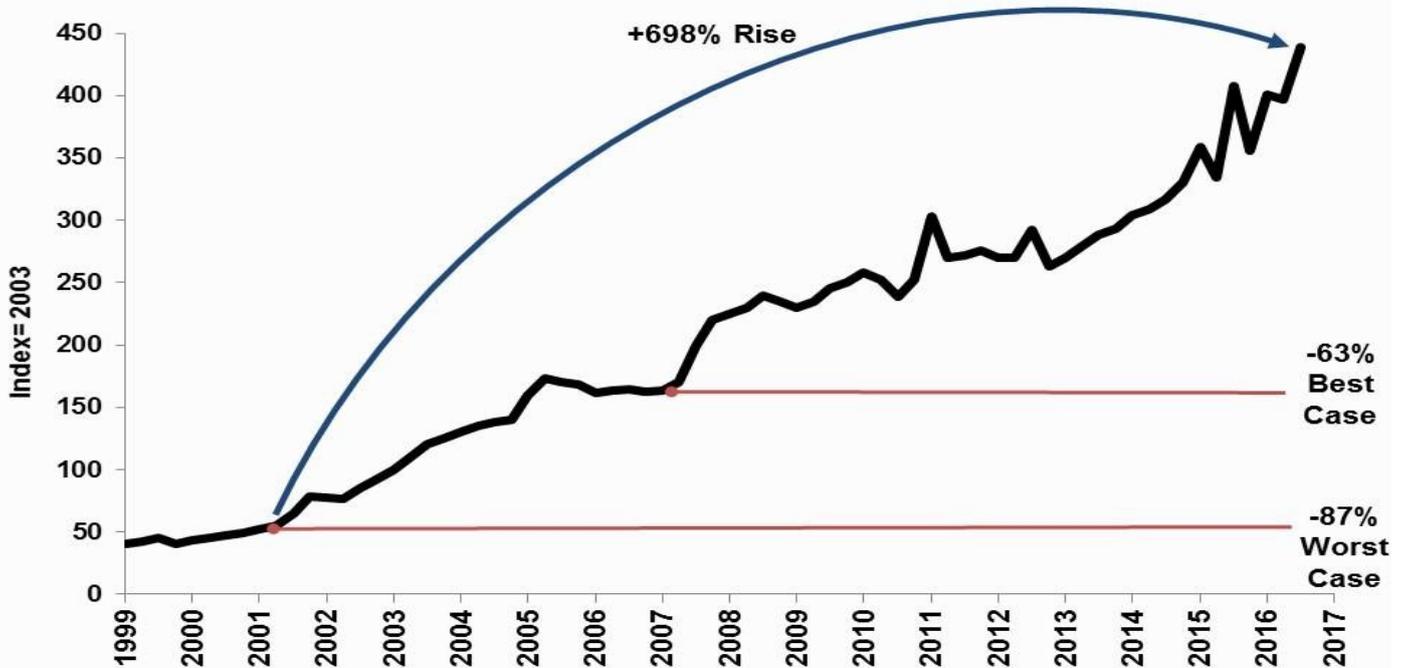
Risky speculative plays develop so-called speculative *"bubbles"*. The over-accumulation in a few hands of the 1% of aristocrats caused that a bubble has been mounted on a global scale that bourgeois analysts call the *"Bubble of the whole"*. Financier Jared Dillian explains it like this: *"... In 2000, we had the dot-com bubble. In 2007 we had the housing bubble ... In 2017, we had the everything bubble ..."* (Capital Bolsa 6/29/17 ). And in China a gigantic bubble was formed which is called *"the mother of all bubbles"*

But the bosses of capitalism faithful to their belief that *"the worst of the crisis is over"* in November 2017 began an economic operation called Quantitative Tightening (QT, Quantitative Tightening). In a reverse process to QE, instead of printing money to circulate the QT, it is withdrawing

money from circulation. The Fed assured that the transition from QE to QT would be so gradual that it would not cause any problems. Philadelphia Fed Chairman Patrick Harker announced that the process would be as boring as watching the paint dry. Along with the QT, the Fed carried out five interest rate hikes. Contrary to everything the officials raised, with the QT capitalism exploded. To the extent that the Fed restricted the flow of money, and raised interest rates, it became

## China Has The Mother of All Bubbles

### Shanghai Real Estate Price Index



Source: China Real Estate Index Systems, Bloomberg, Dent Research

[www.dentresearch.com](http://www.dentresearch.com)

The title of the chart reads: *"China has the mother of all bubbles"* The imposing Chinese real estate bubble of 15 trillion dollars is appreciated, with a growth of 685%

a vacuum cleaner that absorbed all the dollars that circulated in the world. By attracting dollars from around the world, it caused a crisis in the currencies of developing countries because dollars began to flee from the economies of poor countries.

### Increasing and accelerating bailouts

The bailouts are the greatest expression of the collapse of capitalism. It is a phenomenon completely unknown by the overwhelming majority of the population: 99% of the world population knows about the Coronavirus, but does not know about the bailouts. And the bailouts are a thousand times more dangerous than the Coronavirus, they kill more people than the pandemic. This is hidden from the peoples by the capitalist governments, their political parties, the social and union leaders who support capitalism.

The reason why the bailouts are hidden is because the people should not know that while they are demanding adjustments, plans for hunger and misery, the capitalist governments give millions of dollars to the aristocracy of the 1% that dominates the world. In addition, they are hidden because the peoples should not know the real dimension of the depth of the crisis that capitalism is going through. It is hidden from the peoples of the world that the Corporations went bankrupt en masse between the years 2007/2008. And that from then until the beginning of the pandemic in 2019 they received a total of 30 billion dollars, during 14 years. The majority of the world's population does not know this. And he does not know that capitalism lives with an artificial respirator because capitalism could not survive for a minute if the bailouts were suspended.

But the delivery of "*cheap*" and "*easy*" money to the global aristocracy is not only a tremendous injustice that aggravates social inequalities minute by minute, but has also become a permanent, accelerated, vertiginous maneuver that shows that capitalism is in the midst of a serious collapse. In 14 months more bailouts than in 14 years. Between the first months of 2020 and April 2021, the capitalist governments of the world have injected more bailouts than in the last 14 years.

This speaks to the clear of the vertiginous convulsive, and accelerated dimension that the world crisis of capitalism is reaching. The Central Bank of the United States, called the Federal Reserve (Fed) injected for 14 years between 2007 and 2019, a total of 4.5 trillion dollars. But since the pandemic broke out in December 2019 until today, the Fed injected three bailouts: One in March 2020 under Donald Trump of 2.1 trillion, another of 0.9 trillion when Joe Biden won the elections in December 2020, and a third of 1.9 billion in March 2021, already with Biden assumed president of the United States.

The argument of the capitalist governments was that the injection of money was to solve the COVID-19 pandemic. This is false, the pandemic continued in the world with new strains of coronavirus such as the Delta variant, the British strain, the South African strain, the Mu variant, and others, the money was essentially destined to save the Corporations that dominate the world economy from bankruptcy.

For the purposes of a better political understanding of the phenomenon, we call this entire set of bailouts operations produced between 2019 to today, QE4, which adds up to the amount of 4.9 billion dollars, which is a figure higher than what was injected in the previous 14 years. If we add the 4.9 trillion of QE4, to the 4.5 trillion injected since the years 2007/2008, it all adds up to the immense sum of 9 trillion dollars, only in US.

And if we add to all this what was injected by the central banks of England, Japan, Canada, the European Central Bank, China, Switzerland, etc., which follow in the footsteps of the Fed, the joint action of the main central banks of the world. It is bringing the total money injected since the acute peak of the crisis in 2007/2008 to around \$ 60 trillion.

Some economists, political and social leaders claim that capitalism had a crisis in 2007/2008 when Lehman Brothers went bankrupt. Then he recovered and 14 years later he "*relapsed*" again due to the outbreak of the Coronavirus pandemic. This is false. The crisis of 2007/2008 and the current one are the same crisis. Capitalism never emerged from this crisis. The best expression that the crisis of the years 200/2008 and that of today are the same, is the fact that the bailouts have not stopped developing in these 14 years.

### **The capitalist governments of the world unite to sustain capitalism**

All capitalist governments contribute to the bailouts to the Corporations and to the support of capitalism. No government is outside of these plans, even if they want us to believe otherwise. Along with the governments of the United States, France, Germany, Japan, and Canada, there are also the governments of China or Russia, which carry out bailouts, participating in the daily rescue of capitalism.

For those who believe that the US is facing China or Russia, or the latter against world imperialism, the reality of the Salvages, and the daily rescue of capitalism, shows that this is false. In fact Xi-Jinping, China's top leader, who is supposedly at "War" with the United States, was part of the launch of the "*Great Reset*" in Davos.

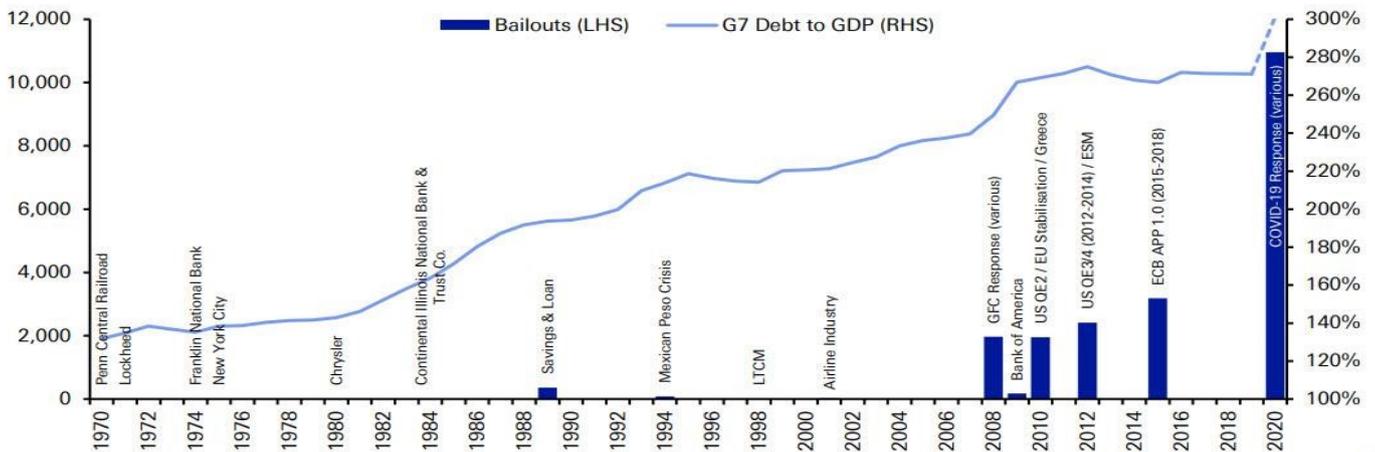
Putin's governments in Russia, or Iran also contribute to the maintenance of capitalism when they favor the investments of the Corporations in their countries or they keep agreements with the IMF, like all capitalist governments in the world. Even those capitalist governments that present themselves as "*left*" or "*progressive*" such as those of López Obrador and Morena in Mexico, Fernández in Argentina, Maduro in Venezuela, or Díaz Canel in Cuba, contribute to the rescue of the Corporations.

They do so by promoting the investments of multinationals in their countries, or by contributing dollars when they pay external debts to the IMF. This agreement of all the capitalist governments of the world to support capitalism is what explains the silence about the bailouts and the hiding of them from the masses, from all the governments and leaders of the political and social leaders of the world.

### The QE4 is assured of its failure

But it would be a mistake to believe that the 2020 collapse is the fault of the QT. The crisis exploded because QE1, QE2 and QE3 had made a mess. The QT was a kind of financial coronavirus that revealed the magnitude of the disaster. In just 3 months the objectives that the QE1, QE2, and QE3 had costly achieved in 10 years were erased at a stroke of the pen. The assertions of the bosses of capitalism that the crisis "is over" were buried by reality.

Figure 1: Largest bailouts in history in 2020 USD (\$bn) vs. G7 debt to GDP



Source : Deutsche Bank, Haver, IMF

**The title of the painting says: "The greatest bailouts in history." You can see the magnitude of the bailouts in the last 50 years. You can see the Savings and Loan between 1980 and 1990 and the "effects" or LTCM, in the 90's. The Salvages that begin in 2008 (QE1, QE2 and QE3) were so far the largest in history. 2020 QE4 is equal to all previous salvages put together. Source: Deutsche Bank, and IMF**

But if QE1, QE2 and QE3 made a mess, what effects will QE4 have? With QE4, the equivalent of half of the bailouts that were implemented in the previous 10 years were injected in two years. At an even faster and more breakneck speed. In the midst of a pandemic and a colossal level of destruction of the productive forces. That is, if QE1, QE2 and QE3 made a disaster, and led capitalism towards collapse, QE4 is going to cause an even greater disaster, and its failure is already assured.

If the circulation was revived with the QE1, QE2 and QE3 now it depends on the artificial respirator of the QE4 to continue day to day. If the bankruptcy of the Global Conglomerates was avoided with the QE1, QE2 and QE3, with the exception of Lehman Brothers and Bearn Sterns, now all the Conglomerates depend on the day-to-day life of the artificial respirator of QE4 to avoid bankruptcy. And if before the beginning of QE4 the outlook for the world economy was recession, now it is depression.

This is the grim expression of the collapse of the capitalist mode of production. But meanwhile the crisis continued its development, and nothing, not even the serious deepening of it, prevented the big capitalists who control the world economy from losing their juicy bonuses and benefits. As bankers practice the frenzied dance of awarding millionaire prizes, a worldwide debate has raged about the nature and prospect of the crisis.

The questions follow one another in search of answers: Where is this crisis going? Why did it happen? Can capitalism overcome it? We will answer these questions successively. The future panorama of the crisis of capitalism, beyond its conjunctural movements, the deep processes that unfold and its fundamental tendencies are reasons for analysis in the next chapter.

## Notes

- (1) As George Soros points out: *"The outbreak of the 2008 economic crisis can be officially set in August 2007 when central banks had to intervene to provide liquidity to the banking system."* George Soros. *"The new paradigm of financial markets"* Taurus 2008
- (2) Walter Bagehot, 1826-1877 English economic journalist, was one of the first editors of *"The Economist"*. In his book *Lombard Street*, Bagehot argued that the fundamental mission of the Bank of England was to use all its gold reserves to, in times of liquidity crisis, acquire all the assets it could from commercial banks and thus restore credibility to the banking system. Source: <https://juandemariana.org/estudio/>
- (3) There are different versions of why the government did not rescue Lehman and if it did it with Merrill Lynch, Bear Stearns, Fannie and Freddie. The behavior of the Fed and JP Morgan after the bankruptcy of Lehman raised suspicions among analysts. Whatever the reason, it was JP Morgan who benefited from the operation, which had an exposure of almost 90 billion US \$ of derivatives, was technically bankrupt and in fact underwent a process of disguised recapitalization.
- (4) The Wall Street Journal also indicated that the real beneficiaries of the successive bailouts of AIG were two dozen large financial institutions, which received payments worth US \$ 50,000 million since the bailouts of the insurer began in September. . The list is headed by Deutsche Bank and Goldman Sachs, but there are also Merrill Lynch, SG, Royal Bank of Scotland, Morgan Stanley or HSBC, etc. Congressman Christopher Dodd, D-Connecticut, protested: *"It is not clear who we are rescuing."* Source: <https://edicion4.com>
- (5) The Investment Banks JP Morgan Chase, Bank of New York / Mellon, Merrill Lynch, State Street, Morgan Stanley, Goldman Sachs, Bank of America, Citigroup and Wells Fargo, were part of the agreement.
- (6) Henry Kissinger was Secretary of State in the administrations of Presidents Richard Nixon and Gerald Ford. He played a dominant role in US foreign policy in the Vietnam War, the bombing of Cambodia, and relations with China. Brent Scowcroft was a National Security Advisor under Presidents Gerald Ford and George Bush. He also served as a military assistant to President Richard Nixon and as Deputy to the President for National Security Affairs in the Nixon and Ford administrations and assisted President Barak Obama in the election of his national security team.
- (7) The ECB was established on 1 June 1998 by Belgium, Germany, France, Ireland, Italy, Spain, Luxembourg, the Netherlands, Austria, Portugal and Finland. As of January 1, 1999, the economies of the Member States adopted the single currency, the euro.



## CHAPTER II TRENDS

***"The actual internal connections of the capitalist process of production is an extremely intricate question ... it goes without saying that ideas must be formed in the minds of the capitalist agents of production and circulation about the laws of production that diverge entirely. of those laws ... The ideas of a merchant, a stock market speculator, a banker are, necessarily, completely wrong"***

**Charles Marx: Capital, Third Book, ch. XVI, Book III**

After the bailouts, the world literally changed. It changed not only in the economic field, the bailouts had an impact on social relations, production relations, political and economic trends, the location and agreements of social classes and class sectors, countries and their relationships throughout the world. Everything has definitely changed.

But while in essence everything has changed, in appearance everything remains the same. Capitalism continues to function, multinationals move, the population consumes, commerce continues its march, apparently, everything continues, except for some announcements of bankruptcies and disappeared companies. Even at certain times there is economic growth. This appearance of the crisis is one of the elements that causes the greatest confusion among analysts and economists around the world.

Most of them are disoriented. They are permanently perplexed by a reality that they do not know, without a doubt they are moving in unknown territory. They look for parameters to find answers, they compare the crisis with others, *"it is the same as the Nasdaq of 2000"* some say. *"It is the same as that of the oil crisis in the '70s"* affirm others. All the time the statistics confuse them, *"We are coming out of the crisis"* they affirm, but then the data refutes them. *"It is part of the end of a long cycle of growth"* say some.

Others refute them: *"It is part of a long cycle of stagnation"*. Statistics give data to assert both one thing and the other. It is the same statistics that lead analysts and economists, even some so-called *"Marxists"*, to such a state of confusion. It is important to compare this crisis with others that have occurred in capitalism, but the answers cannot be sought only in comparisons, because the current crisis has elements of all the previous ones. Statistical data cannot explain the deep laws of economics, they are very important, but they only serve as a support.

The outlook is bleak in the lands of Marxism, where most economists refer to describing the crisis as one of overproduction. Although it is true that there are millions of goods on the market that are not consumed, that does not explain the crisis, because overproduction is the external expression of the profound phenomena of capitalism. Those who describe the crisis of overproduction confuse appearance with essence.

In truth, the crisis is very complex, the interaction of conjunctural, structural, and historical elements of capitalism have found an intersection, not coincidentally, in the first decade of the 21st century. It is the only mitigating factor that we can give our analysts that justifies their confusion. And in the case of those who defend capitalism, they also make the recurring mistake of confusing reality, with their wishes and interests.

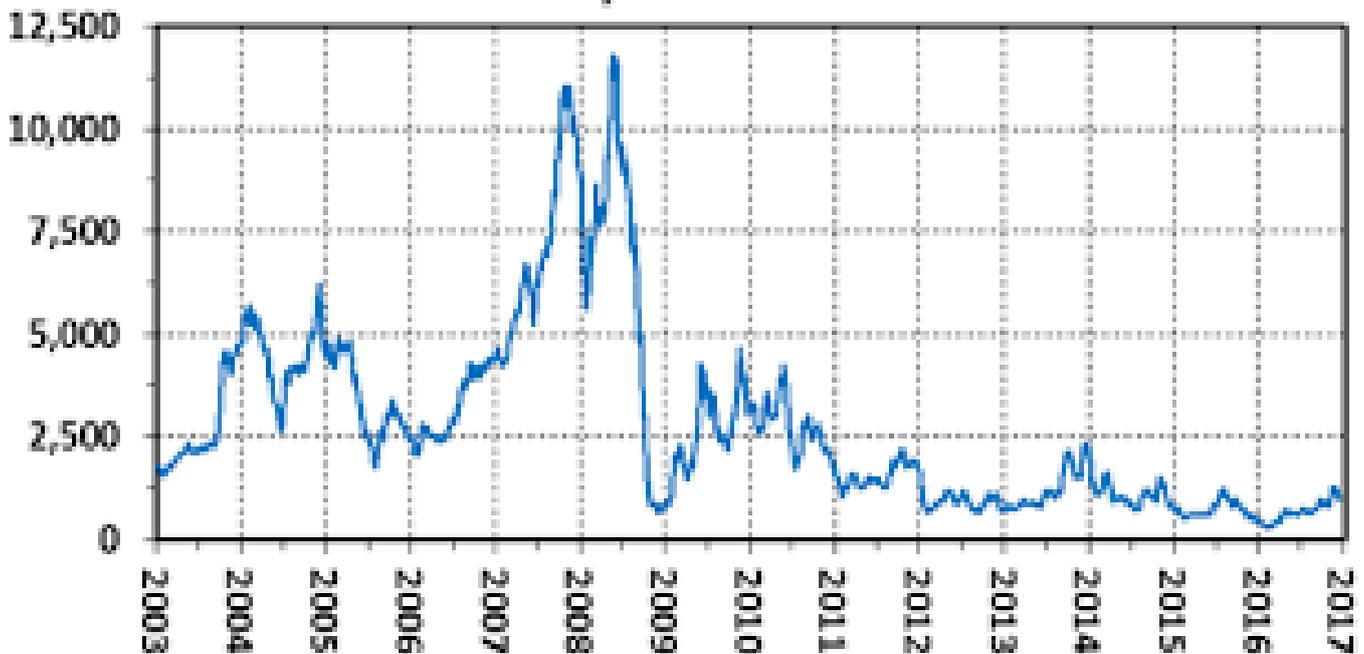
the injection of fabulous masses of capital into the economy as a whole, nothing will be the same again. Even data on the crisis in the first years of its development have been recorded of such severity that we have to go back many years to find antecedents of a similar magnitude in capitalism, which were not recorded in decades or even centuries.

The main ECRI indicator produced by the Economic Cycle Research Institute, has come to show falls in the US economy that are around -6.9, pointing to a contraction and a speed of fall that the most important capitalist economy has not known since the postwar period.

In 2009, all the G-7 economies registered negative growth in unison, something that had not happened in 100 years. Also in 2009, more than 100 nations registered zero or negative growth, for the first time in the history of capitalism!

The Baltic Dry Index indicator, which reflects the evolution of world trade, was close to 12,000 points in May 2008, but at the end of that year it suffered a historic drop and collapsed, collapsing to 660 points, progressively reaching 4,500 points at the end. 2009. Since then, the decline has been continued, and at the beginning of October it reached 2,478 points, in a clear sign that the world economy is still moving away from the pre-crisis indexes, since in relation to the period 2006-2007 the volume of global trade fell 25%. This fall is the worst since ... 1945!

### Baltic Dry Index: 2003 - Present



**The Baltic Dry Index shows the spectacular decline in trade after the bankruptcy of Lehman Brothers Source: Baltic Dry Index**

The fall in the prices of oil and other commodities was the fastest and deepest since the record began in 1956. If in the Great Depression of 1929, in the United States the percentage of debt over GDP was 186%, in the current crisis, the debt / GDP ratio is calculated ... 379% !, More than double that of the Great Depression! And if future retirement debts are added, the percentage rises to 800%! Japan's GDP in 2009 registers indices ranging from -6% to -10%. These data are the worst since 1945.

Interest rates are practically zero in the US and almost all the major economies, since the outbreak of the crisis, are at their lowest level in ... 100 years! The ones that broke all the historical records are the British interest rates that have reached their lowest point since ... more than three centuries! Exactly since when the Bank of England was founded, in 1693! In 2008 the Caisse des Dépôts, the financial arm of the French State since 1816 and under all regimes (monarchy, empire, republic, ...), experienced its first annual loss ... in 193 years!

We can synthesize the fundamental tendencies that have taken place in the capitalist system from the salvages, grouping them into 4 items that incorporate a series of issues in turn, linked:

### **1) Jump in poverty and inequality indices in the G7 and the world**

### **2) Devaluation and decomposition of the world economy**

### **3) Crisis of credit, money, and general bankruptcies of companies and states**

### **4) Permanence and institutionalization of bailouts**

1) Jump in poverty and inequality indices in the G7 and the world World poverty and inequality indices, which were already serious, after the bailouts are skyrocketing with indices that are also historic. As of 2012, out of a total of 6.7 billion inhabitants in the world population, 1 billion "survive" on an average of \$ 2 per day, of which 70% are women. Three billion are not enough to cover basic needs in food, housing and health. More than 24,000 people die of hunger every day, 840 million people are malnourished, of which 200 million are children under five years of age. More than 1.8 billion human beings do not have access to safe water.

More than 1 billion lack a worthy home, 2 billion people suffer from iron deficiency anemia, 880 million people do not have access to basic health services, and 2 billion people lack access to essential medicines. At the other extreme, those who pocketed the bailout money, the top twenty super millionaires on the Forbes list, collect together a figure estimated at US \$ 109.5 trillion (**1**), which is equivalent to more than is necessary for the end. of hunger and poverty in the world.

The select club of super millionaires of the Forbes ranking went from 1,125 members in 2008 to 793 in 2009. Those 109.5 billion US \$ of accumulated wealth in the hands of the "millionaires" exceeds the world GDP, that is, the annual wealth produced for all countries, which is around US \$ 100 billion. These data show that the bailouts exacerbated social inequalities, the data of which are worsening day by day.

After the "*bailouts*" the indices of social inequality, human and nature destruction, skyrocketed, which heralds the danger to which this phase of the capitalist system is leading us. The devastating data on the world economy are so serious that we can affirm without a doubt that no phase, stage, or period of capitalism has existed until now that signifies such a serious drop in the living conditions of billions of inhabitants of the world. planet simultaneously, as we currently live with the situation open after the bailouts.

With the chilling indices in hand and comparing them to 25 years ago, we could easily declare Ronald Reagan and Margaret Thatcher "*benefactors of humanity*." This is recognized by officials defending capitalism such as the then managing director of the IMF in 2009, Dominique Strauss-Kahn: "*Since the crisis in the US began in 2007, 30 million jobs have been lost in the world ... really we face the risk of losing a generation*"

With the bailouts, economic, political and social forces were unleashed, which are modifying social relations between classes and sectors of them, but also impacting and modifying relations between countries, nations and states. Before the salvages, the existence of a "*First World*" made up of an elite of 7 countries, the United States, England, France, Canada, Germany, Italy and Japan, and a "*Third World*" made up of 192 countries, was always considered. The remaining ones that, apart from inequalities, always had the most important poverty rates on a world scale.

For those inhabitants and citizens of the countries of the so-called "*First World*", living conditions were always raised superior to those of the rest of the planet, even for social classes and social sectors with less purchasing power. After the salvages this is definitely changing. Today, in the countries formerly known as the "*First World*", poverty and unemployment advance by leaps and bounds, driven by the adjustment and austerity plans implemented by their governments.

Poverty and unemployment rates, although not yet the same as in Third World countries, tend to equalize and approach rapidly. For this reason, and taking as a definition of a country the social formation made up of social classes and class sectors at a time in the historical process, we can affirm that after the "salvages", in the countries or social formations of the United States, France, England, Canada, Japan and Italy tend to increase the rates of poverty and unemployment typical of the social formations of the countries of the "Third World".

### **Relationship between states and multinationals**

Different is the situation in relation to the states. After the bailouts, the existence of a few states, qualitatively richer and more powerful militarily and economically, than the remaining 192 states is strengthened and deepened. These imperialist states are the richest in the world, not only because of the accumulation of wealth that they have historically carried out, as a result of the plundering of the most backward countries, colonies, and possessions, but also because of the control of trade, industry, distribution, finance, communications, combined with its military and technological might.

The immense bureaucratic and military machinery of these states is now experiencing a greater overlap with the multinationals. The bailouts have involved the injection of giant masses of capital into them, which has united more deeply and intimately the constituent elements of the states and multinationals. From the bailouts, the situation of the imperialist states and the multinationals became even more deeply interrelated, the future of the states depends on the future of the multinationals and vice versa.

It is a permanent tendency of senile capitalism to unite the states with their multinationals, as expressed by the fascist states of Hitler and Mussolini, in which large companies and national monopolies reached a deep unity with the states. While multinationals were not predominant at the time, the trend is the same and the analogy can be perfectly established, albeit in completely different social and political contexts. For Trotsky: "*The corporate state ... is nothing more than the agent of monopoly capital ... Mussolini makes the state run with all the risks of the companies and leaves the capitalists all the benefits of exploitation.*" (2)

What we analyze is a trend of which "*bailouts*" are its expression. It follows from this relationship that just as the generalized collapse of multinational corporations affects the imperialist states. The deep interweaving of these with the corporations supposes that the destiny of the states is also the destiny of the corporations. This unity between imperialist states and multinational corporations gives rise to changes in the relations between states, economies and nations.

A study by Sarah Anderson and John Cavanagh of the Institute for Policy Studies finds that of the 100 largest economies in the world, 51 are corporations and 49 are countries. A comparison of corporate sales and countries' GDP reveals that General Motors is bigger than, for example, Denmark or that Wal-Mart is bigger than countries like Norway and General Electric, also associated with JP Morgan is, for example, greater than Portugal.

This tendency of the G7 states, their role as imperialist states, their deep entanglement with multinational corporations, their entanglement with the armies that depend on them, their renewed arms development, and the existence of a bourgeois class sector with a bureaucratic component of officials of the imperialist state machinery, develops another trend. These states will tend to dissociate themselves from the social formation that they dominate, and will seek to modify the relations of production and the structure of said social formation in order to stabilize themselves, to impose new relations of force between the classes.

For this reason, the development of the rich imperialist states is necessarily accompanied by social formations of increasing poverty. The contrasts that previously characterized the "*First World*", the "*Third World*", are now the contrasts between the countries and states of the G7 with the social structure that they dominate. The population of the G7 countries, and fundamentally the working class and popular sectors, after the "*bailouts*" began to experience phenomena and situations unknown to the inhabitants of northern Europe, North America and Japan, although quite common for any citizen from the third world.

.At the same time, and as we saw in Chapter 1, with the bailouts, relations between the imperialist states are drastically changing, developing an accelerated process of colonization of the EU, China and Japan by the US. The colossal infusions of capital of the Fed, act to reinforce the hegemony of the United States, which imposes its policy on the EU, China, Japan and the BRIC'S.

### **Growth of poverty and changes in social structures in the G7**

In the United States, the trend is toward an increase in the number of poor people as well as the number of Americans without health insurance. Among minorities such as Hispanics, African Americans, immigrants, women, youth, Hispanic children, poor immigrants, the elderly and poverty in the US is on track to mark a record increase with numbers of people without resources of working age, rates rise to levels. from the time of the Great Depression.

Poverty rates are the most important since the government began accounting for poverty in 1959, surpassing the previous highest statistics recorded in 1965 and 1980. More than 2.8 million people lost their homes in 2009 through foreclosure or foreclosure. banking. The same trend is unfolding in Britain, with millions of people currently unemployed and millions more working part-time.

A study published by the British newspaper The Independent proposes that the level of poverty in England would be at levels similar to those of the Victorian era of the years 1837 to 1901. One of the most serious problems of the workers and the people in Great Britain is housing, which has worsened as a result of government measures that led houses to go from more than a third in the hands of the State in 1982, to only 14%, 20 years later.

In Germany unemployment is rising, and as reported by the Federal Employment Office in Nuremberg, 1 in 4 immigrants living in Germany lives threatened by poverty, with young people and children among the most affected. The German Institute for Economic Research (DWI) estimated that 1 in 7 Germans lives in conditions bordering on poverty, 1 in 4 Germans between the ages of 19 and 25 are threatened by poverty, and 40% of the single mothers or fathers live in poverty.

In Japan, the end of lifetime employment and the deterioration of the social security system are the main factors that are impoverishing important social sectors of a country that was considered immune to poverty. After years of economic stagnation and growing income disparities, according to data from the Ministry of Labor, there are 20 million poor people, considering the authorities the poverty limit at about US \$ 22,000 per year for a family of four, which represents half the income of an average household in Japan.

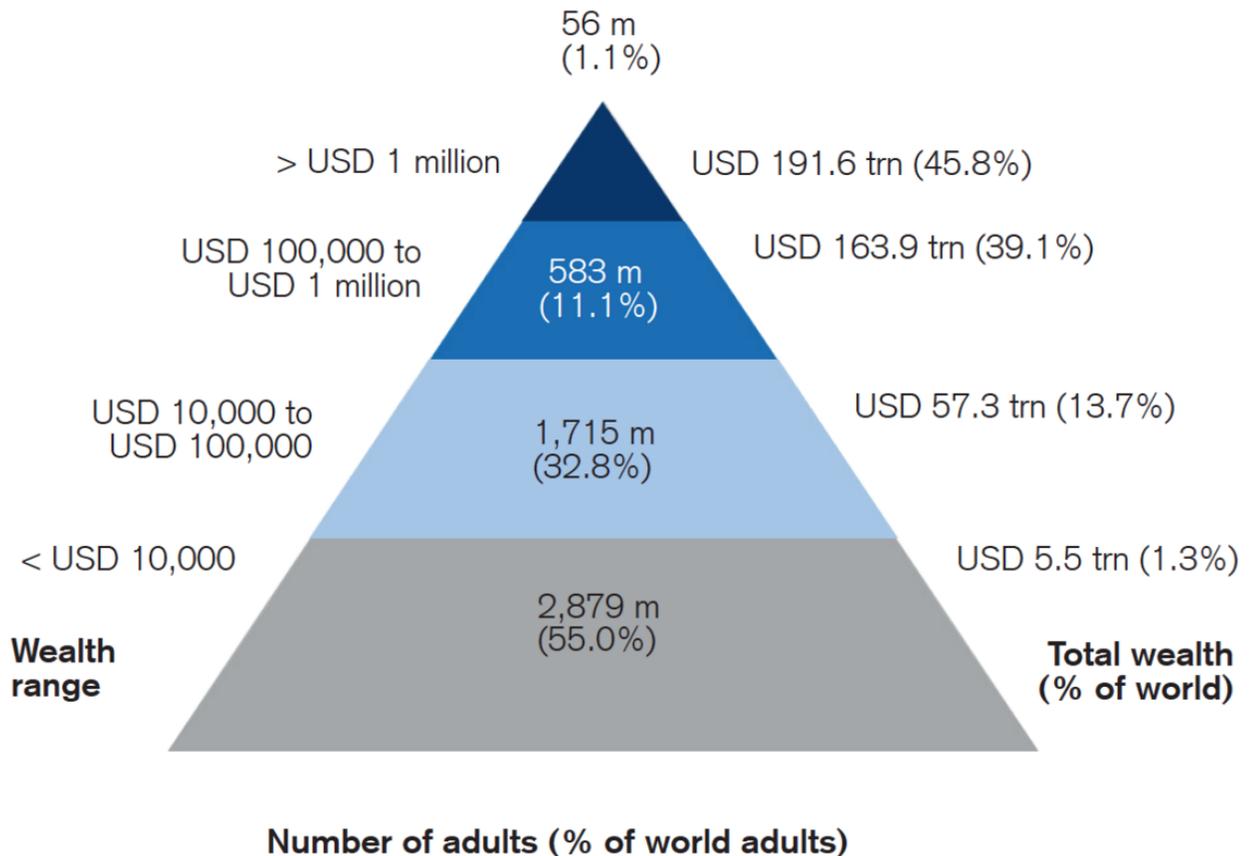
More than 80% of those living in poverty in Japan are poor and temporary workers, with no security and few benefits. There is also a marked advance in job insecurity, which has opened a huge rift through which millions of Japanese have fallen and place, according to official data, Japan in the fourth highest poverty rate among developed countries.

In France, poverty advances hand in hand with unemployment, the fragility of work and precariousness that afflict more than 4 million people, in 2010, there are already 8 million French, almost 13.4% of the population, living below the poverty line, and once they paid for rent, gas, electricity, transportation and insurance, they only have \$ 2.70 per day per person left to eat and clothe themselves. Out of a population of 65 million inhabitants, unemployment in France affects 2.7 million people, equivalent to 10% of the active workforce. The percentage of poverty is particularly high in immigrant households, reaching 36%.

In Canada, inequality and poverty are also growing, especially among the thousands of immigrants estimated at more than 10,000 Hispanics who immigrate to Canada annually and the demand for residency visas continues to grow. A person in Toronto or Vancouver who lives alone and earns only about \$ 30,000 a year can live only modestly. In Vancouver, Toronto, Montreal and Ottawa, the sector of the so-called "*working poor*" advances, people who work but do not generate enough income to be above the poverty level.

According to United Way studies, 30% of the families in the municipality of Toronto are poor, taking as a parameter those households whose income is 50% below the average income in their community, and using the so-called LIM - Low Income Measure. Given the high cost of living prices in Canada, income is considered precarious.

In Italy, millions of people live in absolute poverty, 4.9% of the population according to reports from the Italian Institute of Statistics (ISTAT). Poverty in the south is almost five times that of the rest of the country. These changes are taking place rapidly in the social formations of the imperialist countries, with elements that are constant in almost all of them: Poverty advances, health, education and housing indexes fall, they hit the weakest, most vulnerable, and defenseless sectors. of the population.



Pyramid of world wealth according to Credit Suisse data in 2020. The 1% of the population concentrates almost 45.8% of the world's wealth. The next 11% segment holds 39% of the world's wealth. 12% of the global population holds 85% of the world's wealth. Source: Credit Suisse

2) Devaluation and decomposition of the world economy: The salvages cause the birth of the so-called "zombies" or "living dead." What are they? This is how the Global Europe Anticipation Bulletin defines them: "In the streets of large North American and European cities ... a significant number of brands are found that continue to shine to attract the buyer, but which in fact are nothing more than deceptive appearances of bankrupt companies, artificially kept alive by dint of public money or restructuring of an uncertain future, such as CIT, GM, Chrysler, Saab, Opel, Karstad, Quelle, Iberia, Alitalia, etc ... On the surface, it works as if everything was normal, but in fact ... real zombies, all "economic living dead" (Global Europe Anticipation Bulletin 39).

After the bailouts, the "zombies" are generalized. Several economists have dubbed these companies, which, still bankrupt, continue to exist as "zombies" or "living dead". Given the size of the bailouts as a result of which the multinational corporations that dominate the world economy are being saved, the magnitude of these dead bodies dragged by capitalism is also enormous and of great weight and importance in relation to GDP and the whole of the world economy.

This is how David Troman, head of financial services at PA Consulting, an IT industry consultancy, analyzes the situation of zombie Investment Banks: *"The simultaneous existence of zombies is something that has not happened before in the working life of any of the financial services ... banks, despite appearances, only limp in a semi-alive state .... We are all going to learn to live with zombie banks "* (3)

Bailouts open an unprecedented situation in many ways, with the existence of entities, companies, states, banks, etc. that of content are in bankruptcy, but formally they do not declare it. A new situation arises in which these entities whose economic operations have failed and are destroyed, do not disappear and in a certain way continue to participate in the profit sharing process to claim part of the capital and the existing surplus value.

The effect that the existence of these dead bodies dragged down by capitalism is that they keep the organic composition of capital high, because an enormous mass of fixed capital, machinery, workshops, infrastructure and capital continues to subsist that do not obtain a rate of profit and therefore therefore, they act as an obstacle to the production of new value.

The rise in the organic composition of capital caused by the bailouts acts as an obstacle to capitalism's exit from the crisis. Historically, every crisis of capitalism is solved with a process of bankruptcies, auctions and foreclosures that means that the strongest capitalists survive and the companies and banks that have operated without success disappear and the erroneous investments are liquidated.

This is how Karl Marx posed the phenomenon: *"... the conflict between the antagonistic driving forces is periodically released by crisis. How, then, would this conflict be resolved and the conditions for the" healthy "movement of capitalist production reestablished? It includes putting fallow and even annihilating a part of capital ... But under any circumstance the equilibrium would be established by inactivation and even by annihilation of capital to a greater or lesser extent "*(4)

Marx argues that the way out that the capitalist system finds to resolve the crisis and find a new equilibrium that allows the development of the economy is the outright destruction of a sector of capital. But from the Salvages this is the historical mechanism that capitalism used to overcome the crises, it could not develop, therefore, the crisis is prolonged and worsened, extending the agony of the capitalist mode of production.

### **"Too big to fail"**

Without a doubt, had it not been for the *"bailouts"*, the capital annihilation that took place would have been of a qualitatively higher magnitude and would have reached global corporations and a banking sector. This massive intervention by the G7 states, mainly the US, acted by disturbing and altering the process of annihilation and destruction of capital that would have allowed capitalism to regain part of the lost balance.

In the absence of a process of *"natural selection"* of capitalists and capitals, bailouts prevent the destruction of surplus capital. And by hindering the burning of capital, it hinders the way out of the crisis. In this way, the bailouts become another structural factor of the same that hinders the entry of investments to relaunch the world economy.

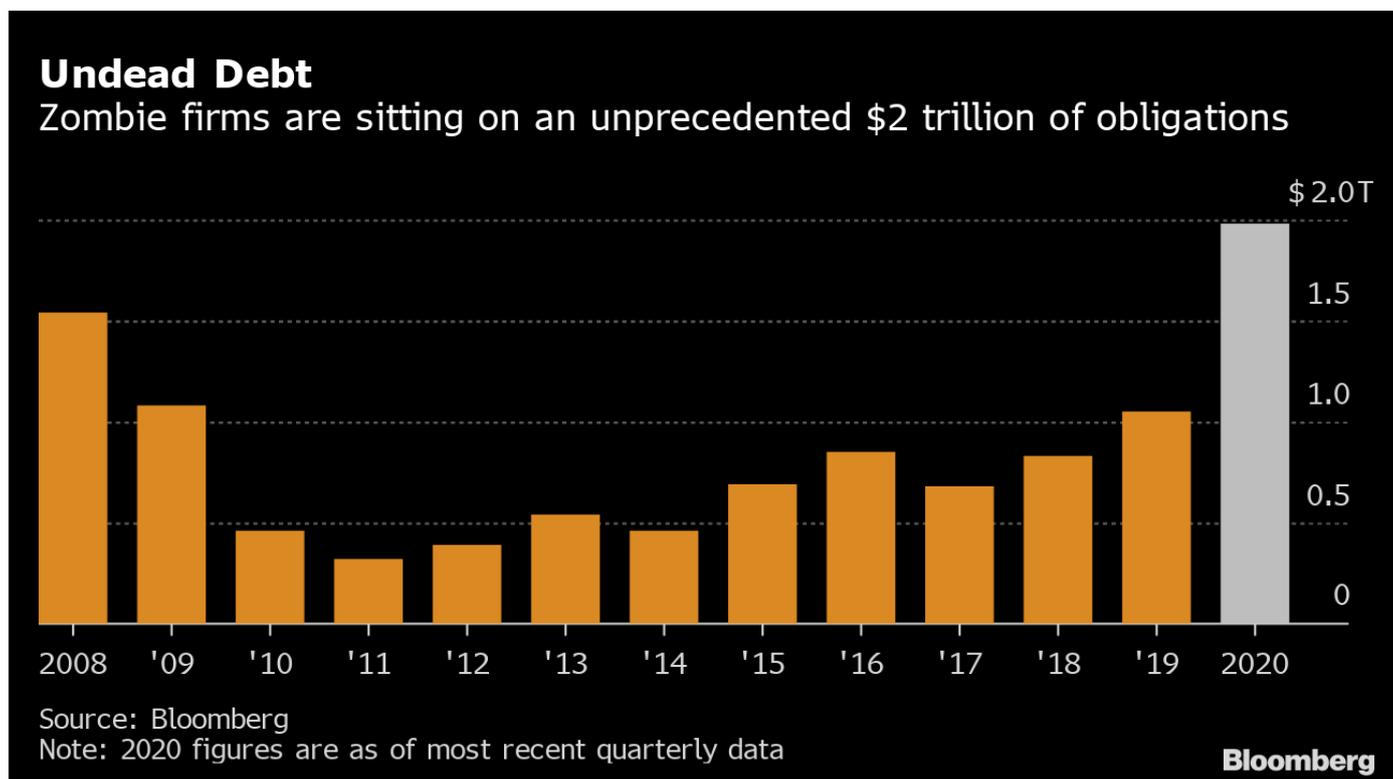
From the point of view of the process of burning and annihilation of capital, which Marx analyzed, we can answer the question: Why did the bailouts take place? And the answer would be: They are explained because the magnitude of the crisis that broke out is such that it could have triggered a process of destruction and annihilation of capital that endangered the existence of the capitalist system itself.

For example, General Motors (GM) had to go bankrupt, but if GM had disappeared, it would have impacted on a production of millions of cars and trucks in 34 different countries, 463 subsidiaries and 234,500 workers, 91,000 in the US that provides health coverage. and retirements to almost half a million retired workers.

