XXI Century: Crisis of a Civilization; the end of history or the birth of a new society / Second Revised Edition (2012/01)

Wim Dierckxsens (editor), Antonio Jarquín, Paulo Campanario, Paulo Nakatani, Reinaldo Carcanholo, Rémy Herrera

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Introduction - The Complexity of the Present Crisis

This study aims at analyzing different aspects of the global crisis and depression of the 21st century, from a trans-disciplinary perspective and showing how these problems are perceived at the beginning of 2010. The crisis will be analyzed in its different aspects, that is to say, not only from an economic-financial perspective, but also taking into account the geopolitical crisis, as well as the military, energy, food, ecological, ethical and social crises. The simultaneous crises affecting humankind are many; their complexity does not allow an adequate understanding if we approach them from only one discipline of knowledge, in fact, not even from an interdisciplinary approach. It is necessary to break down the artificially built boundaries between the different disciplines. Therefore, a trans-disciplinary and dialectical approach is needed to understand the interconnection, magnitude and complexity of the problem. We are in search of answers not limited to the economic dimension of the crisis, but integral and emancipating answers from the perspective of oppressed peoples of the South.

It is our opinion that, from March 2009 on, and contrary to what the big media said, the world did not recover from the so called credit crisis. At the beginning of 2010, there are signs that it is rather intensifying – a process that will take years and maybe all the present decade. Of course, as a result of the complexity of the topics and mainly their projection into the future, it is difficult to reach unanimity of criteria; and there will always be different nuances and varied opinions, above all, because of the unpredictability of different future developments. The analysis will not be limited to the recent past and the current state of the crisis, but we will try to identify possible future trends which are very hard to predict. We would also like to point out some dangers of the crisis, beyond the economic aspect, and, at the same time, identify the opportunities it could offer to the oppressed peoples in general, and to those from the South in particular. We have chosen a more prospective analysis for the taking of action faced with possible scenarios.

Members of the International Observatory of the Crisis, as well as other related scholars, had been raising the alarm over the years, in several articles, books and forums, about the situation that was brewing in the world: A huge and unprecedented global crisis with economic, social, political, military, energy, food, ecological and even ethical manifestations, the result of decades of combinations of numerous contradictions. Although we are going through a very difficult period, it is also a time full of opportunities for building a new road for peace, democracy, freedom, justice, human dignity, equity in progress, common security, and a life in harmony with the planet. These objectives and values must not be subject to manipulation, renunciation or negotiation. They should be defended over political parties, races, ideologies and religions, until reaching a reasonable balance among human beings, and between them and nature.

Since the emergence of capitalism, there have been cyclical or periodical crises, with more or less intensity, extension or duration. This time, however, we are facing a new crisis, with different characteristics. It’s a wider, deeper and multidimensional crisis with a global reach. Therefore, we are not only talking about another cyclical
crisis of capitalism but about a big structural crisis within the frame of a “Crisis of Civilization.” This means a potential for eventually remodeling the socio-economic geography and global history. It’s the chaining together of several crises, beginning with the financial and economic one. All these together are in motion in a context where many of them are as serious as the economic crisis itself, or even worse than it. Among them: the ecological crisis, intensified by very likely global warming; the energy crisis and that of natural resources; the agricultural and food crisis, which is threatening the most deprived people on the planet; the ethical and ideological crisis. The ideas, the rationality and the moral principles, which derive from the very economic rationality and have always been a support to the current unjust civilization model, are also in crisis.

The financial/economic crisis – as we will see ahead – affects the real economy in all countries, therefore, it is global. It became apparent, among many other things, in the uncontrolled increase of private and public debt and the volatility of currencies, not only in the periphery countries as in previous decades, but in the United States. In other words, the epicenter of the crisis is in the heart of the empire. The first manifestation was a credit and mortgage crisis of banks (which were bailed out by governments with huge amounts of money). Now, the threat of bankruptcy of the core countries’ governments is real. The increase of the public debt did not manage to revive the economy. For example, productive investment in the US fell 24 percent since the end of 2007, causing major unemployment and affecting income. The debts in default and the fall of income led to a generalized contraction of demand. In other words, the crisis of the real economy became apparent.