And together with GM they had to go bankrupt multinational corporations whose size in relation to GDP and portions in branches and sectors of the world economy is of such importance that their disappearance affected the very foundations of the world economy. From there came the expression *"Too big to fail"* of economists defenders of capitalism. The problem is that many of the *"Too big to fail"* after the bailouts are now *"dead-alive"*, and their need for survival requires huge and growing masses of capital. And as if this were not enough, since there was no burning of capital, the exit of the same becomes more difficult, and the dead bodies that the salvages produced, act as an obstacle to the solution to it.

The definition of zombies in turn extends corporations to countries, some of which are *"unviable"* for international credit agencies. Even some once powerful like Spain, Italy, Portugal today are considered zombie nations. The bailouts exacerbate the devaluation of the world economy. With the *"bailouts"*, the capitals contained in the Global Corporations are devalued. That is, if the banks calculated future earnings that did not occur, this acts by devaluing their assets immediately.

This is how Marx explains it: *"The part of the capital value that is only found in the form of allocations on future shares in the surplus value, in the profit in fact as mere debt securities on production under various forms, is devalued from immediately with the decrease of the entries on which it is calculated"* (5)



Evolution of the debts of zombie companies. Source: Bloomberg

By not generating value, another element that zombies cause is that they make it difficult to restore the rate of profit. The high organic composition of capital causes the rate of profit to fall, because if the percentage of fixed capital remains high in relation to the variable and is not destroyed, it is an element that acts by collapsing the rate of profit.

To recover the rate of profit, the bankruptcy process of a sector of the capitalists plays an important role, reducing competition and optimizing the profits of the surviving capitalists. By surviving capital that should have gone bankrupt, the destruction of surplus capital is impossible, a process that is fundamental to counteract the fall in the rate of profit.

## Bailouts compound the dangers of capital over-accumulation

To the extent that this wealth, given in advance, which the bailouts signify, is not created in the field of production and valued, it is only a mountain of papers, bills, and bonds that have no value. And if they fail to generate value, they provoke tendencies towards the general devaluation of the economy and the consequent symptoms of inflation, a new wave of bankruptcies, default and crisis, in a world economy that is already seriously hit.

The accumulation and over accumulation of capital generated by the billionaire bailouts, to the extent that they do not translate into the creation of new wealth, generate new speculative bubbles. The set of trends towards devaluation, decomposition, concentration and financial speculation can be seen by seeing the explosion of illicit activities such as smuggling, drug sales, arms trafficking, etc., which act together with the accompanying fraud elements to the salvages.

Take the example of BlackRock (Black Rock), a New York-based investment firm that manages a portfolio of US \$ 3.35 trillion equivalent to the nominal GDP of Germany, today the world's largest money manipulator. BlackRock is apparently controlled by the BofA (Bank of America with 34% of its assets), by PNC Financial Services with 24.6% of its assets and by the British Barclays PLC, with 19.9% of its assets.

The trend towards the decomposition of the world economy is expressed in the fact that giant global banks, such as the BofA and Barclays triangulate operations through a financial entity such as BlackRock, whose CEO is Lawrence Fink, who in turn was the creator of the financial instruments called MBS (in English, Mortgage-Backed-Security).

BlackRock has inaugurated the euphemistic term of "*opacity*" for entities that are not well known, nor can their money management be observed in a crystalline way. Thus the other euphemistic term of "*opaque*" entities is added to those of "*creative accounting*" or "*toxic assets*", not to speak plainly of money launderers, white-collar thieves, professional scammers or rotten merchandise, the terms that they really should be used in relation to these activities.

Hedge funds act by exacerbating social inequalities, and require funds from their investors in amounts ranging from 500,000 to 3 million US \$. After the "*bailouts*" they continue to generate huge speculative bets, swindling millions and looking for a way to legally evade taxes. For this reason, after the bailouts there is a worsening of scandals, swindles, usurpations and embezzlements that put all the miseries, excrescences and the degree of profound decomposition that the world capitalist system is going through.

On 12/12/08 the financial scandal perpetrated by the American financier Bernard Madoff, who was president of the Nasdaq New York index, broke out and was sentenced to 150 years in prison. There are allegations of diversion of funds from the rescue of AIG to the French Bank Société Générale and to Wall Street firms such as Goldman Sachs, Merrill Lynch, Barclays and Bank of America or the German Deutsche Bank.

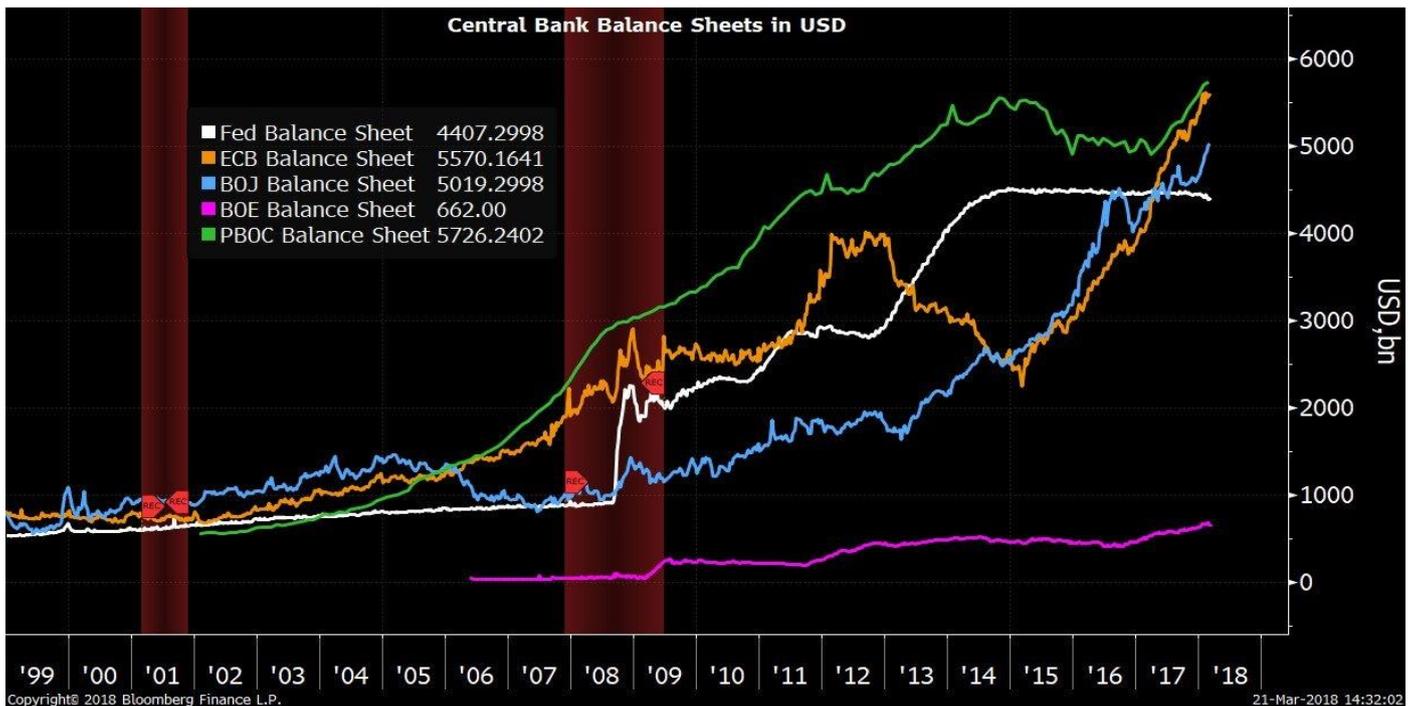
There were also complaints about JP Morgan Chase and UBS for fraud in the "*guaranteed investment contracts*" that states, communes and school districts took. The multimillionaire Investment Banks did not hesitate to defraud states, municipalities and educational institutions, paying less interest to these entities. The explosion of illicit activities is also part of the process of decomposition and devaluation of the world economy.

### 3) Crisis of money, credit and general bankruptcy of companies and states

With the outbreak of the crisis in 2007, as we saw in chapter I, the circulation process, money and the credit system suffered successive collapses. As Marx put it: "This disturbance and stagnation paralyze the function of money as a means of payment, a function given simultaneously with the development of capital and based on those presupposed price relations, they interrupt the chain of payment obligations at a hundred points in certain terms. .. "(6)

But capitalism has depended more and more on the financial sphere, credit and especially consumer credit since the 1980s. The credit crisis is key because in addition to being one of the fundamental institutions of capitalism in this era, it has also been the privileged tool to which capitalism has appealed in recent decades to achieve GDP growth.

From the successive collapses, a situation arises in which money is "*paralyzed in its function*", according to Marx, more and more, there is an absence of it due to permanent interruptions in capital flows. What the bailouts attempt is to restore the flow of capital, but since the investment process does not depend purely and exclusively on economic factors, but on political factors and the class struggle, what the "bailouts" achieve is a partial recovery, precarious, which prepares a new crisis.



The graph shows the evolution of the balance sheet of the central banks of the US, Europe, Japan, China, and England, from the years 2007-08 and 09 until 2018. Source: Bloomberg

The interruption of capital and money flows is intimately disturbing the expanded reproduction of capitalism. Attempts to sustain expanded reproduction with successive bailouts and injections of money solve the problem in precarious and partial ways. At the same time, the fear of bankruptcy prevents the Banks that dominate the world economy from lending to each other and as soon as the credit wheel slows down, all the erroneous investments or overvalued assets begin to surface.

The "bailouts" and the direct purchase of bonds and assets by the Central Banks are only a temporary patch to avoid the collapse and postpone the outbreak. Credit defaults, added to the fall in tax collection and increase in government deficits and bailouts, lead to the devaluation of the currency and the masses of capital. If capitalism does not manage to break the resistance of the workers, and qualitatively modify the relationship between the classes, it has to resort to patches, and continue to flee forward by issuing more money.

The Global Corporations control through infinite communicating vessels the same groups that control the Federal Reserve and the US Treasury. With the bailouts, the State supported financial speculation by allowing the network and set of private banks that make up the Federal Reserve to act as a supra-borrowing entity that manages a billion-dollar fund aimed at doing business. The financial collapse in the United States, this is the monetary expression, in the banking field and of capital flows, of the growing interlocking of multinational corporations with the G7 states.

field and of capital flows, of the growing interlocking of multinational corporations with the G7 states. The same process is used in backward countries where capitalist governments repeat the same scheme, using public money to bail out banks and private companies, which adds the economies of backward countries to the world speculative bubble.

That is why this process of crisis of money, credit, and loans, to the extent that the crisis is not resolved, will continue to disturb the process of capitalist expanded reproduction. For Marx: *"... in certain periods, they are intensified even by the consequent collapse of the credit system developed at the same time as capital, and thus lead to violent and acute crises, sudden forced devaluations and a real stagnation and disturbance of the economy. reproduction process, and with it to an effective reduction of reproduction" (7)*

The financial indicators are so distorted that interest rates should not be at 0%, but -5% as revealed by reports from the San Francisco Fed. Consumer credit is reduced for the lower income sectors of the world population whose restrictions are increasing, which translates into a drop in consumption in some segments of the population and damages the chances of a solid economic recovery of the economy.

In the credit crisis, the credit rating agencies both S&P, Moody's Investors Service and Fitch Ratings have a great responsibility, which gave excellent ratings to securities that defined insurance but were not, and also despite having lied about it, they earned millions of dollars. Moody's, for example, earned more than \$ 3 billion between 2002 and 2006 for rating mortgage-based securities, while other underwriters obtained multi-million dollar numbers, blatantly lying about the reality of the companies they rated.

The money crisis expresses that the masses of banknotes that circulate around the world are suffering a permanent devaluation as a result of the bailouts. For the US, the devaluation of its currency is the product of the issuance of currency without gold backing, so the bailouts are a brutal and persistent devaluation of the dollar. The EU, on the other hand, has its currencies tied to the Euro, and the countries that are in the Euro zone, have to have a lot of money in the central banks to sustain themselves within the euro. In order to accumulate reserves in their central banks, these countries have to receive loans all the time and apply strong adjustments in expenditures.

The euro crisis expresses the contradictions of European capitalism. As we saw in chapter I, Europe is a complex of countries with very unequal economies, dominated by Germany and France, where there are declining powers, such as Greece, Portugal or Spain, and very backward economies such as in the East. The money crisis in the EU can be expressed in that if the adjustment plans in the most backward or poor countries fail, and they do not have money to sustain themselves, the convertibility with the Euro is broken, and they return to the old and devalued currencies local.

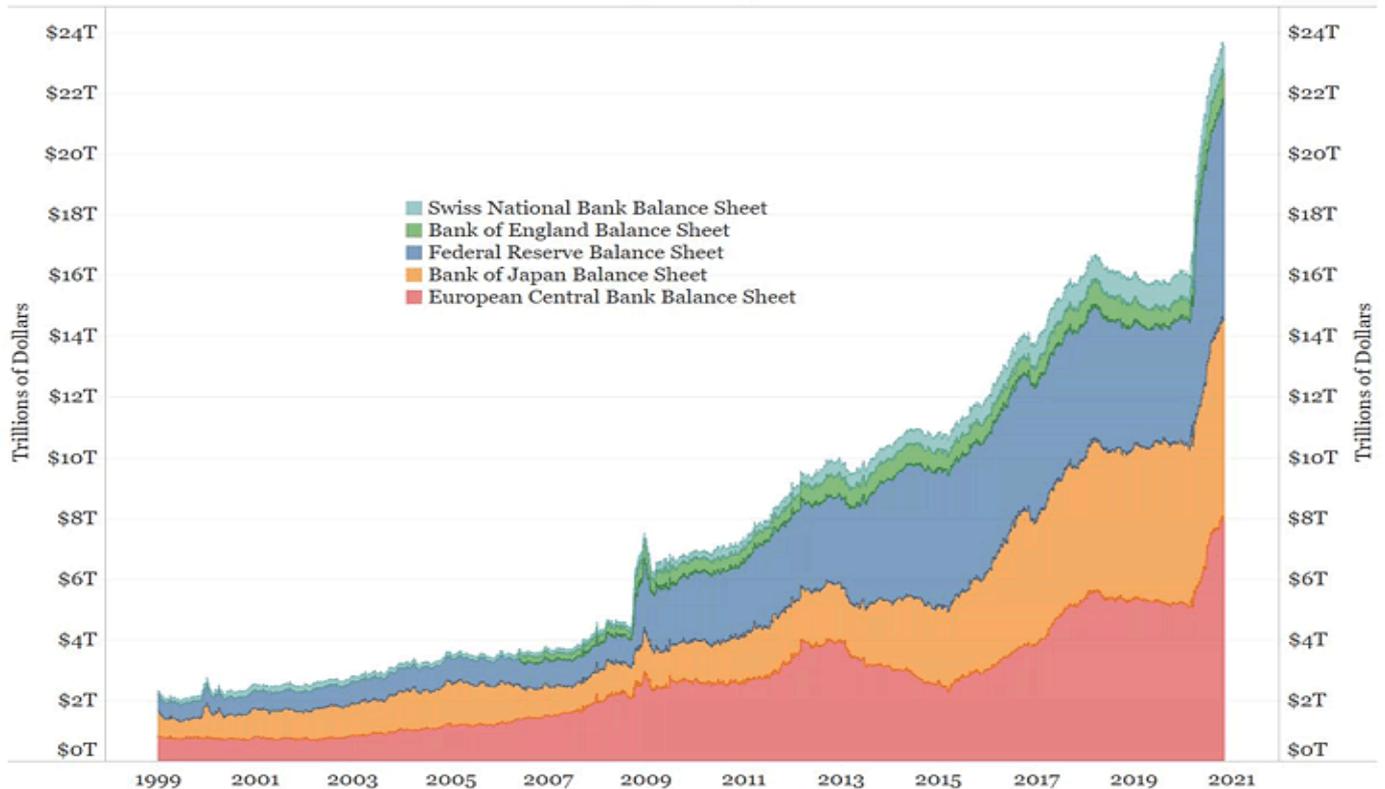
### **Generalization of bankruptcies**

Along with the money and credit crisis, it has also triggered a bankruptcy process that began in 2007, but continues to develop and encompasses not only banks but also companies and states. With the development of bank failures, the process of buying shares in the bank also develops. In 2010, the FDIC (Federal Deposit Insurance Corporation) took control of 118 banks, and the rate of bankruptcies of financial institutions in 2010 was higher than in 2009.

The 2009 bankruptcies cost the FDIC close to US \$ 30 billion and it is estimated that it will have to disburse an additional US \$ 60 billion between 2010 and 2015 in the intervention of financial entities, because the list of bankrupt banks continues in ascent. Along with the bankruptcy of the companies, the bankruptcy of the states also begins to occur, both of countries, such as provinces, municipalities, counties and all kinds of national and local governments. Some of the most notable are the bankruptcy of the Dubai World Holding, of the city-state of Dubai and in charge of executing some of the pharaonic real estate projects that this city-state undertook.

The bailouts led to a jump in state indebtedness and fiscal deficits. Instead of 'cleaning' bad debt 'toxic assets' from their balance sheets, banks now incorporated new assets in the form of government securities. The gigantic injection of funds that the bailouts meant are actually a tremendous injection of credit, which paradoxically liquidated credit globally. That level of debt raises the prices of a country's debt insurance papers against defaults.

**Cumulative Central Bank Balance Sheets**  
(In Dollars)



**The Balance Sheet of the Central Banks of Switzerland, England, the United States, Japan, and Europe, in trillions of dollars. If you add the Balance of the Bank of China that totals 30 trillion dollars**

#### 4) Permanence and institutionalization of bailouts

Bailouts are credit. The G7 governments apply monstrous credit injections into the economy, which is a latent and constant trend as the world economy fails to overcome its crisis. And they are today the fundamental strategy of the US and the states that dominate the capitalist world economy, to alleviate the crisis. We understand bailouts to be all variants of credit and the creation of fictitious capital in the service of supporting companies, states and bankrupt banks that dominate the world economy, especially multinational corporations. That is, bailouts have several mechanisms.

We can group as bailouts:

- 1) The QE, or the gigantic money issues of the US Federal Reserve, or the remaining Central Banks or international credit organizations. Also rescue packages promulgated by law or by government decree.
- 2) Variations such as bond swaps via the Federal Reserve's "primary dealers" (8), or other variants of obtaining money through different informal windows, without the need for it being through economic packages voted in by parliaments.

3) The huge injections of masses of money called "stimulus" to companies or credit variant countries such as the injection of billions to stimulate the economy, as in the case of "Operation Twist" in the US or loans for housing, in China, or "stimulus" plans to face Covid-19 between the years 2020/21, or the contribution of Special Drawing Rights (SDR) for poor countries resolved by the IMF Board of Governors in August 2021.

4) The purchases of stock packages of multinational corporations and large companies, or national monopolies, by capitalist governments of both the first world and the third world. They are called "*nationalizations*", "*nationalizations*" or "*expropriations*" by economic agents and governments, but they are in reality the coordinated action of states and banks to defend private property and the interests of multinationals.

### The deceptive effect of bailouts

The bailouts were unanimously supported by the population at the beginning, which, upon observing the severity of the crisis, turned to support quick and forceful actions by the governments to confront it. But after the initial enthusiasm, the population of all countries began to become disillusioned and to regard with indignation the rescue packages to the corporations as their problems continued to worsen, while the bankers and big businessmen saw their profits grow.

The bailouts policy has been consolidated and diversified since then. Since the subprime crisis began in mid-2007, the aggregate balance of the 8 main Central Banks has gone from just over 5 trillion US \$ to more than 30 trillion US \$. The massive intervention with bailouts has created the image that the G7 governments have become "*statizers*", thus renouncing the "*privatist*" values typical of globalization.

Different currents of opinion speak of a "*return to Keynesianism*" or of a state interventionism that would go against globalization. In the G7 countries, governments buy stock packages of large banks and companies in the name of "*defense of jobs*", as in the case of General Motors and call this nationalizations and nationalizations. These purchases of stock packages of companies would be for many analysts the demonstration of the "*Decoupling Theory*".

For this theory, the world is heading towards a kind of "*decoupling*" of the countries of the US domain to the extent that the "*US hegemony*" is in decline and it would be the BRIC'S (Brazil, Russia, China, India and South Africa), those destined to take their place. This theory holds that backward countries are decoupling from the dominance of the US and the G7. The partial "*nationalizations*" or "*nationalizations*" would be the confirmation of this tendency.

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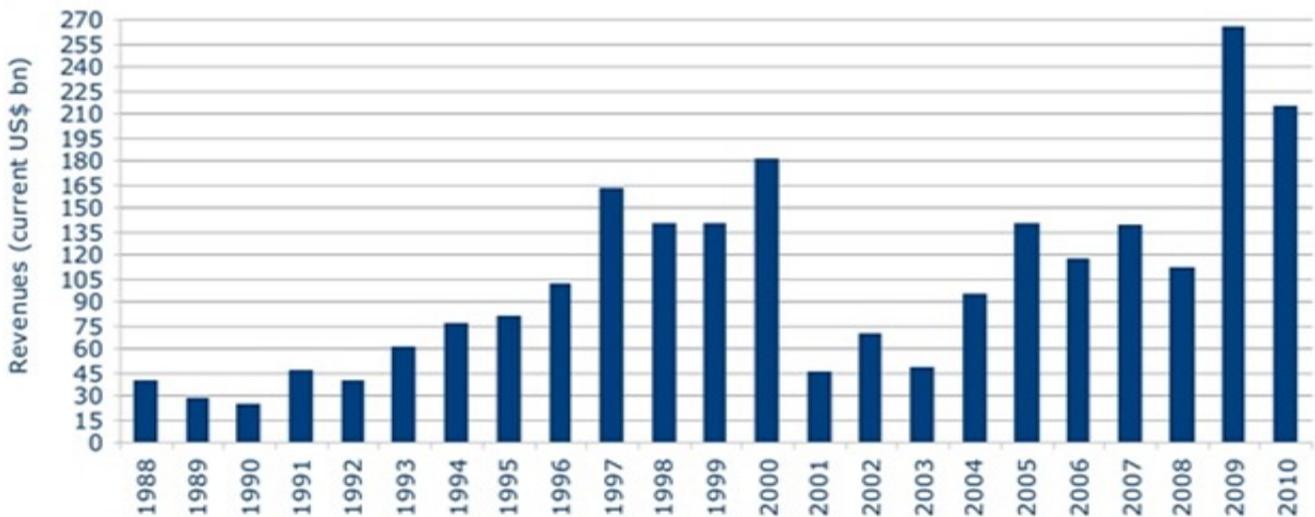
The Decoupling Theory proposes the end of the dollar as a currency and the beginning of a basket of currencies to replace it, and even some variants of this theory insist that China will become a new "*empire*" that will dominate the world. But there is nothing further from the truth, that the salvages are a "decoupling". Or that they mean the emergence of new states that dominate the world economy in replacement of the US Or that herald tendencies of governments to take action against multinationals, or a new wave of "*nationalization*" that heralds the return to the Keynesian regime.

There is no data from reality that indicates that. Far from the deceptive effect they show, the salvages appear like a mirage, which reality data quickly disproves. All the data on the economy indicate that the policy of "bailouts" has reaffirmed the hegemony of the United States, has aligned all capitalist governments with a common policy under their dominance and has caused a historic worldwide wave of privatizations of magnitude. higher than the one lived in the '90s.

The difference between that privatization wave and the current one is that the epicenter of privatizations is not now in the backward countries, but for the first time in history, this wave is being led by the G7 countries, especially the US. The US, which now becomes the world leader in privatization. In 2009, the total amount generated by the sales of public capital companies set a new record with 265,170 million US \$, which made the United States the most privatizing country for the first time in history.

In second place in the ranking of privatizations is the EU, where there is a privatization wave that crosses Spain, Portugal, Ireland, Greece, etc. of magnitudes that were not seen in Europe for a long time. It is exactly the opposite, the bailouts develop the deepest tendencies towards the privatization and concentration of branches of production and commerce in the hands of the same economic groups that generated the crisis.

**Figure 1. Worldwide Revenues from Privatizations 1988 - 2010**



Source: Privatization Barometer

**The graph shows the impressive jump in privatizations in the world in 2009 and 2010, as a result of the bailouts and the measures of the governments of the backward countries. State interventions, far from being "nationalizations", have caused the wave of privatizations that register rates that double or triple those of the 90s. Source: Privatization Barometer.**

The emergence of supranational entities that decide the destination of billionaire funds, which in turn decide the destiny of the lives of millions of people in Europe, the United States, Japan or developing countries, are the institutional expression of political strategy, for now privileged, used by the governments and states of the G7.

### **Bailouts impact the consciences of millions**

Due to their historical magnitude, the salvages have caused an enormous impact on the consciences of millions, of the same importance as all the most momentous events in history. In the same way that events such as the Great Depression, the world wars, the Russian revolution, the fall of the Berlin Wall, or the fall of the Twin Towers have impacted.

The bailouts reveal to the eyes of millions what was hidden for decades: that the contribution and support of the imperialist states have been the basis of the development of capitalism since the Second World War. The bailouts expose the lies about the existence of a "democracy" in the US. The same financial oligarchy that dominates the world economy, is perfectly represented by the aristocracy of the leaders of the Democratic and Republican parties, made up of patricians, families, true dynasties of billionaires, who perfectly interpret the needs of the world's ruling class. The careers of these political professionals are generously funded by multinationals to control the oligarchic two-party political system in the US.

Before millions of North Americans, Europeans and inhabitants of Third World countries, the governments of the richest countries clearly appear, helping the capitalist system. That is why the bailouts are the end of the "American dream", the end of the dream of capitalist social ascent, while poverty and misery advance relentlessly. The capitalist state that once acted in a veiled and discreet defense of the rich and powerful, now with the bailouts makes its contribution in a public and shameless way.

The bailouts relate for the young generations to the word capitalism with injustice, unemployment, poverty, loss of rights and future. They represent the end of the propaganda of the "triumph of capitalism", and of the "failure of socialism". In the United States today, 43% of Americans under the age of 30 almost 50% have a negative perception of capitalism, and minorities such as blacks and Latinos react positively to the term socialism to an even greater margin throughout the United States.

The bailouts are an irrational immorality, only explicable by the decomposition in which the dominant oligarchy of the world capitalist economy finds itself, taking into account that hunger in the world would end up with allocating only 1% of what is contributed by governments to rescue to multinational corporations.

The bailouts provoke outrage in millions because they happen at the same time that governments cut wages and jobs. The bailouts subject millions of humble men and women of the world to the harsh demands of capital, at the same time they strike on their consciences, showing them the grossest possible spectacle, that of politicians, even those considered most "progressive" and "liberal", working openly for the corporations, desperate to sustain the capitalist order, shaken by its contradictions.

Marxists know that the definitive solution to the crisis will not come from the hand of bailouts, these are the policies that today the large states that dominate the capitalist economy carry out, as a result of the margins that the world political situation imposes on them. We will see if the imperialist states manage to obtain other margins to impose a way out of the crisis. As long as they do not succeed, the central strategy will continue to be that of bailouts.

### **The solution to the crisis of capitalism**

Undoubtedly, the ideal economic model to which capitalist governments aspire is constituted by a front of which both the multinational Wal-Mart and the Chinese state are part, which are at the forefront in the super-exploitation of workers, job insecurity, low wages. and the elimination of the most elementary democratic rights. Bodies like the IMF express their goals blatantly.

On 4/11/12 the IMF in its annual report on World Financial Stability says the following: *"The elderly live too long and that is a risk for the global economy ... a financial risk for the world economy increased longevity in the countries of the globe, which is why it recommends reducing pensions and increasing the retirement age "*.

It is difficult to know what forms the world economy would take if the offensive that the capitalist governments of the world carry out against the masses were definitively imposed. But if we can know its content: An unprecedented worsening of the social and living conditions of peoples throughout the world. Capitalism seeks to solve its crisis and get out of it through a brutal offensive against the masses in Europe, the US and the world. Can capitalism come out of the crisis and impose a brutal adjustment to the living conditions on the masses of the world?

This is what is at stake in the process of strikes and mobilizations that are going through the US and Europe, in China and throughout the world. The struggles question the model of super-exploitation and dismantling of social conquests that capitalism carries forward, if the capitalist governments defeat the struggles of the workers, and peoples of Europe and the United States, the hypothesis could be considered that the capitalist powers could impose global adjustment and overcome this crisis.

These are the trends that are developing in the direction of ending the crisis, an objective that capitalist governments can achieve if they succeed in this offensive. That is to say, two sets of trends and possible perspectives are developing: One is that by increasing the super exploitation of the masses, lowering the standard of living especially in the G7 countries, the mountain of papers and over accumulation of capital that means the bailouts are "valorized", which would allow a way out of the crisis and open a new period of expansion, economic development and growth.

The other perspective is that the necessary rates of exploitation, creation of value and surplus value, or production of real wealth are not achieved, which opens the perspective of the growth of enormous masses of capital dedicated to speculation, which can lead to production of one or more financial bubbles, of colossal and powerfully destructive dimensions, which can aggravate the crisis of capitalism.

Both trends are developing simultaneously and interrelated. But as soon as they find possibilities and can impose another relationship of forces on a world scale, the capitalist governments will appeal to other ways out of the crisis. Are there other ways out of the crisis of capitalism outside of the bailouts? Indeed, these exist.

And to know them we must begin to sink our analysis in the previous crises of magnitude experienced by capitalism in history. Our analysis will begin by studying the crisis of capitalism of 1929, the nature and development of which we analyze in the next chapter.

## Notes

(1) Boston Consulting Group (BCG) World Wealth Report 2008

(2) Leon Trotsky. The Revolution betrayed Chapter IX. What is the USSR?

(3) PA Consulting Group The Zombie Economy: Leadership in Times of Uncertainty

(4) Karl Marx: Capital, third book, ch. 15, Development of the internal contradictions of the law.

(5) Karl Marx: Capital, third book, ch. 15, Development of the internal contradictions of the law.

(6) Karl Marx: Capital, third book, ch. XV, Development of the internal contradictions of the law

(7) Karl Marx: Capital, third book, ch. XV, Development of the internal contradictions of the law

(8) The "*primary dealers*" are the Banks that trade US Treasury bonds in the world. These are: Bank of Nova Scotia, New York Agency, BMO Capital Markets Corp, BNP Paribas Securities Corp, Barclays Capital Inc, Cantor Fitzgerald & Co, Citigroup Global Markets Inc, Credit Suisse Securities (USA) LLC, Daiwa Capital Markets America Inc, Deutsche Bank Securities Inc, Goldman Sachs & Co, HSBC Securities Inc, Jefferies & Company Inc, JP Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Mizuho Securities USA Inc, Morgan Stanley & Co. LLC, Nomura Securities International, Inc, RBC Capital Markets LLC, RBS Securities Inc, SG Americas Securities LLC, UBS Securities LLC.



## CHAPTER III 1929 y 2007

***"Since 1848 capitalist production took root in Germany every time, and today it has already transformed this country from dreamers into a nation of swindlers"***

***Karl Marx, Capital, Volume I Preface to the first German edition***

Any observer of the serious crisis that the world economy is going through can ask: Why did it happen? What caused it? Is it like 1929 or is it superior? Can capitalism find a way out? It is important to specify similarities and differences between the current crisis and that of '29 in order to answer these simple questions, the answers to which are complex.

The first answer is that both crises are the product of a long stage of capitalism's decline, the imperialist stage, which began in 1903 and has been going on for more than a century. The capitalist mode of production began its rise and shift from the feudal mode of production after its collapse in the 14th century, 7 centuries ago.

The imperialist stage covers the last century of its development and in it the two most important crises that capitalism faced are that of 1929 and the current one. The debate on similarities and differences between the two crises is not idle, it seeks to understand the changes that have occurred in the capitalist system between the two crises. In this chapter we are going to see the concepts of Forms of Accumulation, Regime of Accumulation, Pole of Accumulation, and Axis of Accumulation that are part of the General Law of Capitalist Forms of Accumulation, a law that we will develop extensively in Chapter V.

### **The differences between 1929 and 2007. Concepts of Forms, Regime, Axis, and Pole of Accumulation**

The structure of the world capitalist system in 1929 was very different from what we know today. The US was one of the most important economies in the world, but it did not dominate the capitalist economy on a world scale as it does now. Britain had dominated capitalism for centuries, but by then its decline was clear, and a battle began between the capitalist powers to decide who would occupy the throne of Great Britain, which was defined in the Second World War.

That is to say, in the crisis of 1929, the structure of the world capitalist economy presented a panorama of several dominant imperialisms, Great Britain, the United States, Germany, France, which were vying for dominance. On the other hand, in the current crisis, the structure of world capitalism is absolutely different, it is determined by the undisputed predominance and hegemony of US imperialism.

The other substantial difference between 1929 and 2007 is the structure of the monopolies, the companies that dominate and are located at the center of capitalism. What are monopolies? A group of companies that come together to dominate a branch of production in a country and agree on prices, production goals, distribution, benefits, etc., to eliminate competition.

For Lenin: *"... they agree with each other regarding the conditions of sale, payment terms, etc. Sales markets are divided. They determine the quantity of products to be manufactured. They establish prices. They distribute profits. between the different companies, etc. " (1)*

With the emergence of monopolies, the stage of *"free competition"* in capitalism ended. Through these agreements, the companies formed a kind of league or union that allowed them to advance in the dominance of a branch of production in their country, while also trying to extend that dominance internationally.

These leagues or unions developed from 1860 on, especially in the US under the name of trusts and in Germany under the name of cartels. In the US they had a central leadership of magnates like the Mellons, Morgans, Rockefellers, etc. According to Lenin, the emergence of monopolies went through three moments: **"1) 1860-1880, the culminating point of the development of free competition. Monopolies constitute only barely perceptible germs. 2) After the crisis of 1873, a long period of development of the cartels, but these are still an exception, they are not yet solid, they still represent a temporary phenomenon. 3) The rise of the late nineteenth century and the crisis of 1900-1903; the cartels become one of the bases of all life economic. Capitalism has been transformed into imperialism "(2)**

Monopolies constituted a Form of Accumulation different from those known by capitalism until then. We define as Form of Accumulation the companies that the capitalist class uses to accumulate capital in a given period. As a result of the fact that there are many sectors of the capitalist class, they reflect the different Forms of Accumulation that dominate, that is, the different commercial, productive and financial companies that operate.

But always in every period of the development of capitalism, there is a predominant Form of Accumulation around which the entire economy is structured. We define this as a Regime of Accumulation, that is, a form of operation of capitalism, around the predominant Form of Accumulation, during a period.

In relation to monopolies, as we saw, although they arose since 1860, they became the predominant Form of Accumulation only from the beginning of the 20th century. The structure they presented turned out to be complex, as a result of the fact that, although they dominated one branch of production, they are combined companies that concentrated within them several branches based on the dominance they acquired over one of them.

This is how Lenin explains it: *"an extremely important characteristic of capitalism, which has reached its highest degree of development, is the so-called combination, that is, the gathering, in a single company, of different branches of industry that represent themselves or successive stages in the production of a raw material ... or different branches that play an auxiliary role in relation to each other ... "* (3)

But although monopolies are combined companies, we must not lose sight of the fact that the combination is at the service of the control of one branch of production. For example, taking the metallurgical branch, its cartelization is based on the fact that the unionized group of companies agrees on the distribution and advances in the control of commercial companies; agrees production goals and advances in the control of companies that provide raw materials, machinery and supplies; agrees loans and credits and advances in the control of banks.

In other words, the cartel incorporates companies from various branches of production into its structure, but at the service of controlling one branch. That is why we define monopolies as a group of companies that establish agreements to dominate a branch of production in a country. As these enterprises became the predominant Form of Accumulation from 1903 onwards, the capitalist system entered, historically speaking, its highest and final stage of decline.

Since the fourteenth century in which capitalism began its rise and battle to displace feudalism, it had gone through 2 major stages until 1903:

**1) The original accumulation between the 10th and 16th centuries****2) The boom or bust, around the seventeenth and nineteenth centuries**

Lenin defined that as of 1903 a third historical stage began, imperialism, the stage of decadence of capitalism, with 5 characteristics: 1) "Monopolies arise that are placed in the center of the economy and play a decisive role in the economic life 2) Monopolies are the product of the fusion of bank capital with industrial capital, which gives rise to a financial oligarchy 3) The process of exporting capital acquires exceptional importance 4) Monopolies tend to be international and share the world 5) The territorial division of the world among the greatest imperialist powers culminates and the domination of monopolies and finance capital is established ... " **(4)**

Monopolies tended to be international because of the existence of the capitalist world market, but the scope of their international domination of the branches of production, commerce and finance at the beginning of the 20th century was still very limited. Some of them had branches in other countries, in the oil industry for example, and they tried operations for their worldwide expansion. But their world dominance did not achieve the dimensions that the multinationals did, as we shall see, achieved in the postwar period or the multinational corporations from 1980 and 1990, which are superior monopolistic forms.

**Differences in the politics of capitalist governments in 1929 and 2007**

Hoover's Republican government policy in the US for '29 was diametrically opposed to that of Bush-Obama in 2007-2008. Hoover and the governments of the capitalist powers did not implement bailouts, but rather their policy was that " the laws of the market will act "and drop the companies that had to fall. Hoover admitted the serious problems of the American economy, but considered the crisis as fleeting and that the fight against unemployment and widespread poverty was a responsibility of local governments or charities.

Capitalist governments refused to intervene in the economy to solve the crisis in '29, fearing that such a policy would be counterproductive. Even Hoover dared to forecast in the early 1930s that "*recovery was just around the corner*", arguing that the US economy would recover by its own means, which led him to strongly oppose state intervention. He even criticized European countries such as Great Britain and France for adopting measures to protect the unemployed. His popularity plummeted, Hoover began implementing reforms at the end of his term, but could not appear in public because he was booed.

Roosevelt prevailed in the presidential elections of November 1932 with a vast victory of the Democratic Party and the policy of the US government changed 180 degrees. Roosevelt launched the New Deal policy (new agreement) consisting of stimulating public spending through investment in infrastructure, executing all kinds of projects such as hydroelectric plants, highways, schools and, in general, all kinds of public works.

Roosevelt's policy did not bring the economy out of the crisis, but it was vital to contain poverty and unemployment through subsidies and public works. Undoubtedly, the leaders of capitalism have learned from 1929. At the outbreak of the current crisis, the politics as we saw in chapter I were absolutely different, the governments of the capitalist powers promoted the bailouts and acted in the opposite way to Hoover, trying to prevent big business from going bankrupt and the economy from hitting a slump.

**The way out of the crisis of '29: the enormous destruction of productive forces in the 2nd world war**

The New Deal did not lift the US economy, or the world's economy, out of crisis. On the contrary, between 1937 and 1938, the economy suffered a serious relapse: "*Against all the forecasts and efforts to reactivate the economy and control the stock market, restrict large operations etc., the depression had not closed. On the contrary , from August 1937 to March 1938, there was a 50% drop in the stock market and unemployment exceeded the figure of 10 million ... "* **(5)**

The Great Depression found no way out in the measures of the capitalist governments of its time, it was not the plans of Franklin Delano Roosevelt, nor that of Edouard Daladier in France, nor Neville Chamberlain in England, nor Hitler in Germany, which brought out the economy of the crisis. For Galvao: *"What put an end to the Great Depression was not the return to production for consumption, but the recourse to the means of destruction of capital liberated with World War II. Unemployment ceased to be a problem only when the millions of workers were absorbed into the armed forces and war production"* (6)

The outbreak of World War II in September 1939 was what began to reactivate the economy of the main capitalist countries that invested enormous sums in military expenses. It is estimated that the investment made by the states ranged between 260,000 and 338,000 million U \$ S at the time, almost 4 to 5 trillion U\$S today. The millionaire investments of the capitalist governments were an enormous change in the capital investment flows from the preparation of the war budgets that supposed enormous sums for the preparation of the warlike conflict.

These budgets assumed adjustment plans that caused hardship and suffering to the masses, because they consisted of cuts in social spending and tax increases. Even so, all of this was insufficient for the resources of the time, the vast majority of governments had to borrow heavily to meet war expenses. The indebtedness led governments to resort to issuing money without gold backing, which generated strong inflation.

International trade had operated since 1870 with a gold standard, that is, the use of gold to settle international transactions and debts, as a *"standard value"*, nations set the parity of their currency with this standard value. But the belligerent countries practically ran out of gold in their coffers, committed almost entirely to the purchase of weapons, and undertook the replacement of these fixed rates by floating rates, that is, the price of financial transactions and exchange rates. were set by governments unilaterally.

Given what happened in the powers that were preparing for war, the neutral countries, net exporters of weapons or raw materials and food to the countries that were preparing for war, were filled with gold in their reserves. For example, the United States went from having 26% of the world's gold reserves in 1913 to 39% in 1918. The powers that ran out of gold in their coffers began to use fiat money, printing on paper without gold backing, which caused the great hyperinflationary processes of the 1920s, for example, in Germany and Austria.

The lack of a stable payment system caused the fall of world trade and the pound sterling, which had been the reference currency until then, began to be displaced by the dollar. In turn, in the field of industrial production, the needs of the war definitely introduced mass production techniques in Europe, as well as numerous other improvements in the organizational techniques of industry. There was also the development of advertising and the rapid expansion of the advertising and propaganda poster as a means of communication. Large amounts of money were allocated to the research and development of all types of weapons and as a result of that, the chemical industry advanced notably.

The need for soldiers, as well as their mass death already during the course of the war, left a rapidly expanding industry without a workforce. This fact led to the emergence of women in heavy industry, which became more than 40% of the total composition of workers, and gave a formidable boost to the movement for the demand for equal rights for women.

Capitalism thus began the way out of the crisis that began in 1929, through a colossal development of the arms industry, that is, a colossal development of the destructive forces of humanity. The Second World War involved more than 100 million mobilized soldiers, equivalent to almost the entire population of the United States at the time, destruction of cities, infrastructure, concentration camps and the Holocaust, in addition to the use of weapons for the first time. nuclear power in a military conflict. The end result was between 50 and 70 million victims between dead and injured.

After six years of war, much of Europe was devastated because the fighting had taken place practically throughout its geography, covering an area much larger than that affected in the First World War. Because of the aerial bombardments, the cities were badly damaged and the industrial areas that had been the main targets of the bombings as well. Berlin and Warsaw were reduced to mountains of rubble; London and Rotterdam were badly destroyed, the economic structure of the continent, which for centuries was the center of the development of capitalism, was reduced to ruins, with millions of people destitute.

Famine broke out in 1944 as a result of the general devastation of agriculture that caused a wave of famine first in the Netherlands and then throughout Europe, exacerbated by the harsh winter of 1946-1947 in the northeast. The threat of death from hunger was a reality for millions of people, the shortage of food was one of the most serious problems, and the situation became especially worrying in Germany, because between 1946 and 1947 the average daily consumption was just 1,800 calories per person, insufficient for long-term good health.

The shortage of coal was also aggravated, its reserves greatly diminished after the winter of 1946-47. In German homes, without heating of any kind, hundreds of people died of cold. Railways, bridges and roads, which had been the main target of aerial bombardments, were destroyed. The cargo ships had been sunk, the small municipalities, due to the lack of transport networks, were practically isolated, physically and economically.

As a result of the lack of growth of the economies, the high unemployment rates and the shortage of food, strikes and revolts occurred in all countries, revolutionary movements that questioned capitalism. Two years after the end of the war, economies had not yet reached prewar levels, agricultural production was 83% of what it had been in 1938, industrial production was 88%, and exports only 59%.

### **The Marshall Plan, the Keynesian regime, and the "boom"**

The Second World War was the end of an economic period of capitalism marked by crisis, stagnation, and paralysis. But after the war in 1945, capitalism resumed its march and entered an opposite period, that of enormous growth with high rates for almost 30 years, known as the post-war "boom." How did capitalism get out of the crisis? from '29 and go from there to the "boom" ? What changes occurred in the world economy that made this possible? With the end of the Second War, 3 fundamental changes that had been incubating in the world capitalist economy were consolidated and produced the "boom":

- 1) The US imposed its hegemony and came to dominate the world economy**
- 2) The Keynesian accumulation regime emerged**
- 3) The multinationals emerged, a form of capitalist accumulation superior to monopolies, but typical of the monopoly stage of capitalism**

**1) US hegemony and domination of the world economy:** After the 2nd world war, US imperialism imposed its world hegemony, as Nahuel Moreno explained: *"... All the old men have been completely destroyed from the war. existing colonial empires ... From the post-war period, the entire capitalist world, including the imperialist countries, has to accept North American leadership and domination ... The logical anti-imperialist friction cannot change this situation, American hegemony is imposed on the world capitalist and his leadership" (7)*

The growth of US hegemony was a trend in the world economy and political situation of capitalism that had been developing for several decades. Leon Trotsky had already anticipated in 1926 this trend in the structure of the world capitalist system that was completely modified after 1945: *"In recent years, the economic axis of the world has shifted considerably. Relations between the United States and Europe have shifted. radically modified ... "" ... this evolution had been in the making since ancient times, there were symptoms that pointed it out, but it has only*

recently become a *fait accompli*, and now we are trying to realize this formidable change in the economy human and, consequently, in human culture ... America is the masters of the capitalist world" (8) In 1945 in the middle of a world in ruins after the 2nd war, the US economy constituted one third of all the export operations that took place in the world, it had in its possession two thirds of all the existing gold reserves and it was the producer of 50% of all merchandise in the world market for manufactured goods. The hegemony and colossal development of the productive forces of the United States was the lifeline found by the postwar capitalist economy and the lever to rebuild capitalism.

**2) The Keynesian accumulation regime emerged. The concepts of Pole of Accumulation and Axis of Accumulation:** Along with the hegemony of the United States, the other important change was the emergence of the Keynesian regime. We have already defined as a Regime of Accumulation a form of operation of capitalism, around the predominant Form of Accumulation, during a period. Since the Marshall Plan, senile capitalism emerged from the Second World War functioning in a peculiar way, an uneven and combined developed phase of the world economy, which we call the Keynesian accumulation regime.

This regime was a form of operation of the capitalist system or historically given economic formation, also known as the "*welfare state*". It consisted of high wages, full employment, economic concessions to the masses, social conquests and increases in social wages, public works plans and a great industrialization process imitating aspects of the model imposed by Roosevelt in the United States in response to the crash of '29. . The Keynesian regime began in the '40s, developed in the '50s, '60s and was exhausted in the '70s.

We define the branch of production and technology as the pole of accumulation, around which the entire economic regime is structured, while we define the geographic region as the axis of accumulation, and the set of economies or countries that capitalism uses as a platform. for its development in a given period. From this point of view, the Keynesian regime had the automobile and war industries as a pole of accumulation. How and why did the Keynesian regime emerge? To understand the political reasons that gave rise to the Keynesian regime, we must go back a few years and analyze the responses that capitalism had to the crisis of '29.

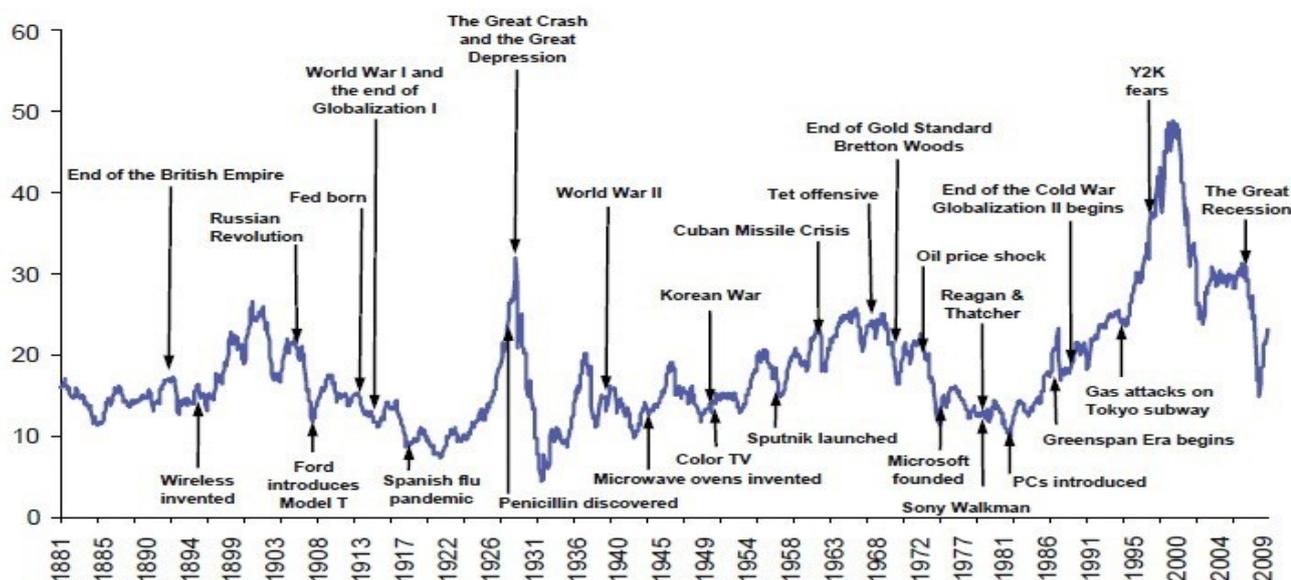
From the political point of view, capitalism had two responses to the crisis of '29, at that time the most serious of the capitalist system. In the US the answer was the New Deal, while in Germany it was the Nazi regime. Both political regimes, although diametrically opposed, had as a common denominator that they sought to respond to the global crisis. While the New Deal sought a way out of the crisis through agreements and maneuvers against workers and their organizations, the Nazi regime, on the other hand, through the crushing of workers and their organizations, with concentration camps where the most efficient production methods were tested aberrant with the aim of optimizing the profits of monopolies and large companies.

The Nazi regime obeyed the defeat of the workers' revolution in Germany, while in the US the New Deal was a defensive regime of the US bourgeoisie, a product of the resistance of the working class that big companies had not been able to do. break. This is how Leon Trotsky explained it: "*Currently there are two systems that compete in the world to save capital ...: they are Fascism and the New Deal (New Pact). Fascism bases its program on the dissolution of workers' organizations, on the destruction of social reforms and the complete annihilation of democratic rights ... The policy of the New Deal, which tries to save imperialist democracy ... is only accessible in its great breadth to the truly wealthy nations, and in such sense is a North American policy par excellence* " (9)

Another common denominator between both political regimes was Wall Street. Large US corporations, monopolies and bankers promoted the war industry to relaunch the economy in both Germany and the US and financed Hitler's rise to power. Wall Street financed the development of the arms industrial monopoly I.G. Farben, which was the basis of the power of the Nazi war machine.

This is how Antony C. Sutton explains it "... Without the support of the German industrial cartel IG Farben, Hitler would have remained a dark historical note ... Without the capital supplied by Wall Street, there would have been no IG Farben in the first place, and almost with certainty no Adolf Hitler ... Farben's industrial cartel was created by three Wall Street corporations: Dillon, Read & Co., Harris, Forbes & Co, and National City. The Duponts, Standard Oil, International Harvester, General Motors and Ford, which were companies controlled by JP Morgan, had facilitated the rearmament of Germany ... companies like the International Telephone and Telegraph (ITT), General Electric, International Business Machines (IBM), Alcoa and Dow Chemical also were involved ... " (10)

Toby Rogers, a journalist for The Guardian, published in September 2004 on the history of the Bush family: "The grandfather of former President George W. Bush, Senator Prescott Bush, was a director and shareholder of companies that benefited from their relationship. business with Nazi German funders ... During the decades of the Bush family's public life, the American press has endeavored to ignore a historical fact - that through the Union Banking Corporation (UBC) , Prescott Bush, and his brother-in-law, George Herbert Walker, along with the German businessman Fritz Thyssen, financed Adolf Hitler before and during World War II " (11)



Source: GMO, Shiller

**Evolution of the Standard and Poor's 500 index from 1881 to the current crisis, linked to the most important political and economic events in the history of capitalism. Source: GMO**

The Nazis and the Nazi regime were crushed in the war by the allied armies, the product of a formidable mobilization of the European masses, with which they disappeared as a possible alternative to capitalism. Meanwhile the Keynesian regime developed in the US, taking advantage of the low wages and unemployment of the working class after the depression and relied on new technologies that allowed the development of mass production for mass consumption.

The impulse to the war industry made it possible to massively export tanks, planes and weapons to the allied states and to develop "the military-industrial complex" and accumulation pole of the Keynesian regime, which was essentially American. But from the years 1945-47, as the US imposed its hegemony in the world capitalist economy, this way of functioning of capitalism was established on an international scale.

In order for the US to impose the Keynesian regime on the entire world, it first had to establish international agreements with the retreating powers, such as England, and fundamentally, it had to agree with Stalin and the Communist Party of the Soviet Union. It would have been impossible for the US to start the investment round that the Marshall Plan entailed, without previously

agreeing with Stalin, since during the war and at the end of it, great revolutionary processes were taking place in Europe, first to defeat the Nazis and liberate the countries of Nazi-fascism, and later, to face hunger and generalized post-war misery. Processes such as the Maqui resistance in France, or the partisans in Italy and Yugoslavia had allowed the workers to have power in their hands in France and Italy after the Second World War, and the Red Army seized control of Berlin and liberated the East of Europe.

Communist militants had been part of the leadership and led the resistance and defeat of the Nazis in most European countries. An order from the Kremlin was enough for Europe to become socialist, and the main economies of the world such as France, Germany and Italy, were transformed into Workers' States, which would have completely changed the destiny of humanity.

But the government of the USSR, led by Stalin and the Stalinist bureaucracy that led the victory against the Nazis, decided to make a pact with the allied powers, the United States and Great Britain, and start the capitalist reconstruction of Europe. This constituted one of the greatest betrayals of the world proletariat and the international socialist revolution on the part of Stalin and the bureaucracy that led the USSR.

Stalin agreed with Churchill, representative of the old English imperialism in retreat up to there exercising the leadership of the world capitalist economy and Roosevelt the US president, representative of the emerging imperialist power. Thus was born the "world order" with the Yalta and Potsdam agreements.

As Nahuel Moreno put it: "*... a front is established ... between imperialism and the Kremlin bureaucracy, on the basis of peaceful coexistence, concretized in Yalta, Potsdam and the new world order: the UN, the distribution of areas of influence ... Although there is a "cold war" and deep friction ... they act in general in agreement and defending this new world order ... Stalin and Roosevelt divide the world into two blocks controlled by US imperialism and the Kremlin with the aim of stopping, diverting, crushing or controlling the workers' revolution in the world*" (12)

After the international agreements of Yalta and Potsdam starting in 1947, the "*Marshall Plan*" was launched in Europe, through which the US invested millions of dollars, which allowed the reconstruction of the world economy, taking advantage of the massive liquidation of productive forces, famine, brutal unemployment and low wages of the proletariat and the European masses after the war. We insist that the US was able to implement the Marshall Plan because after the 2nd war its economy represented one third of all world exports, possessed two thirds of the gold reserves and produced half of all manufactured goods.

After the launch of the Marshall Plan, the world capitalist economy grew at historic rates for several decades. The possibilities of obtaining a high rate of exploitation for capitalist companies, product of the brutal reduction in the conditions of life, work and wages that had been consolidated with the war, among the masses of Europe, were a magnet for investments and the capitalist governments of Europe used these "*comparative advantages*" to their advantage to attract them.

The "*German miracle*", for example, was the product of US investments taking advantage of the brutal reduction in the proletariat's standard of living, achieved, among others, by Hitler and his concentration camps, as well as by the division of Germany. and its working class, the most powerful in Europe, which facilitated the exploitation of the German working class. The name of the plan went down in history by the surname of the US Secretary of State, George Marshall, who participated in the summit and inspired the model, along with the English economist Lord Keynes.

The hegemony of the United States was made clear in the way in which world trade was restored after the war, under the conditions imposed by Washington. In July 1944 a new international monetary system was established at the Bretton Woods International Conference, which

established agreements to replace the international monetary system, with floating rates that was imposed after the Great Depression of the 1930s for war spending. The main objective of the new adopted financial system was to return to the fixed convertibility of currencies tied to the gold standard and Bretton Woods established the dollar as the standard currency of the international monetary, commercial and financial system, backed by the gold that was stored in the Federal Reserve of The USA Together with the dollar-gold parity, it was agreed to create the International Monetary Fund (IMF), the World Bank (WB) and the International Bank for Reconstruction and Development (IBRD) to regulate the newly created system.

### The postwar “boom”

The Keynesian regime as the Accumulation Regime, allowed the “boom” of the world economy, with historical growth rates for several decades. This was the economic basis for the enormous social conquests achieved by the masses in the US, Europe, Japan and some backward countries. The “boom” gave stability to the political situation of the imperialist countries, based above all on the important public works plans for the reconstruction of Europe and Japan, whose infrastructure had been badly destroyed by the war.

During the “boom”, the world economy reached very important growth peaks, in Great Britain a rate of 17.5%, in the United States a peak of 17.7% in 1950 and 17.0% in 1969. In Japan, a peak of 36.5% in 1969, while in Germany and the rest of Europe the economy reached growth rates of 19% in 1968 **(13)** Toyotism and Taylorism became basic techniques of the technological pole, for increase labor productivity and both trade and the international division of labor were structured around the US-Europe axis.

The exploitation of the proletariat of both regions placed them at the center of the world economy and consolidated the Atlantic as the center of world trade. Regarding finance capital, the Keynesian regime was characterized by a strong repression of speculative capital with the sanction in 1933 of the Glass-Steagall Act, in 1936 the Robinson-Patman and in 1937 the Miller-Tydings, which were combined with previous ones such as the Sherman anti-trust of 1890 and Clayton 1914.

These laws sought to separate deposit and investment banks, curb large chains, unfair competition and veto the participation of bankers in company councils. The anti-trust legislation of the US Keynesian regime repressed speculative capital that was located in the City of London. In any case, large US companies were able to monopolize the branches of production and commerce because the monopolies of the other powers were destroyed.

We already have the general picture of the Keynesian regime. Its success was based on the super-exploitation of the workers of the United States and Europe, the largest, most concentrated and most culturally important proletarians in the world, whose wages and living conditions were very deteriorated by the crisis of the 1930s and the war.

**3) Multinationals became the predominant Form of Accumulation:** The third reason, and from the economic point of view the most important, why capitalism was able to get out of the stagnation of the 1929/1945 period and move on to the post-war boom, was the emergence of multinationals as the predominant Form of Accumulation. This fact resulted in a qualitative change in the capitalist production process, since it made possible an accumulation of capital and profits never seen before, and caused enormous changes in the structure and functioning of capitalism.

How did multinationals become the predominant Form of Accumulation? The emergence and development of monopolies from 1860 allowed a development and expansion of capitalism for several decades, which was crossed by crises between the years 1873-96 although these crises were part of the process of expansion and growth itself. On the other hand, as of 1907, both the crisis of that year, as well as those of 1914-18 and the outbreak of the 1st world war, expressed that capitalism had entered a period of decline and stagnation that led to the crash

of '29. The process of stagnation of capitalism occurred as a consequence of the exhaustion of monopolies as a Form of Accumulation. Why did the exhaustion of cartels and trusts occur? Because to the extent that they took control of the economy, they exacerbated all the contradictions of capitalism to the extreme, in the first place, because by specifying the concentration and centralization of capital in the different branches of production, they sharpened the contradictions between the social character of the production and the individual character of the appropriation of the wealth produced.

The socially produced wealth was concentrated in a few hands, those of the owners of the monopolies, in a magnitude much higher than what capitalism had done in the industrial period, in which it developed the exploitation of child and female labor and they were thrown growing masses of workers to misery and poverty, which crowded into large cities and towns.

The monopolies brutally exacerbated these existing social inequalities, not only because of the extreme social differentiation between rich and poor, but also because of the tensions and confrontations within the capitalist class itself, as a result of the economic concentration also leading to bankruptcy and disappearance of minor capitalist sectors, at the hands of the most powerful trusts and cartels. The generalized poverty and the fall of the middle layers of the population aggravated by the monopolies, caused the drop in consumption and a general brake on the economy.

Second, monopolies exacerbated the contradiction between the global character of production and national states because they came to dominate branches of production and trade at the country level, while at the same time they tended to develop internationally. As they began to dispute the world market, brutal fights arose between them for the markets, which was at the base of both the 1st and 2nd world war. These contradictions showed the limitations of cartels and trusts to dominate the branches of production and world trade.

The wars were clashes and confrontations between the imperialist states, to decide which of those states would impose their monopolies, and in turn the clear demonstration that monopoly as a form of accumulation had entered the stage of its exhaustion.

Capitalism needed a superior form of accumulation, which would make the leap to domination of entire branches of production and trade on a world scale, and this magnitude of centralization and elimination of capitals and capitalists was only possible through war.

### **The shift from the predominance of monopolies to the predominance of modern multinationals**

As we have seen after World War II, all imperialism emerged shattered and it was only the United States, with its extraordinary development of the productive forces, that was in a position to take command of the world economy. This materialized with the implementation of the Marshall Plan that produced a change in capitalism: modern multinationals displaced monopolies from the center of the world economy.

The Marshall Plan, economic assistance to Europe, from the US was not disinterested, it sought to extend its monopolies and finance military bases abroad to consolidate its world dominance. The US monopolies took advantage of the capitalist reconstruction of Europe to massively export their goods to European countries, promoting economic reactivation and at the same time they were implanted, using Europe as a bridgehead for their world expansion.

This is how Peter Dicken puts it: *"It is not surprising that US corporations were at the forefront of postwar expansion, building on the unprecedented might of its domestic economy, its technological superiority, and its huge reserves of investment capital. In 1960, the United States accumulated almost 50% of the direct foreign investments in the world (the participation of England was 18%, and that of Germany and Japan a meager 1.2% and 0.7% "... ) (14)*

For Noam Chomsky: "... *The Marshall Plan*" created the framework for the investment of large amounts of American money in Europe, laying the foundation for modern multinationals ... As the Reagan Department of Commerce later explained, the Plan Marshall "set the stage for large amounts of direct private investment into Europe from the United States," laying out the groundwork for the Transnational Corporations that increasingly dominate the world economy. " (15)

In other words, with the contribution of the US state to Europe, the US monopolies were transformed into multinationals. A good example is the car-producing monopoly Ford, from the United States, which created an organization throughout Europe as early as 1967. The mutation of monopolies into modern multinationals is the fundamental, structural change, in the productive field, of the division. international labor and trade, which is developed under capitalism with the Keynesian regime.

Thus, the capitalist system adopted the physiognomy that we know today, as Nahuel Moreno pointed out: "... *The fact that I want to point out to you is the emergence of transnationals ... This is a new phenomenon. Until the 2nd World War, no monopoly it had branches ... with the exception of the oil companies ... that is to say, they are companies that have ten, twenty companies in different countries and all coordinated working together.* " (16)

Lenin had pointed out that monopolies are national entities, but that they tend to spread internationally since the beginning of the 20th century. Thirty years later, and after the great imperialist conflagration of World War II, the United States imposed its monopolies globally, as part of the development of the Keynesian regime.

What are the differences between multinationals and monopolies? As we saw, monopolies are essentially the cartels and trusts, unions or leagues of companies that dominate a branch of production in a country. Multinationals are not a league of companies, they are a single company that dominates a branch of production on a world scale, and therefore they constitute a superior form of accumulation, containing and exceeding monopolies.

The 2nd war allowed capitalism to go from a lower form of accumulation and concentration of capital to a higher one, since monopolies such as General Electric, Ford, Coca Cola, etc., which had managed to dominate a branch of production in the United States through a complex process of mergers and acquisitions of companies that lasted decades, they were transformed into a single global company, with a strongly centralized command. The shareholders board and its presidency in multinationals are no longer bodies that engage in complex negotiations within the companies union to agree on production and marketing goals as in cartels and trusts.

For the period 1945/47, the US multinationals are a single command, which imposes production and marketing goals, counting in its favor that it has an immense world market almost without limits and without competition, because the monopolies of others Imperialist countries are devastated after World War II, and therefore economically and financially disadvantaged.

Second, the boards of the US multinationals imposed production and marketing goals in 1946/47, counting in their favor the existence of a very high rate of exploitation as a result of the deteriorating living conditions of the masses of Europe and USA.

They also had a political agreement, Yalta and Postdam, which guaranteed investment and implementation because it acted as a political shield against revolts or revolutions that could have expropriated them or undermined their interest in obtaining profits. The political and economic conditions of the 1945/46 conjuncture were more than favorable to come to dominate the world market.

The company directory is a centralized command, which in turn leads to production and marketing units in different countries, in which it has branches and can plan the development of production with an international division of labor within the company. It can manufacture different parts of the goods and assemble them in different nations, calculating in advance its benefits according to the conditions of exploitation that it obtains by negotiating with the different governments.

That is to say, from the point of view of capital accumulation and the supreme objective of capitalism, which is profit, multinationals are a form of capital accumulation qualitatively superior to cartels and trusts, the monopolies that emerged in the 19th century. These new forms of accumulation were found in 1946/47 with the enormous possibilities of super-exploitation of workers in Europe and the US, with the Yalta and Potsdam agreements and with the investments of the US imperialist state, which puts money to facilitate all the infrastructure, transport, routes, bridges, supplies, etc., everything necessary for its development. What more can a capitalist ask for?

That is, the transformation of US monopolies into multinationals, and the existence of these companies as the predominant Form of Accumulation, is the most important, structural explanation of the changes that occur in capitalism after the 2nd world war. The implantation of the hegemony of the United States, the Keynesian regime and the multinationals are the three elements that explain the postwar "boom" and the historical rates of growth, investment and production reached since 1945.

### **The multinationals sharpened the fundamental contradictions of capitalism**

But we must not forget for a moment two key elements in the transition from the dominance of monopolies to the dominance of multinationals. One is that both the hegemony of the United States, the Keynesian regime and the multinationals are the product of the brutal destruction of productive forces that the Second World War brought about.

In other words, as a result of the existence of private ownership of the means of production, the entire process of capital centralization that meant the passage from the predominance of the monopolies to the predominance of the multinationals, was carried out at a high cost to humanity.

That is to say, the overcoming of one form of accumulation by another, meant the liquidation of classes and class sectors, not only between dominant and dominated classes, but also between the same sectors of the dominant class through wars, which meant a colossal destruction productive forces. When studying the passage from monopolies to multinationals, the economic and political laws that Marxism formulated are those that explain why the cost of sustaining private property, meant millions of deaths for humanity, liquidation of infrastructure and devastated productive forces.

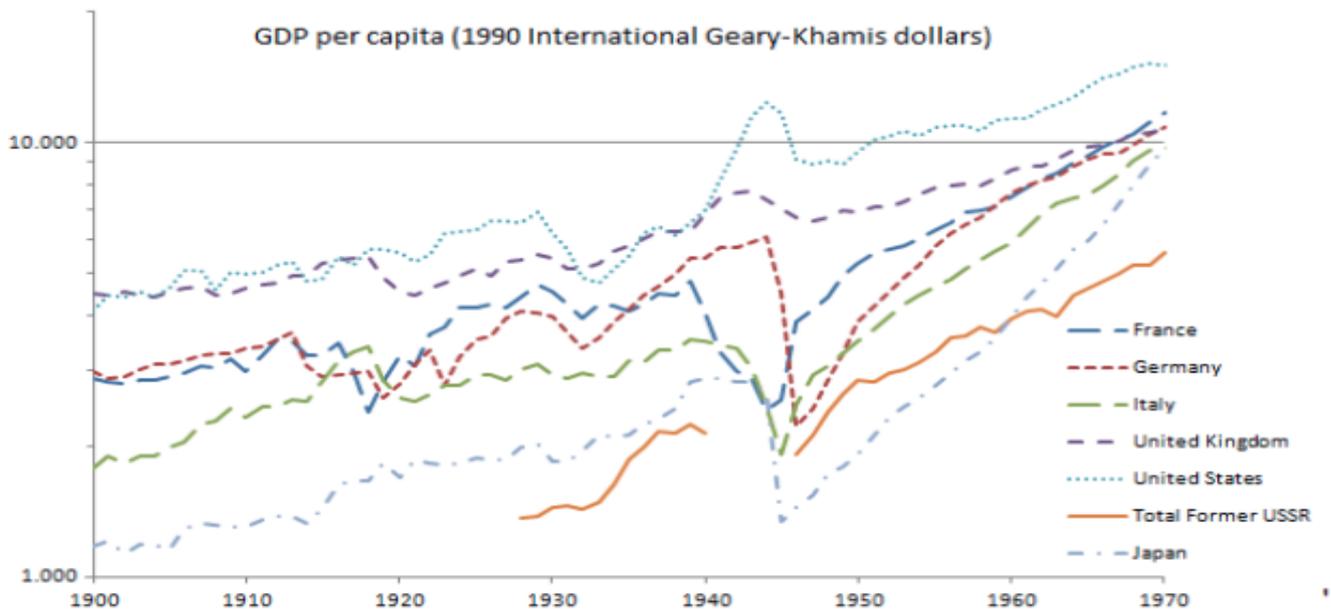
The second element is that the post-war "boom" in no way meant that capitalism came out of its imperialist stage, of decadence. On the contrary, it occurred within that stage indicated by Lenin, for which the multinationals are a form of monopoly accumulation and, like the monopolies that emerged in the 19th century, are Forms of Accumulation of the imperialist stage of capitalism.

This is of fundamental importance to understand why the postwar "boom" ended up aggravating the crisis of capitalism. The development of the predominance of multinationals did not act to solve the historical crisis of the capitalist system, but on the contrary, it acted aggravating it and opened a huge crisis in capitalism at the end of the 1960s. Let's see how it came about. With the reconstruction of Europe and the "boom", multinationals as a form of accumulation became generalized to the extent that the imperialisms that had been destroyed in the war, England, Germany, Japan, France, etc., who developed their own multinationals.

The multinationals first aggravated the contradiction between the global character of production and the national states. For Nahuel Moreno: "... *The transnational more than ever responds to the monopoly law, that is, it needs the national state. ... There are tendencies and semi-Marxists who say they are colossal because they will inevitably destroy the nation states ... then they will unify Europe, and then Europe with the United States, and then the United States with Japan, and then we go to the famous empire made by the transnationals ... That is a lie, the transnationals they sharpen the competition between them, it is more and more brutal ...*" (17)

The other contradiction that the multinationals exacerbated to the extreme, is the contradiction between the social character of production and individual appropriation, given that in the field of wealth accumulation in few hands, the multinationals provoked an unprecedented process of capital over-accumulation.

This was explained by Nahuel Moreno: *"The process of internationalization of the economy and its centralization of US imperialism and the large international monopolies -the "transnationals" -, added to the speed of communications, allows a dizzying rate of obtaining surplus value, distribution of profit and accumulation and over accumulation of capital. This same rhythm accelera-*



tes the crisis of the imperialist economy" (18)

The postwar "boom" (1945-1975) measured in Geary Khamis dollars, a standard measure, with data from the imperialist countries and the Soviet Union. Source: World Bank

In other words, since it is a superior form of accumulation, the multinationals achieved an unprecedented accumulation and over accumulation of capital, much higher than that achieved by monopolies. But the accelerated process of over-accumulation aggravated and exacerbated the fall in the rate of profit. How did this come about?

This is how Moreno explains it: *"Each enormous increase in the mass of surplus value recovers the rate of profit and makes it possible to overcome the conjunctural crisis. But it prepares a greater crisis: when capital increases colossally, there is an over accumulation of capital, which seeks investments where obtain profits; and as the mass of surplus value remains the same and capital has increased, the profit rate falls sharply, originating a new conjunctural crisis"* (19)

The enormous over-accumulation of capital that multinationals implied, acted by collapsing the rate of profit and forced the capitalists to seek ever higher rates of exploitation to sustain the equivalent of the magnitude of capital they accumulated.

By not achieving a higher rate of exploitation among the masses of Europe and the United States, the enormous fortunes and capital accumulated by the capitalists with the multinationals acted by collapsing the profit rate and aggravated the crisis of capitalism, because that same accumulated capital requires more and more exploitation to preserve the rate of profit. This caused the outbreak of the chronic crisis in the world economy, which developed with recessive peaks that began to occur, without capitalism being able to overcome it.

As Nahuel Moreno explained: *"The ultimate key to begin to understand all the phenomena that have occurred in the international arena since the late 1960s is the chronic crisis that has dragged on the world economy since that time ... it has deepened incessantly and has provoked approximately every five years increasingly intense short-term crises ... The chronic crisis has been advancing from the periphery to the center. This is a law that has been in place, at least, since 1966 - we believe that throughout this postwar period ... It has had three peaks or acute conjunctural crises: the first of 1966-67, led to a fall in the profit rate and in North American production ... The second crisis occurred between 1973 and 1975 and affected all of the capitalist and imperialist countries ... The third was born in 1979 and is also generalized to the entire world economy ... "* (20)

These recessive peaks occurred because the fall in the rate of profit was increasing and capitalism had increasingly difficult to overcome the crises derived from its fall. Between 1970 and 1990 the profit rate of factories in the G7 economies fell by 40% compared to the 1950/70 period. For 1990 the profit rate fell 27% in relation to 1973 and close to 45% in relation to its maximum level of 1965 (21) The recovery of the world economy in the postwar period, contradictorily weakened the North American economy: *"... there was suffered a first stagnation in the second half of the 1950s. Between '61 and '66 the GDP grew at an annual average of 2.3%, well below the averages of 6.1 between 1931 and 1950, or of 5.2% between 1950 and 1955 "* (22)

With the multinationals, the entire process of capital accumulation and over accumulation and its speed changed qualitatively, as a result of the increase and speed in the accumulation of capital that they achieved. This accelerated the rate of fall of profit rates and thus also qualitatively accelerated the rate of the crisis of capitalism. This aggravation of the contradictions of capitalism, opened a dynamic that led the Keynesian regime to its exhaustion and end. In turn, the exhaustion of the Keynesian Regime expressed the exhaustion of multinationals as a Form of Accumulation.

From the point of view of the accumulation regime, capitalism entered a transition period that spans from the years '66 / '67 to the '80s, a decade in which new forms of accumulation emerged, the multinational corporations. During this period, the Bretton Woods trade and exchange relations exploded, because in 1971, gold reserves barely reached a quarter of the total official debts of the United States.

The Nixon government struck a blow proclaiming the free convertibility of the dollar, signed the Smithsonian Agreement with which it devalued the dollar by 7.89% in relation to gold and thus reduced the debts and merchandise of the United States to strengthen the world market to US products.

In February of '73, the dollar devalued another 10%. Europe and Japan also abandoned the gold parity of their currencies and ended Bretton Woods. The world returned to floating rates and inflation began to grow, beginning a long inflationary stage that began to emerge and destroy the post-war agreements and wages. Global inflation was aggravated by the oil crisis of the years '74 - '75, which pushed up the prices of crude oil and raw materials around the world.

### **The postwar period: A serious cycle of destruction of productive forces in the 3rd World**

Faced with the crisis of the Keynesian regime, capitalism, in need of high rates of exploitation to reverse the crisis, directed its capital increasingly aggressively to the Third World, where the conditions of exploitation began to be superior to those in Europe and the United States.

But in the Third World after World War II, a huge series of revolutionary processes, wars and convulsions had developed, as a result of the crisis of the old colonial powers France, England, Japan, Germany, which had dominated those regions and emerged destroyed of the 2nd war, which had weakened the chain of their colonial rule.

This produced a spectacular process of national liberation and the emergence of new nations in the former colonies. Faced with this enormous world revolutionary process that had as its main focus the backward countries, the new emerging imperialism, the US began to fulfill its role as gendarme and defender of capitalism globally, with the aim of defeating the uprisings and revolutionary processes that took place in backward countries.

From Algeria, to Vietnam, from Korea to China, Latin America or the Middle East, there were invasions by the US armed forces and the armies of the imperialist countries to defeat these revolutionary processes. This is the fundamental difference of the postwar period with the 1st and 2nd world wars. If in the 1st and 2nd war different imperialist countries faced each other, in the postwar period the clashes are between imperialist armies with nations, peoples and revolutionary processes of the Third World countries that questioned their domination.

As Moreno explains: *"From the post-war period, the entire capitalist world, including the imperialist countries, has to accept the leadership and domination of the United States ... and the impossibility, for the moment, of new inter-imperialist wars ... A stage in the character of wars closes and a new one opens. The stage of inter-imperialist wars closes and the stage of counterrevolutionary wars is entered "* (23)

The confrontation between the imperialist armies with the revolutionary processes meant, from the economic point of view, a spectacular development of the destructive forces, in many respects analogous to that produced in the 2nd world war. Although revolutionary processes and wars developed globally in the Third World, a fundamental epicenter was the region of Southeast Asia, where the greatest process of destruction of productive forces took place.

As a result of this process, a new axis of accumulation emerged in Southeast Asia, which was a key factor in the transition between the Keynesian regime and globalization. As we said, we define as the axis of accumulation the region and set of economies or countries that capitalism uses as a platform for its development in a given period. To exemplify the concept, let's say that the axis of accumulation in the period 1945/68 was the US / Europe tandem.

The development of a new axis of accumulation in Southeast Asia was the product of a brutal cycle of destruction of productive forces, which began with the atomic bombs in Hiroshima and Nagasaki and continued with the Korean War between 1950 and 1953, in which there were 778,000 dead, wounded and maimed on the US side and between 1,187,000 to 1,545,000 on the North Korean side, a total of 2.5 million civilians killed or wounded, 5 million left homeless and more than 2 million refugees.

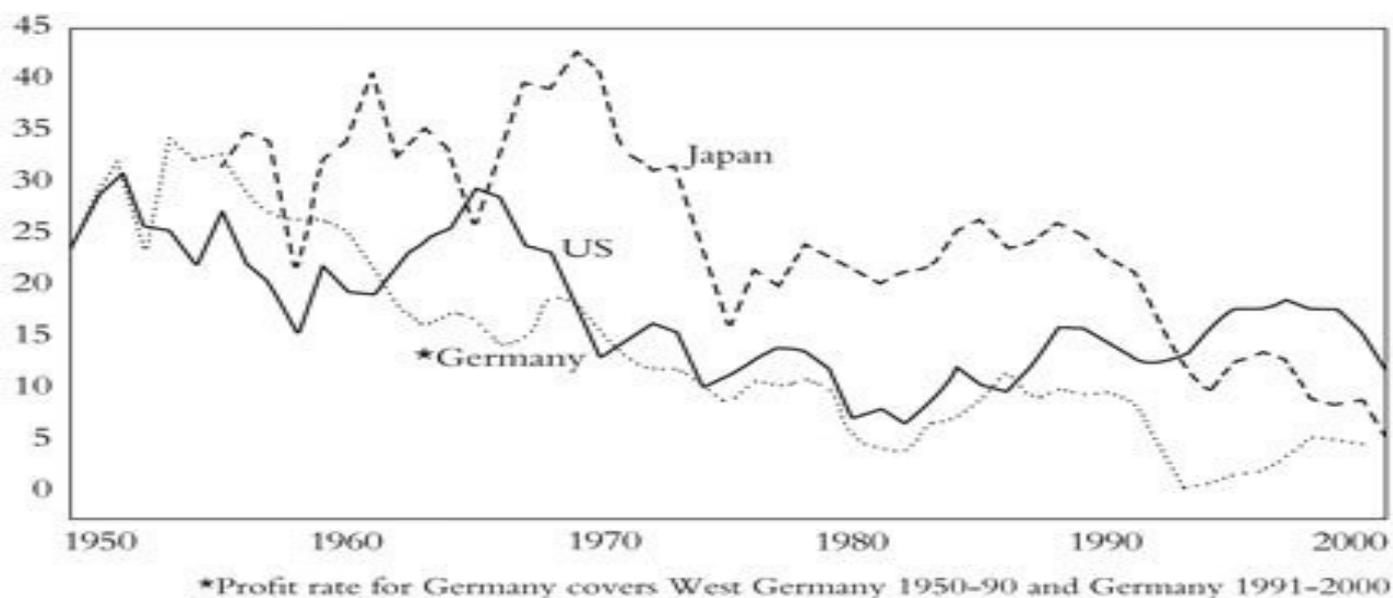
A new chapter opened in Southeast Asia with the Japanese withdrawal from Vietnam. After expelling the troops from Japan, the Vietnamese masses defeated French imperialism and declared the independence of Vietnam whose war of liberation spread to Laos, Cambodia and China. To stop the revolutionary process, the US in 1964 began the invasion of Vietnam, an unequal war, where the US armed forces committed all kinds of historical horrors, human rights violations and yet suffered a historic defeat.

The triumph of the Vietnamese masses and of the world was extraordinary, but the balance of destruction of productive forces that the Vietnam War implied was chilling. In the war, 281,896 soldiers died and there were 300,000 wounded in the US military field. For the Vietnamese people it was a real hecatomb: 5 million, 100,000 civilians killed, 1,100,000 soldiers and guerrillas killed in combat and a minimum of 600 thousand injured. The US Armed Forces dropped a total of seven million tonnes of bombs, including a large number of chemical weapons, Napalm, bacteriological, defoliant, etc., prohibited by the Geneva Protocol of 1925.

In World War II, all the opposing sides unloaded a total of 1,200,000 tons of bombs and explosives. Vietnam exceeded almost 6 times that number. The defoliant agent orange, used in the US bombings until 1971, continues to pollute the country today.

In the rest of the region, imperialism continued to perpetrate serious destruction of productive forces, as was the case in Indonesia where, with the CIA-supported Suharto coup, the dictatorship carried out massacres between 1965 and 1967 with 1.5 million dead. In Cambodia, the Stalinist dictatorship of Pol Pot between 1975 and 1979 exterminated 2 million people, almost a third of the population. In China, the failure of the economic plan called "*The Great Leap Forward*" produced almost 32 million deaths from famine amid natural catastrophes, which gave way to mobilizations and growing discontent among the masses.

The Stalinist bureaucracy headed by Mao had barely managed to contain the rise of the masses in the Cultural Revolution, but in the face of the failure of "*The Great Leap ...*" it feared a new outbreak. Faced with the prospect of defeat in Vietnam, the US changed its policy in Southeast Asia and relocated in agreement with the Chinese bureaucracy, taking advantage of the crisis in the Mao government. Mao's Stalinist regime needed another plan and faced with pressure from the masses and the Soviet bureaucracy that threatened to intervene, it agreed with the United States.



The table shows the declining trend of the profit rate of the 3 main imperialist economies in the period 1950/2000 · Source: "The boom and the bubble" R. Brenner

China promised to stop the revolution in Vietnam, in exchange for US capital and investment to revitalize the economy. And he meticulously complied with the agreement, even invading Vietnam in '79. For Moreno: "*Another colossal opportunity was opened when the Vietnamese people, supported by millions of Americans who were mobilizing against the war, defeated the US Armed Forces. Nothing was easier than to extend that triumph to Laos, Cambodia and all over the world. continent .... But the Maoist leadership, five years later, attacked and invaded Vietnam ... Vietnam, Laos and Cambodia suffer the same or worse penalties, because of the treacherous leaderships*" (24)

After the Nixon-Mao summit in December 1971, and with the guarantee of the Chinese bureaucracy to curb the revolution in Southeast Asia, capitalism began to invest in the provinces of the sea-coast of China, where the "*special zones*" arose, a slow process of penetration of multinationals. The process of arrival of investments, establishment of companies and capital took advantage of the non-existence of a traditional proletariat in the region, the secular famine of the peasantry and the betrayal of Beijing to the revolutionary process.

This is how the famous "*Tigers*" also emerged: Thailand, Malaysia, Singapore, Taiwan, Hong Kong, all countries with dictatorial regimes, which trample on the most elementary democratic rights and crush all attempts at union organization.

The "*Tigers*" of Southeast Asia acted as an investment magnet because they offered a "paradise" for the voracity of the multinationals that associated with the native bourgeoisies. This is how the new "miracles" arose, the "*Japanese miracle*" and the miracle of the "*Tigers of Southeast Asia*", which are the product of brutal processes of destruction of productive forces in the region. From the establishment of these processes it is that the axis of accumulation Japan, Southeast Asia-USA, was constituted in the transition from the Keynesian regime to globalization.

### **The restoration of capitalism in the USSR, Eastern Europe, Cuba and China**

The process of destruction of the productive forces also extended to the former workers' states. Between the 1940s and 1970s, as a result of the defeat of the Nazis, the generalized crisis of the old imperialisms, and the revolutionary processes in various regions of the Third World, capitalism was expropriated in the countries of Eastern Europe, China, Cuba, Vietnam, North Korea, etc.

Twenty years later, starting in the '70s, those countries began to return to capitalism, which meant the loss of important conquests obtained with the revolutions. In the first years after the revolution, the expropriation of the bourgeoisie, the nationalization of the economy, and central economic planning made it possible to eliminate hunger, unemployment, illiteracy, the lack of action, more comivos than science and culture.

The return of these countries to capitalism was not the product of the choice of the masses, but the product of 70 years of Stalinist policies that violently repressed the workers and peoples. For these countries to return to capitalism, Stalinism had to carry out successive counterrevolutions, as in the Soviet Union the forced collectivization of the years 1928-1933 that affected more than 10 million people; the massacre of Trotskyists and opponents in the Soviet Union known as "*The Great Purge*", which reached more than two million people.

Stalin's crimes in the USSR between 1924-1953 caused the death of millions between purges, famines, forced collectivizations and ethnic cleansing of native peoples and nationalities such as Ukrainians, Chechens, and Balts. In Yugoslavia, an estimated 2 million Yugoslavs died as a result of the fierce repression of the Tito government between 1944 and 1977. In 1953, the Hungarian workers councils in 1956, the Czechoslovakia process in 1968.

Only in China with the "*Great Leap Forward*" around 30 million people died. The restoration of capitalism meant a serious process of development of the destructive forces in which around 50 million people died, as the crowning of 70 years of political betrayals of the "official world left", the Stalin, Mao, Khrushchev, Castro, Deng Xiaoping, Brezhnev and Gorbachev.

The massacre perpetrated by Stalinism was part of its policy of socialism "in one country" which included the dissolution of the Third International at the request of the capitalist powers as part of the Yalta and Potsdam agreements, as well as the policy of socialism "in a single country" and its systematic and permanent refusal to federate to build workers' states.

All this strategy made possible the brutal retreat of those revolutions. The establishment of single-party dictatorships that perpetrated massacres and persecutions, as well as the liquidation of all opponents and revolutionary Marxists such as Leon Trotsky, ended up crowning a policy of support and support for multinationals "from the left" and a formidable tool to give them a survival of the capitalist system.

### **The Colossal Development of Destructive Forces: Weaponry and Nature Destruction**

As we saw with the two world wars and in the postwar period, capitalism destroyed huge masses of capital and human lives. All this enormous process of destruction of productive forces left the balance of poverty, misery, infant mortality for millions, added to the deterioration of nature and the environmental crisis.

The destruction of nature is the product of the policy of the imperialist governments of violations of international treaties, environmental pollution, the depredation of seas, rivers and natural resources, the waste of non-renewable resources, whose effects such as the greenhouse effect or climate change are increasingly evident, more uncontrollable and affect the poor and dispossessed more strongly.

According to the United Nations Development Program: *"... A decisive response to the problem of climate change is urgently needed. In 2007, global emissions of carbon dioxide (CO2) increased again, reaching 30 billion metric tons, which is equivalent to a growth of 3.2% over the previous year, and an increase of 35% compared to the level of 1990 ... The deforestation rate shows signs of remission, but it is still alarmingly high and if well there have been some conservation successes ... biodiversity loss continues relentlessly ... "* ( 25)

In analyzing the development achieved by the destructive forces of humanity under capitalism, it is essential to observe the expansion of the arms industry. Military expenditures reached US \$ 1.46 billion and the expansion of the profits of the arms consortiums in Europe and the United States are the most irrefutable proof of the increasingly close dependence on economic development and expansion, with the development of the war industry.

Wars, the atomic bombs of Hiroshima and Nagasaki, massacres, torture and persecutions, perpetrated by dictatorships and totalitarian governments that defend capitalism or invasions such as those of Vietnam and Iraq, are an increasingly necessary resource to guarantee the reproduction of the North American economy. Military expenditures constituted an important contribution to the growth of its GDP, making the North American Military-Industrial Complex a fundamental node for the development of its economy.