Since March 2009, the dominant media spread the idea that the banking crisis announced in mid-2007 had been overcome. It demanded an injection of trillions of dollars in order to bail out the most important banks. The justification was that the banks were too big to let them fail. In fact it meant that the banking elite had too much political power to let them fail. The states have tried to avoid the collapse of the largest banks which are in fact the main ones responsible of the crisis. Central banks occupied the first place in the bail-out, with the Federal Reserve of the US (the center of the current crisis) at the top. These rescue operations reached the amount of trillions of dollars during the months of September and October 2008, and continued during 2009.

The banks, and their irresponsible and fraudulent behavior, are to blame for the crisis in the real economy. Instead of helping the recovery of the real economy, they have returned to the casino economy, causing a further damage in almost all world economic areas. Instead of bringing a solution for the real economy, such interventions to rescue the big banks represented a stimulus to continue doing what they had been doing: accumulating fictitious capital at the expense of real capital. This situation increased the volatility of the world economic system even more, and with it, economic, social and political uncertainty grows today, and maybe even more tomorrow. Rather than seeing light at the end of the tunnel, the future prospect is even darker. The alleged recovery announced by the dominant media at the end of 2009, and even during the first weeks of 2010, vanished into thin air at the end of January 2010 because the root causes of the crisis seemed to be much deeper.

The food crisis and access to basic needs, affects currently half of the world population while an ever smaller minority, mostly in the rich countries but also in the well-to-do layers of the periphery countries, has a consumption pattern characterized by waste and excesses. In view of the relative shortage of energy sources, a competition between agrofuels and food products has begun, leading to a struggle over the use of land. This situation limits production and increases the production cost of food products. The FAO announced in 2009 the existence of at least one billion people suffering hunger, and 53 million of them live in Latin America. Water has become an increasingly scarce resource in the midst of an economy characterized by waste and excesses which are not limited to consumption but are part of production too. But water is not only scarce; it has become a strategic resource, and the cause of international conflicts. Billions of human beings live in poverty, often suffering hunger and lack of water, particularly in the so-called third world. This situation tends to get worse as a result of the crisis.

One of the main characteristics differentiating the current depression from the previous ones is the energy and climate crises. The exhaustion of fossil and non-renewable energy reserves, mineral resources and raw materials is a fact which had never been faced before. Peak Oil has been announced since 2010 and even earlier. In other words, the highest point in the supply of oil has been reached without meeting the demand, which is still growing non-stop. From this moment on, the supply of this energy resource will only tend to fall although demand continues to grow. A systematic increase in price is a logical consequence. This situation accentuates the struggle among the big powers for controlling fossil energy resources. Many of these reserves are located in the
periphery countries in general, including Latin America. Meanwhile, renewable energy resources and other technologies are far from being able to replace oil. But Peak Oil is not an isolated case. Something similar happens to 20% of mineral resources which have also reached their highest peak of extraction. This tendency will only be accentuated during the next decades. In consequence, the paradigm of sustainable growth, which is the foundation of perpetual capital accumulation, faces a dead end crisis. Therefore, we are witnessing a crisis of the capitalist system itself.

The other side of the crisis of the 21st century is the great inequity in the use of natural resources. The current distribution in the use of these resources is not even enough to sustain the western way of life of less than 20 percent of the world population, concentrated in the North. This minority consumes more than 80 percent of all natural resources on the planet. The ecological impact of this minority contributes directly to the climate crisis. The poor and their "galloping population" are not the ones who represent a threat for the planet. The periphery peoples have the legitimate right to demand the use of their own resources in order to guarantee their own survival. However, the elites of the core countries see those periphery countries which demand their own survival as a threat. Hypothetically, if humankind reached barbarism and the poor peoples on earth were exterminated -- as Hitler tried to do with the Jewish people -- the ecological crisis would not be resolved, because the poor peoples of the world are not the ones who destroy the resources, they are rather their net suppliers.