For Moreno: *"... In this postwar period we have seen the colossal development of the arms industry, that is, of the destructive forces of society, and also a development of technology that has led to an impoverishment of man, to a crisis of humanity, to growing wars and a beginning of destruction of nature. The current development of the capitalist economy ... has a growing tendency to destroy man and nature ... "* (26)

In the middle of this development of the process of destruction of productive forces, there was a spectacular development of science and technology. Thus Moreno explained the magnitude of this technical revolution: *"The greatest technological revolution in the entire history of humanity has been carried out under the rule of imperialism ... cybernetics, rocketry, atomic energy, petrochemicals, chemical fertilizers, scientific discoveries in all fields ... it is materialized in the most humanity has been carried out under the domination of imperialism ... cybernetics, rocketry, atomic energy, petrochemicals, chemical fertilizers, scientific discoveries in all fields ... it takes shape in the most spectacular of the advances made by humanity: the beginning of the conquest of the cosmos, the universe ... "* (27)

But for Moreno, the great technological development is not synonymous with the development of productive forces: *"... the statement that in this supposed new stage the productive forces are experiencing a colossal development, thanks to enormous technological progress ... is an anti-class conception and anti-human ... For Marxists the development of the productive forces is a category made up of three elements: man, technology and nature ... And the main productive force is man; specifically the working class, the peasantry and all workers ... technical development is not the development of the productive forces if it does not allow the enrichment of man and nature ... Technology -as well as science and education- are neutral phenomena that become productive or destructive according to the class use that is given to them ... and their use depends on the class that has them in their hands"* (28)

In reality, there was a relative development of the productive forces in the postwar period, but within the framework of an immense development of the destructive forces. As the process of development of the productive and destructive forces developed in a simultaneous and contradictory way, it was not a question of knowing if one or the other existed, it was a question of knowing which of the two was the predominant process. The study of the Keynesian regime and the development of capitalism in the postwar period allows us to verify that the development of destructive forces predominated.

With the exhaustion of the Keynesian regime and the multinationals, a transition process was opened in which the conditions were prepared for the transition from the Keynesian regime to another diametrically opposed, globalization. And in the globalization regime there will be one more step in the capital centralization process that gave rise to a superior form of accumulation: global corporations.

### **The End of the Keynesian Regime: What Keynesian Economists Hide**

The growth achieved by capitalism with the Keynesian regime was clear, those who defend it and call themselves "*Keynesians*" try to show that capitalism is capable of having a successful model that allows economic conquests to be granted to the masses. These same economists hide the reasons that explain why capitalism achieved the "*boom*" in the period between 1945/68.

When "*Keynesians*" like Paul Krugman, Joseph Stiglitz and Nouriel Roubini, affirm that capitalism can recreate the "Keynesian regime" today and loudly demand economic stimuli, public works, income taxes, and affirm that with these measures you can get out of the serious crisis that opened in 2007, they simply lie.

They hide that the regime inspired by Lord Keynes was possible because previously cities, bridges, roads, counties, municipalities and factories were destroyed. The Keynesian regime had as a precondition for its development, the destruction of thousands of buildings, warehouses and transportation. And most importantly, millions of human lives were destroyed, on battlefields, in concentration camps and with atomic bombs. With the war, capitalism confirmed its decadence, its cruelty and capacity to inflict grave suffering on the masses.

With the 1st and 2nd world wars, imperialism overcame the crisis through the colossal development of destructive forces and the classic mechanism that Marx called the burning or annihilation of capital. The destruction of productive forces that preceded the Keynesian regime was a formidable business for big business and a colossal leap in the development of destructive forces with their highest expression, the war industry.

Since the outbreak of the crisis in the world economy, millions of people in the world, and movements such as "Occupy Wall Street", the 15th October and the indignant of the world speak out against the multinationals. Many Keynesians reach out to movements and stand in solidarity with them. Are Keynesians for or against multinationals? When Krugman, Roubini, Stiglitz or other Keynesians start their siren songs against the multinationals, it is worth asking a simple question: How did the multinationals come about? The answer is simple: from the Keynesian regime.

Perhaps many believe in those who claim the Keynesian regime as a way of functioning of world capitalism. Perhaps they believe when they are told that it allowed a relative development of the productive forces, high growth rates and repression of finance capital. Those decades of the "*boom*" seemed to contradict the Marxist thesis that the capitalist economy was in the imperialist epoch, of decadence and domination of finance capital.

However, the study of the Keynesian regime confirms the decline of capitalism, because it shows that thanks to it the multinationals arose, a form of accumulation and concentration of capital far superior to its predecessors, the monopolies. The Keynesian was an economic regime that did not need finance capital for a short period, because it arose and developed thanks to US investments in Europe.

In other words, it had a first-rate investor: the US imperialist state. Multinationals and Keynesianism are complementary elements, one is the accumulation of the Keynesian regime, the other is the accumulation regime of the multinationals. The Keynesians' criticisms of the multinationals are hypocritical and a denial of the history of capitalism, not of ancient history, but of its modern history.

The multinationals raised the crisis of capitalism to such a level that in order to solve it the capitalists were compelled to launch increasingly brutal offensive masses on the ground. This is how Nahuel Moreno explained it: *"Only by achieving a permanent, practically unlimited increase in exploitation will imperialism be able to overcome the next or next conjunctural crises and the chronic crisis, since the increase in capital is incessant and vertiginous"* (29)

The contradictions of the Keynesian regime that evolved worsening were preparing the conditions for the end of the "boom", and the transition to a new world economic regime, diametrically opposed to the Keynesian one: globalization. What unfolded from now on was a difficult, traumatic and convulsive phase of transition from the Keynesian regime to globalization, in which the modern multinationals and the G7 governments advanced in modifying the structure of the world economy, to try to solve the contradictions and crisis of capitalism. This economic regime and its complex structure is the subject of analysis in the next chapter.

## Notes

(1), (2), (3), and (4) Lenin. *Imperialism, the upper phase of capitalism*. (1916)

(5) and (6) João Henrique Galvão (PSTU), Brazil *"The historical significance of the crisis of 29"* (our underlined)

(7) Nahuel Moreno. *Update of the Transition Program*. (1980)

(8) Leon Trotsky. *Europe and America. "The two poles of the labor movement and the finished type of reformism"* (1926) *The new roles of America and Europe*

(9) Leon Trotsky. *Fascism and the New Deal. Marxism and our times*

(10) Antony C. Sutton *"Wall Street and the rise of Hitler"*

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(13) Long waves, institutional changes, and historical trends. Minqi Li, Feng Xia, Andong Zhu, Tsinghua University, Beijing, China

(14) Peter Dicken *"Multinational companies, nation states"* source <https://www.globalizacion.or/desarrollo>

(15) Report to Noam Chomsky, <https://www.ecaminos.org/leer.php/4920> underlined our)

(16) and (17) Nahuel Moreno. *School of Economics* (1980)

(18), (19) and (20) Nahuel Moreno. *Thesis on the World Situation*. (Project of the International Secretariat of the LIT, October 20, 1984). I. *The chronic crisis of the world economy*

(21) and (22) Robert Brenner *"Turbulence in the world economy"* Chapter III *"The beginning of the crisis and Chapter II The long rebound"*

(23) Nahuel Moreno. *Update of the Transition Program*

(24) Nahuel Moreno. *Thesis on the world situation- International Secretariat of the LIT- CI, 10/20/84*

(25) USAID Population Reference Bureau. *World Population Data Table 2009*

(26), (27), and (28) Nahuel Moreno. *Update of the Transition Program*. (1980) Thesis XIV

(29) Nahuel Moreno. *Thesis on the world situation- International Secretariat of the LIT- CI, 10/20/84*



## Chapter IV Globalization

***“To the possessor of money capital, the production process appears to him merely as an inevitable intermediate link, as a necessary evil for the purpose of making money. All nations with a capitalist mode of production are therefore periodically gripped by intent, feverish to earn money without the intervention of the production process.” Karl Marx, Capital, Vol II (Cited by the Financial Times in October 2008)***

After the end of the Keynesian regime and from the governments of Thatcher and Reagan, (1) a period of capitalism began in which a new accumulation regime was consolidated and unequally and combined, called *“neoliberalism”, “globalization”, or “New Economy”* and that we will call globalization, its better known name. In this chapter we analyze this economic regime and the new predominant forms of accumulation that emerged with it, the Global Conglomerates that emerged between the 1980s, until 2002/05, when they began a process of exhaustion.

Globalization is a regime of accumulation diametrically opposed to the Keynesian one. If in the Keynesian regime there were relative economic concessions to the masses, globalization meant a violent economic, political and military counteroffensive against the masses of the whole world, to impose low wages, deregulation, privatizations and the dismantling of workers and popular conquests, to the once a recolonization of the backward countries by the capitalist powers.

Globalization was the product of a serious process of destruction of productive forces developed in the postwar period in the Third World countries that prepared the conditions to go from a lower capital centralization, the multinationals, to a higher one, the multinational corporations. Throughout this period, together with the process of capital concentration, the tendency towards the concentration of the impoverished masses and the world proletariat developed, which was expressed in the emergence of the megalopolises that we analyze in detail in the final chapter of this book.

In globalization there was no sustained *“boom”* of the economy for several decades as in the Keynesian regime. There was alternation of periods of economic growth and decline. The decade of the '90s was one of great growth, although it took place within the framework of a general decreasing trend and serious turbulence, imbalances and imbalances in the economy that were the product of a spectacular growth of financial and parasitic capital. The development of this type of capital aggravated to paroxysm all the contradictions of capitalism.

During the *“boom”*, the economy grew at an average annual rate of 4.9% between 1950 and 1973. Between 1974 and 1979 this rate dropped to 3.4%, in the 1980s it dropped to 3.3% and in the 1990s it dropped to 2.3%. Comparing the period '73 -'79 with the period '79 - '90 the growth in the industry fell 33% in the G7. Comparing the period '79 -'90, with the period '90 - '96 the US GDP fell 25% and that of the G7 fell 45%. In the 1990s, GDP grew at a rate of 3.01% below 4%, in the 1950s and 1960s, 3.26% in the 1970s and 3.02% in the 1980s. (2)

Regarding productivity growth, between '91 and 2001, the rate grew at 1.81% per year, better than the 1.38 of the 1980s, but below the 1.94% of the '70s and a far cry from the 2.84 in the '60s and 2.80 in the '50s. (3) The profit rate in the US for Dumènil and Lévy in 1997 was half

its value in 1948, and between 60 and 75% of its value for 1956-65. (4) Taken as a whole, this general trend shows that globalization is a regime that expresses the deepening of the general decline of capitalism

### **The beginning of globalization: the violent exploitative offensive in the 1980's**

Nahuel Moreno affirmed: *"US imperialism has managed to overcome its last crisis. Since 1982 its production increased. This was achieved by super exploiting all countries and workers in the world, including North Americans, to a degree never seen in recent years. decades ... Marxists who believe that US imperialism overcame its crisis through the colossal indebtedness of the Reagan administration see only the outward appearance of the phenomena. In reality, Reagan got the loans and capital he needed because he increased sharply. The exploitation of workers around the world has been impressive in recent years. Thus, it raised the rate of profit - reflected in the interest rate - and this attracted capital" (5)*

The '80s are a decade of violent attacks against the working class. Between 1973 and 1990, workers in the US lost 12% of their real hourly wage in the private sector and 14% in manufacturing. In contrast, in the 1890/1973 period prior to globalization, the annual growth rate of the real hourly wage was 2% and there was no decade when it was less than 1.2%, but in globalization these rates for the first time in 80 years they became negative.

There was also a suction of wealth from the backward countries with the external debt mechanism, by which millions were transferred to the coffers of multinationals. The economic offensive was accompanied by a political and military counteroffensive against revolutionary processes, such as the guerrilla *"Contra"* in Nicaragua or the IDE (Strategic Defense Initiative) a missile shield in Europe targeting the Kremlin.

Despite the friction and contradictions between the USSR and the United States, the world anti-worker counteroffensive was led by the governments of Ronald Reagan in the United States and Margaret Thatcher in the United Kingdom, but accompanied by the governments of the USSR, the Eastern European countries and China, the product of which Gorbachev and Deng Xiao Ping also advanced in a harsh anti-worker offensive.

The *"Perestroika"*, Gorbachev's plan, opened the economy to the installation of multinationals and advanced in the dismantling of the social conquests obtained in those countries through the revolutions that had expropriated capitalism. Neither Reagan, nor Thatcher, nor Nakasone, nor Gorbachev achieved historical, or definitive, political defeats over the masses, but they carried out coups, maneuvers and advances on workers' economic conquests, which caused an enormous advance in social inequalities.

Capitalism achieved great economic growth in the '90s. But even in those phases in which there was growth, the rates obtained were lower than those of the "boom" years and never reached the levels of the Keynesian regime. For Brenner *"The rates registered during the economic cycle of the seventies and eighties ... were ... below those of the long postwar expansion ... during the nineties the behavior of all the advanced capitalist economies (G7) ... it was no better than that of the 1980s, which in turn was worse than the previous decade and much lower than that of the 1950s and 1960s" (6)*

In globalization, the accumulation pole changed, the old industries that were the pole in the Keynesian regime were displaced, and a new accumulation pole was constituted around the telecommunications, computer science, biogenetics and pharmaceutical industries. If the automobile was the basic commodity of the Keynesian regime, the computer was of globalization.

As Moreno pointed out: *"... All the old industries and dominant monopolies are being displaced. The automotive, steel, coal, aviation, domestic industries are in a crisis with no way out ... I agree ... in pointing out that the Keynesian system is no longer working ... There are several new branches to which the hopes of capitalism are at stake: computer science, space, genetic engineering, automation. Some say that all problems will be fixed at once. from 1990 when these*

branches begin to produce in immense quantities for an avid market. " (7)

### **Huge masses of capital destined for credit, and speculation**

In globalization, the exploitative offensive combined direct exploitation mechanisms that made it possible to obtain what Marxism calls absolute surplus value, and indirect exploitation mechanisms, which make it possible to obtain the so-called relative surplus value. The various mechanisms of direct exploitation are the extension of working time and working hours, the intensification of work rhythms, or the "sweat shops" in Southeast Asia, the extension of overtime, migrations of women. multinational corporations from areas with less trade union presence such as Southeast Asia and China, the attack on labor agreements and conquests, the exploitation of immigrant workers, the proletarianization of masses of peasants, etc.

All these mechanisms that allow the extraction of absolute surplus value are those that became general in the 1980s with the Reagan and Thatcher governments. They are of direct exploitation because they would increase the quantity and productivity with the aim of increasing the surplus work, which the bosses do not pay. This is how Moreno defines absolute surplus value: "... Marx says that absolute surplus value is everything that exceeds the necessary value of labor power ... Everything that exceeds four hours is absolute surplus value and that is the basis of capitalism which is work more than the workers need .... " (8)

Inflation is also an exploitation mechanism, only indirect. It allows obtaining the so-called "relative surplus value" and is highly effective in indirectly lowering workers' wages and allowing large companies to obtain higher profit margins. Analyzing inflation, Moreno considers it an essential element for the extraction of relative surplus value: "What is inflation ... You have to stop because it is the phenomenon of phenomena, in an enormity of countries ... inflation is (surplus value) relative ... more sophisticated forms of exploitation like this have emerged .... Inflation is a permanent drop in wages and an increase in the share of surplus value, for me, relative " (9)

Combining direct and indirect exploitation mechanisms and achieving absolute and relative surplus value, an enormous mass of capital was structured that was massively turned into financial speculation. This is the deep, structural reason why globalization has developed a systematic and permanent trend of rising prices that increasingly affected the standard of living of the majority of the world's population.

In globalization there are huge masses of capital obtained based on the increase in worker super-exploitation, which began to turn massively into financial speculation. The increase in speculation with assets such as oil, food, currencies, companies, etc., caused a systematic and permanent upward trend in prices that wiped out the standard of living of the majority of the world's population. These immense masses of capital became larger with the rise of financial speculation on Wall Street and the world's stock markets.

Of these gigantic masses of capital, the banks extracted small-scale portions to provide loans at usurious rates to the workers and popular sectors. The increase in credit allows large global corporations to develop all kinds of speculative maneuvers. How were these masses of capital formed? We must not forget for a minute that these gigantic masses of capital made up of reserves, in metals, dollars, securities and other currencies, arise from the exploitation of the workers and peoples of the entire world.

The enormous mass of capital constituted in globalization is surplus value, that is, on unpaid work of the millions of workers in the countryside and cities that constitute the laboring masses of the entire world. The phenomenon that Marxism defines as "surplus value" is a job, and therefore a value that is in the goods that are traded in world trade, but that entrepreneurs do not pay for it, they save it and it returns to them as profits.

Profit is then the concrete, tangible expression of surplus value. The surplus value is invisible to the naked eye, only the fatigue of the workers can be observed, the traces of exhausting work, and only when the products obtained by the work are sold, and it returns to the employer in the form of profit, that is where the capital gain becomes visible. Then a phenomenon that is not seen with the naked eye, which is the surplus value, is observable, verifiable, and quantifiable when the profit appears. For Marx: *"In fact, profit is the form in which surplus value manifests itself ... In surplus value the relationship between capital and labor is revealed ... that is, between capital and surplus value as it appears"* (10)

This capital gain is the inexhaustible source of capital that helps to establish "world liquidity", that is, all the money in the world. In the composition of this global liquidity there is not only surplus value that comes from the direct exploitation of millions of workers, there is also the suction of indirect surplus value through the mechanism of external debt and the unequal exchange of world trade in backward countries.

This is how Nahuel Moreno explains it: *"Imperialism plunders backward countries, subjecting them to an increasingly unequal exchange, directly extracting large masses of surplus value from the investments of the monopolies that are sent to their headquarters, and through the mechanism of external debt "* (11)

In globalization, credit, credit cards, real estate loans, and all kinds of loans are generalized, which makes many Marxists think that credit is a kind of "magic wand" that removes capitalism permanently from crises. These Marxists forget that credit, as well as all the capital that arises for speculation, emerges as a product of the world exploitation of workers. And this is the Achilles heel of capitalism: If the capitalists do not obtain the necessary rates of exploitation, the entire speculative building based on credit collapses.

This is how Nahuel Moreno explained it: *"The explanation given by some Marxists according to which the imperialist economy overcomes its crises simply by creating purchasing power through credits is totally wrong. If that were the case, capitalism would develop without difficulties or crisis. , creating purchasing power with loans. In reality, the capital that is lent comes from the exploitation of workers and the looting of other countries "* (12)

The global looting of imperialism and global corporations is also achieved by the new structure assumed by world trade. When the World Trade Organization (WTO) was created in 1995, there were important changes with respect to the Keynesian regime, through a set of regulations that favored global corporations such as intellectual property, patents on technological advances, the payment of royalties. and royalties, the establishment of subsidies and settlement facilities for corporations in countries, regions, municipalities and states where they were tax-free, with more favorable labor standards for the pursuit of profits.

The configuration of world trade was at the service of guaranteeing global corporations geographic areas and regions in which they could dominate the exchange as they pleased. Thus, they advanced in the consolidation of their profits, eliminating competition, colonizing the economies of backward countries, and favoring price manipulation, thanks to the monopoly of the productive branches that they exercised in free trade areas. The WTO made it possible to take advantage of education and health services, placed at the service of large companies.

A historical change is that after centuries in which the Atlantic Ocean was the center of world trade, the development of the axis of accumulation of Southeast Asia, supported by the economy of Japan, the rise of the tigers and the "boom" of China , caused that from the mid-90s, the center of world trade began to shift from the Atlantic Ocean to the Pacific Ocean.

Another of the most important changes in world trade in globalization is that since the 1970s an incessant increase in prices and a permanent process of world inflation developed, which affected raw materials and oil, which brought about the increased food, the high cost of living and the increasing deprivation of workers' wages, in addition to worse living conditions for the vast majority of the world's population. The growth of inflation was very important in the '70s, lower in the '80s and then on the rise in the '90s and the first decade of the 21st century.

## Fed, and "twin déficits" sustain the world economy

Inflation is the result of an irrational process of price manipulation carried out by global corporations that operate on Wall Street, and the world's stock markets. The frenzy of speculation that irrationally drives up prices is made possible by the intervention of imperialist states, central banks, their governments and state bureaucracies.

Since the US has been transformed into the imperialism that dominates the world capitalist economy, the role of its Central Bank, the US Federal Reserve, known as the "Fed" assumes ever greater importance. The Fed issues dollars, sets interest rates, lends to the state, and regulates Wall Street through a Board of Governors, the Federal Open Market Committee (FOMC), 12 regional affiliates, and the network of member private banks.

Since the 100 most powerful banks in the US are located in New York, this affiliate is, in fact, the head of the Fed. Until the creation of the Fed, there was no sustained upward trend in the general price level. Inflation took place during wars or catastrophes, but prices then gradually decreased to their previous levels. Since the founding of the Fed, a continuous and constant trend of rising prices has been established, caused precisely because the Fed is the only one that manipulates the dollars, and underpricing because it has the power to print the dollars.

The Fed is actually the Central Bank of the world. In this way, with its decisions taken in line with the highest level of government in Washington, and the heads of global corporations, it acts profoundly impacting prices and the development of the world economy. All global financial speculation, titling and venture capital are permanently driven and stimulated by the Fed, the Bundesbank, the Bank of England and the central banks of the G7 countries, which pursue mechanisms that facilitate the exploitation of workers and the profits of global corporations.

For Moreno: *"... The most important intervention of the State is to be able to extract a greater mass of surplus value from the semi-colonial countries and the proletariat. Also the other: organize the bourgeoisie, try to avoid the greatest anarchy, but that it is impossible, because the transnationals keep fighting. That is, there is a role of referee. But the true role of the State is to guarantee in foreign policy, the exploitation of the colonial peoples, the defense of the transnationals ... the role of the state. it is fundamental, decisive ... essentially to increase the rate of surplus value "* (13)

Unbridled speculation causes a real tragedy among the masses and workers of the world, because the markets speculate with all existing merchandise and assets, currencies, oil, food, household items, energy, etc., which is a brutal attack on the living conditions of millions who find it increasingly difficult to acquire these goods. But speculation is driven and sustained by the central banks themselves, which sponsor investment funds and banks.

The intervention of the Fed is the expression of the increasing intervention of the US State in the world economy when it imposed its hegemony. As a result of this intervention, the US fiscal deficit grew geometrically, up to today's astronomical figures. In 1940, the US fiscal deficit was US \$ 50.696 million, today it exceeds US \$ 28.5 billion.

For Moreno: *"The over accumulation of capital causes that a large mass of it is not turned over to production, and is transformed into fictitious, usurious, loan capital ... A spectacular example is the fiscal deficit of the United States."* (14) The fiscal deficit is added to the trade deficit, what has come to be called by economists the "twin déficits." What role do the twin déficits of the United States play in the development of capitalism?

The entire world capitalist economy, and the Globalization regime is supported by the evolution of the "twin déficits" of the US. The trade deficit is the result of the importation of products that come from the same US multinationals. located in developing countries, and exploit cheap labor, of which almost a third is produced in China. The US state absorbs a large part of the world's industrial production and thus supports corporations.

The twin deficits work in this way complementary, reaching the highest daily figures in history. The best example of the complementary nature of the twin deficits is China. China exports a large part of its production to the US, which produces a trade deficit between the two countries in favor of China. But this is how the US multinationals and the G7, based in China, make huge profits, first by obtaining cheap labor and then by ensuring the placement of their products in the US market.

The American bourgeoisie made huge investments in China, a country that sells its industrial products to the whole world. With the commercial surplus that China obtains from selling its merchandise to the whole world, the government of the Chinese CP is made of a mass of capital in the form of a surplus, which reserves a part as investment in US Treasury bonds. China is the one with the most Treasury bonds along with Japan.

This allows a large part of the capital that "leaves" the US to invest in China, "returns" to provide funds to the US Treasury. This is how the twin deficits work: They finance world production, and then they finance EE. In this way, a part of the state deficit is financed and the circuit is recharged, both the commercial and fiscal deficits complement each other, acting as a support for world imperialist capitalism.

Those who speak of a possible "war" between the US and China are unaware of the global structure that capitalism has, and the agreements between the Chinese state and the US that support the world imperialist capitalist economy.

In other words, both the United States' trade and fiscal deficits complement each other, acting as a support for world imperialist capitalism. This is how Moreno explained it: "... *I have doubts about the meaning of the North American fiscal deficit. Instead of being an element of crisis, won't it be the strongest element of stability? ... I am afraid that the interpretation of the deficit as a symptom serious crisis is a vulgar Marxist reasoning. The trade deficit was the basis the basis of the dominance of English imperialism, which for decades and decades maintained immense deficits ...* " (15)

Moreno stated: "*The reason, which has been studied endlessly by Marxism, is that the deficit allowed it to exploit more than ever ... Its ships were the ones that transported the goods, its companies were the ones that insured, its companies invested in almost every country in the world, their railways, their loans, filled their coffers with pounds sterling that more than made up for their trade deficit ... I may be wrong, but I have the impression that the world economy has not yet exploded thanks to the deficit North American* " (16)

As Moreno argued, it is precisely the US deficit and the complementary nature of the twin deficits, which sustains the economy of most of the world's countries, world trade, multinationals, and ultimately, the capitalism.

Precisely, the year in which the US deficit was the highest in relation to its GDP was the year 1946, the year that the US debt reached 108.6% of its GDP thanks to which EE .UU set out to conquer the world. That year, the United States embarked on the conquest of the world economy, and the consolidation of its monopolies such as modern multinationals, "... *the levels of indebtedness expected at the end of this decade are far, in relative terms, from the peak reached. in 1946 of 108.6% of GDP. It is worth noting then that this situation did not represent a significant obstacle to the establishment of the political, economic and military hegemony of the United States in the West.* " (17)

### **Global Corporations emerge**

In the globalization regime, a new Form of Accumulation was consolidated, the Global Corporations. These constitute a process of centralization and accumulation of capital superior to modern post-war multinationals. The entire process of destruction of productive forces in the post-war period prepared the conditions to move from a lower capital centralization, the

capital centralization, the multinationals, to a higher one, the global corporations, which both surpass and contain the modern multinationals. Global corporations are companies that dominate several branches of commerce, industry and finance at the global level. If the characteristic of modern post-war multinationals was the dominance of a branch of production on a world scale, global corporations are a superior Form of Accumulation because they monopolize several branches simultaneously, which allows them to achieve an accumulation of capital superior to what they achieved modern postwar multinationals.

The dominance over various branches of production, commerce and finance that the Global Corporations achieved was the product of a convulsive process of mergers and acquisitions (in English, M&A, Merger and Acquisitions), which developed increasingly from the the 80's. The colossal over accumulation of capital that this new Form of Accumulation supposes, caused a spectacular development of speculative and fictitious capital, which participated in the M&A process.

The capital centralization process took a gigantic leap in 20 years. For the year 2002, 200 transnationals out of 65,000 concentrated 30% of the world GDP. M&A are the buying and selling of companies, commercial movements that express deep clashes between sectors of the imperialist bourgeoisie among themselves, with sectors of the bourgeois class of the backward countries and the workers and peoples of the world. The strongest sectors liquidate the weakest, as part of a tough and fierce battle for control of markets and capital.

The fictitious capital in the period 2000-2009 took a monumental leap and grew 10 times from 95 trillion US \$ to 1000 trillion US \$, equivalent to about 10 times the world GDP. Fictitious capital is a concept used for the first time by Marx, when he referred to securities for loans whose value is imaginary and illusory and only becomes concrete when they are exchanged for money or goods.

The credit created by the banks is the creation of fictitious capital because they make available money that they do not have: *"... Not only is most of the banks' assets fictitious, since it is made up of securities and this kind of wealth in imaginary money ... As the interest capital and the credit system develop, all the capital seems to double and sometimes triple ... Most of this "money capital" is purely fictitious. reserve, they are nothing more than balances held by the banker, but they never exist on deposit. " (18)*

The exponential development of fictitious capital that Global Corporations represent, have caused capital of diverse origins, tax havens and organized crime, to rotate and circulate in an increasingly accelerated and convulsive way, which causes serious turbulence, and imbalances in the economy.

Mega-mergers and M&A are not a natural or spontaneous process, Clinton passed the Leach-Bliley Gramm Act that repealed the Glass-Steagall Act, and the antitrust legislation of the time of the Great Depression to facilitate the centralization of capital. The complex structure of the Global Corporations that emerge from the M&A process can be analyzed by looking at the case of several of them.

Take, for example, the Investment Bank JP Morgan Chase, which emerged in 2000 from the merger of the Chase and Manhattan banks, two traditional and aristocratic US groups, Rockefeller and Morgan. JP Morgan Chase includes shares of 78 companies from 11 countries of the most diverse branches of production and commerce. This structure of the Global Corporations, which dominate several branches of production, trade and finance simultaneously, is what we observe when analyzing JP Morgan Chase but also the same structure that we can observe when analyzing other Corporations such as Goldman Sachs, BNP Paribas, UBS, Barclays , Dexia, BofA, etc ,.

Investment banks are the heart of the Global Conglomerates The complex structure of the Global Conglomerates is explained by the location of the Investment Banks, which concentrate their activity on controlling the immense masses of capital involved in M&A.

Lenin anticipated the importance of banks in the process of concentration and centralization of capital: "... By keeping a current account for several capitalists, the bank, apparently, carries out a purely technical operation ... But when this operation grows in gigantic proportions, it turns out that a handful of monopolists subordinate the commercial and industrial operations of the entire capitalist society ... " (19)

### Top 10 largest investment banks, 2011

Rank	Name	Market share
1	 JPMorgan	8.1%
2	 Bank of America Merrill Lynch	7.4%
3	 Goldman Sachs	5.7%
4	 Morgan Stanley	5.6%
5	 Credit Suisse	5.1%
6	 Deutsche Bank	5.1%
7	 Citi	4.6%
8	 Barclays Capital	3.9%
9	 UBS	3.3%
10	 Wells Fargo Securities	2.4%
	Other	48.8%

Source: Dealogic

### US IB revenue by bank, FY'19

Rank	Bank	Revenue (\$M)	Share (%)	FY'18 rank
1	JPMorgan	4,471	11.5	1
2	Goldman Sachs	3,760	9.6	2
3	BofA Securities	3,144	8.1	4
4	Morgan Stanley	2,831	7.3	3
5	Barclays	2,227	5.7	6
6	Citi	2,193	5.6	5
7	Credit Suisse	1,689	4.3	7
8	Wells Fargo Securities	1,528	3.9	9
9	Jefferies	1,142	2.9	8
10	Deutsche Bank	1,089	2.8	10
<b>Total</b>		<b>39,051</b>	<b>100</b>	

Data accessed Jan. 14, 2020.

Source: Dealogic

### Top 10 World Investment Banks in 2011 and 2020. Source: Dealogic

Investment Banks should not be confused with commercial banks, because although linked, they are absolutely different. While commercial banks specialize in credit for companies and individuals for the purchase of all kinds of merchandise, Investment Banks specialize in credit for the purchase and repurchase of an exclusive merchandise: companies. Investment Banks should not be confused with commercial banks, because although linked, they are absolutely different.

While commercial banks specialize in credit for companies and individuals for the purchase of all kinds of merchandise, Investment Banks specialize in credit for the purchase and repurchase of an exclusive merchandise: companies. Investment Banks buy and sell parts of multinationals and large companies, through the issuance and creation of securities and assets such as derivatives and in this way, they control capital flows, investments, the placement of shares and the M&A process. In globalization, the development of the Global Conglomerates placed the Investment banks at the heart of its structure and since the Global Conglomerates were the predominant form of accumulation in capitalism, the Investment Banks were transformed in turn, at the heart of the capitalist system.

How and where did the Investment Banks come from? Let's take a brief look at its history and development. Since the development of monopolies, cartels and trusts in the second half of the 19th century, both investment capital and company purchases and repurchases were the domain of wealthy individuals and families. These oligarchies and families controlled the flows of capital and investments, the Vanderbilt, Whitney, Carnegie, Rockefeller, Morgan and Mellon in the US, the Delessert and Pereire in France, the Mevissen, Warburger and Siemens in Germany, the Rothschild in all of Europe. and the Baring Brothers in England. These oligarchies made their fortunes by financing wars such as the Secession in the US, the Napoleonic in Europe, or the Crimean, controlling the arms industry, the steel industry, and the railroads.

Morgan Bank was the monopoly issuer of war bonds for England and France and also invested in supplies for war equipment for both countries. The U.S. Steel. Carnegie Steel Company of the Morgan Group was in 1901 the largest company in the world and the Rockefellers ruled the oil industry with Standard Oil.

The financial oligarchies that control the most important cartels and trusts in Europe and the United States, also promoted the telegraphs and developed the mining industry under their control to possess precious metals such as silver and gold to supply metal to the Central Banks of the States. most powerful capitalists. Several Banks were founded by these families to promote investments such as *Crédit Mobilier*, a Bank that raised capital for the construction of the French railway network, but which, at the same time, provided credit to the State, founded the Gas and Gas companies. *Ómnibus*, the *Compañía Marítima* and the new trams of Paris. The *Mobilier* also made investments to build railways in Spain, Switzerland, Austria-Hungary and Russia. In 1853 the Bank of Darmstadt was founded in Germany, and in 1855 the Austrian *Kreditanstalt*, both under the *Credit Mobilier* model.

In the US, banks such as J.P Morgan or Goldman Sachs had an important development. But in the midst of the Great Depression capital and Investment Banks suffered restrictions due to the crisis that caused the rampant speculation that fueled it. The enactment of the Glass-Steagall Act and other regulations in the 1930s were a crackdown on speculative capital, for example, J. P Morgan was forced to choose to develop commercial or investment banking activities, choosing the first because it was seen as more profitable at the time. Faced with this change, many J.P. Morgan decided to create the group known today as Morgan Stanley. This caused that after the 2nd world war, in the Keynesian regime, the Investment Banks had a marginal participation in the economy. It was not until the 1980s, with the Reagan administration, that they re-emerged and staged large-scale speculative maneuvers, hostile mergers and acquisitions of companies, asset liquidations, bankruptcies, bankruptcies, mass layoffs and scandals. They started in the 1987 crash and the RJR Nabisco financial scandal in 1989.

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### **Derivatives emerged from Investment Banks**

By the early 1990s, Investment Banks began to return to the center stage of the world economy. The Investment Banks Shearson Lehman Hutton, KKR, Forstmann Little & Co., Morgan Stanley, Goldman Sachs, Merrill Lynch or Drexel Burnham Lambert were already active. But when under the Clinton administration, all Great Depression legislation was repealed, the global M&A process took a leap, and increasingly complex speculative operations emerged, such as *"leveraged buyouts"* (LBO), or those of private capital (in English, *"private equity"*).

They followed the tradition of commercial capital of buying low and selling high, for example, with the LBOs, large companies with significant debts were acquired, anticipating a minimum capital and requesting loans, which is called *"leverage"*. Private Equity had a *"boom"* between 2003-2007, acting in a similar way, only with companies outside the stock market, to restructure them with the objective of profits. All these speculative maneuvers were developed using derivatives as instruments, insurance on the future price of a commodity that *"derived"* from possible increases or decreases in the price of the same in the future, hence its name. Derivatives are a special type of fictitious capital that emerged in '93 in the United States, from the studies of investment banks, especially JP Morgan and spread to the world, today being between 60 and 70% of the mass 1,000 trillion fictitious capital.

They are financial products of extreme complexity, among which products of even more extreme complexity were developed, the so-called "*synthetic*" financial products that debt papers and options that are sold all together in a "*package*". They are euphemistically called "*toxic assets*" because they are of very different origin and reliability and contain bad debts that act like a veritable time bomb. Investment Banks developed a process of concentration of huge masses of fictitious capital, of imaginary and illusory value that devalue the economy as a whole, and to the extent that they are not valued, they prepare a serious crisis.

The M&A operations in high percentage failed, because they implied huge levels of leverage and credits, which left the corporations with high debts in money and derivatives. All M&A operations are a threat because the papers that are exchanged contain many debts and a single declaration of default can cause widespread bankruptcy. Currently an index is used to know the financial status of large companies called EBITDA (Earning Before Interest, Taxes, Depreciation and Amortization), which reflects the profit and loss statement of a company. The EBITDA index of the companies that make up the S & P500, the top ten corporations, shows that they issued debt in the billions between the years 2003-2007, but their earnings fell after 2006 and those billions are pending payment. The Investment Banks promoted the hedge funds (in English Hedge Fund) and the capitalist states to the Sovereign Investment Funds. All these economic entities are made up of wealthy speculators who swindle the whole world with other people's money.

Sovereign Investment Funds, for example, are state financiers from countries like Norway, Abu Dhabi, Singapore, China, etc. They reverse trade surpluses and are in some cases larger than many of the world's top 50 banks. The PER (Price Earning Ratio) is a very important indicator used in the Stock Market, being the number of times that the annual net profit is contained in the price of a share. The New York Stock Exchange reached a PER of 20 times the value of the share, a demonstration of the size that the speculative ball is reaching.

The fictitious capital rotates between these entities. This capital also rotates through offshore centers or "*tax havens*", small countries where deposits do not pay taxes, companies can be founded that are not obliged to publish accounts, or lists of directors and shareholders. This allows money laundering with total impunity. In 1960 there were only 7 tax havens, while today there are around 100. They began in the islands of Bermuda at the beginning of the 20th century, in the '70s they developed in Monaco, the Channel Islands, and later in Ireland, Hungary, Romania, Cyprus, Madeira, Singapore, Hong Kong, Finland and Gibraltar. At the end of 1998 there were already 60 jurisdictions grouping 4,000 offshore banks with assets estimated at 5 trillion US \$ (27)

### **Speculative bubbles and the exhaustion of globalization at the beginning of the 21st century**

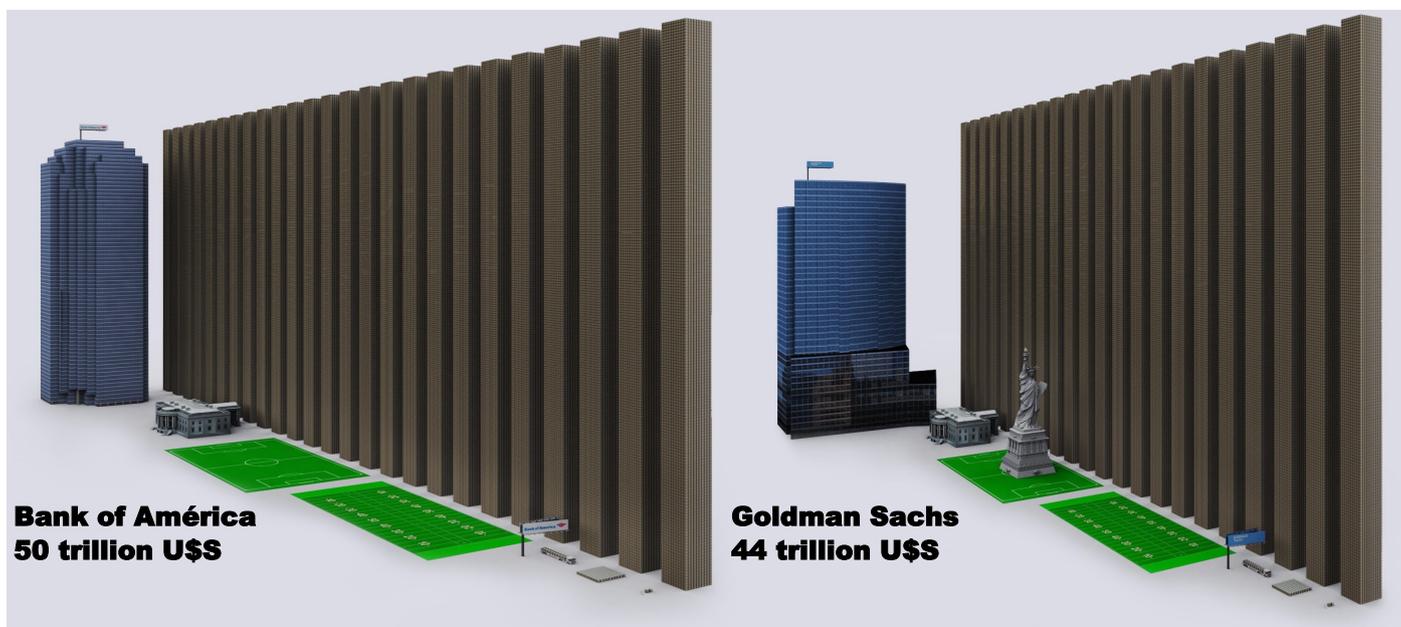
We have already seen how a huge mass of capital developed that is the product of the exploitation of the world's masses, and how these masses of capital, in the hands of the Global Conglomerates and backed by the Fed, are a structural component of the regime of the globalization. Now we will see how these enormous masses of capital gave rise to the great speculative maneuvers that characterize globalization between the decades of the '80s, the '90s, the '00s and how it was related to political and social events. And we are also going to analyze how this process led to the exhaustion of globalization and Global Conglomerates in the first decade of the 21st century, a process we are experiencing today. Let's start in the late '70s.

The increases in raw materials and especially oil in the late 1970s, gave countries and oil companies huge profits. With the "*high oil*" and rising price inflation that followed the end of Bretton Woods, the profits made by big business gave rise to a mass of capital known as "*petrodollars*." The Reagan administration attracted those petrodollars by raising the interest rate and the price of the dollar. With the "*high dollar*", the US government, sucked capital from all over the world, which they gambled by buying gigantic masses of the banknote.

Entrepreneurs from all over the world, of all nationalities, multinationals, large companies,

countries, municipalities and bankers, bet on the dollar, buying gigantic masses of the banknote, which caused an immense massive flow of capital to the United States, of all origins. The binomial "high oil" and "high dollar" caused a world speculative bubble, an immense mass of capital that allowed Reagan to grant loans to the population to access the purchase of houses, cars, electrical appliances and to complete a university degree. This mass of credits and "easy money", which stimulated the speculative activity of the multinationals, spurred one of the oldest frauds of capitalism: the repurchase of shares. For Moyer and Mc Guigan: "Since the 1980s, share buybacks have become increasingly popular ... during the period from 1983 to 1997 ..." (28) Companies took out loans to make purchases of his own shares and the buyback of shares caused the values of the companies to go up, not reflecting the profits of the company. Fraudulent operations became widespread with tax evasion and false accounting, euphemistically called "creative accounting."

At the center of this speculative maneuver were savings and loan entities (in English, Savings and Loan). The "Reagan bubble" recreated the atmosphere of speculation, cheap credit, and false "sense of wealth" typical of the 1980s. The social sectors that expressed this phenomenon emerged, the brokers and yuppies, lumpy sectors of the bourgeoisie dedicated to speculation. But the rise in the dollar pushed North American industry into bankruptcy, whose products they were expensive compared to the European and Japanese multinationals.

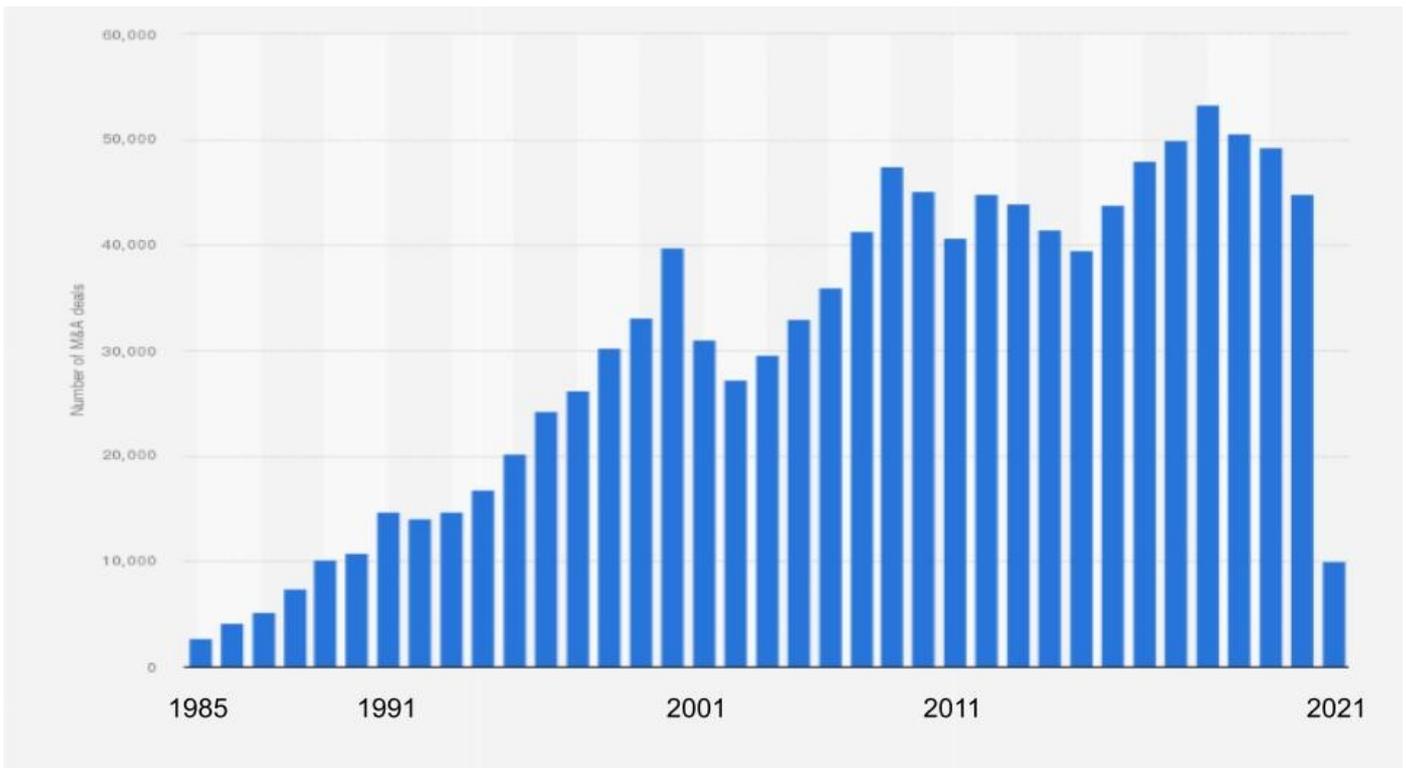


The charts show some of the largest global corporations in the world. The money towers show the debt in derivative products of each of them



At the center of this speculative maneuver were savings and loan entities (in English, Savings and Loan). The *"Reagan bubble"* recreated the atmosphere of speculation, cheap credit, and false "sense of wealth" typical of the 1980s. The social sectors that expressed this phenomenon emerged, the brokers and yuppies, lumpy sectors of the bourgeoisie dedicated to speculation. But the rise in the dollar pushed North American industry into bankruptcy, whose products expensive compared to the European and Japanese multinationals.