The ecological crisis, global warming and the progressive damage to the ecosystems, are consequences of the overexploitation of natural resources and their irrational use. All regions of the planet suffer these consequences but the most depressed areas and the poor are affected with higher intensity. Droughts, hurricanes and extreme temperatures in vast areas of the planet are increasingly common in this first decade of the century, and represent a warning of what lies ahead in the coming years and decades. In a little more than two centuries of the industrial revolution, the capitalist system has destroyed much of what nature took millions of years in creating. This destruction began in the core countries and was extended then to periphery countries with the largest natural resource reserves. These were fiercely disputed by the power elites of the dominant nations. It is interesting that the rationalization in the use of natural resources in general and energy resources in particular takes place in the field of consumption and not in the sphere of production. It is also attention-getting that military bases, the conflicts and wars tend to spread in various areas of the periphery where strategic natural resources are located.

A very peculiar crisis of this mode of production is that of "fictitious capital". It is not capital itself, but its representation or something derived from it, in the shape of shares, public and private debt securities, etc. During the last decades, this evolution was completed with second and third forms of derivatives, mainly by means of the insurance system. This development allows the exchange of all kinds of fictitious capital. This fictitious capital allows an easier buying and selling of capital and in consequence an acceleration in its circulation which is one of the principal factors of the increase of fictitious profits. The development of fictitious capital is the ultimate form of capital, when it has lost its concrete relation to work and when the capitalist has become a total parasite who thrives by means of the sheer transaction of papers (1).

This fictitious capital created the illusion that capital had gotten rid of all brakes in its development because it could recreate itself and create markets for that reproduction independently from the working class. That is to say, creating capital independently from the creation of surplus value, making fun of this sole way of creating "wealth" in capitalism. The development of mortgage loans and consumer credits was a manifestation of this fictitious capital with the aim of offsetting the downward trend of individual income of the consumer. The most abstract expression of this development is the circulation of money that does not have value itself, giving the impression of being a "scientific" or capricious creation of the authorities of central banks.

The characterization of the crisis becomes clearer when it is noticed that the financial system (banks, funds, and insurance companies) has a proportion between capital and own funds on one side and investments and credit on the other of 1 to 30 and even 1 to 60. It means that the banks bought bonds with a huge amount of someone else's money, that is, without a backup. With the bail-out of the banks, the mechanism that triggered the above mentioned bankruptcy of mortgage and corporation loans is in motion again, but this time with governments assuming an unprecedented role. The state replaces the mortgage and corporate debtors of a year ago, but also replaces the fund suppliers of the banks by means of issuing money from its central bank.

The central banks injected trillions of dollars, using different ways, in order to avoid the generalized bankruptcy
of the banks. The main measures taken were:

- The buying of the d evaluated and unmarketable assets of the banks at book value or at an artificial price based on “mathematical models;”
- The massive buying of public and mortgage securities or securities guaranteed by mortgages of d evaluated properties;
- The granting of guarantees to the banks; the reduction, almost to zero, of interest rates of central bank loans to private banks.

Almost none of the debts of the past have been paid off (mortgage, corporative, consumer credits, etc.) and the increase of fiscal debt has created a much more explosive global financial situation. In a word, capital thought it had overcome the law of value and that the economy could work based on prices disconnected from the work time that is necessary for the production of the corresponding goods, and disconnected from the final consumption capacity of the people. The current crisis just represents an eruption of these contradictions (2).

For some authors, the current crisis does not represent the crumbling of fictitious capital. Therefore, they do not see a great historical depression of capitalist reproduction, but quite the contrary. For them, the crisis will clear up the road for an even higher expansion of capital considered in its most abstract form. However, as Jorge Altamira says, and we support this view:

...considering the antecedent of the Great Depression of the 20th century, this expectation is illusory. This is because capital recovered its trend to its most abstract form of social constitution only after 60 years. It did so following an unprecedented world war and huge social revolutions, and finally as a result of a reversion (3).