A crisis broke out in the US economy that hit Savings and Loans. In '85 the Plaza Accords were signed in New York, between the US, Europe and Japan, to save the US industry. A decline in the dollar and a revaluation of the yen and European currencies were agreed, but the Crisis in the US economy led to the bankruptcy of the Saving and Loans in 1986. On 10/19/87 there was the crack called *"Black Monday"* of Wall Street with the largest percentage drop in one day. Thus ended and thus the *"Reagan bubble"* which caused a crisis of such severity that it led the capitalist powers to seek an agreed mechanism for banking, credit and transaction regulation.



**Global M&A 1985- 2021. The mergers and acquisitions process falls sharply in 2021 Source: Dealogic**

Under the name of Basel I is known the agreement published in 1988, in Basel, Switzerland, by the Basel Committee, made up of the central bank governors of Germany, Belgium, Canada, Spain, USA, France, Italy , Japan, Luxembourg, the Netherlands, the United Kingdom, Sweden and Switzerland. Basel I was a set of treaties that sought to prevent future bubbles and the crises they could cause.

Basel I issued recommendations to establish a minimum capital that a bank should have based on the risks it faced, and it came into force in more than 130 countries. But the mass of over-accumulated capital that continued to grow despite Basel I, assumed colossal dimensions and adopted a growing composition of fictitious capital by dedicating itself exclusively to speculative activity, which produced a serious development of dangerous bubbles with a high destructive content.

We define bubbles as the brutal and rapid massive injection of capital into a commodity that can be bonds of a country, currencies, industries, or raw materials. These capitals multiply in the first successes, attract more capital and generate a ball that rises, with no ceiling in sight. At the first glimpse that the country, industry, region or raw material is going down, panic spreads, capitals flee, the ball deflates and the trend of bankruptcies, poverty, paralysis and recession remains. The effects of the bubbles on the economy are similar to that of nuclear weapons, where they pass, nothing remains, only scorched earth.

In the 90s, as a result of the increase in the rate of exploitation achieved by capitalism in the backward countries and mainly in China, the rate of profit grew and the multinationals multiplied their capital. But if the growth of over-accumulated capital was important, speculative activity grew much more. As Brenner states: "... *the profit chart has improved significantly for US companies, between 1989 and 1997 ... they increased by 82% and the profit rate for corporations by 27.8% ... However, these increases in profitability cannot justify the tripling of stock prices ...*" (29)

It is at this time, December 5, 1996, that Alan Greenspan, then Fed Chairman, described this speculative explosion of capitalism by saying that there was an "irrational exuberance" in the markets. This was the way he found to describe the serious imbalances that overvalued financial assets were causing.

Speculative bubbles continued to develop throughout the 1990s as a hallmark of globalization. In 1989 the bubble of Japan developed, a country that in those years was said to be the new world power that would dominate the world as we speak of China today, let's see how this bubble developed. The agreement of the Plaza of '85, produced a severe damage to the Japanese economy, structured around exports to the US, the high yen caused the crisis of the Japanese industry and the Southeast Asian countries flooded Japan with cheaper goods, due to the appreciation of the yen. The flow of capital to Tokyo did not take long to generate a speculative bubble, around the sale of real estate.

The value of Tokyo in 1989 was multiplied by 75, equivalent to 5 times the territory of the USA. A district of the capital (Chiyoda-ku) was worth more than Canada and the Imperial Palace of Tokyo, was worth as California. When the Tokyo "*housing bubble*" and the Japanese bubble burst were lethal, the Japanese economy was left flat for decades. In 1995, to save Japan's economy, the "*Plaza II Accords*" were signed which lowered the yen and revalued the dollar.

The attacks and speculative movements of investors and speculators continued against the price of currencies of different countries, for example Soros against the pound sterling in 1992 that brought the Bank of England down. Then, the "*Tequila effect*" of 1994 against the Mexican peso that caused losses to the Central Bank of US \$ 4 billion and the collapse of its GDP in '95. Starting in 1997, the over-accumulation of capital caused the rate of profit to fall.

And with it new speculative bubbles were produced, of which the one that had the greatest impact on the development of globalization was that of Southeast Asia or the "dragon effect", which hit the Tigers, which until then were the axis of the world economy. Let's see how it happened. The fall in the profit rate from '96 / '97 was a severe blow to the world economy: "... *In 1995, the returns of these companies increased by 13%. In 1996 they reached 23.3%. % . But in 1997, this profit growth decreased to 7.8%*" (30)

The fall in the profit rate in turn caused a fall in investments by multinationals that had been on the rise since 1992: "... *They registered a gigantic expansion of 17.3% in '93, 16% in '94 and they grew again by 27.5% in '95. But they fell 0.7% in 96 ... It was the reduction of these investments, caused by the fall in the profit rate, which started the crisis process ... leading to the debacle of Southeast Asia, Russia, Brazil, etc.*" (31)

In 1997, the fall in investment in Southeast Asia was 21.3% in Thailand, 43.4% in Malaysia and 22.9% in Indonesia. This was combined with the "Plaza II Accords" between the US, Europe and Japan to lower the yen, which affected the industries and multinationals of the tigers, oriented to export to Japan. For Brenner: "*Since the "Reverse Plaza Accord" in the spring of 1995, achieved between the G-3 governments to prevent the collapse of the Japanese economy, the dollar has appreciated substantially against the mark and the yen 20% and 50% respectively*" (32)

As the yen fell and the dollar rose, the products of the Tigers became expensive, which led to the bankruptcy of the Tigres industry. The pressure that the devaluation of the yen exerted on the economies of the Tigers, forced their currencies to be devalued to avoid the bankruptcy of the industrial groups. This unleashed a speculative attack on the currencies, first from Thailand, the bath, whose economy had grown between 1985 and 1996 at 9% per year, The stock market

fell by 75%, Finance One, the largest financial company collapsed, the "boom" Thai ended and GDP fell 7%. The crisis extended to Indonesia, which fell 15%, to South Korea, which fell 7%, and the Philippines, which grew zero in 1998. The consequences of the "dragon effect" were devastating: the value of almost all currencies, exchanges and companies in the United States fell. the region. GDP fell 31.7% in one year, millions of people fell below the poverty line between 1997 and 1998, and the most affected countries were Indonesia, South Korea and Thailand.

The IMF intervened with bailouts for all of these countries, which also constituted significant business and triggered a process of M&A of failed companies. The "Plaza II" failed because it did not achieve a recovery in Japan and sank the "Tigers", which had been a dynamic pole and supporter of the world economy. The "dragon effect" produced a structural change in capitalism, liquidating the Tigers as a pole that had been the axis of the world economy together with the United States, in the transition from the Keynesian regime to globalization.

The blow that the world economy received was so great, that it reduced the price of oil, which affected the oil-producing countries, and especially Russia and unleashed the speculative attack on Russia or "vodka effect" of '98. Then came the attack on Brazil, which began to suffer a capital flight and lost US \$ 35 billion in 4 months, which led to the collapse of the São Paulo stock market and the devaluation of the real. The "samba effect" precluded the "tango effect" of Argentina in 2001, which also forced the devaluation of its currency tied 1 to 1 to the dollar and caused the popular outbreak that overthrew the government.

### **The depletion of the Global Corporations**

The severity and continuity of the increasingly large and destructive bubbles led the powers to organize the Financial Stability Forum (FSF) in 1999, formed by the ministries of finance, central banks and international financial organizations to promote financial stability. international. The objective of the FSF was the supervision and surveillance of economic institutions and transactions. But this attempt failed completely and the crisis radiated from the periphery to the center, the following crises developed not in backward countries but in the US economy.

In the late 1990s and early 21st century they broke out and They combined 3 serious crises, 1) that of the Long-Term Capital Management (LTCM) hedge fund affected by the "Vodka effect", which made Wall Street shake, 2) the bankruptcy of Enron Corporation, one of the most important energy companies in the world. world and the 7th of the USA and 3) the crisis of the "dot-com". The outbreak of dot-coms opened the crisis in the industrial branch of globalization, computing. The rapid consumption of millions of people of these products, produced a bubble around their companies that brought the Nasdaq index up to 5000 points in 2000.

After the bubble burst, the Nasdaq dropped to 3500 and 1300 in 2002. They disappeared 4,854 companies, amid fraud scandals, such as the World.com case. The 3 crises combined opened the world recession of the years 2000-2003. This recession already expressed the process of exhaustion of global corporations as a form of accumulation and of globalization as a regime of accumulation. The enormous masses of fictitious capital, had produced the fall of the profit rate, but also an accelerated process of devaluation of the economy.

The capitalist powers needed to counteract these tendencies and overcome the crisis, but achieving it required a round of destruction of productive forces and burning of capital of a much greater magnitude than that perpetrated in the 2nd or postwar war. In the period between 1980 and 2000 with globalization, the degree of destruction of productive forces was significant.

There had been the 1st war in Iraq and the wars in Yugoslavia, Chechnya, Afghanistan, Rwanda, the 2 wars in the Congo and Bosnia, which added to the development of poverty, extreme misery, the growing process of destruction of nature and development of the arms industry, had developed a process of enormous destruction of destructive forces. But this process of destruction of productive forces was insufficient for capitalism to achieve a superior form of accumulation that would surpass global corporations

Let us remember that after the exhaustion of cartels and trusts, capitalism developed a process of destruction of productive forces that gave rise to a higher form of accumulation, the multinationals.

In the postwar period, the brutal process of destruction of productive forces in backward countries, allowed that after the exhaustion of modern multinationals, a superior form of accumulation emerged: global corporations. But by the year 2000, faced with the exhaustion of global corporations, the capitalist powers needed to develop a process of destruction of productive forces that would allow them to move to a higher Form of Accumulation.

The crisis was already at the heart of the world economy, the US economy, and the bursting of the "*dot.com*" bubble had opened a serious recession. These tendencies could only be countered, by overtaking global corporations through a process of centralization of capital, with an enormous development of destructive forces.

### **The strategy of the Project for a New American Century (PNAC)**

Bush launched the strategy of the Project for a New American Century (PNAC) after the attacks on the Twin Towers on September 11, 2001. This strategy consisted of a global political, economic and military counteroffensive, with the slogan "*war on terror*" and defeat of the "*axis of evil*". The PNAC strategy sought to overcome the serious open crisis in capitalism and lead the economy out of recession, for which it established a large-scale military operation and the development of a far-reaching and long-term war, with the aim of achieving a brake on the revolutionary processes in the Middle East, as well as disciplining the workers and peoples of the world.

The PNAC also sought to sustain high spending and development of the military-industrial complex, carrying out an important process of destruction of productive forces. It was impossible for the US state to carry out this strategy with the opposition of the American people. For this reason, the Bush administration took advantage of the impact of the 9/11 terrorist attack to establish a deeply undemocratic regime within the United States based on the Patriot Act, which sought to limit freedoms, democracy and expression of the workers and people of the United States and silence any voice that would like to oppose its strategy.

The Patriot Act regime was a de facto constitutional reform, which put the Executive Power, the army and the security services at the center of the US political regime, trying to erase with a stroke of the pen the historic democratic conquests of the American people. At the same time, a set of laws and decrees produced a significant curtailment of democratic freedoms, the attack on immigrants, especially those of Muslim origin, and the criminalization of opponents.

The PNAC was a strategy at the service of giving a hard blow to the struggles of the peoples of the world who dared to challenge the power of the capitalist powers and, at the same time, sought to retake the offensive against the masses of the advanced countries. The campaign of the "*world fight against terrorism*" was promoted from the USA, but it was adopted by all the governments and capitalist states of the world. The political-military front that was articulated around the PNAC, expressed in the military coalition that carried out the invasion of Iraq in 2003, was one of the largest in the history of capitalism.

In the economic field, Bush sought to relaunch the economy, copying Reagan with a bubble based on credits for mass consumption, centered in this case, on housing loans. Millions contracted these loans attracted by the facilities, and that is how the bubble of "*second category mortgages*" (in English, "*sub-prime*") took flight, which began in 2002 and burst in 2007.

The entire structure Global Finance went into sub-prime stocks, which promised to be a fabulous business that grew and grew without ceasing, delivering fabulous profits. The development of the wave of home purchases led to the construction industry taking a leap, and with it, inflation soared.

The prices of all construction materials rose, dragging all prices with it. To stop the inflationary wave that was unleashed, the Fed raised the interest rate from 1% to 5.75% in 3 years, but this operation of raising interest rates made the loans granted to very humble families more expensive and aggravated the debts and defaults. Investment Banks began to issue MBS (Mortgage Backed Securities) and CDO (Collateralized Debt Obligation), papers that served as insurance to cover possible defaults.

These papers were traded around the world and became part of the coffers of the entire global financial system.

Given the magnitude of the ongoing credit bubble of gigantic dimensions, the G7 states called for the Basel II agreement in 2004, seeking to overcome the limitations of Basel I, which ignored an essential aspect of credits: their quality and probability of default on loans. To overcome these limitations, Basel II proposed a new set of recommendations in 2004, which were useless because the Bush administration had already created a huge bubble and pushed capitalism into the abyss. The entire world financial system was filled with MBS and CDOs, the value of which fell sharply.

By 2006, the US military and the Freedom Coalition were militarily bogged down by the heroic Iraqi resistance against the invasion. At the same time, the resistance of the American people against the repression of the Patriot Act regime and the growing unpopularity of the Iraq war, plunged Bush into discredit.

In this way, the two fundamental pillars of the PNAC's political, economic and military strategy were suffering increasing wear and tear. The military defeat in Iraq meant the final blow to the PNAC strategy and opened a political crisis for the Bush administration. In turn, this political crisis was combined in the economic field, with the disaster caused by the sub-prime bubble. The increase in interest rates that the Fed had pushed to curb inflation, made debtors unable to pay loans, the bubble burst, and banks were filled with bad loans.

By 2006 there were fifty bankrupt finance companies, millions of foreclosures and investment banks along with the world financial system facing the threat of bankruptcy. The Bush administration had managed to get 1 million 200 thousand Americans to be scammed and more than to achieve the dream of their own home, they have been expelled from their homes. In 2007, the sub-prime crisis broke out and became global. If the "*Reagan bubble*" was the beginning of the globalization regime; the "Bush bubble" of 2007 was the end of it.

The bursting of the "*sub-prime bubble*" revealed the exhaustion of globalization as a regime of accumulation and that of Global Corporations as a form of accumulation. The US military defeat prevented the burning of capital and the destruction of productive forces necessary to reach a higher level of capital centralization that could respond to the depletion process of Global Corporations.

We are not affirming that there was no destruction of productive forces, there was, and the invasion turned Iraq, which was one of the most beautiful countries in the world, a patrimony of the emergence of humanity, into a true ruin. If we add what happened in Afghanistan to this conflagration, the destruction is terrible, but absolutely inferior to the round of destruction made in the post-war period.

A simple comparison allows us to appreciate the magnitude of the phenomenon: The Vietnam War, for example in the postwar period, lasted 11 years and was part of a process, as we saw, greater destruction of productive forces that spanned decades, in vast regions of the planet. The Iraq war, on the other hand, in just 3 years was already resolved, with the defeat of the US The defeat of the PNAC had immediate effects on the economy.

Capitalism failed to achieve a level of capital centralization that it needed to overcome the exhaustion of multinational corporations, because capitalism failed to achieve globalization, that is, throughout the period from the 1980s to the present? , a process of destruction of productive

forces that was similar to the levels reached in the postwar period? Because the powers could not overcome the crisis caused by the exhaustion of the corporations? Why didn't they achieve a superior form of capital accumulation? We find the explanation by analyzing one of the most important political events of the 20th century.

### **The Fall of the Berlin Wall: The Blow to Globalization**

The fall of the Berlin Wall on November 9, 1989 was a severe blow to capitalism and globalization. When the Wall fell, the governments of the capitalist powers and the Stalinist regimes worked in partnership, advancing in a brutal exploitative offensive and jointly renewing the Yalta and Potsdam agreements.

But the popular mobilization that overthrew the pro-capitalist dictatorships in those countries, hampered the joint plans of the powers. Without their Stalinist partners, the governments of the capitalist powers found it difficult to carry out the offensive against the masses of the major economies.

In turn, the chain of popular uprisings deepened and after the Stalinist collapse in the Eastern European countries, the collapse of the dictatorships in the USSR and in the republics under its orbit occurred. The consequences for capitalism were very important, because after the fall of the Berlin Wall the conditions that had allowed the super-exploitation of the European and German working class changed.

A fundamental condition to facilitate the exploitation of European and German workers in the post-war period was to maintain their division with the Wall. Its collapse allowed a process of unification of the powerful European and German working class, among the most qualified, concentrated, with the greatest social achievements and the highest cultural level in the world.

In turn, the oppressed nationalities that had been put by blood and fire under the boot of imperialist domination in the postwar period, began a process of liberation, which swept the borders of Yalta and Potsdam. Thanks to the Stalinist leaders who fell after 1989, imperialism had managed to survive the defeats of Vietnam, China, Korea, it had been able to continue with its systematic destruction of productive forces. It had transformed those political defeats into even greater penalties for the masses, which allowed the multinationals great profits.

But after the fall of the wall, these leaders of the *"official world left"*, who had rendered great services to capitalism, no longer had that power. The postwar *"world order"* fell, and the *"new world order"* actually resulted in terrible *"disorder"* for the capitalist powers.

This is the explanation why in globalization, capitalism failed to match the economic successes of the Keynesian regime. The fall of the Berlin Wall prevented globalization from having a global political agreement of the stature of Yalta and Potsdam, those agreements that allowed the post-war *"boom"* were liquidated by the fall of the Berlin Wall, and with them.

The economic and political order that sustained the world economy for more than 40 years fell. The G7 governments, analysts and journalists of all stripes proclaimed that the fall of the Berlin Wall was the *"triumph of capitalism"* and the *"End of Socialism."* Many believed that story, and most on the left fell into brutal confusion. We will not develop here the debates that the events produced at that time, we refer to verify the impact they had on the economy.

The best demonstration of the coup that the fall of the Berlin Wall meant for capitalism and the course of the globalization regime is China. In China the opposite happened, there the Wall did not fall, the mobilization of the masses in Tiananmen Square against the pro-capitalist dictatorship of the Chinese CP was brutally repressed and defeated. From these events, China consolidated itself as the *"paradise"* of corporations.

After the defeat of the mobilizations, the Chinese dictatorship advanced in obtaining higher rates of exploitation and all kinds of facilities for multinationals to settle. China alone shows the implications of the fall of the Berlin Wall for the world economy. If the fall of the CP dictatorships had complicated the plans of the capitalist powers in Europe, the triumph of the Chinese CP dictatorship transformed it into a bastion and lifeline of capitalism.

With the triumph of the Chinese CP, the capitalist powers obtained an immense market of millions of workers that the Chinese dictatorship disciplined to offer low wages, super-exploitative working conditions which allowed, as we have seen, a growth of the economy in the '90. The wages and working conditions of the workers of the other countries that had belonged to the Stalinist orbit were also very deteriorated. Imperialism took advantage of these "*comparative advantages*" which helped the economy grow and gave a recovery of the profit rate in the '90s that was maintained for almost the entire decade.

Capitalism achieved a victory in China, which gave it a great economic respite. But with the fall of the Berlin Wall, its strategic plans suffered a tremendous blow, because the parties and leaders that rendered great services to capitalism fell, agreeing to the capitalist reconstruction of Europe, allowing the development of modern multinationals and slowing down revolutionary processes.

The fall of the Yalta and Potsdam agreements that had allowed the "*boom*" was a strategic blow for capitalism. This is the central explanation for why the capitalist powers could not develop in globalization a round of destruction of productive forces superior to the Second World War or the postwar period, which would allow it to overcome the exhaustion of global corporations.

Thus, the fall of the Berlin Wall is the necessary prologue to the fall of Wall Street, 20 years later. In turn, the fall of the wall and the crisis of the Tigers modified the accumulation axes of the world economy. The economy in the Keynesian regime developed around the US-Europe axis, but the recovery of the proletariat and the masses of those countries in the postwar period, prevented capitalism from obtaining the high rates of exploitation that allowed the "*boom*".

For this reason, when the multinationals and the Keynesian regime began to run out, the axis of accumulation of the world economy became the US-Southeast-Asia (Japan and Tigers), in the transition from the Keynesian regime to globalization. In globalization, the axis of accumulation of the world economy changed again after the consolidation of the capitalist dictatorship of the Chinese CP and the economy was articulated around the US-China axis, the only place where the revolutions led by the masses against the pro-capitalist dictatorships of the CP, was, until now, defeated.

### **The course of globalization**

We have seen then the globalization regime, its complex structure, the emergence of an enormous mass of capital destined for financial speculation, the fictitious and parasitic nature of the enormous masses of capital that make up this capital that rotates in the economy. We have also seen the rise of multinational corporations, and the role of Investment Banks at the heart of their structure and of the world economy. This structural picture allows us to understand how each of these constituent elements of capitalism acted since the outbreak of the current crisis.

We have also seen the trends that are developing since the beginning of the crisis. And we have comparatively analyzed the current crisis with the crisis of '29, to understand the similarities and differences between the two episodes that capitalism faced in its decadence stage. However, understanding the current crisis cannot be resolved only in the conjunctural perspective. The questions follow one another: Where is capitalism going? Globalization ended?

The set of trends analyzed in chapter II indicates that globalization is coming to an end, and capitalism needs to establish a new regime of accumulation, as well as new forms of accumulation that surpass the exhausted and bankrupt multinational corporations. Can you do it? What does it depend on? We begin the answers to those questions by comparing the current crisis

with that of '29. But to answer them fully, we must analyze the crisis from a more historical and less conjunctural perspective. We must answer other questions: Has capitalism suffered this type of crisis throughout history? How have you solved them?

The analysis of the crises that capitalism has developed throughout its history allows us to understand the dynamics, the laws and the possible outcomes of the current crisis of capitalism. The role of capital and its relationship with the different modes of production developed in previous centuries, the different forms that capitalism developed to accumulate capital and the successive crises of the accumulation process, are the themes that we present from the next chapter.

### Notes

- (1) Ronald Reagan and Margaret Thatcher were presidents of the United States and England respectively.
- (2) Robert Brenner Turbulence in the world economy
- (3) The New Economy: What's New, What's Not. John B. Harms Tim Knapp
- (4) Gerard Dumenil and Dominique Levy, *"The Profit Rate: Where and Houch Much Did it Fall? Did it Recover?"* (USA 1948-1097), 2005
- (5) Nahuel Moreno. Thesis on the world situation- International Secretariat of the LIT- CI, 10/20/84
- (6) Robert Brenner Turbulence in the world economy
- (7) Nahuel Moreno. *"Opinion: The crisis has already begun"* Correo Internacional 18, 1986
- (8) Nahuel Moreno Thesis of the LIT on the world situation. 1985 (our underlined)
- (9) Marx: Capital, third book, ch. II, The rate of profit, (our underlined)
- (10) Karl Marx Capital Book I Chapter XXIII The General Law of Capitalist Accumulation
- (11), (12), (13), & (14) Nahuel Moreno. LIT thesis on the world situation. 1985 (our underlined)
- (15) & (16) Nahuel Moreno. *"Opinion: The crisis has already begun"* Correo Internacional 18, 1986
- (17) Charles Moyer, James Mc Guigan Contemporary Financial Management, page 505
- (18) Karl Marx Capital Book I Chapter XXIII The General Law of Capitalist Accumulation
- (19) V. I. Lenin. Imperialism, the highest phase of capitalism Chapter II Banks and their new role (subr. Ours)
- (20) U.S. International Banking Facilities (IBFs) Japanese Offshore Market (JOM) Bangkok International Banking Facilities (BIBFs)
- (21) Charles Moyer, James Mc Guigan Contemporary Financial Management, page 505
- (22), (23), (24), & (25) Robert Brenner "Turbulence in the world economy"



## Chapter V Forms

***"It is known that in real history conquest, enslavement, robbery and murder, violence, in a word, play a great role. But in sweet political economy idyll has always reigned ... In reality, the methods of original accumulation were anything but idyllic ... they resort to the power of the state, to the organized and concentrated violence of society ... "***

**Karl Marx, Capital, Vol I Chapter XXIV**

Faced with the historical magnitude of the current crisis of capitalism, it is worth asking: Has capitalism gone through other crises of this importance in its history? How did you overcome them? What political and social phenomena produced the crises? And vice versa: the crises, what political and social phenomena did they produce?

To answer these questions, it is necessary to see the current crisis in a more historical perspective and analyze how the different crises developed since capitalism emerged, how they unfolded in its different stages and how capitalism tended to resolve the contradictions that were the product of their own development. In this chapter we are going to present and develop the General Law of Forms of Capitalist Accumulation.

This law allows us to analyze, following the Marxist laws of capital accumulation, the different forms that, throughout the history of capitalism, emerged to accumulate capital and what are the Forms of Accumulation characteristic of each stage of capitalism

Along with this, we will analyze the dynamics of the Forms of Accumulation characterized by going through successive phases of emergence, development and exhaustion. And we will also analyze how these phases of emergence, development and exhaustion are linked to the periods of long expansion and stagnation that the capitalist economy has experienced throughout history. Finally, we will see the politico-social mechanisms that explain how the transition from a lower to a higher Form of Accumulation develops through the development of capitalism.

## General Law of Forms of Capitalist Accumulation

### a) Forms of Capital Accumulation and Predominant Forms. Definition

We define capital accumulation as the process by which capitalists accumulate means of production at one pole and salaried workers at the other pole, with the aim of accumulating more capital. As Karl Marx explains: *"... reproduction on an enlarged scale, that is, accumulation, reproduces the capitalist relationship on an enlarged scale: more capitalists or larger capitalists at this pole, more wage earners at that pole ... Capital accumulation is, therefore, an increase in the proletariat ... All individual capital is a greater or lesser concentration of the means of production, with the corresponding command over a greater or lesser army of workers. All accumulation becomes a means at the service of a new accumulation. .." (1)*

The fundamental goal of capitalism is for capitalists to accumulate capital and make a profit. To achieve this, the necessary precondition is that the means of production and exchange be privately owned, an objective that the capitalists achieved through a historical process that placed

productive, commercial and financial companies under their ownership, to the extent that they expropriated the rest of social classes. We define then as Forms of Accumulation, these companies owned by the capitalist class to accumulate capital in a given historical period. The capitalists never used, throughout history, a single form of capital accumulation. There have always been different forms of accumulation, that is, different commercial, productive and financial companies that acted with the objective of accumulating capital and that in turn, reflect the different sectors of the capitalist class.

Capitalism finished imposing itself as the dominant mode of production between the 18th and 19th centuries, when the bourgeoisie seized power in the most important countries and liquidated the remnants of feudal rule in the state. Both for historical periods in which capitalism is still an embryonic element, and is not yet the dominant mode of production, and in those in which capitalism is already dominant as a mode of production, there have always been different Forms of Capitalist Accumulation.

These Forms of Accumulation developed unevenly and in combination around a predominant Form of Accumulation that was the driving force and structuring engine of the economy. That is, there are various Forms of Accumulation that act simultaneously and at different levels of development, they revolve around and interrelate with the predominant Form of Accumulation, which constitutes the axis on which the entire development of capitalism is ordered.

Together with the concept of Forms of Accumulation, the concepts of Regime of Accumulation, Pole of Accumulation and Axis of Accumulation are part of the General Law of Accumulation Forms, whose respective definitions we gave in chapter III. The predominant Forms of Capitalist Accumulation have been the following:

### General Law of Capitalist Forms of Accumulation Box

<b>PRIMITIVE ACCUMULATION</b>	<b>STAGE (c IX al XVIII)</b>
pre Industrial and Productive Forms of Accumulation	Financial Forms of Accumulation
TRADE NATIONS (c IX al XV)	USURY, GOLDSMITHS, MONASTERIES (c IX al XVI)
FACTORIES (c XIV y XV)	
MANUFACTURES (c XVI a XIX)	TRADING COMPANIES (s XVI a XIX)
<b>APOGEE</b>	<b>STAGE (c XVII al XIX)</b>
Industrial and Productive Forms of Accumulation	Financial Forms of Accumulation
INDUSTRY (c XVII al XX)	BANKS and CREDIT (c XVII al XX)
<b>IMPERIALIST STAGE</b>	<b>(c XX al XXI)</b>
Merger of Productive and Financial	Forms of Accumulation
MONOPOLIES	(c XX 1903-1940)
MULTINACIONALS	(c XX- 1940. 1980)
GLOBAL CORPORATIONS	(c XXI 1980 until today)

We are then going to make a historical analysis of the different Predominant Forms of Accumulation in the different stages of capitalism.

### **b) The Forms of Accumulation typical of the Capitalist Original Accumulation stage**

The first and embryonic Capitalist Forms of Accumulation began to emerge between the 10th and 14th centuries, even before the beginning of the capitalist mode of production, when the feudal mode of production was still dominant and coexisted with various barbarian, Asian modes of production and social formations. and even slave owners.

The original or primitive accumulation stage of capitalism developed between the 10th and 18th centuries and is the stage in which the bases for the development of capitalist production relations were historically established. At the beginning of this stage, feudal relations of production were established in Europe and the overwhelming majority of the population owned their own means of production and subsistence, be it small estates such as the peasants, or large estates such as the nobility.

In the stage of Original Accumulation, the capitalists were expropriating the nobles, peasants and even other capitalist sectors, and they were causing the split between the producers and the means of production of which they were owners.

This gave rise to 2 phenomena: on the one hand, the means of production became merchandise and capital whose prices were set in the market. And on the other hand, the working class emerged, that is, the dispossessed workers, whose labor power is also a commodity whose price is set in the market.

This is how Karl Marx explains it: *"The process that creates the relationship of capital, then, cannot be other than the process of division between the worker and the ownership of his working conditions, a process that, on the one hand, transforms capital into capital. means of production and social subsistence, and on the other it converts direct producers into wage earners. The so-called original accumulation is, therefore, nothing more than the historical process of split between producer and means of production. It appears as "original" because configures the prehistory of capital and the mode of production corresponding to it "(3)*

The primitive capitalist accumulation stage affected above all the great rural masses, who were expelled from the countryside, while their traditional forms and rights of access to the means of production, natural resources, communal rights, Compascuo rights, rights were destroyed. open field and others.

In England, between the last third of the 15th century and the beginning of the 16th century, the feudal mesnadas were dissolved as a result of the violent expulsion of the peasants and the usurpation of communal lands by noble lords to transform them into pasture for cattle.

The second wave of expropriations was between the seventeenth and eighteenth centuries when ecclesiastical assets were confiscated and distributed among the oligarchy and its peasant inhabitants were expelled. The process of capitalist Primitive Accumulation also had its development in the process of colonization of the rest of the nations and continents from the geographical discoveries of the 15th and 16th centuries.

This process led to the brutal crushing of pre-capitalist civilizations and modes of production in America, Asia, Africa and Oceania, which allowed the expropriation of millions of indigenous people and peoples living in savagery, barbarism or Asian civilizations.

Between the 10th and 18th centuries, the following predominant Forms of Capital Accumulation developed:

## 1) The Trade Nations. Form of Accumulation of the commercial bourgeoisie

The commercial nations or maritime republics that emerged between the 10th and 13th centuries were Forms of Capitalist Accumulation whose objective was to accumulate capital by exercising trade on the basis of the dominance of one or more maritime routes. These trading nations constituted an embryonic accumulation regime, whose accumulation pole was the maritime industry. The Axis of Accumulation was the Mediterranean and was based on a set of cities located in what is today the territory of Italy: Amalfi, Pisa, Gaeta, Ancona, Trani, Ragusa, Noli, etc., and the powers of the time: Genoa and Venice.

Another accumulation regime of the Trading Nations was located in the Baltic Sea, with axis in the cities of northern Germany and of communities of German merchants in the Baltic Sea, the Netherlands, Norway, Sweden, England, Poland, Russia, part from Finland and Denmark, as well as regions now in Estonia and Latvia. This Federation of cities constituted a great Nation called the Hanseatic League or Hansa, in the second half of the twelfth century and the beginning of the thirteenth with numerous cities in northern Europe around the Baltic Sea: Lübeck in 1158, Rostock, Wismar, Stralsund, Greifswald, Stettin, Danzig, Elbing, etc.

The denomination of Commercial Nations has to do with the fact that they were nation-companies insofar as they counted with respect to the feudal authorities of a broad political independence and autonomous government. One or more families dominated the nation, which gave it its character as an oligarchic republic that had its own currency, its army, naval fleet, commercial colonies called fundagos and "*consuls of the nations*", who watched over the commercial interests of their respective cities in the Mediterranean ports.

This is how Federico Engels explains it: "*The Venetians and Genoese in the port of Alexandria or Constantinople, each "nation" in its own fondaco residence, inn, warehouse, showroom and sales room, as well as central office constituted complete commercial associations*". The Trading Nations began their emergence phase accompanying the expansion of the European economy, which was developing in the midst of the heyday of the feudal mode of production in the 10th century.

The great surpluses and wealth that the nobility of Normandy, Burgundy, Castile, Aragon, Genoa and Venice, etc., showed, allowed an important commercial circulation both in the Baltic Sea and in the Mediterranean and the emergence of fairs, the most important of the which was that of Champagne in the current territory of what is currently France, which acted as a land commercial bridge between the two seas. The Hansa sold its ships throughout Europe, even reaching the Mediterranean and Italy.

The Trading Nations arose from the very bowels of the feudal system and from earlier social formations such as primitive communism. This is how Frederick Engels explains it: "The merchant of the Middle Ages was by no means an individualist, but was essentially the member of some association, like all his contemporaries. In the countryside the brand association reigned, arising from primitive communism Each peasant had a plot originally of the same size ... and a participation, therefore of equal magnitude, in the rights of the common brand ... And the same is true in no less degree for the commercial associations, which gave rise to the Overseas trade ... Here we come across a profit and a rate of profit for the first time ... In large commercial companies, it is discounted that the profit is distributed pro rata to the share of capital invested, in exactly the same way as the participation in the trademark rights is distributed pro rata of the justified participation of the parcel ... Consequently, the profit rate was the same for all" **(3)**

The Trading Nations also accumulated capital as they began to develop an incipient proletariat as explained by Frederick Engels: "Navigation on the scale in which the Italian and Hanseatic maritime republics developed was impossible without the assistance of sailors, that is to say, salaried workers (whose salary relationship could be hidden under profit-sharing corporate forms), as it was impossible for the galleys of that time to function without salaried rowers or slaves.

*The guilds of the mines, originally consisting of associate workers, had become already in almost all cases in joint-stock companies for the exploitation of the company by means of employees. And in the textile industry the merchant had begun to put the small master weavers directly at his service, supplying them with the yarn and having it transformed into fabric. , on your own, in exchange for a fixed salary ... We are here before us the incipient beginnings of the capitalist formation of surplus value. " (4)*

Trading Nations developed as the predominant Form of Accumulation beginning in the 10th century and achieved extremely high rates of profit. To have a measure, let's compare the income of Genoa, which was one of the most important Commercial Nations with France, the richest important monarchy of the time according to Perry Anderson: *"In the year 1293, only the maritime taxes of the port of Genoa produced 3 times and it means more than all the royal incomes of the French monarchy" (5)*

The accumulated capitals were so great that they allowed the emergence and establishment of the gold standard for currencies, as Perry Anderson explains: *"The maritime power of Genoa and Venice was what guaranteed in Western Europe a continuous trade surplus with Asia, a surplus that financed its return to gold ... The return of the gold coin in Europe in the middle of the 13th century, with the simultaneous minting in 1252 of the janarius and the florin in Genoa and Florence, was the resplendent symbol of the commercial vitality of the cities" (6)*

The basis of the economic expansion was the high rate of profit achieved by the Trading Nations, as Frederick Engels explains. *"This original rate of profit was necessarily very high ... the business was a monopoly trade with monopoly profit" (7)* The Trading Nations began a heyday process that spanned the twelfth and thirteenth centuries, which developed an important economic expansion in the embryonic regimes of accumulation that were established in the Mediterranean and the North and Baltic Sea and were fed back with the apogee and economic expansion of the dominant feudal mode of production in Europe, with which they developed and combined.

The capitalists of the Commercial Nations made all kinds of agreements and associations of a corporate nature, with the aim of obtaining jurisdictional, fiscal and customs privileges from foreign governments, while at the same time they achieved the dominion of various personal lordships. In the boom phase of the Trading Nations, new foreign exchange, accounting, and new scientific discoveries and technologies emerged to secure trade routes and protect investments.

Maritime pilots were trained and lighthouses were erected, the compass, mathematics, astronomy, cartography and geography were developed, all in the service of the navigation industry. The cities, exposed to the incursions of pirates, independently organized their defense, equipping themselves with powerful war fleets to create bases, scales and commercial establishments that had great political influence.

Thus, the Trading Nations went on the offensive in the 11th century and waged major wars against Byzantine and Islamic maritime power, with which they competed for control of trade with Asia, Africa, and the Mediterranean routes. This is the scientific explanation of the Crusades that aimed to liquidate Islamic power in the Mediterranean so that trading nations could develop dominance on trade routes. At the same time, the Norman invasion of England put a stop to Viking incursions into the North Sea.

The emergence of the rate of profit of the Trading Nations, continued with the process of leveling the different rates of profit, a process that preceded the fall of the rate of profit as explained by Frederick Engels: *"The leveling of these different rates of profit Corporate profit was established by the reverse procedure, by competition. In the beginning, the profit rates of the various markets for the same nation (leveled off) ... Then it was the turn of the gradual leveling of the rates of profit between the various nations that exported the same or similar goods to the same markets, with which very often this or that of these nations was crushed and disappeared from the scene" (8)*

The over-accumulation of capital produced after the leveling of the profit rates, caused the fall of the profit rate of the Trading Nations, a process that was combined and fed back with the general crisis of the feudal mode of production, in the 14th century. The crisis of feudalism produced the collapse of consumption, ports were paralyzed, merchandise fell in price abruptly and bankruptcies became general. This produced a true political-economic-social cataclysm known as "*the crisis of the 14th century*", where almost 40% of the population of Europe died. The phase of exhaustion of the Trading Nations had begun and a violent process of capital centralization was unleashed that led them to wars among themselves for dominance of the maritime routes.

The exhaustion of the Commercial Nations, as the predominant Form of Accumulation, combined with the terminal crisis of the feudal mode of production, provoked a very violent process of destruction of productive forces and centralization of capital, the Hundred Years War. Along with famine and plagues, wars wiped out nations, cities, and entire regions. With millions of dead, the Hundred Years War was an immense process of destruction of productive forces with which capitalism was officially born.

The Hundred Years War was actually a set of wars between the nations that dominated the European economy at the time and acted as a hinge between the feudal mode of production and the capitalist mode of production that emerged and began its phase of Accumulation. Primitive. Along with it there were also huge peasant insurrections and the workers of the artisan guilds, such as the insurrections of the Ciompi in Florence or the weavers in Ghent.

The geographical discoveries of the 15th century accelerated the decline of the Trading Nations, as Frederick Engels explained: "*But this process was continually interrupted by political events, just as all Levantine trade declined because of the Mongolian and Turkish invasions, and the great geographical-commercial discoveries made after 1492 did nothing but accelerate this decline and, later, make it definitive*" (9)

The Trading Nations continued their decline after the geographical discoveries of the 15th and 16th centuries, which were made possible by the technological development and accumulation of capital that they had achieved in their heyday and allowed to finance them. But the geographical discoveries and the process of colonization of Africa, Asia, America and Oceania, already connected with the beginnings of the capitalist mode of production and its stage of primitive accumulation.

To the extent that these continents were colonized and that capitalist relations of production needed a long period to emerge and be consolidated, the capitalists implemented in many cases in the first centuries of colonization, Forms of Accumulation and capitalist regimes relying on relations of non-capitalist production.

## **2) The Goldsmith and the first Bankers. Form of Accumulation of the financial bourgeoisie**

Along with the Trading Nations, another Form of Accumulation emerged, the financial industry based on the first bankers and usurers. The great accumulation of capital that the Trading Nations achieved, allowed the development of capitalists dedicated to the industry linked to the development and circulation of money, its transportation, storage, insurance and loans.

As a result of the danger of theft, the practice of placing precious ingots and coins in the custody of goldsmiths was born, accustomed to working with precious metals, receiving and saving gold and silver coins for capitalists who needed to store the profits obtained. Thus, medieval, monastic and secular goldsmiths worked in workshops owned by monasteries, in Abbeys with rooms especially suitable for goldsmiths and goldsmiths, attached to workshops with blacksmiths and polishers.

The monasteries always had a great demand from the goldsmiths to provide objects of gold and silver the Sumptuary Arts, sometimes called "*minor arts*". In this way, the Catholic Church under

The Cluniac monastery, and later the Cistercian one, developed as a mini-city, and a company, in which the Abbot exploits the work of the monks who work from sunrise to sunset only in exchange for bed and food. At the same time that the Church is taking over the neighboring lands as a result of the donations and inheritances of knights, lords and peasants who leave the lands in the hands of the abbey, through which the Benedictine church controls agriculture, and is transformed into the Europe's largest landowner and real estate company.

In this way, the monasteries become a municipal company that centralizes the administrative, economic, cultural, and political control of the regions. The development of Cluny and Cistercian turned the Catholic Church into an entrepreneur that controls branches of industry, agriculture, tax collector, through a high rate of exploitation of the monks, which allows them to have an enormous over-accumulation of wealth and capital to the extent in which they are controlling the businesses of all Europe. This explains the spectacular development and expansion of the chain of Benedictine monasteries in Europe between the 9th and 13th centuries, that many historians consider as the first multinational enterprise in history.

In this way, the Benedictine orders also became bankers to the extent that the goldsmith began to charge commissions for keeping all the coins and precious material deposited in their vaults. The abbeys boosted the circulation of capital by issuing deposit receipts to capitalists who deposited their coins and metals. The depositing capitalists in turn began to use the depository receipts of the goldsmiths to make their payments, and orders like that of the Knights Templar came to issue receipts and orders in exchange for the deposits.

### **The transition from Trading Nations to Factories**

The first predominant form of capitalist accumulation, the trading nations, began to emerge from the 10th century, and their development was made possible when the allied trading powers launched multiple armed expeditions against the Muslims, Eastern Christians, Russians and Byzantines, the movement of the Cathars in southern France and the Jews. It is estimated that the various massacres and wars carried out by the Crusaders resulted in five million deaths over around three and a half centuries.

The process of destruction of productive forces that unleashed the fight against the Byzantines and the Muslims, allowed them to go on to dominate the Mediterranean and reach the zenith of the boom phase, dominating commercial exchanges in the Mediterranean and with the East. During the Fourth Crusade (1202-1204) Venice and Genoa seized the islands and the commercially most important maritime towns of the Byzantine Empire and had become the richest states in Europe.

When the phase of exhaustion of the Trading Nations began, a violent process of destruction of productive forces broke out, with the wars between Pisa and Genoa in 1284, the wars of San Saba in 1255 between Genoa and Venice, the war of Chioggia in 1372, the wars with the Kingdom of Hungary in 1352, in addition to the wars against the Germanic Empire and the wars against the papacy, among others, while in northern Europe the Hansa wars broke out in 1362 against Denmark.