The flooding of global markets with fictitious value, mainly from the US, is a serious global problem without solution. The destruction of fictitious capital is inevitable on a global scale. On an individual scale, however, the transformation of this fictitious capital into real capital is possible. Individual fictitious capital tries to become real wherever and however it can. This intensifies the transfer of real wealth from the third world as well as from the working and middle classes of the core countries. Fictitious capital can become real capital on an individual level, for example, by means of the purchase of large extensions of land in the periphery countries with the aim of producing agrofuels. We will later see other ways to do so. In view of the growing shortage of mineral resources, the new-style colonialism begins to acquire and occupy again territories rich in natural resources, even with the use of a military presence. Workers will have to work longer years before retiring, not because life expectancy has increased, but in order to make them pay the fiscal debt contracted in order to rescue the banks. Workers will pay for the crisis by means of different mechanisms. As a result of their protests and actions of revolt, the repression of popular masses increases, even with military presence, as was the case first of Greece followed by Spain, Portugal, Italy and more recently even Great Britain and the US.

In the midst of a crisis of the real economy, international trade suffers a strong contraction. Imports of core countries fall and there are increasing signs of protectionism. For example, US imports fell more than 30 percent from July 2008 to June 2009. In view of this situation there is no other choice for the periphery countries but to turn more to their own consumption, as is the case of China. It is not out of their own desire that the periphery countries have begun to talk about “Decoupling” or a “Disconnection” from the rich countries in order to get out from the international crisis. The speculative economy and fictitious capital have had less impact in the periphery countries than in core countries. Over the last decades, the real economy has shifted relatively to the periphery countries. That is why the impact of the crisis in the real economy has not yet been felt with all its strength in periphery economies. This, mainly in the emergent countries where the growth of the real economy has been particularly strong. These nations, with China at the head, begin to have a better awareness that they have been subsidizing with their real wealth, during decades, the capital accumulation of the core countries (mainly the US). Now, in view of the crisis at the centers of power, they demand a more important political role. That is why emerging countries have become more relevant in the crisis.

There was a process of annexation of periphery economies during the neoliberal era. This process has been implemented mainly by means of institutions and instruments created since the Bretton Woods Conference such as: the World Bank, the International Monetary Fund, the World Trade Organization, free trade agreements, foreign debt and speculation with currency in the South, and other forms of financial and speculative operations. The earlier existing forms are the practice of undervaluing imports from the South and overvaluing exports from
the North. In the middle of the crisis, the contraction of international trade together with growing protectionism, give the periphery countries the opportunity, and growing need, of surviving on their own. As time goes by and the crisis deepens, the possibility of a generalized crisis of the strong currencies becomes real. This would represent a serious complication for international trade and would accelerate the already existing disconnection process, giving the opportunity, and the historical need, of finding alternatives beyond the capitalist system.

In view of the crisis and growing unemployment, return migration from the core countries to the periphery countries in general, Latin America and the Caribbean in particular, takes place. Migration from the South was seen as the opportunity for advancement (individually or at a family level) from scarce job opportunities in the source country. In times of crisis the workforce is relatively abundant and the unemployment rate increases. Immigrant workers, as well as women and “ethnical minorities,” are more expendable. Ruling elites try to divide the working class inciting racism, sexism and xenophobia. In times of crisis, this situation could deteriorate further, to the point that there are already clear neofascist tendencies in sight. Return migration, in a context of xenophobia and high levels of economic uncertainty, destroys the “American dream” in Latin American and Caribbean nations as it does frustrate African aspirations to migrate to Europe. It encourages people to build a less individualistic and more political project inside their own countries. This generates an alternative political consciousness giving an ideological base to rebellion and disconnection as we saw in 2011 in Northern Africa. Something similar happened in El Salvador where the conservative party ARENA loosed elections. In former campaigns they argued that voting for the leftist FMLN would mean a migration blockade to the US. In recent crisis years this migration blockade was already working and return migration a common phenomena.

Amid growing xenophobic and potential new fascistic manifestations at the beginning of depression, the working and middle classes in the North – with a significant presence of immigrants from the South – could become even more divided. However, a deeper crisis which threatens the survival of large majorities, both in the North and the South, will show that the “everyone for himself” attitude is not likely to save anyone in the working class. The opposition in Northern European countries to support the Mediterranean ones in their credit crisis will not save the latter ones. If we add to this crisis the ecological threats and the danger of a great war, a political alliance between workers beyond the boundaries of the North and the South becomes more possible as might become clear in these days. In such a civilizational crisis, the Common Good is forgotten as never before, but is more necessary than ever. The ethics of solidarity can overcome the ethics of “every man for himself” in such a context. A consciousness of solidarity and of world citizenry beyond divisions of cultures, frontiers, races, generations, sex, religion, languages and customs will grow. It is perceived as a hope and a solution to face the deep crisis of civilization.