But the most important process of destruction of productive forces took place during the Hundred Years War, between the middle of the 14th century and the middle of the 15th century, which was the hinge between the feudal to the capitalist mode of production. The brutal destruction of productive forces that constituted the crisis of the fourteenth century made it possible to advance in these forms of accumulation and the process of centralization of capitals produced the transition of the Commercial Nations to a higher Form of Accumulation that were the Factories.

The destruction of the productive forces of the War of the 100 years was geographically centered in France, which was the most important economy of the time and bastion of feudalism. The devastated villages, the millions of deaths, the development of technology and the industry at the service of wars, caused serious alterations in the market prices of products, subjected to never-seen supply and demand tensions. In turn, millions of peasants waged wars for their freedom, which allowed the advance, albeit incipient, of the first salaried workers.

While feudal lords had to give in to pressure from their serfs to free themselves from servitude, in some cases, or insurrections were crushed in another, the 100 Years War involved the struggle between sectors of the ruling classes for the control of the areas of emergence of the first industrial zones and of greater economic importance such as Guyena or Gascony.

In the same sense, the civil war in Normandy, the War of the 2 Roses in England, the War between England-France, the War between France and Burgundy, the fight for control of Flanders and the Netherlands, the Civil War were developed. In Brittany and the Civil Wars in Aragon and Castile. In all the nations at that time, the duchies and kingdoms, in which the wars took place, the alliances changed permanently and also the sectors of the noble and capitalist classes, were aligned in different ways. With the development of the war industry, also arose the great fortunes of the bankers and capitalists who financed the war industry and military technology.

After the War of the 100 years, an important part of the nobility disappeared, there was an important centralization of capital and the bourgeoisie continued its rise, as a result of which a world of cities based on trade emerged and the centers of power began to move. towards the new boroughs or cities, where the new Forms of Accumulation, the Factories, were established. In the decline of the Trading Nations, Portugal and the Kingdoms of Aragon and Castile, which had been colonized by both the Normans and Genoa at the height of Mediterranean capitalism, developed enormous commercial activity with the geographical discoveries of the 15th century, which it turned them into powers, although already as the last glow of the decadent Mediterranean capitalism.

### **3- The Factories. Form of Accumulation of merchants-contractor entrepreneurs**

The Factories are a Form of Accumulation that from the fourteenth century began to be predominant. In them the merchant capitalists began to hire and group salaried workers both in the city and in the country. The merchants developed these companies and became contractors to the extent that they found it cheaper to manufacture the goods in port than to transport them from one port to another, which allowed them to obtain significant savings and profits, much higher than those achieved with the activity simple commercial.

For Engels: "... *The profit rate of commercial capital already existed. What could then impel the merchant to take over the cumulative function of the contractor? Only one thing: The prospect of a higher profit ...*" (11) Factories were based on manual labor, and simple cooperation where each worker fulfilled a job without the set of workers who act on the merchandise being grouped in the same workshop. It is the same capitalist who is taking the merchandise from one place to another, to give it different touches by different workers. In these techniques of the industrial branches such as textiles, goldsmithing or metallurgy, labor productivity was achieved from simple cooperation and manual work, following the tradition of the handicraft working methods.

These Forms of Accumulation had as a pole of accumulation the textile and mining industry; and they formed a Regime of Accumulation in which the new industries that emerged as Factories, combined their production and distribution with the Commercial Nations. The Axis of Accumulation was the tripod that formed Normandy, England and the Netherlands in the English Channel and the North Sea. Precisely that geographical area was, together with France, the epicenter of the violent process of destruction of productive forces that implied the Hundred Years War, in which the ruling classes disputed control of these incipient new industries.

The Hundred Years War expressed the emergence of a dynamic accumulation regime, an alternative to the decline of the capitalist accumulation regime established in the Mediterranean. This is how Nahuel Moreno explains it: "*There is an extraordinary development of Mediterranean capitalism that has already begun its decline when it discovers America. Its discovery will only accelerate its decline and the development of the new northwestern capitalism, which had already emerged and was displacing the Mediterranean before the discovery of our continent. Mediterranean capitalism impregnated with aristocratism and feudal forms, has a commercial, usurious, local and international character in opposition to that of northwestern Europe, which has its manufacturing and national*" (12)

Factories are Forms of Accumulation in which salaried labor was exploited to manufacture products, which allowed merchants-entrepreneurs to lower the prices of merchandise to better compete with other merchants, who tend to adopt this form of production. , so as not to lose in the competition for the markets. Factories and the grouping of salaried workers is a process that developed in 3 ways that give rise to different types of companies: a) Privatized craft unions, b) Rural domiciled work and c) Privatized mining concessions. We are going to analyze these three business variants.

#### **a) The privatization of the craft unions**

One of the aspects that gave rise to the Factories was the process of privatization of the artisan guilds, the industries existing in feudalism that produced on a small scale for small communities, following strict production standards that set common goals. Starting in the 14th century, these artisan corporations began to be owned by capitalists. The craft guilds had a fairly rigid internal organization of 3 levels: masters, officers, and apprentice servants.

The teachers were the only ones who could vote the statutes by which the union is governed and elect the attorneys and chiefs of the same, the officers had the right to receive accommodation, food and a salary, on the other hand, the apprentice servants, with low salaries, remained for life in that state.

At first, the guilds had as a characteristic equality and solidarity among their members. The hiring and working conditions varied from one union to another and over time the merchant or merchant capitalist acted as an intermediary in the activities of the exchange of merchandise. Later he began to regularly buy the goods of the small producers, to provide them with raw materials and to lend them money, with which, the small producers fell under the economic force of the merchant.

Along with this, a process of social differentiation was developed within the workshops that were being dominated by the teachers who began to become their owners. This accelerated the process of social separation between teachers and apprentices and the teachers began the process of appropriation of the unions as companies under their ownership. In turn, societies arose between commercial capitalists and artisan masters, or the masters were directly expropriated through usury.

Whatever the route, the unions were transformed into factories to the extent that they became companies that began to have one or more capitalists as owners. The power of the privatized unions was extended in several cases until the control of the municipal governments and in the industries linked to the export, the teacher more quickly became a capitalist and owner of the company. In this way the artisan workshops of the Middle Ages were gradually disappearing, gradually replaced by the new privatized workshops, from which the new capitalists or entrepreneurs emerged.

This is how Reyna Pastor de Togneri explains: *"The artisan corporations enter a period of stagnation that will persist until the seventeenth and eighteenth centuries, in which they disappear because they cannot cope with the developing capitalist forms. Organized in such a way that they benefit each more and more teachers will emerge from them many times the new entrepreneurs "* (13)

#### **b) Rural home work**

Rural domiciled labor is the company that arises as a result of the merchant capitalists hiring peasant labor for the production of merchandise. The merchant takes merchandise and raw materials to the houses of the peasant families who are doing different jobs, whether it be weaving, yarn, dyeing, etc. Peasant families combine jobs for the capitalist with jobs for themselves in the fields, until one after one falls under the control of the capitalist, either out of necessity or because of the debts they incur with him.

This is how Reyna Pastor de Togneri explains it: *"A merchant or Verleger distributed the premium among the peasants and thereby acquired part of their workforce ... The entrepreneurs controlled the various production processes and carried the yarns from one place to another. and the textiles to the bataneros mills, the dry cleaners, etc. Through this system the peasant gradually becomes an industrial worker at home who produces for the market and who sells part of his workforce to the employer " (14)*

This type of factories arose as a result of the changes that occurred in the textile industry. For centuries the industry was based on the luxury drapery consumed by the oligarchies of Burgundy, Florence, Venice, the papacy or Genoa, etc. But from the crisis of the fourteenth century, this luxury drapery entered into crisis due to the paralysis of trade, the fall in living standards and the decline of the nobility. Luxury drapery included the complex technique of making silk brought from China via Islam, and stolen by the Crusades.

The textile industry based on luxury drapery was relegated to the background, surpassed by the cheaper woolen drapery consumed by the popular classes and the bourgeoisie, supplied by the wool of sheep raised in England and Castile, which which was combined with the use of windmills in Flanders and Castile and watermills in England that took advantage of the huge waterfalls in those regions and gave a great boost to the textile industry.

For Reyna Pastor de Togneri, domiciled rural work was the most important company that made up the Factories: *"domiciled rural industries will be a form of transition that increases in importance as time goes by: due to the number of workers they occupy. Due to the amount of production and the geographic area it occupies, this activity is going to accelerate the original accumulation of capital in the hands of merchants and bankers and the one that is going to initiate transformations in the peasantry ... that take him away from the land, deprive him of his means of production, force him to do routine work carried out over long hours, and turn him into a wage earner " (15)*

The epicenter of rural domiciled work was England, the place where the nobility after the Hundred Years War weakened, the textile industry had a great development both due to sheep farming and due to the climatic conditions with the large waterfalls that allowed build mills more suitable for milling. There the companies flourished that began to proletarianize masses of peasants and both merchants and commercial capitalists more quickly appropriated the artisan workshops.

### **c) The privatization of mining concessions**

Following a process similar to that suffered by the artisan unions, the mining concessions were appropriated by the capitalists, masters turned into entrepreneurs, metal and coin dealers, and tin buyers. The mining concessions were communities that signed contracts with the feudal authorities, collected a reward in exchange for the exploitation of mines and the exploitation of metals, and like the craftsmen's guilds, they maintained norms that imposed the equality of their members.

But mining suffered a serious crisis in the 14th century, as Perry Anderson explains: *"The extraction of silver to which the entire urban and monetary sector of the feudal economy was connected, ceased to be practicable or profitable in the main mining areas. of Central Europe, because there was no way to drill deeper wells or to refine the most impure minerals ... the scarcity of metals caused repeated debasements of the currency in one country after another and, consequently, rampant inflation" (16)*

The mining crisis, coupled with the need for trade to establish currencies, led to a growing search by capitalist merchants to take possession of the mining industries and even expand them to newly discovered and colonized territories, as in the case of America, where the establishment of the mitas system implied companies based on the enslavement of the primitive communist tribes that lived in the region.

The appropriation of mining concessions, as well as the appropriation of artisan workshops by the capitalists, or the process of privatizing them, was part of the primitive capitalist accumulation stage to the extent that it was part of the expropriation process that the capitalists were doing the other social classes. In this way, it established the development of several industrial branches and allowed a process of incipient development of the working class to the extent that workshops and mining establishments flourished in which salaried labor began to be hired.

### Conclusions about the Factories

The Factories had their emergence phase in the second half of the 14th century. In the second half of the 15th century they had their boom phase, which allowed in the areas where it developed, the expansion of the economy until the beginning of the 16th century. Both the privatized artisan guilds, as well as rural domiciled labor and privatized mining concessions, were combined during that period of time with the nascent Forms of Accumulation such as Commercial Nations, banking and usury, in addition to the decaying feudal forms of production.

The Factories were an advance in the centralization and accumulation of capital, which was expressed in the importance of cities like Flanders and Ghent in the textile and mining industry. But at the beginning of the 16th century the factories began to enter the phase of exhaustion, the economy stagnated again and a new violent process of destruction of productive forces began, whose most important points were the 80 years war, with its epicenter in Flanders. and the Dutch states in the mid-16th century.

However, the exhaustion of the Factories did not only express the contradictions originating from capitalist development, such as the leveling and fall of the Profit Rate, which occurred with the Trading Nations. The depletion of the Factories combined economic elements with political factors to the extent that their development was seriously limited by the existence of the nobility in power, unlike the Commercial Nations that developed in cities where the bourgeoisie had power.

Factories are companies whose development questioned the social structure of feudalism, crashed and drowned in it. The bourgeoisie needed to attack the institutions that supported the feudal order and the Catholic Church in order to move to a higher Form of Accumulation. The wars combined the fight for the centralization of capital and the fight for the power of the nations that the nobility controlled, which gave the Factories an unstable and transitional character.

Factories were not a solid Form of Accumulation like the Trading Nations, but rather a transitional Form between the artisanal industries of the Middle Ages that entered into crisis in the middle of the 14th century and the capitalist Manufactures that emerged in the middle of the 16th century. For Alberto J. Plá: *"The qualitative leap from craftsmanship to manufacturing is not simple and recognizes an intermediate stage: home work. But the process is slow and actually takes place in successive stages. Over very long periods of time. long periods of time, old and new forms of production coexist "* (17)

The Factories, as industrial companies that began to have bourgeois owners under their command, were a fundamental component of the European economy for almost 2 centuries, and although they were transitional companies, they were vital for the development of the capitalist mode of production in its stage. of primitive accumulation. The transition from factories to manufacturing In the Hundred Years Wars there were changes in the military industry, the feudal knights were overcome, the first professional armies appeared composed of soldiers not united by a pact of vassalage with their lord, but the pay of kings and bankers, and the development of new military technology.

The army and the king were the pillar of a new regime in the feudal state, the absolute monarchies and the challenge to the economic, social, political power of the nobility, slowly allowed

advances for the benefit of the bourgeoisie, which the kings encouraged. Although most of the population was still peasant, the economic impulse and the novelties no longer came from the castle or the monastery, but from the cities, the epicenter of the development of the Factories. As these entered their phase of exhaustion, a violent process of destruction of productive forces was unleashed, which allowed a new centralization of capital, and the development of Manufacturing.

This violent development of the productive forces had as its epicenter the 80 Years War, a complex of wars centered on the struggle of the Protestant princes of Germany and the Netherlands that reflected the rising bourgeoisie, against the nobility of France and the nobility of Spain that was the major power in Europe, by then dominated by the nobility of the Hausburgs.

The Lutheran Reform movement spearheaded a process of land confiscations from the Church, vital to the development of the textile industry. The entire development of the Eighty Years' War was a set of 8 different wars that occurred between 1562 and 1648, which included the wars between Catholics and Calvinist Protestants where the Seventeen Provinces of the Netherlands fought against their sovereign, the King of Spain. Carlos V.

The 17 provinces, or United Provinces, sought to achieve independence from Carlos V and Spain. The rebellion against the Protestant monarch was led by Martin Luther and Calvin, but the process of destroying the productive forces was very violent. The high nobility brutally repressed the Protestants who were persecuted and executed with extreme cruelty; among those executed were the most important leader of this radical reform, Thomas Müntzer and the Spaniard Miguel Servet.

After 80 years of brutal fighting, destruction of cities, villages, and millions of deaths, the War ended with the triumph of the Netherlands and they achieved a process of centralization of capital from which the United Provinces emerged, which obtained their independence and the bourgeoisie. he began his rise to power by imposing a modern state for the time, which had a Parliament with elected deputies in all provinces.

The United Provinces, part of what we now call the Netherlands and Belgium, emerged triumphant and imposed themselves as a world power in the seventeenth century, which made them one of the world centers for the development of the manufacturing industry, added to their powerful navy. and merchant fleet.

This area of Europe experienced an important economic and cultural boom as a result of the development and expansion of Manufacturing, Forms of Accumulation that were the result of the vigorous industrial development that Flanders and the geographical areas included in the Netherlands had been experiencing since the Middle Ages, but they were able to break through and develop as a result of the violent process of destruction of productive forces that implied the Wars of the 80 years.

Another process of destruction of productive forces that allowed the passage from factories to manufacturing as the predominant form of accumulation, was the crushing of popular insurrections that developed between the fourteenth and fifteenth centuries as a result of the generalized economic crisis and the policy of governments that launched brutal measures against the masses.

The most terrible measures were the Labor Statutes that were sanctioned in almost all of Europe limiting wage increases to workers and generalized tax increases that triggered riots such as the maritime (1323-1327) and urban (1338-1350) Flanders revolts. , the french "*Jacquerie*" (1358), the Ciompi revolution in Florence (1378), the English Tylerists (1381), the Ghent insurrection (1372-1382), the Hussite insurrection in the Kingdom of Hungary-Bohemia (1408 -1415), the Calabrian insurrection (1469 -1475), and the Remensa movement in Spain (1462 -1484), among others.

Only the beginning of the revolutionary process that allowed the development of the Helvetic Confederation (1290 -1351) escaped this general logic of defeat. All this enormous process of destruction of productive forces occurred simultaneously with the beginning of the expropriation and genocide of millions of indigenous peoples of the primitive communist tribes and Asian societies of America, Asia, Oceania and Africa.

### 3) The Manufacture. Form of accumulation of the manufacturing bourgeoisie

Manufacture arises in the sixteenth century and is the predominant Form of Accumulation in which the capitalist groups the workers in the workshop or establishment and manual work is based on the division of labor among wage earners, which goes beyond the technique of cooperation. simple, typical of factories.

Each one of the workers specializes in one or more certain operations, which increases the productivity of the work, the exploitation of the workers and obtains cheaper goods, which allows a greater accumulation of capital and profits. In manufacturing, the division of labor makes the worker reach a specialization but is no longer the producer of a finished merchandise, thus his dependence on the capitalist acquires a new and firmer character.

For Marx: *"it consists in bringing together in a workshop, under the command of the capitalist himself, workers belonging to diverse and independent craft trades, through whose hands a product must pass until its final completion ... As a characteristic form ... it predominates during the manufacturing period proper, which lasts, in very general lines, from the middle of the sixteenth century to the last third of the eighteenth" (18)*

There are 2 types of manufacturing: heterogeneous and organic. The heterogeneous is when it deals with a merchandise composed of a set of partial products that can be made independently, and even in different workshops, and then they are brought together in a workshop in the hands of operators who assemble and combine them, as is the case of the watch factories, for example.

On the other hand, in organic manufacturing, workers of different specialties were concentrated in the workshop, who carried out the entire production process on the merchandise until the end, to create a certain merchandise. Organic manufacturing allows articles to go through a whole series of processes passing through a series of specialized workers, and that the various phases of the production process that were previously successive, are now transformed into simultaneous.

This made it possible to achieve more finished goods in the same time and created the premises for large industrial production, contributed to the further division of labor, greatly simplified many labor operations, perfected the instruments of work and prepared the conditions for moving to production. machined.

Manufacture favored the concentration of the means of production in the hands of the capitalists and meant ruin for most of the artisans. But although the division of labor in manufacturing caused capitalist commodity production to increase and the output of social labor to rise appreciably, Manufacturing did not encompass all social production. On the contrary, the existence of an immense number of small industrial enterprises continued and constituted a characteristic feature of the manufacturing period of capitalism that many Manufactures combined their production with factories such as rural domiciled labor and residual medieval artisan workshops.

The role of the State in the development of Manufacturing In the whole process of development of the Manufacture, the state played a great role, as the case of France shows, where it was the policy of Minister Colbert and Louis XIV in France, the internal market and the export of merchandise for the markets, which it was called mercantilism. This responded to the fact that the emergence of larger domestic markets and a colossal growth of the foreign market as a result of geographical discoveries, caused a huge demand for merchandise, which the development of production at the time could not satisfy.

The Manufacture went hand in hand with the development of the absolutist regimes in the feudal state, increasingly based on the machinery of the state bureaucracy, the army and the set of officials around the centralized and increasingly absolute power of the king. The development of the new Forms of Accumulation required these more antidemocratic regimes, brutally repressive, not only of the conquered civilizations, but also of the small feudal production and property, of the dispossessed and the newly exploited of Europe.

Brutally repressive institutions coexisted with absolutism such as the Inquisition, the witch hunt, the liquidation and persecution of opponents, the accusation of heretic to any scientist or person who rejects the idea of God or the divine authority of the King, although those absolutist regimes came into conflict with the bourgeoisie that needed to impose its own state and institutions that would allow the development of its economic interests. The European countries with the highest manufacturing development were England, France, the Netherlands and Switzerland. In the colonized continents, the states established industrial and mining manufactures, as in the case of mitas, missions and encomiendas in America, based on the salaried and slave labor of the Indians. Large estates were also established for textile production based on the slave labor of captured primitive communist tribes in Africa and Manufactures were developed in India. From this time, the process of destruction of productive forces that led to the Manufacture consisted of a true genocide, without there being any agreement among researchers about the number of Indians killed in America, which ranges between 50 and 90 million between centuries XVI and XVIII. The system of companies called Encomienda in Spain, in which the Indian had to receive a salary for his work, consisted of a brutal process of exploitation, which ended with the enslavement of most of the Indians who worked there.

By the seventeenth century, in the phase of exhaustion of the Manufactures, researchers also did not finish agreeing on the horrifying figures of men and women kidnapped to be sold as slaves, but the calculations oscillate between some 60 million Indians enslaved and distributed in 24 million in America, 12 million in Asia and 7 million in Europe, while 17 million died on the crossings. This was the fate of the primitive communist tribes crushed, by the armies and fleets of the European states and monarchs. In Europe, the consolidation of the absolutist states was based on the development of mercenary armies, of great performance in the 80-year war between Spain and the Netherlands, made up of impoverished and displaced nobles, added to the dispossessed artisans and peasants who found occupation in the army. The land enclosures were accelerating the expropriation of the peasants and dramatically increased the number of poor and homeless. The great capitalist magnates invested large sums in financing wars, invasions and the development of military technology, to expand markets. In turn, the development of Manufacturing allowed a colossal process of extraction of metals from America.

### **Phases of emergence, boom and exhaustion of Manufacture**

The emergence phase of Las Manufacturas allowed the application of intensive labor in mines in America, which allowed a constant flow of precious metals and an increase in money reserves in Europe that quadrupled between the 16th and 17th centuries. Silver extracted from America between 1530 and 1650 amounted to 11,600 tons, that is, an annual average of 96,600 kg per year, and as for gold, the amount extracted throughout the sixteenth century was 153,561 kg quantities that were very important in the 16th century.

This caused an increase in the amount of money in circulation, to the extent that the bankers used these reserves to develop the issuance of titles, papers and all kinds of fictitious capital. With the manufacturing boom phase, the economy began to expand and the European population to grow, overcoming the serious population crisis that had occurred after the Hundred Years Wars, when after the end of the war the population of Europe had suffered such a decline that the cost of labor and wages had risen sharply because there were no workers available.

The program of the manufacturing bourgeoisie brings together several important points that synthesize the defense of their interests, among them: The fight against monarchies and absolutist states, the imposition of parliamentary republics with a federal or federative structure, where the different manufacturing sectors have the control of different states, which in turn federate among themselves through economic and political agreements. From these agreements

comes the establishment of internal customs between the states, the creation of banks for each state or province, free trade in foreign trade, the permanent colonization of markets and lands for the development of manufacturing establishments, in the form of plantations, haciendas or ranches; creation of new states, or colonies, tolerance or promotion of slavery and establishment of pre-capitalist relations for the exploitation of human labor from nations or primitive communist tribes for exploitation in the Manufactures. The boom in Manufacturing also allowed agricultural expansion and the recovery of mining activity. The slow recovery of the population that grew towards the 17th century in 2/3, boosted the demand for food and all kinds of merchandise. An accumulation regime was established that had as its accumulation pole the textile and mining industry. After the 80-year war in which the Netherlands defeated Spain, the accumulation regime of Manufacturing had the Netherlands and England as the axis of accumulation.

For the seventeenth century, Manufacturing began its stage of exhaustion, which manifested itself in major crises that were unleashed in all economies, as a result of the leveling and then the fall in the manufacturing profit rate, for Engels *"... also allows the manufacturer to produce at lower prices than his old-fashioned competitor, the artisan ... the same process is repeated: the surplus value which he appropriated allows the manufacturing capitalist ... to sell less expensively than his competitors, until the generalization of the new mode of production, which engenders a new leveling."* (19)

The exhaustion of Manufactures, as a Form of Accumulation, caused a violent process of destruction of productive forces, both in European countries and in the colonies. In Europe the War between Holland and England broke out, which defined the dominance of England after the defeat of Holland. This war was combined with genocide in Africa, with the Baltic War and the Civil War in England that culminated in Oliver Cromwell's English Revolution. With the bourgeoisie in power, England spearheaded the transition from a depleted Form of Accumulation, Manufacturing, to a superior one, Industry. The Manufacture allowed the great extraction of precious metals that Spain developed and at the same time, it relied on that fabulous accumulation of capital for the expansion of England and Holland.

This is how Moreno explains it: *"... If today, with what we know, we were to write a course in Marxist political economy, it would be much more complex, richer ... I would begin by saying that the process of primitive capitalist accumulation was a non-existent process. essentially English, although the center was England ... The basis of the primitive English accumulation ... was not given by the proletariat but was given by the assault on the Spanish galleons. A great assault that fixed everything ... they re-founded the English capitalism with all that fabulous mass of surplus value that came to them from Latin America from non-worker exploitation, Indians and slaves"* (20)

The great mass of capital accumulated as precious material, originated the great inflation of the sixteenth century. Studied by Hamilton and the subject of great debate among economists and historians, the so-called *"price revolution"* was an inflationary process that took place in Europe throughout the sixteenth century, a process by which prices increased six times over 100 years. The *"price revolution"* of the 16th century was the product of 2 processes that occurred simultaneously. On the one hand, a fabulous mass of capital accumulated, one of the most important in the history of capitalism.

This mass of capital that was accumulating, was composed of the precious material that came from America and the fictitious capital that rotated at high speed developed by the bankers to finance wars, fleets, armies and general economic activity. But while this process was taking place rapidly, the transition from factories to manufacturing was in its infancy, that is, industrial production in relation to these masses of accumulated capital was still very poor, as was the development of the proletariat. The rise in prices of the 16th century was the expression of an aspect of the Law of Value, in the sense that this mountain of over-accumulated capital needed to be valued through the exploitation of human labor in the capitalist sense. As manufacturing developed, price inflation began to decline, due to the growth of wage labor in Europe, combined with the brutal exploitation of human labor done in manufacturing companies established in the colonized continents, where although there was also wage labor, exploitation was based largely on slave labor.

But this inequality between the strong accumulation of capital based on the extraction of precious metals and the weakness of industrial development also caused the emergence of speculative bubbles in capitalism, predecessors of the speculative bubbles that we see today. In turn, this over-accumulation of fictitious capital was the basis for inflation. The states had to borrow heavily to boost the armies and companies destined to consolidate Manufacture.

This need of the states and companies to contract loans, led the bankers to issue titles and debt papers that financed the commercial expansion plans. This impulse of papers, titles and loans of all kinds was a great impulse to inflation from the state or "*Inflation of Benefits*", as Hamilton called it. Speculative bubbles such as the one of 1557 in Spain, the one of 1634 of the Tulips in Holland are from this time. The "*inflation of benefits*" allowed to lower wages, which were very high due to the scarcity of population after the Hundred Years War, at the same time that wages did not increase because there was an abundance of labor, due to the increase in population. In this way, guaranteeing the general lowering of wages, the capitalists were able to exploit human labor with the development of Manufacturing.

That is to say, the great inflation of the sixteenth century is very similar to the great inflation of globalization between the twentieth and twenty-first centuries, only in two diametrically opposed stages of capitalism. If the "*great inflation of the 16th century*" is part of that of the stage of the birth of capitalism that expressed the first steps on the path of valuing capital by developing production, the "*great inflation of the 16th century*" expresses its decline and growing inability of capitalism to value capital by developing production.

### **5) Commercial Companies - Form of Accumulation of the colonizing bourgeoisie**

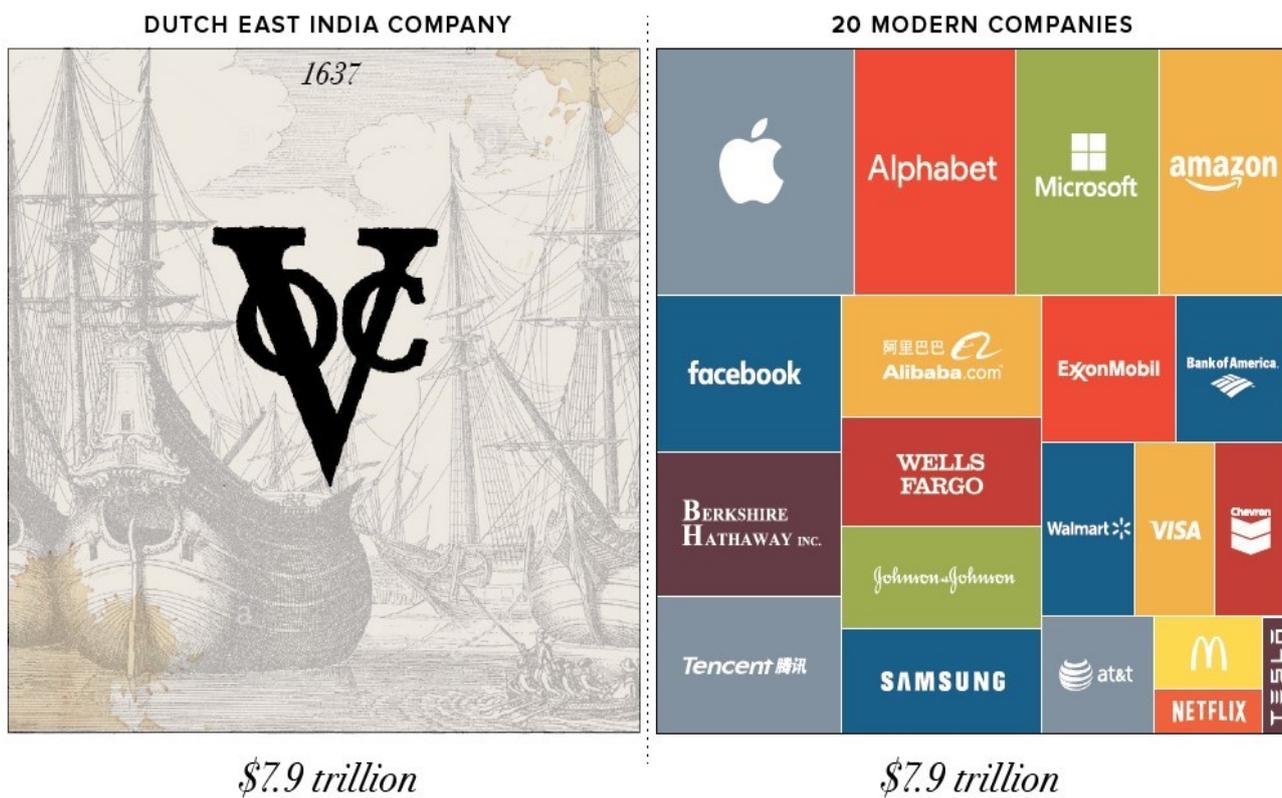
Commercial Companies are a Form of Accumulation constituted by companies of investors that obtain profits based on the dominance of commerce and the exploitation of labor in the discovered colonies. In a sense they are a more developed version of the Trading Nations, but in this case, the Trading Companies act in the service of dominating vast colonial territories in which these companies acted as a true state and government, made investments, developed manufacturing and exploited local labor, which allowed them to make huge profits.

These companies were the British East India Company, founded in 1600, the Dutch East India Company of 1602, the Danish East India Company of 1616, the Dutch West India Company of 1621. Also the Company French East India Company founded in 1664, the Swedish East India Company founded 1731 and the Ostend Company. They were founded by influential businessmen who obtained the royal charter and exclusive permits to trade with the colonies for long periods.

Trading Companies and Manufacturing developed jointly and in combination between the 16th and 17th centuries, as did the Trading Nations and Factories between the 14th and 15th centuries. As soon as they arrived in the colonies, the Companies built the first manufactures, for example the British East India Company had 23 factories in India and their profits were so great that they had to bribe kings and officials to prevent other companies from landing and power thus exercise the monopoly of economic activity in the area.

Large profits caused such an over-accumulation of capital that they produced the speculative bubble of the South Sea Company in England in 1720. The Companies were commercial enterprises, but they also had the right to mint money, legislate, elect rulers, and form armies of their own. For example, in 1670, King Charles II granted the right to the British East India Company to command armies and form alliances, declare war or establish peace, and exercise both civil and military jurisdiction in areas where operated.

In 1689, the Company was almost a state within India independently administering the Bombay, Madras and Bengal areas and possessing a very powerful military force. The British East India Company consolidated, after the triumph over France, the monopoly of trade in India and came to have a fifth of the world's population under its authority, while the Dutch East India Company came to include everything the Indonesian archipelago.



**The value of the Dutch company of the Indies is equivalent to 20 large companies of today.  
Source: Visual Capitalist**

These forms of accumulation began in the first half of the seventeenth century, they had their peak in the first half of the eighteenth century and at the end of the century the Commercial Companies had begun their phase of exhaustion, caused not only by the fall in the rate of profit, but also fundamentally due to the process of rebellion of the peoples against the imperial and colonialist oppression that put limits on the exploitation of the Companies.

In India there was a massive uprising and popular revolution called the Sepoy Rebellion in 1857, which led to the dissolution of the most important of all: the East India Company.

The Transition from Manufacturing to Industry With the exhaustion of Manufactures, a violent process of destruction of productive forces developed, through a complex of wars that included the Thirty Years' War that took place between 1618 and 1648, the Franco-Spanish war developed between 1635 and 1659, the Wars between England and the Netherlands between 1649 and 1660 and the Civil War in England.

The latter, in reality, a profound revolutionary process in which the bourgeoisie took power in England and imposed a parliamentary political regime, following the model of the Netherlands.

The center of these conflagrations was the battle for control of the manufacturing industry in Europe, whose epicenter was the Holland-England axis and the control of the Manufactures established in the colonies. But also the Wars carried out by the Commercial Companies and the Anglo-Dutch Wars, as well as the Civil Wars in England were also the final part of the process of expropriation of the pre-capitalist social classes that characterized the process of Primitive Accumulation of capitalism.

The expropriation process included the primitive communist tribes and Asian societies in the colonies, in addition to the expropriation of the peasantry, sectors of the nobility and even other bourgeois sectors in other countries of continental Europe and in Wales, Scotland and Ireland.

**HISTORIC HEAVYWEIGHTS**

Peak value (adj. for inflation)

*fig. 1. Tulipa*



**Dutch East India Company, Mississippi Company, South Sea Company were the most valuable capitalist enterprises in history**

The Thirty Years' War was a war fought mainly in the Holy Roman Empire, which is today the territory of Germany, between the years 1618 and 1648, in which most of the great European powers of the time intervened with the objective of to seize the German and Italian companies developed by the Hansa and Italy and the flourishing industries in both regions, in addition to a serious clash between the nobility and the rising bourgeoisie, who continued the struggle for power.

In this war, mercenaries were used in a generalized way, the devastation of entire territories that were depleted by the armies in need of supplies was enormous, the continuous episodes of famine and disease decimated the civil population of the German states, and to a lesser extent, that of the Netherlands and Italy and bankrupted many of the powers involved.

During the course of it, the population of the Holy Empire was reduced by 30%. In Brandenburg it was reduced by 50%, and in other regions even by two thirds. The male population in Germany was cut in half. In the Czech countries the population fell by a third because of the war, as a result of hunger, disease and the massive expulsion of Protestant Czechoslovaks. The Swedish armies alone destroyed 2,000 castles, 18,000 villas, and 1,500 towns in Germany during the war.

The wars between England and the Netherlands, between 1652 and 1666 involved all the economic powers of the time such as France, Sweden, Spain, etc. and ended with the defeat and decline of the dominance of the Netherlands. The development of these wars allowed a superior centralization of capital and the world supremacy of England that carried forward the most important Industrial development. Both England and the Netherlands were trading powers with huge fleets that dominated world trade.

But even when capitalism was going through the final stage of the primitive accumulation stage and commercial capital was still dominant, it was its territories that were at the forefront of the development of manufacturing and later industry, Forms of Accumulation that inaugurated the stage industrial and heyday of capitalism. Based on the fabulous capital obtained by the colonial exploitation and the dominion of the seas, both Holland and especially England were able to promote and finance scientific discoveries to incorporate technologies and new machines

that gradually displaced Manufacturing and started Industry. The vigorous development of the industry will lead to England displacing the Netherlands as a world power, but at the cost of a brutal confrontation between both powers, which meant a huge development of destructive forces. The first Anglo-Dutch war took place between 1652 and 1654; the Second Anglo-Dutch War between 1665 and 1667 with the Dutch victories at the Battle of the Four Days and Medway and the Third Anglo-Dutch War between 1672 and 1674 between a front where England joined France against Holland.

The Civil War in England took place between the years 1642 and 1689. In the first English civil war of the years 1642-1645 parliamentary power and royal power faced each other with the triumph of Parliament that eliminated the Court of the Star Chamber, and He executed William Laud, Archbishop of Canterbury, and the Earl of Strafford, a great ally of the King.

In the Second English Civil War between 1648-1649 Cromwell suppressed the rebellion in Wales and defeated the Scots at Preston, defeated the monarchists, executed King Charles I and proclaimed the English Republic. With the Third English Civil War, between 1649 and 1651 Cromwell crushed royalist supporters in Ireland and Scotland and controlled England.

In turn, in the colonies the wars between the Companies developed, for example the English with the Dutch and Portuguese in the area of the Indian Ocean. The war between the English and the Portuguese at the Battle of Swally in 1612, or the Seven Years' War between France and England that eliminated the French colonial presence in India, after which the British East India Company consolidated the monopoly of trade in the zone.

### **c) Forms of Accumulation typical of the Peak Stage of Capitalism**

To the extent that the capitalist mode of production became dominant, and definitively displaced the feudal mode of production; and to the extent that the bourgeoisie was also conquering the power of the state, we entered the apogee stage of the capitalist mode of production that spans the 18th, 19th and early 20th centuries.

This stage began after the triumph of 3 great revolutions, the English Revolution led by Oliver Cromwell in 1648, the North American Revolution of 1776, the French Revolution of 1789. Capitalism promoted production, commerce and finance, sweeping away all previous social formations and pre-capitalist modes of production, and reached the zenith of its development as an economic, political and social system. In this heyday of capitalism, the predominant Forms of Accumulation are Industry in the field of production, and Banks and Credit in the field of finance, which we are going to analyze below.

#### **1) Industry- Form of Accumulation of the industrial bourgeoisie**

Industry as a predominant Form of Accumulation began to develop from the 18th century. In industry the capitalist incorporates the machines in the factory where he groups the workers. The division of labor combined with machines, which replaced manual labor, allowed mass production, increased labor productivity and worker exploitation, so that the industry implied a leap in the process of accumulation of capital and profits.

In industry the modern wage-earning proletariat arose and the capitalist mode of production was consolidated with its two fundamental social classes, the working class and the bourgeoisie. This process began after John Wyatt announced in 1735 his spinning machine, which revolutionized the textile industry. But the introduction of machines also allowed a revolution in production and commerce because it revolutionized transportation and communications.

At the beginning of the industry, the most important technological innovations were the steam engine and the so-called Spinning Jenny, related to the textile industry, but after them, new machines and technologies emerged and were a permanent improvement of the production process. We include in industry, all agricultural and field production, as well as all production in the sea such as fishing and raw materials.

Although they move under different conditions, such as the product of the rent from the land in the case of the countryside, as industry develops, the process of expropriation of small owners accelerates and machinery is introduced into the field, revolutionizing all production, They ended up being absorbed by the industry and becoming one more variant of the Industrial Accumulation Forms. This is how the rural proletariat was consolidated After the wars of the 17th century, the Treaty of Utrecht of 1713, consolidated the dominion of England, which became the axis of accumulation. The textile, cotton and metallurgical industries were the accumulation pole and new industries such as chemical, electrical or automobile emerged along with the development of new forms of energy such as gas or oil. The Industry spread to new countries such as Germany, Russia, the United States, Japan, the Netherlands and a scientific revolution unprecedented up to that time developed. The emergence phase of Industry coincided with the apogee of the capitalist mode of production, which allowed a sustained expansion of the economy.

But the revolutionary character in production that Industry signified developed, in turn, with greater intensity all the contradictions of capitalism, as we will analyze in Chapter VI. The drop in the rate of profit began to take place in a chronic and permanent way, precipitating the economy to suffer permanent crises and falls, even when as a whole there was a stage of expansion. In the boom of the industry the leveling of the profit rate developed more quickly, only now this process developed more quickly. This is how Engels explained it: *"... industry, which thanks to its incessant revolutions of production reduces more and more the costs of manufacturing goods ... On the other hand it levels the profit rates of the different branches of business. by reducing them to a single general rate of profit and, thanks to this leveling, assures industry the position of strength that corresponds to it, by eliminating all the obstacles that until then prevented the transfer of capital from one branch to another."* (21)

The program of the industrial bourgeoisie brings together several important points that synthesize the defense of their interests, among them: The fight against monarchies and absolutist states, the imposition of unitary parliamentary republics with autonomy of their territorial entities, the elimination of customs interiors, and the imposition of a central customs, the creation of the Central Bank, and the creation of a single currency, free trade in foreign trade, land reform, expropriation, and land enclosure. The establishment of capitalist production relations based on measures for the development of the emergence of the proletariat such as the elimination of pre-capitalist production relations, the abolition of slavery, the development of public education, the promotion of immigration, among others.

At the beginning of the 19th century, industries began to enter their phase of exhaustion, which unleashed a new and violent wave of wars and revolutions. The industry produced a rapid development that collided with the internal customs and the social formations inherited from feudalism, for which the revolutions and civil wars that brought the bourgeoisie to power, were followed by new revolutions and civil wars in which the bourgeoisie, it eliminated internal customs, expanded the internal market, imposed national borders, and modern states emerged.

With the revolutions of 1848, the modern capitalist nation states arose, the modern countries. These revolutions and wars were those of 1848 in France, Italy, Germany, the Austro-Hungarian Empire and the North American civil war of 1862. All this process of destruction of productive forces gave way to a higher Form of Accumulation, monopolies, product of that the wars and revolutions of 1848, as well as the North American civil war, allowed the development of the countries, the national unity and their internal market. With the emergence of countries and the internal market, the Form of Accumulation emerged in the capitalist powers with greater economic development, which allows the domination of a branch of production at the level of a country, monopolies, trusts and cartels, which gave beginning of the entry of capitalism into its highest and final stage of decadence, the imperialist stage.

## **2) Banks and Credit - Form of Accumulation of the Financial Bourgeoisie**

In the heyday of capitalism, both the Bank and Credit were developed as a form of

accumulation of financial capital, institutions that make up the modern banking system. Both, although they had antecedents with the first Banks in Genoa and Venice, are the true expression of the capitalist mode of production, which made the old claims of the bourgeoisie against usury and merchants who monopolized finance capital throughout the entire stage a reality. of primitive accumulation. Credit was born as a rejection of usury, a Form of Accumulation that together with the banks expressed the beginning of the consolidation of the capitalist mode of production. For Marx: *"The development of credit is effected by reaction against usury ... It means neither more nor less than the subordination of interest-producing capital to the conditions and needs of the capitalist mode of production ... it is the starting point of the system. credit associations, which were established in Venice and Genoa in the twelfth and fourteenth centuries, were born out of the need for maritime trade and wholesale trade based on it, to free itself from the dominance of methods. of aging usury and monopolists of the money trade"* (22)

Precisely the ruling class of financial magnates, act by founding the banks that issue debt papers and distribute credit, at the same time that they are part of the state that arises and drives the operation of the Banks. This class is born indissolubly united to the State and the State to this sector of capitalists. As Marx explains: *"Although the banks themselves, founded in those republics, appear at the same time as public credit institutions that advanced money to the State on the taxes to be collected, it must not be forgotten that the merchants who constituted these associations were themselves the notables of those states and had as much interest in freeing their government from usury as in freeing themselves, and at the same time affirming and reinforcing with this the submission in which they maintained the State"* (23)

This is how Karl Marx explains it: *"This violent attack against usury, this demand of subjugation of the producing capital of interest to industrial capital, is nothing more than the precursor sign of the organic creations that in the modern banking system establish the conditions of production capitalist: banks, on the one hand, deprive usurious capital of its monopoly, by concentrating and launching into the financial market all inactive and dead money reserves, and on the other hand, limiting the monopoly of precious metals by creating money of credit"* (24)

The first officially recognized Bank was founded by the Bank of England in 1694, six years after the triumph of the Revolution led by Oliver Cromwell. Like the Bank of France, the Bank of England did not start as a state bank, nor as a crown company, but as a private bank, controlled by the Rotschild clan, the European banking dynasty that handled finances in England, France, Germany, , Austria and Italy, together with their associates Khun, Loeb, Lehman, Warburg, etc. The Bank of England was nationalized in 1946 after the end of World War II with the beginning of the Keynesian regime, as was the Bank of France. If industrial production revolutionized all aspects of production and achieved a mass of goods such as has never been seen in the history of humanity, in the same way credit achieved an accumulation and the constitution of a capital mass of money rarely seen. But along with this, credit rapidly developed the tendencies towards the concentration and centralization of capital, leaving thousands of small capitals in ruin, to allow the large capitals to expropriate the smaller capitalists, allowing the centralization of capitals.