A consciousness of world citizenry beyond divisions is seen as a possibility, and as an eventual solution to face a deep civilizational crisis. However we cannot forget the existence of growing dividing lines which are currently strengthened by increasingly radical xenophobic, racist and exclusive positions that are fomented by the ruling elites. This is mainly but not only, in the core countries. The ruling financial elites and the dominant mass media incite fatalist, xenophobic and racist views and even war. These favor the emergence of religious fundamentalist extremism, clashes between cultures and other forms of division among human beings. The attitude of “everyone for himself” serves the interests of ruling bankers elites who are aware of latent popular revolts against them as we see nowadays more clearly. In order to suppress them, a growing militarization within countries and beyond the borders is taking place, as well as a threatening environment in international politics. With this, ruling elites are trying to promote a global totalitarianism and threaten the world with the menace of large military conflicts.

Mainly in the South, there is a growing questioning and delegitimization of governments and political parties, along with a demand for building participative democratic spaces and processes. This is a time of global uncertainty. However the big processes of disconnection and rupture with the prevailing rationality have usually taken place precisely in similar international situations. We are facing a crisis of western culture. These are times of blatant exploitation, alienation and hopelessness. However, contradictorily, it is also a time for hope because an essential change in the very structures of the system can take place – and not only a reform. The historic thesis of “barbarism or socialism” becomes very pressing again.

Currently, there is an international political crisis characterized by a fierce dispute over global territories. War is the instrument ruling elites usually use in order to guarantee their appropriation of natural resources. Energy resources in particular are objectives as in the case of Iraq and Afghanistan. War as well is an instrument in order
to resolve geopolitical contradictions. Latin America and the Caribbean, backyard of the current empire, is not removed from this geopolitical strategy and could be eventually involved in a major war. In the event of an extended war, the natural and energy resources of Latin America and the Caribbean are of strategic importance for the US. The coup d’état in Honduras, the presence of the US Fourth Fleet in Latin American and Caribbean waters and the recent decision of setting up military bases in Colombia, next to Venezuela (the second oil reserve in the world) attest to it, as pointed out in our previous publication (4).

There is a growing conviction on the limits to economic growth. Therefore, the development of capital (or the development of value, in more abstract terms) also reaches its limits when natural resources become scarcer. At this point everybody wonders if there is any solution for saving the existing regime. A possible solution would have to take place in the context of a zero growth economy. However, without growth or a process producing surplus-value the capitalist system is not viable. Therefore, we are facing a transitional period in which the current hegemony of value tends to be replaced by the hegemony of use value, currently opposing it. It seems that we are in a transition toward another type of civilization with another culture. Nevertheless, for its establishment, a reversal of the logic of functioning of present day societies, and in consequence of their ethical, cultural and ideological values is essential.

A utopia, which is difficult to perceive now, lies ahead on the horizon. In view of the growing shortage of resources and the limited possibilities of a process of generating surplus-value, the transition becomes a historical necessity. It implies the need for economic regulation, either from above or better yet from below. Such a transitional period could lead to a centralization of power. The use value will be defined for the society as a whole, instead of being produced for satisfying minority interests (individualized use value). However, the transition itself, in a context of disconnection, opens up spaces for demanding a more direct and participative democracy in defining needs. This would change the content of production, obviously without the current exorbitant luxury and uselessness. During a transitional process, value tends to be reduced to a means of exchange. It does so in order to generate use value and it will lose the chance of becoming a goal in itself (4).