This is how Karl Marx explains the role of credit: *"It not only becomes a new and powerful weapon in the competitive struggle. By means of invisible threads, it attracts to the hands of individual or associated capitalists the money means that, in larger or smaller masses, are scattered over the surface of society. It is the specific machine for the concentration of capital ... credit ... it becomes a new and terrible weapon in the competitive struggle, finally transforming itself into an immense social mechanism for the centralization of capital ... As capitalist production and accumulation develop, competition and credit also develop, the two most powerful levers of centralization."* (25)

### **c) Forms of Accumulation typical of the Stage of Decline of Capitalism**

The Merger of the Forms of Productive and Financial Accumulation. The forms of Accumulation that correspond to the imperialist stage or the decadence of capitalism are Monopolies, Multinationals, and finally Multinational Corporations. The corresponding analysis of these Forms of Accumulation has been done in chapters III and IV, together with the analysis of the political-social mechanisms that allowed the passage from one Form of Accumulation to another.

## **General Conclusions**

The mechanism by which the passage from a predominant form of accumulation to a higher one occurs is through a violent process of destruction of productive forces. Marx developed the laws of capital accumulation that explain how this process unfolds from the economic point of view, it was necessary to know how it did it in combination with the political and social factor.

The process of destruction of productive forces required for the centralization and accumulation of capital, implied the permanent destruction and liquidation of social classes and sectors of classes, through wars and revolutions.

In this way, the laws that explain the passage from one Form of Accumulation to a higher one link the laws of Marxist economics with historical materialism. The mechanism of annihilation and burning of capital that capitalism developed to solve its crises and advance in the forms of accumulation and centralization of capital, is fundamentally explained by the role of private property and social classes.

The ownership of the means of production and exchange gives rise to the bourgeoisie as the ruling class, and in it to the different sectors of the bourgeois class that permanently dispute capital and profits. Behind the commercial nations, factories, industries, manufactures, monopolies and multinationals is the social class that owns these different means of production and the different sectors of that ruling class. It is the fight for the defense of private property, interests and profits that explains why capitalism is evolving in different Forms of Accumulation.

The different Forms of Accumulation are overcome and are transformed, for example, the monopolies continue to exist, but are overcome and contained in turn by the multinationals. The entire process of evolution of the forms of accumulation was deposited one on the other, like the different geological layers.

In the development of this mechanism, we observe that after each violent process of destruction of productive forces, there was a new centralization of capital that allowed a superior Form of Accumulation, and began a period of long expansion of the capitalist economy.

With the exhaustion of the predominant Forms of Accumulation, the period of expansion ends and a long period of stagnation of the economy begins, inevitably leading to a new process of destruction of productive forces.

Periods of long expansion or long stagnation have had different durations, sometimes as little as a decade or sometimes as long as 60 or 70 years and even longer. But these periods are explained by the phenomenon of the emergence of a new predominant Form of Accumulation and its rise, it is this that explains the long periods of expansion of the capitalist economy.

On the contrary, the exhaustion of the Forms of Accumulation is what explains the long periods of stagnation. Two types of crisis are permanently and dialectically conjugated, the small, chronic, systematic crises, part of the regular development of capitalism, with the longer crises, as we will see in the next chapter. This happens because regular crises always occur either in the framework of a period of stagnation, or in the framework of a period of expansion.

These periods are in turn determined by the rise or exhaustion of the predominant Forms of Accumulation. The General Law of the Forms of Accumulation allows us to understand more fully the development of the crises of capitalism and allows us to overcome old schemes such as the old view that capitalism in its heyday had essentially developed the productive and productive forces for a long period. then in its stage of decline it had developed only the destructive forces. With the General Law of the Forms of Accumulation, this scheme is definitively surpassed.

Old theories such as the Long Wave Theory that explain the crisis by the inevitability of economic cycles, with consecutive ascending and descending periods linked to the emergence of new technologies and branches of production, are also surpassed. It is clear that capitalism has alternated in all its stages and phases the development of productive forces and destructive forces. And that the engine of evolution of the economy and the overcoming of one Form of Accumulation by another is the development of destructive forces and war.

Nahuel Moreno anticipated some of these conclusions in his last economics courses and showed doubts about the progressive character of capitalism, about whether through its history, capitalism evolved in a contradictory way with the development of the productive forces.

This is how he expressed it: *"I have doubts ... if capitalism was not always a contradictory phenomenon, which developed technique and exploded nature and man. And if it is not a permanent law of capitalism. I have great doubts, myself, personal ... I am very scared of the numbers of the Indians, and the numbers of the African blacks that capitalism blew up in the 16th-17th century. I mean, there are horrifying calculations. Almost 90% of the indigenous people were liquidated in 50 years ... So I do not know if capitalism does not permanently have a fatal face against the development of the productive forces ... It was very progressive with respect to technique, it is the stage of great technical development, but objectively, from its beginning ... It leads to barbarism. That is to say, what we are seeing now is not a consequence that it was a wonder and change, and it became bad, but that before it was sinister as it is now, and more and more sinister, more sinister, more sinister ... "*

*"The question is whether it started with imperialism ... or when capitalism began ... which is the first production system that does not work for consumption, which is already such an irrational thing ... which is something From the outset, it is irrational, it is against the development of the productive forces from the start, then it is a highly contradictory phenomenon from the beginning. Technically it is the one that develops the most, precisely because it does not produce for consumption ... But at the same time it is the one that most destroys nature, but bursts everything from the beginning. And today it is the monstrosity of a law that was permanent "* (27)

### Notes

(1) & (2) Karl Marx: Capital, Book One, ch. XXIII, The General Law of Capitalist Accumulation

(3), (4) Federico Engels: Supplement and Complement to Book III of Capital

(5) & (6) Perry Anderson. Transitions from Antiquity to Feudalism. Second Part 4. The Feudal Dynamics

(7), (8), (9), (10) & (11) Federico Engels: Supplement and Supplement to Book III of Capital

(12) Nahuel Moreno. Four Theses on the Spanish and Portuguese Colonization.

(13), (14), (15) Reyna Pastor de Togneri History of the Labor Movement. Chapter I Artisans and Peasants in crisis

(16) Perry Anderson. Transitions from Antiquity to Feudalism. Second Part 4. The Feudal Dynamics

(17) Alberto J. Plá History of the Labor Movement. Introduction

(18) Karl Marx: Capital, Book One, ch. 12, Division of Labor and Manufacturing

(19) Federico Engels: Supplement and Supplement to Book III of Capital

(20) Nahuel Moreno. School of Economics 1984

(21) Federico Engels: Supplement and Supplement to Book III of Capital

(22), (23) & (24) Karl Marx: Capital, Third Book, ch. 36, Notes on the Pre-Capitalist Period

**(25)** Karl Marx: Capital, Book One, ch. XXIII, The General Law of Capitalist Accumulation

**(26)** Federico Engels: Supplement and Supplement to Book III of Capital

**(27)** Nahuel Moreno. School of Economics, 1984



## Chapter VI Accumulation

***"The profit quota constitutes the spur of capitalist production (whose sole purpose is the valorization of capital), its decline dampens the rate of formation of new independent capitals, thus presenting itself as a dangerous factor for the development of capitalist production, it encourages overproduction, speculation, crises, the existence of surplus capital together with a surplus population"***

**Karl Marx, Capital, Book III, Chapter XV**

If globalization is coming to an end, capitalism needs to establish a new Accumulation Regime, as well as new Forms of Accumulation that surpass the exhausted and bankrupt Global Corporations. The accumulation or process of capitalist expanded reproduction, as we have seen, accumulates means of production at one pole and workers at the other. In this chapter we are going to analyze how there has been the greatest accumulation of a magnitude never seen in the history of mankind, which explains the magnitude of the capitalist crisis that we are experiencing.

For the analysis of this accumulation, the chapter is divided into 2 parts. In Part 1 we will see how capitalism has created the largest accumulation of working and unemployed masses that produce a colossal amount of goods, also never seen in history. In Part 2, we will see at the other pole how capitalism has created the greatest accumulation of capital, and how the deepest laws of the economy act in this process of transformation of goods into capital.

Then we are going to analyze the existing link between Accumulation and the Marxist Theory of Crisis, which will finally allow us to give the diagnosis of the current crisis of capitalism, which we call Qualitative Disturbance of the Process of Expanded Reproduction or of the Process of Capitalist Accumulation.

### **Part I The Accumulation of the working, popular and unemployed masses and the emergence of megalopolis**

The accumulation of masses of workers and unemployed is the absolute Law of Accumulation, for Marx: *"The proportional magnitude of the industrial reserve army, then, increases along with the powers of wealth. But the greater this army of In proportion to the active workers' army, the larger will be the mass of plus consolidated population or the working classes whose misery is inversely related to the torture of their work. and the industrial reserve army, the greater will be the official pauperism. This is the general, absolute law of capitalist accumulation" (1)*

There is today in the world, a mass of more population of workers, poor, sick and unemployed of which Marx speaks as never seen in the history of capitalism. In the 2008 UN report, the following can be read: *"In 2008, the world reached an invisible but momentous milestone: for the first time, more than half of its human population, 3.3 billion people, will live in urban areas. It is expected that by 2030, that amount will have reached almost 5,000 million" (2)*

This urban overpopulation was developed by Multinationals and Global Corporations. These Forms of Accumulation have brought about revolutionary changes in the demographic structure,

the development of social classes, the geographical location, their composition, the displacement of workers and migrations that have an enormous impact on the political and social situation of the world.

That is, in parallel with the development of multinational corporations and the process of concentration of branches of production, commerce and wealth under their ownership; the concentration of the world's population in cities also took place. In the first place, there were large urban concentrations such as Mexico City, São Paulo, New York, Bombay, New Delhi, Tokyo, etc., and along with them the new metropolitan poles defined as megalopolises, which emerged as a result of the enormous migrations to the interior of countries.

Migratory movements are silent, permanent movements with successive waves, true demographic revolutions that profoundly impact the social structure of all the countries of the world, modifying the conformation of all social classes, fundamentally, the working class. These demographic changes produced the enormous development, growth and extension of the world working class with the proletarianization and urbanization of enormous masses of peasants and popular sectors throughout the world.

### **Population growth and global development of migration**

The world population is already close to 7,000 million between the years 2011-2012 and the UN predicts that by 2,050 the world population will be greater than 11,000 million. The regions with the highest growth are Africa, Asia, Latin America and the Caribbean in which the population is going to increase by almost 50% and in turn within this lot the poorest countries will double the size of their population. Africa will double its population by 2,050, which will reach 2,000 million.

Only China with 1,330 million inhabitants and India with 1,147 million represent almost 40% of the world's population and the calculations of the Census Bureau of India project that in less than two decades, India may outnumber China. . **(2)** After the two world wars, the genocides, massacres and massive destruction of productive forces carried out by the capitalist powers, caused the enormous migrations to be a global phenomenon.

The United Nations Population Division has estimated that the stock of migrants grew at a rate of 1.9% per year, a rate higher than the total growth of the world population, which was 1.8% per year during the same period.

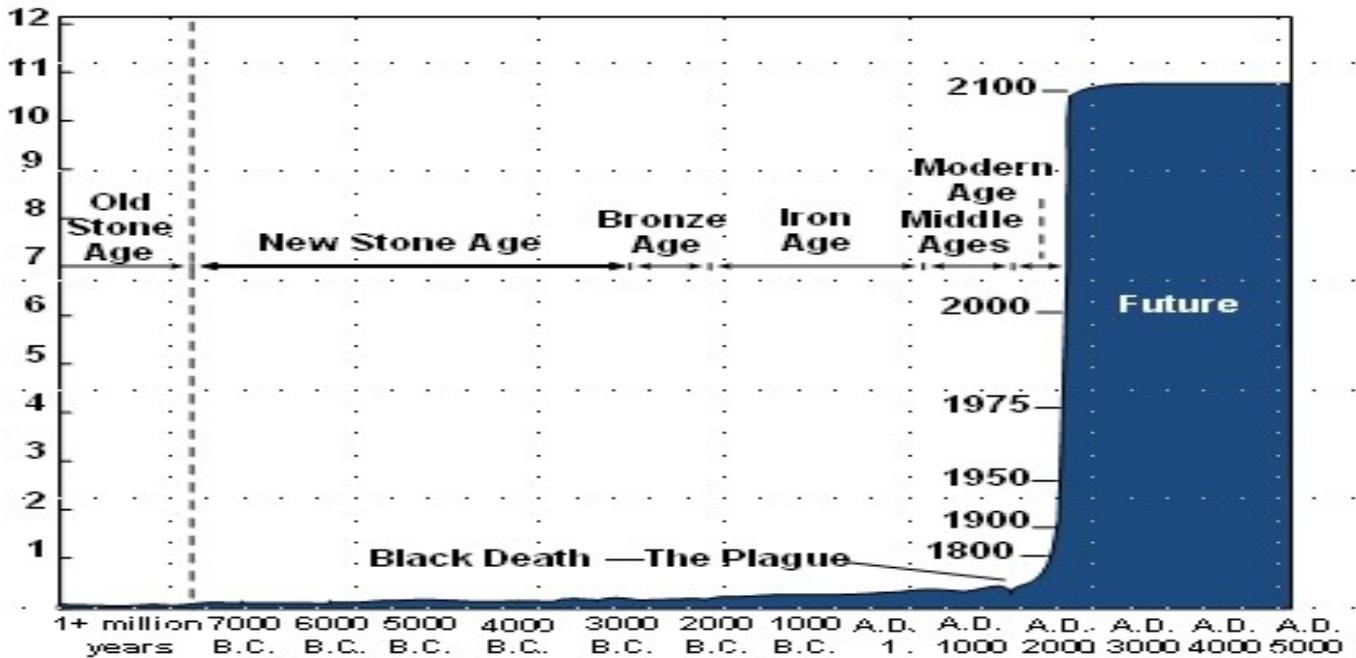
For José Moreno Pau: "... *The imperialist plunder pushes the workers of the colonies and semi-colonies to seek the salvation in the metropolis ... the need for cheap labor in the metropolises results in the movement migration in recent decades, together with the aging of the European population and the need for cheap labor. We are facing the opposite phenomenon to that which occurred between the 19th century and the first decades of the 20th century when some 55 million Europeans emigrated to other continents mainly to America ...* " **(3)**

These migratory flows go in two directions, on the one hand migration from underdeveloped countries to advanced countries and on the other from rural regions to cities. In both processes, the world number of emigrants is on the rise and they have the same final destination: cities, which increasingly combine different races, cultures, languages and customs, which change the composition of classes and especially of the population. working class, which incorporates the immigrant proletariat as one of its most combative components.

Migration to the G7 countries is broken down as follows: 50% goes to the US, 40% to the EU, 5% to Canada and only slightly more than 3% to Japan. Immigration to the EU comes from the Middle East, North Africa and Eastern Europe, as well as other regions. In the case of the United States, the phenomenon is changing its social structure, and people who define themselves as Hispanics, Latinos or Chicanos, are becoming the 1st minority, surpassing African Americans, for the first time in American history.

After the Second World War, with the rise of modern multinationals in the midst of the capitalist reconstruction of Europe, capitalist governments and states led and stimulated this internal migration from the countryside to the city to supply labor for the new emerging industries that they spearheaded. the "boom" of the world economy, which allowed the reconstruction and re-constitution of the powerful European proletariat.

For José Moreno Pau: "... It must be remembered that the industrial reconstruction of the main European imperialist powers, after the Second World War, was made not only from the Marshall Plan but also at the cost of the displacement of millions of workers from the south from Europe, Turkey and North Africa to industrial zones ... " (4)



**Evolution of the world population in history Since the beginning of capitalism, the world population curve rises and multiplies 10 times. Source: Population Reference Bureau and United Nations, World Population Projections to 2100 (1998)**

Today most of the immigrants in Europe reside in Germany, France, Spain, the United Kingdom and Italy. Turks are the largest immigrant group in Europe, with a significant presence in Germany, Denmark and the Netherlands. But the disastrous situation in which immigrants from Europe live is the same as that experienced by their colleagues from the United States, Japan and the other imperialist countries.

This is how José Moreno Pau explains it: "... immigrant workers have once again been the most exploited sector, occupying the least qualified and hardest jobs (construction, agriculture, industry, cleaning, domestic service ...). These sectors are the ones with the highest subcontracting and precariousness rates, and for this reason immigrant workers are the most affected by workplace accidents" (5)

Globalization has also developed a greater migration of a more qualified labor force from backward countries to develop areas and sectors that suffer from labor shortages, such as industries for the production and use of information, communication and high technologies. This importation of "grey matter" and qualified personnel or professionals in agreement with the governments that have established "green cards" or special permits since the 1980s.

For José Moreno Pau: "... On the other hand, they also import qualified labor that in recent years have joined the army of scholarship holders and researchers who work for multinationals with much lower wages and with minimal health rights. This is part of the brain drain that implies an impoverishment for the countries of origin, which see how the investment in their

*training is lost. they have saved years of healthcare and education ... " (6)* In short, the imperialist countries develop and promote immigration as part of their world plans to advance worker exploitation, according to José Moreno Pau: "... *The imperialist countries of the EU use immigrant labor to divide the working class keeping them with ever lower wages, increasing working hours They replace social benefits for the care of the sick and the elderly and children with domestic workers ... the contribution of immigrants to the percentage of the population in developed countries .. Today they represent between 10% and 20% of the population of central European countries ... " (7)*

Migration in Africa has several components: migration to oil-producing countries, from the poorest to the most developed countries and movements of refugees, due to wars being the region with the largest number of refugees, whose total number increased from 3 million in 1985 to 6.8 million in 1995. In Asia and the Pacific, Japan, Malaysia, Korea and Taiwan were added to Hong Kong and Singapore as labor-importing countries, which have a policy of crushing and systematically curtailing the rights of immigrants in order to facilitate their exploitation. and the use of the imperialist armies as cheap labor and cannon fodder. With tougher immigration laws, the situation for immigrant workers is getting worse.

This is how José Moreno Pau explains it: "... *they suffer exploitation, the division between with papers and without papers between nationalized and non-nationalized and finally the division by nationality continues to be promoted. The imperialist governments offer immigrants to join the invading armies, such as the US to Afghanistan in exchange for papers and permits to live in the country with their family, but even so, all immigrants suffer racism and xenophobia, the formation of ghettos and secrecy. .. " (8)*

However, for decades immigrants have been leading increasingly important struggles to defend their residence and labor rights, against anti-immigration laws and for the rights of immigrants in recent decades. The struggle of immigrant minorities for their rights placed immigrants and their mobilization against the policies and laws of exploitation of this sector of the working class by the G7 governments at the center of the scene. The immigrant proletariat has become one of the most combative sectors of the world working class, for being one of the most exploited and oppressed sectors.

The concentration and growth of the working class gave rise to the megacities The large urban concentrations that arise from migration are megacities. These conglomerates 60 years ago did not exist, but as a result of the fact that half of humanity is migrating from the countryside to the city and from the most backward economies to the most advanced, they are developing convulsively and dramatically. The term megalopolis was introduced by the French geographer Jean Gottmann in the 1960s, more precisely in his book "*Megalopolis, The Urbanized Northeastern Seaboard of the United States*".

Gottman in this book made reference to that urban system that had a population equal to or greater than 10 million inhabitants, the nucleus of large cities that is expanded with satellite cities creating a megalopolis. These huge urban concentrations are placed in the center of the world political situation, because it is there where the fundamental political processes of the mass movement, the most important mobilizations, insurrections and revolutions take place. But also, and as we will see shortly, because in these megacities there are huge concentrations of workers.

It is not only in the megalopolises that vast sectors of the mass movement are concentrated, with subsequent social groups and class sectors such as the unemployed, the lumen and marginalized, and the rich and poor middle class sectors. In these gigantic conglomerates, a huge and powerful working class is developing, which, as we will see, already covers the 5 continents and colors the fundamental political processes of the world with its mobilization.

The ongoing world urbanization and demographic transformations show the degree of development achieved by the working class with globalization. As explained in his excellent work *"The Workers of the World"* Chris Harman gives the following figures: "... *The working class (exists) as never before as a class in itself ... with a core of perhaps 2 billion people. "around which there are another 2 billion whose lives are" subject in a significant way to the same logic as its core ... 2.474 million people participated in the global non-domestic workforce in the mid-1990s. Of them around of a fifth, 379 million people, worked in industry, 800 million in services, and 1,074 million in agriculture.* " (9)

And he continues: "... *Capitalism has created a world working class in the last century and a half. Industry and wage labor exist today in virtually every part of the globe. The industrial working class has a global presence. But uneven development The combined system implies that it is very unevenly distributed among the different regions. Rough estimates indicate that 40% of the almost 270 million industrial workers are in OECD countries; in China, Latin America and the former USSR, around of 15% in each country, in Asia about 10% and about 5% in Africa ...* " (10)

The installation of multinationals in China and India, which caused a growth of the proletariat in those countries, did not prevent the growth of the proletariat in developed countries, as Harman points out "... *in 1998 the number of workers in industry was close to the 20% higher than in 1971, almost 50% higher than in 1950 ...* " (11) In the remaining countries of the first world the number of industrial workers grows unevenly, in Japan the industrial labor force has grown to more than double between 1950 and 1971 and had another 13% increase in 1998. In Great Britain it fell by a third, and in France by more than a quarter, but overall there are 112 million industrial workers in the G7 countries in 1998, an increase in the number of industrial workers in the more developed countries of 25 million compared to 1950.

The weight of the working class is decisive in the most important country in the world, the United States. For Harman "... *Altogether there are a minimum of 42 million" service sector workers "in manual occupations or routine white-collar jobs in the United States. If we add to them the 33 million workers in traditional manual industries, we have about three-quarters of the American population is made up of workers"* (12)

Baldoz, Koeber and Kraft state: "... *There are now more Americans employed in the manufacture of cars, buses and auto parts than at any time since the Vietnam War ...*". (13) According to data from the World Bank, the total number of total workers worldwide is growing faster than ever before in history, the world labor force has increased from 1,887 million people in 1980 to 3,102 million in 2008, that is , an increase of 1,215 million workers in the last 30 years.

The world proletariat is growing in large proportions, only in China there are 18 million internal migrants per year who find employment in the industry. At the global level, according to the above data, at least a fifth of the total increase of 1,215 million between 1980 and 2008, are industrial workers, which means that the industrial proletariat is growing and spreading worldwide. Globally, the working class has a more complex structure with various layers due to the changes produced.

This is how Roberto Antunes explains it: "... *our first challenge is to try to understand what the working class is today, what the proletariat is today, in the broadest sense of the term, not understanding the workers or" the proletarians of the world. "As exclusively the industrial proletariat ... comprises all wage earners, men and women who live off the sale of their labor power and who are dispossessed of the means of production ... the working class today incorporates all social work , the totality of the collective work that sells its workforce in exchange for salary "* (14)

Antunes analyzes the various layers of the world working class: "... *the working class also includes the wide range of wage earners in the service sector, but who do not directly create value ... also incorporating the rural proletariat that sells its workforce for capital, the so-called "swallows" of the agro-industrial regions ... to the precarious proletariat ... which is part-time, characterized by temporary work, by precarious work such as the McDonald's workers , services ... according to ILO data there are today more than one billion working men and women who are precarious and underemployed ... or are unemployed ...* " (15)

One of the most spectacular examples of the growth and strength of the world working class is precisely China. In that country in 1986 30 million peasants migrated to the cities, which in 1988 grew to 50 million, in 1989 between 60 and 80 million and in 2003 migration reached the figure of 98 million. In 2001 in China the industrial proletariat was greater than 160 million workers, a figure higher than the number of industrial workers in the OECD (131 million), India (25 million) and Indonesia (13 million).

But if to the forces of the industrial proletariat that has emerged in China we add the rest of the sectors that make up the working class, agricultural proletariat and service proletariat, we will find that the largest proletariat in the world has emerged, made up of hundreds of millions of workers. The same phenomenon has occurred in India, and in all the countries of Southeast Asia, especially the *"Tigers"*, which were the dynamic pole of the world economy in the transition from the Keynesian regime to globalization.

In those regions, 50 years ago, the powerful proletariat that they are today did not exist. If we consider the existence of these hundreds of millions of workers who did not exist 50 years ago, the development of the working class in the rest of the colonial countries and the fact that in the G7 countries the working class has grown, we can then consider that in globalization, the working class reached the greatest magnitude and weight in the entire history of capitalism.

### **The Theorists of the "End of the Working Class"**

In the last 15 years, especially during the 1990s, numerous authors spoke of the end of the working class. Many essays with pseudoscientific pretensions presented the reality of capitalism as the beginning of a new era, in which technology would make the working class disappear or greatly diminish its social importance and specific political weight. Books like Jeremy Rifkin's *"The End of Work"* rained down on the decline of the global workforce.

This flowering of pseudo-scientific literature that heralded the *"End of the working class"* was intended to show an idyllic and angelic capitalism in which technical advances would cause the conditions of production to change in such a way as to disprove Marx's thesis that Capitalism generates through accumulation a great working class and unemployed masses of the population.

*"Post-working class"* literature flourished alongside *"post-Marxist," "post-socialist," "post-ideologies,"* and so on. that characterized the years following the fall of the Berlin Wall. In the *"requiem for the working class"* chapter of Rifkin's book you could read things like the following: *"In many communities the poorly lit factories of the second industrial age have already disappeared. The environment is no longer polluted by industrial fumes, floors, machines and workers are no longer covered in grease and grime. The hissing of the cooking ovens and the incessant clink of the gigantic machines is, today, a simple memory of the past"*

Obviously, Rifkin was talking about a dream place that does not exist, far removed from the reality of capitalism that can be observed in the labor concentrations in China, India and the terrible working conditions suffered by the majority of the world's population. Charlatanism about a "new capitalism" that leaves the planet with fewer and fewer workers and working conditions of excellent beauty, collides with overwhelming facts of reality that go in the opposite direction. There is not a single fact of reality that shows that the working class has regressed, but on the contrary, its sociological importance is enormous and growing.

And of course, nothing shows that capitalism has lost its brutally exploitative character, which holds increasingly unworthy working conditions for the majority of the world's workers. In the pages of Chapter II, we analyze the dire conditions of poverty and exploitation to which capitalist corporations and governments subject the masses of the world today. Other authors developed the thesis about the loss of political importance of the working class.

Tony Negri both in his books *Empire* (2000) and *Multitude* (2005) or John Holloway in 2001 in his book *"Changing the world without taking power"*, were some representatives of the current of opinion that argued that the working class had lost its political importance, and that now the confrontation with capitalism would be carried out by other social sectors.

From this thesis would derive another: That "*new revolutions*" would arise that would be made by a "*multitude*", without the class content of the processes having any importance. These theorists of the self-managed and autonomist "*new revolution*" were a version of Rifkin's vision of capitalism, but "*from the left.*" This vision culminated in an embellishment of capitalism from another angle: capitalism can be changed from within, organized in "*networks*" and "*nodes*" the multitude will make the changes without changing the power that exists.

Therefore, the working class is not necessary as a social agent that fights for an alternative power, since capitalism will be modified from within by the action of the "multitude". The rise of the outraged movements in Europe and "*Occupy Wall Street*" in the US would seem to agree with these "*new revolution*" theorists. But in reality, both Holloway, like Negri, and Rifkin, like so many others, are being categorically disproved by reality. The new movements that emerge are children of the capitalist crisis that began in 2007.

The gaze of the young activists and leaders who promote them points critically to the concentrated power of multinational corporations, far from the naive and candid gaze of the Negri and Holloway who saw capitalism easily dismantled from within. The wave of general strikes in Europe and the world, the resurgence of trade unionism in the US, shows that the working class with all its strength and fullness, has begun to face the brutality of the capitalist powers that try to destroy their living conditions. Far from the "*idyllic*" world that Rifkin painted, reality collapses all his talk.

The movements of the young and indignant, and the workers' strikes will converge while building the beginning of a movement of world struggle against capitalism. And in this struggle we will see in action not only the greatest crisis in the history of capitalism, but we will see how it sets in motion the largest and most important working class in the history of capitalism. The crisis has done nothing more than make a strong return to Marx's ideas. And the return of Marxism, to put an end to so much petty bourgeois charlatanism and illusionism, of those who formulated the existence of a "*new capitalism*", reformable with "*networks*" and "*nodes*".

## **Part II Capital accumulation**

We are going to analyze from now on this other pole of accumulation, capital accumulation, its movements and the contradictions that this process has generated. These enormous masses of hard-working workers of all categories have produced masses of value, expressed in goods, on a historical scale for capitalism. As we saw in Chapter IV, capitalism has carried out an accumulation of goods of historical magnitude as a product of an accumulation that has lasted centuries.

This accumulation is based on the exploitation of human labor and private property that allows the capitalists to appropriate that value, to obtain more profits and capital. We begin in this section to analyze how the contradictions of the capitalist system are chained, until we reach the current crisis and its diagnosis. We are going to show how the goods that capitalist society accumulates today arise.

This infinite and immense quantity of goods. Who has produced it? How can its value be measured? The defenders of capitalism affirm that capital is the one that produces value and this is what is taught and reproduced by governments and agents of capital, even in schools and universities. But the interests and aspirations of the defenders of capitalism come face to face with the Law of Value. What does this Law consist of?

Let's see how Karl Marx explains the Law of Value: "*The wealth of the societies in which the capitalist mode of production dominates is presented as an* enormous accumulation of goods. *Now, if we put aside the use value of the body of merchandise, only one property will subtract from them: that of being products of work ... That product is no longer a table or house or thread or any other useful thing ... being reduced in its totality to undifferentiated human labor, to abstract labor human ...* " (16)

For the Law of Value, what produces value, wealth and goods, is work: *"... the Law of Value dominates economic processes in a capitalist economy regime. In very general terms, it has the following content: value of commodities is the specific and historical form with which the productive force of labor is imposed ... What is a commodity? The objective form of social labor spent on its production. And how do we measure the magnitude of its value? ? Because of the magnitude of the work it contains. Work is the substance and the immanent measure of values "* (17)

What do we understand by work? For Nahuel Moreno: *"... Work is a physiological truth, it is an essential expenditure of the human brain, muscles, nerves and senses. In other words, it is abstract work. All use value is the product of a human expenditure of energy , whatever the historical period ... "* (18)

Moreno explains Marx's formulation that the value of a commodity is determined by 3 elements, the abstract labor contained in it, the time during which it develops and the social character , that is, it is carried out by millions of workers in the different branches of production. These 3 elements are for Moreno the determinations or determinants of value: *"... That is, whenever he produces an object, (the worker) works, that is, he spends human energy, transfers human energy to the object. Two, he transfers it during One time and Three, he does it in society ... "* (19)

That is to say, the goods have no value, it is the work they contain that gives them value. But even without having value, the commodities are the expression of the value created by the exploitation of human labor, made by the bourgeoisie in the capitalist mode of production. In this way, with commodities and especially with one of them, money, the class character of the Law of Value is expressed in capitalist society. Let's see then how money develops in capitalism.

The objectification of human labor contained in merchandise is expressed when the exchange between them occurs, that is, in commerce, as a social process that allows the exchange of merchandise, for Marx: *"They can only relate their merchandise to each other as values, and therefore only as merchandise, by relating them antithetically to any other merchandise"* (20)

However, although the Law of Value operates in all societies that have existed in history, be it primitive communism, Asiatic, slavery, and feudalism, after discovering that this Law applies to all societies, Marx then focuses and develops the analysis of the Law of Value in a given society, capitalism. The law of Value then, assumes a class character, that is, it explains the product of the exploitation of human labor of a certain class, the working class, made by a certain ruling class, the bourgeoisie, at a certain historical moment: the capitalism.

But in order to develop, trade requires an element, a merchandise that acts as a general equivalent that allows that exchange. This general equivalent is money, for Marx: *"... only a social act can convert a determined commodity into a general equivalent. For this reason the social action of all other commodities separates from them a particular commodity, in which all they represent their values ... Their character of being a general equivalent becomes, through the social process, a specifically social function of the separated merchandise. It is in this way that it becomes money"* (21)

But since they do not contain human work, price and money are figurative expressions of value, they serve to measure values but they are not value. To represent the closest thing to value, money must be backed by material money that has human labor, acts as a general equivalent, and backs the bills. In general, capitalism has been consolidating gold as the global backing of money, according to Marx: *"The values of commodities, then, are transformed into quantities of figurative gold and of different magnitude... Prior to their transformation into money, gold, silver, copper already have such patterns in their metal weights..."* (22)

Money and prices are manipulated throughout history by the ruling classes. We have already seen, for example, the activity of the first bankers such as goldsmiths in the Middle Ages, sometimes issuing more paper than they actually have as a backing for precious metals. In other words, the bourgeoisie permanently manipulates money as a commodity, which is used as a general equivalent expressed in coins, bills or papers.

Throughout history it has always done so with counterfeit coins or, in the great "inflation of the sixteenth century," when states made a great accumulation of gold and silver and issued fiat money to finance wars and pillage. Another case is the one we saw of President Nixon's 1971 Smithsonian agreements in the US, that broke the dollar-gold parity to manipulate the price of the dollar and lower US debts.

### Prices and money develop with the process of circulation

Price and money develop in the sphere of circulation, which comprises a set of economic processes of which the traffic of goods, money trade, the exchange of currencies and the emergence of banks are part. The circulation process is the first capitalist economic process, the oldest, and it allowed the development of capital, long before the capitalist mode of production existed.

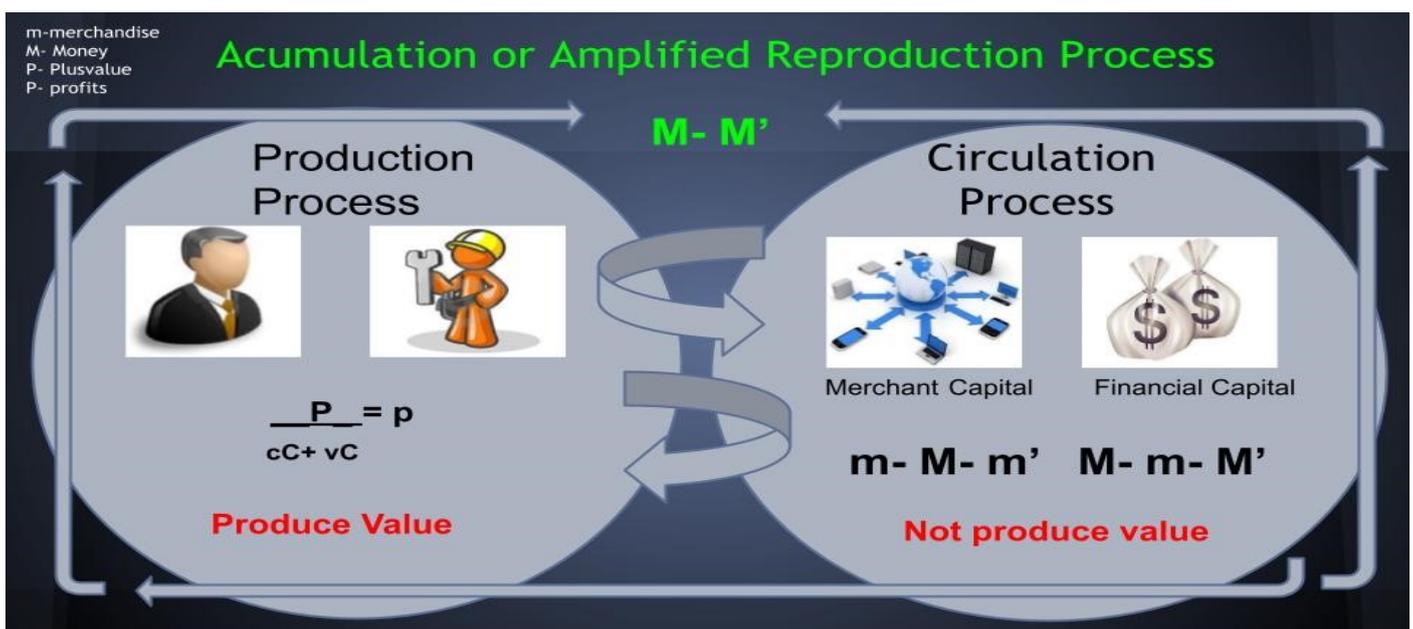
As we saw in Chapter V, with the Trading Nations, capital emerged many centuries before the capitalist mode of production and evolved through the centuries mediating exchange between different societies, Asians, primitive communist tribes, city-states, etc. The commercial capital that for Marx is divided into 2 subspecies, "... *The mercantile or commercial capital is divided into two forms or categories: commercial capital and finance capital*" (23)

Marx calls these 2 types of capital "*capital dedicated to the traffic of merchandise*" to the commercial capital itself and "*capital dedicated to the traffic of money*", to finance capital. Once the capitalist mode of production was consolidated between the 18th and 19th centuries, the development of industry ensures the process of producing goods for a world market. It is at that historical moment in which 3 economic processes are linked in an interrelated way, although they belong to completely different historical periods.

1) First of all, the set of economic processes that are part of the circulation process that we have been analyzing.

2) Secondly, the modern set of economic processes that make up the capitalist mode of production, at the center of which is industry as a Form of Accumulation.

3) The unevenly developed combination of both gives rise, in third place, to the process of expanded world reproduction or capitalist accumulation, already conforming its definitive form.



The Capitalist Accumulation or Amplified Reproduction Process 1) On the globe on the right the process of circulation 2) On the globe on the left the process of production 3) The unevenly developed combination of both gives rise to the accumulation or process of reproduction enlarged capitalist

In turn, the process of expanded reproduction or accumulation already constituted is the process by which the capitalist mode of production, like any living organism, seeks to reproduce itself.

$$\frac{cC + vC}{\text{-----}} = \text{Profits}$$

**Plusvalue**

**cC= constant capital**  
**vC= variable capital**

Although capitalist accumulation or expanded reproduction had been developing since previous centuries, establishing regimes in a partial and transitional way, in certain geographical regions and coexisting with various modes of production, from the combination of circulation and production now begins to consolidate, to establish definitively, and dominant on a world scale.

Each of these processes, although they are closely related, are different, with their own mathematical laws and formulas that express their fundamental movements. Composed of constant capital (**Cc**), which are the infrastructure, machinery, technology and tools, added to the variable capital (**Cv**) which are wages. Both are divided by the surplus value or unpaid work by the entrepreneurs (**p**) and give as a result (**P**) the profit.

In this process where human labor is exploited, value and surplus value are created.

**3)** The combination of both gives rise to the process of capitalist expanded reproduction that assumes its final form. The formula that expresses it in its entirety is **M-M'**, that is, Money (**M**) that seeks to reproduce itself by achieving more capital, expressed in Money (**M'**).

This formula is the expression of the whole process of operation of the capitalist system. In this way, the whole of the capitalist expanded reproduction process aims to transform (M) into (M'), the capitalist invests money and what he wants is to obtain more capital, expressed in money. This is how Marx explains it: "*M- M'*: we have here the primitive point of view of capital; money, in the formula *M- m- M'*, is reduced to the two extremes *M- M'*, where *M' = M + M*, that is to say, money that creates money .... It is the finished capital, that unites the processes of production and circulation, and that therefore yields, in certain intervals, a given surplus value " (**24**)

In this way, by establishing the capitalist mode of production as dominant on a world scale, the accumulation or expanded reproduction process implies that the processes of production and circulation develop in a combined and interrelated manner. The combination of the movements of these different forms of capital raises the dispute over obtaining profits to a greater degree.

Now capitals use circulation to go through different branches of production, looking for the ones that are most convenient for them to raise their profits. And circulation acts on production, where more serious and fierce struggles are established between capitals for profit. These increasingly convulsive and accelerated rotations of capital act by accelerating in turn the constitution of the average rate of profit and later, the movement of its downward trend.

The capitals that act in the process of expanded reproduction, seek to reproduce and obtain more capital. They do this by fighting each other and competing for portions of the plus value to ensure they make a profit. This is how Marx explained it: "*... commodities are not simply exchanged as commodities, but as a product of capitals that require a share in the global mass of surplus value, a share proportional to the magnitude of capitals ...*" (**25**)

Capital achieves in this way the so-called "*prices of production*". The prices of merchandise depend not only on the Law of Value, but also on the rate of exploitation that the capitalists can carry out on the human labor of the workers. The example is China, where the cheapest goods are produced as a result of the high rate of exploitation that the capitalists obtain from the Chinese proletariat subjected to brutal conditions of exploitation.

It is this continuous displacement between the different branches towards those with the highest rate of profit that ends up leveling the different rates of profit. In the interrelation of the sphere of production with that of circulation, in the interrelated action of industrial and commercial capital, the leveling of the average rate is accelerated and takes less time to establish. The result of this process is that the greater speed acquired by the rotation of capital accelerates the leveling of the average rate of profit.

### **Falling Rate of Profit Disturbs the Amplified Reproduction Process**

This dispute establishes an average social rate of profit, which causes that, on the one hand, the profit rate levels off and is the same for all capitalists, regardless of the magnitude of their capitals. Second, as production surges, it cheapens commodities and reduces profit margins, which pushes the capitalists' rate of profit into downward dynamics as well.

Production prices, although they are the product of higher labor productivity that favors the capitalist, have another facet: they act at the same time, reducing profit margins for capitalists and tending to lower the profit rate. But to these two questions is added a third, decisive one. The profits obtained by the capitalist are transformed into accumulated capital that needs to be valued, that is, he now has to obtain a greater proportion of profits than he obtained before, so that this new over-accumulated capital can continue to maintain value.

In order to obtain a proportion of profits higher than the average that he had been obtaining, the capitalist must obtain a higher rate of exploitation. If you do not achieve this goal, your win rate automatically collapses.

And if it succeeds, it overcomes the current crisis, but it incubates a higher one, because if it imposes higher rates of exploitation, it will achieve a higher accumulation, which it will then have to value.

By over-accumulating capital, the possibilities of valorization imply for the capitalists goals of greater complexity, increasingly difficult to achieve, since it forces them to obtain increasingly higher rates of exploitation, only possible to achieve with brutal confrontations with the exploited. If they are not achieved, the profit rate falls again.

This need to sustain the rate of profit explains the atrocities of capitalism, and the constant destruction of productive forces that characterizes it as an economic system. The prices of production, the leveling of the rate of profit and the over-accumulation of capital, this decisively, tend to lower the rate of profit. All these factors that we have mentioned, acting in an interrelated manner, cause a downward trend movement in the rate of profit, which Marx called the Law of Decreasing Trend of the Rate of Profit.

When the rate of profit falls, the crisis breaks out and the process of Extended Reproduction is disturbed, that is, it is paralyzed, it slows down. This Disruption of the Extended Reproduction Process is a permanent and chronic crisis, as part of the natural process of rebellion that the Law of Value makes against private ownership of the means of production and is expressed periodically, in crises, recessions, bankruptcies, etc.

The law of value rebels against private property because only work creates value, but for private property work only has value if it generates profit. If it does not generate profit, private property needs to destroy value and work to restore the lost rate of profit. Value and private property collide and become absolutely contradictory. The Disruption of the Extended Reproduction Process means that the fall in the rate of profit produces the withdrawal of capital from production and interrupts the process of reproduction of capitalism.

This is how Nahuel Moreno explains it: "...When is there a crisis? When capital stops investing...when the drop in the rate of profit causes capital not to be invested...capital does not enter the process of material production, the crisis occurs... As capitals only go where there is surplus value, they only invest if there is surplus value, and when there is little surplus value they leave,

and then when they leave they produce a gap.... There is no more capitalist accumulation, then nothing is done... When there is little surplus value and there is little profit, capital goes elsewhere and there is a crisis..." (26)

For Marx: "The periodic devaluation of already existing capital...disturbs the given conditions within which the process of circulation and reproduction of capital takes place, for which it is accompanied by sudden stops and crises of the production process. .. the decrease of that degree of exploitation below a given point provokes disturbances and paralysis of the capitalist production process, crises and destruction of capital." (27)

### **The role of credit in the Disturbance of Amplified Reproduction Process**

The departure of capital from the production process causes recession, crises and disturbances in the process of accumulation or extended reproduction. As the growing inability of the capitalist mode of production to recreate and reproduce itself becomes evident, what the capitalists do is appeal and resort to credit to revive the process of circulation, of money and reactivate the process of expanded reproduction.

With the development of banks and the credit system, the entire process of circulation is accelerated, because credit accelerates the speed of the metamorphosis of merchandise. In this way, credit causes the acceleration of the process of expanded capitalist reproduction, because it makes it easier for the holders of money to achieve, through capital at interest and credit, that capital reproduces itself.

This is how Marx explains it: "...credit accelerates the speed of the metamorphoses of commodities...acceleration by credit, of the main phases of circulation...And therefore, acceleration of the reproduction process in general." ...the credit system...accelerates the material development of the productive forces...the immanent characteristic of the credit system is to develop the engine of capitalist production..." (28)

Credit accelerates the sphere of circulation, thereby forcing the reproduction process, overcoming the limits that private property placed on it, for Marx. "This is only because the process of reproduction, elastic by nature, is forced here to its extreme limits...This only shows that the valorization of capital, based on the contradictory development of capitalist production, only allows truly free development up to a certain point, and constitutes in reality an immanent fetter and barrier to production, knocked down at every turn by the credit system" (29)

But the development of credit, brings as a consequence two phenomena. On the one hand, credit accelerates the development of the contradictions of the capitalist mode of production. By forcing the process of expanded reproduction "to its extreme limits", when it is hampered by private property, all the contradictions of capitalism are accelerated. And on the other hand, credit only accentuates the predominance of financial capital, which begins to grow and become dominant.

Why does Marx state that credit potentially contains the elimination of capital itself? Because together with the development of the banking system, the process of emergence of joint-stock companies is developed, in which the boards or directories replace the individual capitalist. With this, a fundamental change takes place: Individual private property is being suppressed, the capitalists are being expropriated by these great forms of capital that concentrate property in fewer and fewer hands.

That is, capital resumes its predatory and expropriating role. Only if before it was the expropriator of the owning social classes in the pre-capitalist modes of production, now it begins to expropriate the capitalists themselves within the capitalist mode of production. This is the monopolistic stage of capitalism that credit helps to develop with all its might. And that, by strengthening these tendencies, it acts by preparing the conditions for the expropriation of capitalism.

This is how Karl Marx explains it: "...the credit system...is, on the one hand, an immanent form of the capitalist mode of production, and on the other, a motor of its evolution towards its superior form, towards its last possible form." ...The constitution of joint-stock companies (has as)

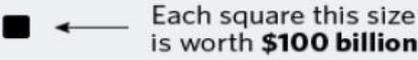
consequences an enormous extension of the scale of production and enterprises that would have been impossible for isolated capitalists..." "...Capital, which by definition is based on the social mode of production and presupposes a social concentration of means of production and their labor power, here directly adopts the form of social capital (capital of individuals directly associated ) as opposed to private capital. Their companies, then, present themselves as social companies as opposed to private companies. It is the abolition of capital as private property, within the framework of capitalist production itself" (32)

Marx and Engels managed to visualize the first Forms of Accumulation of the monopoly stage of capitalism. They perceived the trend towards the dominance of finance capital, the preeminence of the stock market, and the emergence of joint-stock companies, which they considered to be the "supreme development" of the capitalist mode of production. These entities are the beginning and the predecessors of the development of trusts, monopolies and multinationals.

This is how Marx analyzes it: "...In certain spheres the monopoly is established, which provokes the interference of the state. It makes a new financial aristocracy reborn, a new species of parasites, in the form of simply nominal promoters, speculators and directors . A whole system of fraud and fraud through the promotion of corporations, the issuance and trading of shares. It is private production, without the control of private property" (33)

For those who have had the illusion that credit could allow a peaceful transition from capitalism to socialism, we leave these words of Karl Marx: "Finally, there is no doubt that the credit system will be a powerful lever in the transition from the capitalist mode of production. to the system of production based on the association of work. This, however, can only be an element in connection with other great organic shocks of the mode of production itself. On the other hand, the illusions about the miraculous power that is granted to credit and banks, to act in the sense of socialism, come from a total ignorance of the capitalist mode of production, and from the fact that the credit system is one of its forms" (34)

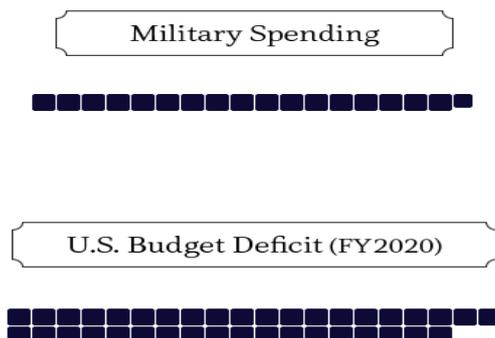
## we visualize the masses of capitals that through a historical process were accumulated by capitalism

How this visualization works:  Each square this size is worth **\$100 billion**

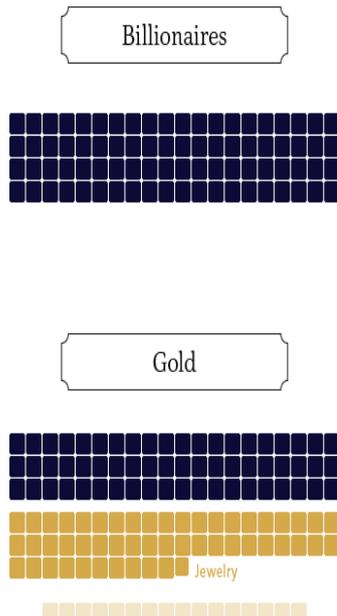
Como funciona esta visualización: cada cuadrado de este tamaño vale 100 mil millones de dólares

Source: "All the World's Money and Markets in One visualization". 27/5/20 Visual Capitalist

### Military spending, and the budget deficit of the United States to the year 2020



# All the wealth of 8 billion U\$S accumulated by the 2095 billionaires of the world. Below: All accumulated gold totals \$11 trillion



### The World's Billionaires

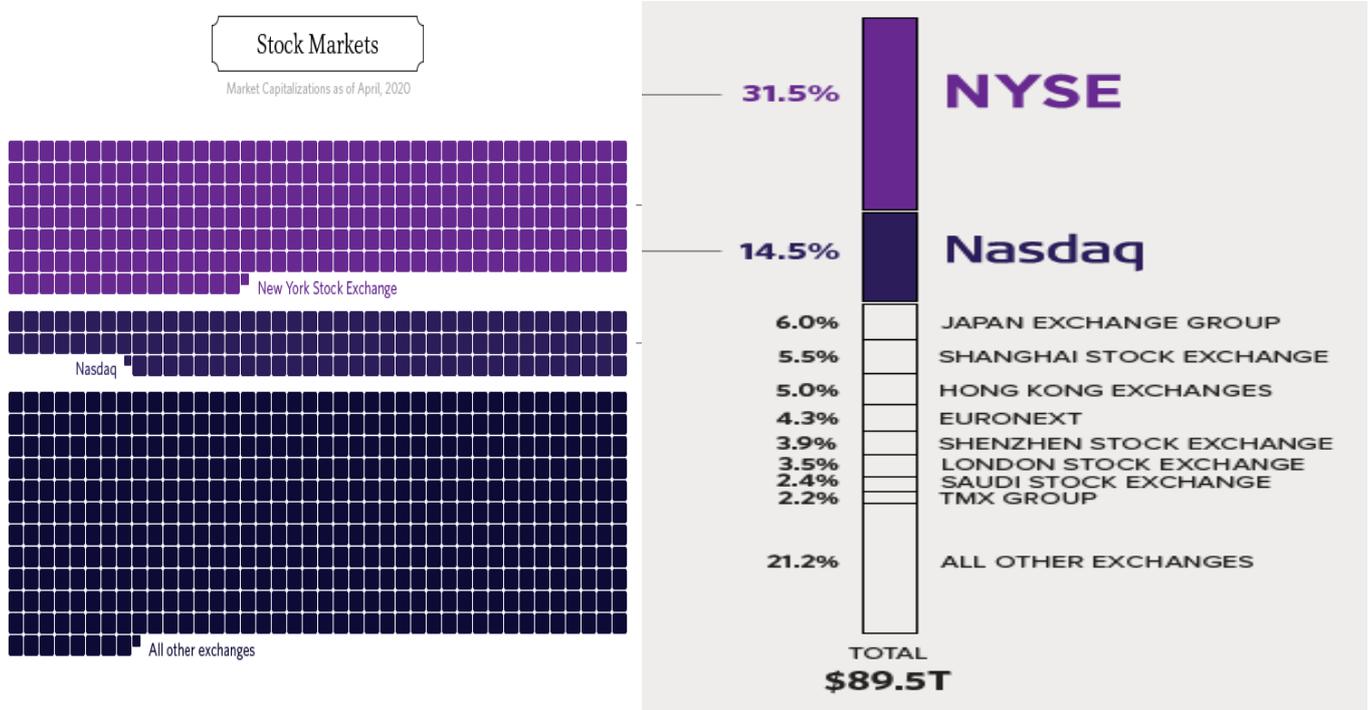
The world's 2,095 billionaires are worth about **\$8 trillion**. Below are the 5 richest, which collectively hold less than 5% of billionaire assets.

 BEZOS \$113B	 GATES \$98B	 ARNAULT \$76B
 ZUCKERBERG \$68B	 ELLISON \$59B	

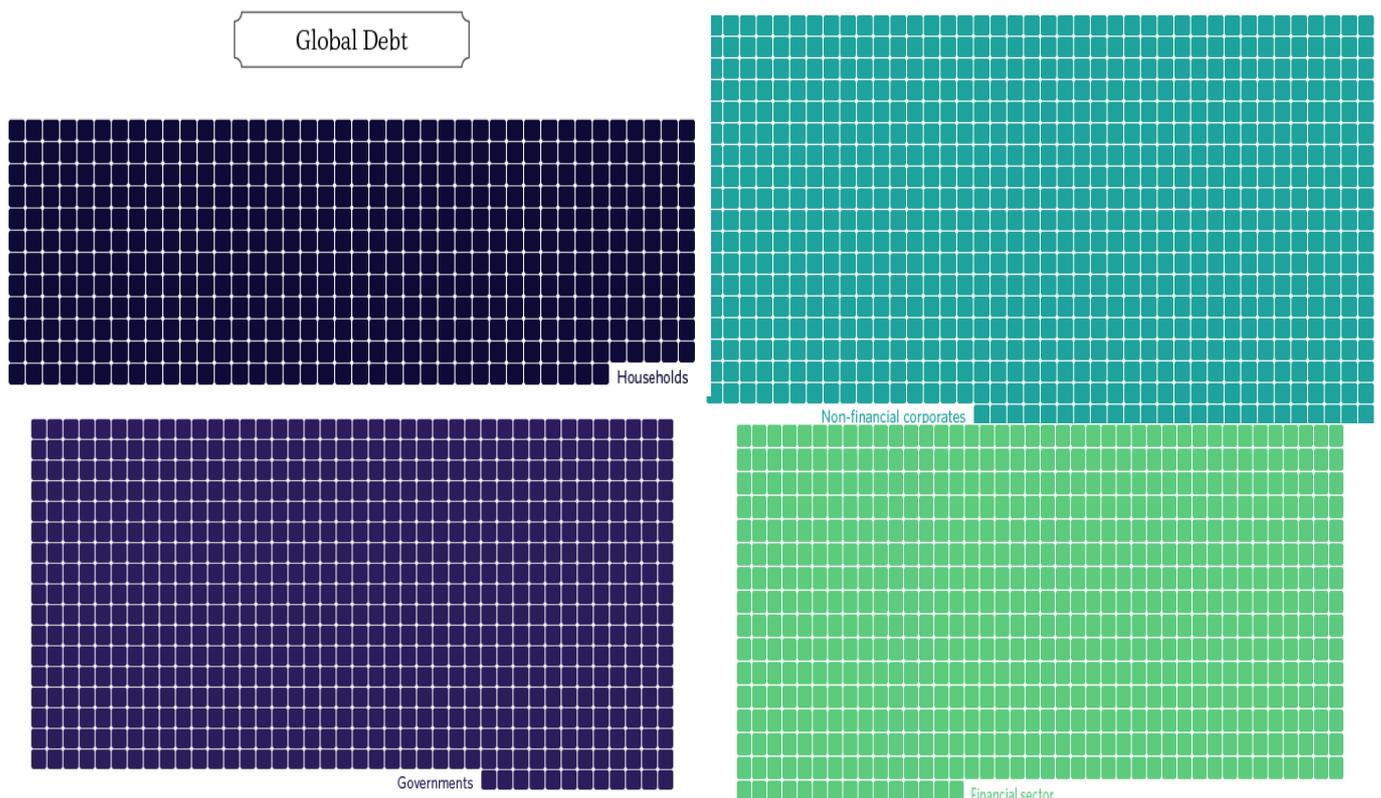
# All the value of the 500 main capitalist companies in the world, and the 5 leading technology companies



# The world's stock markets total 90 billion U\$S

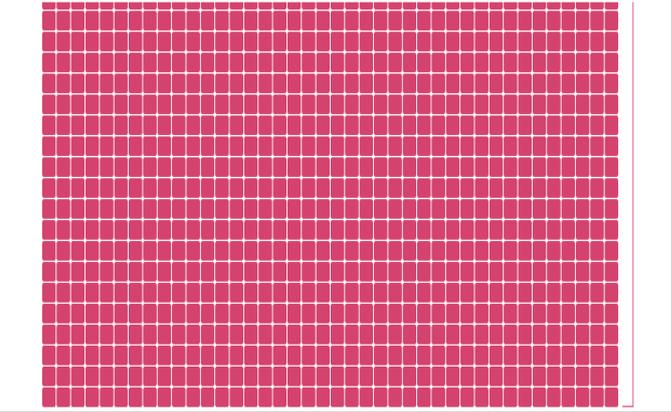
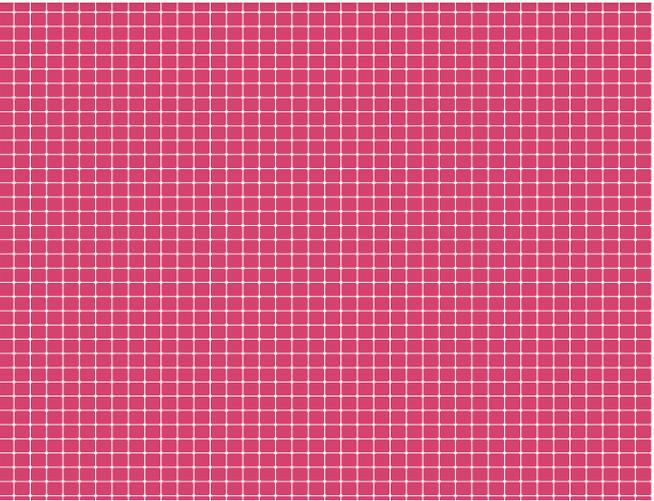
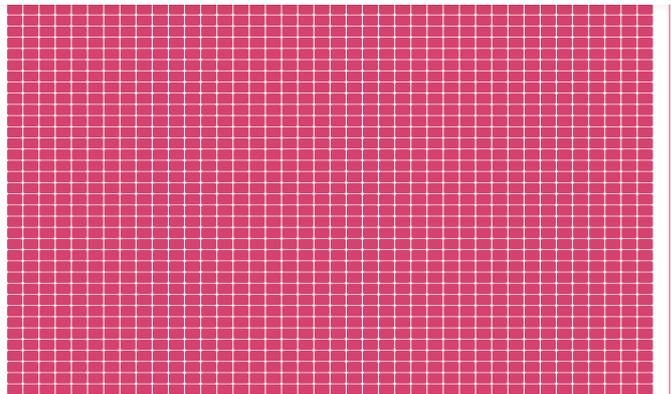
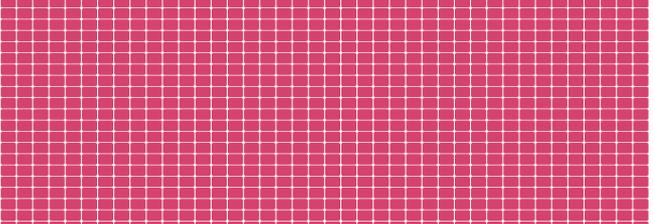
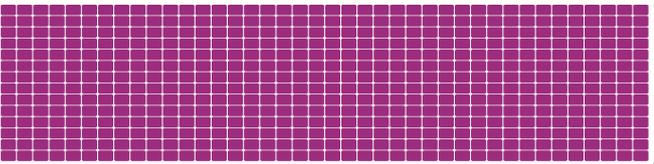
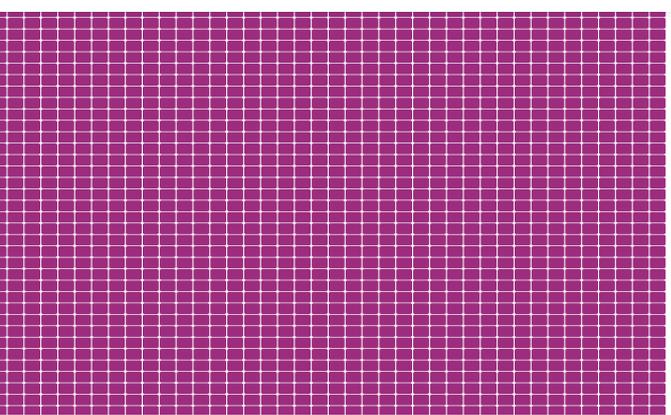
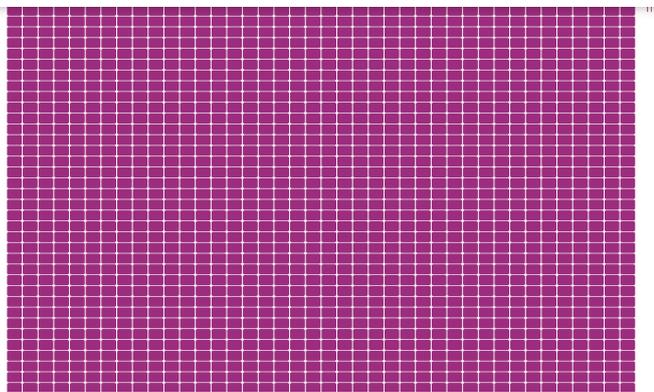
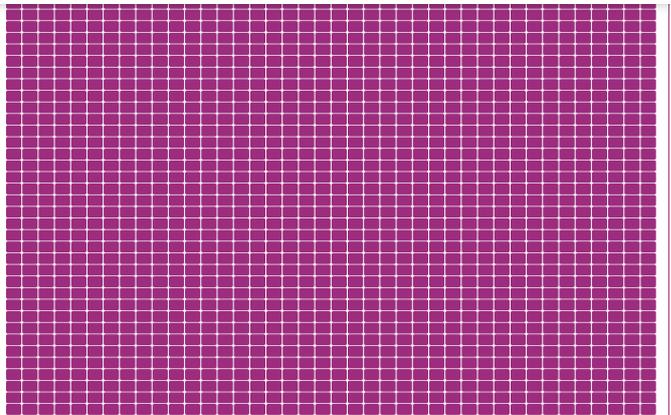
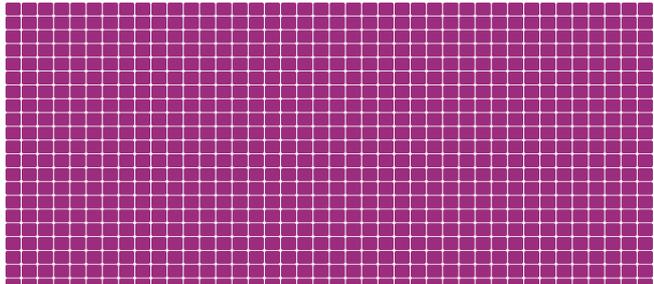


# All the debt of individuals, governments, companies and corporations totals 253 billion U\$S



# All speculative product debt including derivatives swaps, futures, options, and Over the Counter (OTC) products totals US\$1 trillion and US\$600 billion

Derivatives



## Conclusions on Capitalist Accumulation

In this way we end our global and historical analysis of the process of capitalist accumulation. We first saw how capitalism accumulated in one pole, grouped in megalopolises, the largest human masses of workers and unemployed in history. Then we saw how the most important masses of capital in history were accumulated at the other pole. Finance capital thus began to develop the dissolution of the capitalist mode of production. Capital now took the form of a complex and sophisticated machinery for the expropriation of the capitalist mode of production itself.

This is how Marx analyzes it: *"...This result of the supreme development of capitalist production...is the suppression of the capitalist mode of production within itself, and therefore a contradiction that destroys itself and that prima facie it is presented as a simple transitory phase towards a new form of production..." (35)*

In the imperialist stage of capitalism, the movement of fusion of industrial capital with commercial capital is expressed in an over-accumulation of capital of magnitude never seen before. This brutal overaccumulation is the expression of the contradiction between private ownership of the means of production on the one hand, and socially generated wealth on the other.

Financial capital takes up in the imperialist and decadent stage of capitalism, the historical dissolving action that commercial capital carried out on the modes of production that pre-existed capitalism. In this way they liquidate sectors of the capitalist class and accelerate concentration to levels never seen before, as Marx explained, *"they call into question the existence of capital itself."* The capitalist mode of production, gnawed from within by the actions of financial capital, expropriated in thousands of parts and its contradictions sharpened to paroxysm by the actions of Global Corporations, begins to suffer a process of dissolution and collapse.

This is how Marx describes it in Volume I, chapter 24 when he analyzes the historical trend of Capitalist Accumulation: *"... The one who must now be expropriated is no longer the worker who works on his own account, but the capitalist who exploits others." many workers. This expropriation is carried out through the action of the very immanent laws of capitalist production, through the concentration of capital. Each capitalist liquidates many others. With the constant decrease in the number of magnates capitalists who usurp and monopolize all the advantages of this process of reversal... The monopoly exercised by capital becomes an obstacle to the mode of production that has flourished with and under it. The concentration of the means of production and socialization of labor reach a point where they are incompatible with their capitalist crust. It is blown away. The last hour of capitalist private property sounds. The expropriators are expropriated. os... The negation of capitalist production occurs by itself, with the necessity of a natural process. It is the negation of negation..."*

The process of dissolution suffered by capitalism by financial capital is the general and historical framework that allows us to understand its crisis in the imperialist stage. In this framework we analyze the relationship between it and Accumulation, to advance in the most precise formulation of a Marxist Theory of Crisis.

## The Marxist Theory of Crisis and Accumulation

One conclusion regarding Accumulation or Extended Reproduction is that the crises of capitalism have a profound relationship with it, and find their determining element in Accumulation. Therefore, it is necessary to evaluate the Marxist Theory of Crisis in relation to Accumulation, to define its laws and movements. We know that Marx and Engels did not succeed in systematically elaborating a theory of crisis.

They worked with elements in different parts of their work and never considered the crisis as the product of a single cause, because all the internal contradictions of the capitalist mode of production intervene in it. The trend fall in the average rate of profit sums up the set of contradictions. Although the crisis is explained by multiple causes, we have seen how the historical process of Accumulation of capitalism develops all the contradictions that later motivate the crises, which makes it their determining element.

That is, Accumulation unfolds by developing the contradictions of capitalism, and these in turn then act on Accumulation. That is why all the other contradictions revolve around the Accumula-

That is, Accumulation unfolds by developing the contradictions of capitalism, and these in turn then act on Accumulation. That is why all the other contradictions revolve around the Accumulation or Extended Reproduction Process of capitalism, which is the determining element.

The Accumulation process causes the capitalist crisis to be formed by 2 movements that occur simultaneously and interrelated:

**1.- The first movement** is that of the permanent irruption of the contradictions of capitalism. This movement is expressed in bankruptcies, inflation, stock market crash, devaluation, recession, bankruptcies, etc. it happens all the time and in all stages and phases of capitalist development.

We call this movement Quantitative Disturbance of the Extended Reproduction Process, or Quantitative Crisis (**QTC**). It is when the extended reproduction or Accumulation is interrupted, slows down, is disturbed, until it resumes its course. This movement occurs permanently, but does not threaten the survival of the capitalist mode of production. That is to say, the (**QTC**) is an organic, chronic and permanent movement of capitalism, regardless of the stage in which it finds itself, be it in the primitive accumulation, in its apogee or the imperialist stage.

The burning and destruction of capital, even in a small magnitude in relation to the existing capitals in the economy as a whole, allows to solve it. This first movement is closely related to a second movement that is also the result of the Accumulation process. Capitalism develops the permanent tendency towards the centralization of capital, and this is one of the most important laws of Accumulation.

This capital centralization movement arises as a need to respond to the permanent explosion of the contradictions of capitalism and gives rise to the various forms of accumulation. As we saw in chapter V, the Forms of Accumulation go through phases of emergence, boom and exhaustion. During a phase of the rise and rise of the predominant Forms of Accumulation, capitalism goes through a long period of economic expansion. But when the exhaustion phase of the predominant Forms of Accumulation arrives, the economy enters a long period of stagnation.

As a result of the fact that there is no economic growth, or it is very weak, Extended reproduction slows down or paralyzes for a long time, as an expression that the predominant Form of Accumulation has reached the limit of its development. As Accumulation enters an almost absolute paralysis, the capitalists appeal to credit to unblock it, but since it is not an ordinary crisis, credit cannot get it out of its paralysis, nor unblock the Accumulation crisis.

**2.- The second movement** is a Perturbation that almost totally paralyzes the Accumulation. The way out of the crisis is not achieved with credit, nor with a regular burning of capital, as in the CCT, because it is the product of the exhaustion of the predominant Form of Accumulation. By failing to get out of the crisis, it constitutes a threat to the capitalist mode of production, so we define this second movement as a Qualitative Disturbance of the Process of Accumulation or Extended Reproduction, or Qualitative Crisis (**QLC**)

That is to say, we are not in this case facing an ordinary, regular disturbance, from which capitalism usually and regularly suffers. This is an extraordinary, long-lasting and very serious disturbance. The way out of this crisis requires a profound process of violent liquidation of productive forces, which allows capitalism to overcome the exhausted Forms of Accumulation and can move on to a superior Form of Accumulation.

## Two kinds of capitalist crisis

<p>The Quantitative Disturbance of the Accumulation or Amplified Reproduction Capitalist Process</p> <p><b>QuanTitative Crisis</b></p> <p><b>QTC</b></p>	<p>The Qualitative Disturbance of the Accumulation or Amplified Reproduction Capitalist Process</p> <p><b>QuaLitative Crisis</b></p> <p><b>QLC</b></p>
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The **QLC** is long-lasting, it threatens the survival of capitalism, and it brings with it huge shocks from capitalism's need to destroy huge masses of productive forces to overcome it. This causes another phenomenon, the **QLC** is long-lasting, it threatens the survival of capitalism, and it brings with it huge shocks from capitalism's need to destroy huge masses of productive forces to overcome it.

This causes another phenomenon, the **QLC** , is always linked to great political and social historical events. Let's see from the point of view, the main **QLC** that capitalism has suffered since its origin:

**1st QLC** : In the 14th century, as a result of the first forms of Accumulation, predominant in the Commercial Nations, they entered their phase of exhaustion. Together with them, the first financial Forms of Accumulation that had arisen linked to them were also exhausted. As we have seen, this CCL provoked an enormous process of destruction of productive forces, known as the Hundred Years' War, which allowed the consolidation of the Factories, as the Predominant Form of Accumulation.

**2nd QLC** : End of the 15th century and beginning of the 16th century as a result of the fact that the predominant Forms of Accumulation, the Factories, were exhausted, which caused an enormous process of destruction of productive forces, the War of 80 Years, the crushing of popular insurrections that developed between the fourteenth and fifteenth centuries in Europe and the beginning of the expropriation and genocide of millions of peasants in Europe and the primitive communist tribes of America, Asia, Oceania and Africa. All this enormous process of destruction of productive forces was at the service of the development of Manufactures as the Predominant Form of Accumulation.

**3rd QLC** : End of the 17th century and beginning of the 18th century as a result of the predominant Forms of Accumulation, the Manufactures being exhausted and also the Commercial Companies linked to them. This caused an enormous process of destruction of productive forces and wars: The 30 Years War, the Franco-Spanish War, the Anglo-Dutch War and the Civil War in England, the latter, in reality, a deep revolutionary process in which the bourgeoisie He took power. As a result of this process of destruction of productive forces, Industry was established as the Predominant Form of Accumulation and Banks and Credit as Forms of Financial Accumulation.,

**4th CCL:** Located at the beginning of the 19th century when the industries began to enter their exhaustion phase, the Disruption unleashed a new and violent wave of destruction of productive forces, with revolutions and civil wars in which the bourgeoisie eliminated internal customs, expanded the internal market, pushed national borders and modern states emerged. After them, monopolies emerged as the predominant Form of Accumulation.

**5th CCL:** Located at the beginning of the 20th century when the monopolies entered their exhaustion phase. This unleashed a new and violent process of destruction of destructive forces, the 1st and 2nd world war. Fascism and the Russian revolution developed in between. After it, the modern multinationals emerged as the predominant Form of Accumulation.

**6th CCL:** Located at the end of the 60's of the 20th century when modern multinationals entered their phase of exhaustion. Capitalism was able to weather this Disruption given the violent process of destruction of destructive forces unleashed in the post-war period in backward countries, which included Vietnam, Korea, China, Yugoslavia, etc, added to the process of restoration of capitalism, which began in the '70s. All this enormous destruction of productive forces developed in the postwar period allowed the Multinational Corporations to be located as the predominant Form of Accumulation.

**7th CCL:** The current one, located at the beginning of the 21st century when the Multinational Corporations entered their exhaustion phase that began to manifest with the dot.com crisis in the year 2000. There was no process of destruction of productive forces of magnitude necessary to move to a higher Form of Accumulation, product of the failure of the Project for a New American Century with the defeat of Iraq and the failure of the Patriot Act in the US. This caused the crisis to break out in June 2007, with the bursting of the sub-prime bubble.

### **Relationship between QTC and QLC**

In the phase of boom and development of the predominant Forms of Accumulation, the **QTC** acts all the time, Bankruptcies, recessions, devaluations, inflation, etc., happen permanently, but linked to a period of economic expansion, which is fed and interrelated with the. When the Forms of Accumulation enter their exhaustion phase, the economy enters a long period of stagnation and the movement of the **QLC** occurs. The **QTC** continues to act within this movement and closely related to it.

Both movements are linked in the following way: bankruptcies, inflation, recession, etc. they act within the **QLC**, but subordinate to it. The **QTC** is subordinated to the **QLC**, because the Accumulation has been completely paralyzed. And the movements of the **QTC** do nothing but aggravate the general crisis.

Synthesizing: There are 2 movements of the crisis of capitalism. One is the chronic, periodic crisis, the movement of all the contradictions of capitalism synthesized in the fall of the rate of profit that becomes a **QTC** of the Process of Amplified Reproduction. The other is no longer an ordinary crisis, it is a crisis that appears with a greater frequency of years, but whose duration is longer because it is deeper, it is the one characterized by the exhaustion of the predominant Forms of Accumulation.

It is a crisis in the heart of the capitalist system, in its process of Accumulation and is therefore a **QLC**. The **QLC** not only threatens the capitalist mode of production because it paralyzes Accumulation. It also does so for another reason: Talking about capitalism is actually an abstraction. In reality, the capitalist mode of production changes all the time and is not eternal, nor immutable, which is why, when we speak of capitalism, we speak of determined Forms of Accumulation, which act in a determined and concrete historical moment.

That is to say, although the general laws of capitalism continue to act all the time and do not change, the predominant, concrete and determined capitalist companies do, which act by accumulating capital in a specific period of their development. For example, to speak of capitalism in the 16th century is to speak of the Manufacture.

In the 19th century it is to talk about Industry and in the 20th century it is to talk about Multinationals. Capitalism, as we have seen, is formed in a global and complete way around them, constituting a Regime of Accumulation. But if, as a result of the **QLC**, these companies that are predominant in a certain period enter into a crisis, this threatens not only the existence of the predominant Forms of Accumulation and of the Accumulation regime as a whole that has been constituted, but it also threatens the way of concrete and determined capitalist production, which has been formed around them.

And the threat extends to all corners of the capitalist system with no sector left that is saved from being totally or partially affected. This is the underlying reason why the **QLC** threatens the existence of the capitalist mode of production. The diagnosis of the current crisis of capitalism Ultimately, both Quantitative and Qualitative Disturbance are dialectically interrelated expressions of the fundamental contradiction that is at the base of capitalism.

They express the contradiction between capital and Labor, between private property and the Law of Value, between collective production and individual appropriation, and all the other contradictions that act relentlessly, in all stages, phases, and periods of development of the capitalist system. The Law of Value acts by aggravating the contradictions of capitalism, because the value expressed in commodities under the domination of the bourgeoisie, to the extent that the bourgeoisie fails to assert its dominance, acts by denying them with the collapse of the price of the Forms of Accumulation, or the loss of the value of money, which is in turn an expression that both one and the other have no value.

And so it becomes clear that capital is not the producer of value. It is clear that value is only the product of work. The multinational corporations, the capitalist states, the analysts who defend capitalism of all stripes are perplexed by the forceful performance of the economy, whose profound laws they do not understand. These characters are increasingly confined to explanations based on trickery, periodic or secular cycles, luck, providence, the horoscope and, ultimately, the divine will of some superior being that determines events.

This explains why all the policies of the G7 governments that seek to resolve crises by intervening in the world market or trade, manipulating prices, or stimulating credit or manipulating portions of the world flow of capital, systematically and completely fail. Policies to resolve the crisis through interventions in the field of circulation and trade, do nothing more than aggravate it because the crisis develops in the process of Accumulation that runs through the entire economic process.

Officials of capitalist governments, economists who defend capitalism, and even some analysts, considered Marxists, observe the origin of the crisis in the market, commerce, the sphere of the circulation of merchandise or the consumption of goods, which leads to qualify the crisis of overproduction, underproduction or low consumption.

These formulas end up crashing against reality and fail. For Moreno, those who from Marxism analyze the crisis from the point of view of the market are vulgar Marxists: *"... That is why it is called vulgar Marxism. Any attempt to explain the phenomena of capitalism by the market, we call it vulgar Marxism.. ." (36)*

With the knowledge of these movements and laws, we can then define the character and nature of the current crisis from the diagnosis of the crisis: Capitalism is going through a process of Qualitative Disturbance of the Process of Extended Reproduction. In other words, we are experiencing a process of exhaustion of the current predominant Forms of Accumulation, the Multinational Corporations, whose bankruptcy and support with bailouts expresses that they are Forms of Accumulation that have entered their phase of exhaustion.

These Forms of Accumulation are, in turn, successors to the Postwar Modern Multinationals, and both consolidated the imperialist era of capitalism. Therefore, if we had to put it in a popular phrase, we could define this crisis and divulge our diagnosis, saying that what has caused the current crisis is The End of the Multinationals. Being in the middle of a **QLC**, the successive

injections of giant masses of credit capital, carried out by the central banks with the bailouts, managed to revive the world economy, but gave as a response the weakest economic indicators of the last decades.

This phase has developed its potentialities to the maximum and has exhausted them, opening from now on a historical crisis, of long duration, that will go through momentary depressions and recoveries. The bailouts open a new regime or phase in which two sets of trends that we have discussed in Chapter II develop and a deep depression that is likely to span several years.

Even so, the response capacity of the capitalist governments of the world, both the imperialists and the semi-colonial ones, has been effective, coordinated, and has formally avoided the bankruptcy of the Multinational Corporations. The Quantitative Easing and the global interventions of the states, not exempt from crises and contradictions, seek to stop the collapse.

Regardless of the rhythms that the situation acquires, of whether a new fall is made or not, of whether the economic assistance of the G7 states, which continues, is combined with new global or partial bailouts, what we are witnessing is the end of the economic regime of globalization, and the beginning of a new phase, or regime that has all the elements of barbarism, heralding some of the trends towards the decomposition of capitalism.

In the last period an important controversy has been unleashed about the meaning of the rescues. Whether they will be able to move the world economy forward or not, and what consequences they will bring to the development of capitalism. We already know what effect these monstrous masses of capital that have been injected into the world economy will cause, they will allow a conjunctural relief, they will allow the process of circulation, credit and money that are collapsed to be partially restored.

But they will be developing even stronger all the contradictions of the capitalist system, the crises and with it, the shocks and social upheavals that herald a greater crisis. The End of the Multinationals is a class definition of the crisis. The analysis of the role of capital throughout history allows us to understand the role that financial capital is playing in the final, decadent stage of the capitalist mode of production and thus anticipate the possible outcomes of its history. The dying and decadent capitalism threatens to drag humanity to disaster and the conditions for the transition from one mode of production to another are ripe.

But this step is no longer in the field of economics, but will be determined by the course of the next events in the class struggle. No matter how much credit and financial capital act to accelerate the dissolution of capitalism, no matter how much the bailouts put this perspective in a fast and precise movement, no matter how much the acceleration of all contradictions is rising to paroxysm, capitalism is not going to disappear.

His downfall is not an economic movement, although the economic movement raises the possibility of his downfall. It is in the political field, where it will be defined whether or not capitalism will continue to exist, and in what way, if it survives, it will do so. Perhaps the analysts who defend capitalism believe that *The End of the Corporations*, the title of this work, is an irony that we Marxists launched in response to so many ironies received in the last 20 years.

In this period we have received abundant bibliography with slogans such as *"The End of Marxism"*, *"The End of Socialism"*, *"The End of Ideologies"*, *"The End of History"*, *The End of Work"*, etc. All of them destined to demonstrate and consecrate the triumph of definitive and final capitalism. Those authors and those texts have already been buried by reality. And although a small revenge corresponds to so many barbarities written with scientific pretense, the title of this work is far from being reduced to a mere revenge.

On the contrary, *The End of the Corporations* is the title of this work because it is the scientific, Marxist definition of this crisis. If there is something important about the current debate on the situation of the world economy, it is precisely that of carrying out a profound, scientific diagnosis in order to reveal its nature.

For Marx, the study of scientific economics is more than difficult, due to the number of enemies it encounters: *"In the field of political economy, free and scientific research encounters many more enemies than in its other fields of exploration. particular nature of the subject with which it treats, raises against it and onto the field of battle the liveliest, meanest, most hateful passions of the human heart, all the furies of private interest. The High Church of England, for example, will much more readily forgive an attack on thirty-eight of his thirty-nine articles of faith than on one thirty-ninth of his income."* (37)

Our definition of crisis then finds many enemies. Most economic analysts, defenders of capitalism, and many Marxists, highlight stock market movements, GDP growth, the price of currencies, debts, inflation, etc. in their analyses. But, how many articles referring to the world crisis of capitalism analyze global corporations? How many studies are there of their situation and development? What Marxist study exists on global corporations, their evolution and their role in this crisis?

It will be an arduous task for our reader to find the works that answer these questions. However, even for the common citizen and the furthest from knowledge of the complex laws of the economy, for the humblest worker, for any peasant, intellectual or for any person with common sense, multinationals are the entities that dominate the capitalist economy. The bourgeois economists know this well, because they know the data of reality.

But even without knowing these data, without knowing their origin and evolution, without having the studies on the economic facts, the humble worker who lives in capitalism when he sees the advertisements and the neon signs in the streets, when he acquires the products for his subsistence or when you buy an appliance or a car, you fully understand who dominates the economy.

Like the citizen of the Middle Ages when he saw the cross and the castles in the distance, or the primitive communist tribes who saw the ships arrive, the current citizen knows the same, even if he does not understand economics. It is more than significant, in the analysis of the current crisis of capitalism, that there are no such in-depth studies on multinationals. *"Public opinion"* expands around the most diverse explanations about the current crisis of the capitalist economy, with practically none making reference to the entities that any mortal considers the most important in the world economy.

This silence about multinationals, unfortunately, also includes Marxist texts and studies, which thus capitulate to bourgeois *"public opinion"*. The silence about the multinationals has an objective, to hide from the eyes of the masses, from the millions of workers, peasants and students, the real nature of the crisis. But it is the working and popular masses that are indicating the diagnosis with their healthy and profound class sense of smell. Although many of the thousands who fight and rebel against the capitalist crisis in the world know nothing about economics.

Already the emergence of the first movements of *"Indignados"*, already with *"Occupy Wall Street"*, already with the strikes and mobilizations that are going through the world, and with the criticism that intensifies in the towns and workers against the Corporations, millions put their finger where is the focus of the crisis, although they know nothing of Marxist economics.

We must then say it with more force and take this clear theoretical and political message that is our diagnosis to the masses to express what *"public opinion"*, rulers and leaders refuse to say, to hide from the masses what is really happening.

We tried to give this diagnosis following the Marxist method, the one that our teachers advised us to follow, such as Nahuel Moreno who, when facing the study of the economy, advised us to give definitions of class, when facing the scientific study of it: *"It is good that we let us agree once and for all what it means for a Marxist to study Marxist political economy... For example, there is a tendency to allow ourselves to be enveloped by formulas or by economic laws as if they had a life of their own, as if they acted on their own. yes alone."* (38)

For Moreno, formulas, laws, and analyzes of economic processes, although fundamental, are worthless if they develop by themselves, isolated from political and social phenomena and class analysis. And just as history is made by classes, Moreno advised us not to forget for a minute that the economy is also made by classes. This is how he explained it: "*For me, the decisive factor is the class character of everything...it is the key to everything...Marxist economists almost always forget that if history is made by classes, so are economies.*" *they are made by the classes. What do I mean by this?...That if there is something that belongs to the classes, it is the economy...we should not get lost and isolate ourselves from the class process when doing the economic analysis" (39)*

The current crisis of capitalism is the current crisis and the exhaustion of multinationals. The Global Corporations, entities that express the highest degree of accumulation reached by capitalism, are the ones that have gone bankrupt, and their bankruptcy expresses the exhaustion of globalization.

When we speak of the End of the Corporations, we are not only referring to describing the agony of these Forms of Accumulation. We speak of the crisis and agony of a social class; that of the owners of the multinationals, those of the tycoons and big capitalists who dominate the world economy as a whole and own almost all the most important means of production and exchange.

The End of the Corporations is the fatal and definitive decline of that social class and with it, the social, political and economic system that they lead. If they succeed and manage to overcome this crisis, history shows us that they can drag us into a new economic regime that imposes conditions of barbarism and exploitation of grave brutality.

Like Trotsky's famous forecast for the political revolution, for this economic crisis it is also an alternative: Either imperialism imposes the definitive domination of capital and a Form of Accumulation that surpasses the Global Corporations or the revolution expropriates them. The result depends on the class struggles. Expropriating the multinationals is a measure that can only be carried out by successful revolutions that impose proletarian dictatorships.

The best tribute we can pay to our teachers is to follow their advice, for which it is vital to make a class definition of the crisis, and thus combat vulgar Marxism and analyzes of "*public opinion*" that introduce the prejudices and interests of the defenders of big business and capitalism, within the working class.

So, with that objective, it is worth this work that we call The End of the Corporations. And that we make available to the new generations of workers and fighters around the world, who are leading the global rebellion against capitalism. They need a diagnosis of the crisis to undertake the task of putting an end once and for all to this unjust system, whose terminal crisis is unfolding before our eyes, and whose next revolutionary convulsions will bring about its end.

**Notes:**

- (1) Karl Marx. Capital Book I Chapter XXIII The General Law of Capitalist Accumulation
- (2) UN. State of World Population 2007
- (3), (4), (5), (6), (7), (8) José Moreno Pau *"Immigration in Europe"*. with the collaboration of Jan Talpe. Marxism Alive 15 year 2007
- (9), (10), (11) and (12) Chris Harman. *"The workers of the world"* (Part 1)Source: International Socialism 96 Date: 6/12/2003
- (13) Baldoz, Koeber and Kraft "The critical study of work: work, technology, and world production"
- (14) and (15) *"The new proletarians of the world at the turn of the century"*. Roberto Antunes Marxism Alive June/September 2000
- (16) and (17) Karl Marx, Capital, Book I, chapter XVII, Transformation of the value of labor power into wages (our underlining)
- (18), (19), (20) and (21) Nahuel Moreno. School of Economics
- (22), (23) and (24) Karl Marx: Capital, Book I, chap. 3, The money, or the circulation of goods, underlined our
- (25) Karl Marx: Capital, third book, chap. 20, Historical Considerations on Commercial Capital
- (26) Nahuel Moreno. Cadre School of Economics
- (27) Karl Marx: Capital, third book, chap. 20, Historical Considerations on Commercial Capital
- (28), (29), (30) and (31) Karl Marx: Capital, third book, chap. 16, The capital dedicated to freight traffic
- (32) (33), (34), (35) Karl Marx: Capital, third book, chap. 20, Historical Considerations on Commercial Capital
- (36) Nahuel Moreno. School of Economics
- (37) Karl Marx: Capital, third book, chap. 20, Historical Considerations on Commercial Capital
- (38), and (39) Nahuel Moreno. School of Economics