Notes

(1) Jorge Altamira “Una piñata que no es solo griega”, Argenpress, February 2010
(2) Altamira, op. cit.
(3) Altamira, op. cit.
Chapter I - The Great Depression of the 21st Century / The role of unproductive labour and fictitious capital

Chapter I.1. Unproductive labour as a source of speculation

For those readers who are not familiar with the concept of productive labour and fictitious capital, the following short explanation is given. For those who are interested in a more profound analysis about this subject we refer to Wim Dierckxsens, "The Limits of Capitalism"; Zed Books, 2000. The discussion on productive and unproductive or fictitious labour is important to understand the concept of fictitious capital a central axis in this study. The concepts of productive and nonproductive labour can be analyzed from two angles. The discussion is presented in the classical works of economic thought, including Marx, but absent in neoclassical and neoliberal thought. By their form or prevailing relationship, productive and nonproductive labour is seen from the perspective of individual capital. Productive labour is defined here in relation to capital. Neoclassical economists in general and neoliberals in particular, see productive labour by its form as the only possibility. For them, debate on this topic has lost all substance. All labour outside this social relationship ultimately is considered nonproductive and can even be seen as an unnatural labour relationship that should be restricted. Therefore, neoliberals see all activity developed by the state that could be undertaken for profit by private enterprise as unnatural and subject to restrictive measures.

Since the natural perspective of neoclassical economists is to view things according to their form as something natural, they do not distinguish between productive and nonproductive labour according to content or substance. From their perspective, it seems out of order whether investments are made in the productive or nonproductive spheres as defined by content. From the standpoint of prevailing social relationships all labour exchanged directly for capital is productive, so the substance of labour is unimportant. This point of view is well developed by Marx in his 'Inedited chapter VI' about this subject. Not few Marxist thinkers only understand this narrow concept of productive labour. To understand the broad concept of productive labour it is important to include Marx his theory of surplus-value. Marx himself in a letter to Engels considered this theory of surplus-value his most important contribution to the progress of economic analysis.

By not recognizing the nonproductive nature of labour by its content, it is impossible to understand how neoliberal economics can stagnate and finally generate a depression. When everything is governed more and more exclusively by private enterprise’s search for profit maximization, efficiency at a micro sum level leads, contradictorily, to progressive economic stagnation; that is, to limited reproduction of the whole. Maximum efficiency at an individual level finally leads, in other words, to depression. This only can be understood looking to nonproductive labour by-its-content. As investments increasingly become more and more nonproductive by-their-content, efficiency of the parts may grow to records, but only at the expense of the reproduction of the system as a whole that it tends to destroy.

From the perspective of content, that is to say, abstracting the social relationship in which it is realized, all labour including materialized labour that acts on the social form of the prevailing production regime does not create wealth. This labour entails so called 'false production costs' that are paid through the redistribution of existing wealth. Regardless of the social relationship within which it originates, only labour that generates material or non-material use value is productive according to content. Productive labour defined by its content indicates the creation of wealth, while nonproductive labour indicates basically its redistribution and concentration. This perspective requires analysis of the reproductive sphere as a whole.

All labour that generates profit for individual capital is productive by-its-form; all other labour that is unprofitable is not productive for capital. This perspective is rooted in capital’s distinctive interests. From this angle, the whole is falsely constituted by the sum of all private interests. It doesn’t focus the reproduction of the system as a whole. This is the case with labour affecting the form like commerce, banking, insurance, the stock market, real estate, legal property transfers, and nowadays derivates, among others. All these activities function according to the dominant model, that is, as private enterprises seeking to maximize profits. Nonproductive sectors during neoliberalism often are a source of greater benefits than profits made in the productive sector. In spite of the profits generated by these nonproductive labour activities by-its-content (speculative activities by excellence), its investments and expenditures (both in labour, buildings and equipment) represent 'false costs' of social production. This means that these activities don’t contribute to economic growth and their uncontrolled
development finally will lead to depression.

The distinction between surplus value and profit as presented by Marx aptly expresses the differences between benefits obtained in the productive sector and nonproductive profits (commercial, banking, and speculative profits, among others). The latter exist only through the redistribution of profits generated in the productive sphere. This means that growing investments in the nonproductive sphere, entails the need for increasing redistribution and concentration of wealth and surplus value and thus generate stagnation of the economy as whole; in other words and in the long run; it leads not only to recession or even depression but as well to a growing confrontation of capital.

Nonproductive use of capital that does not become more productive leads to the general devaluation of social capital. The non-convertibility of nonproductive capital will dramatically demystify the fictitious dimension of capital’s control over labour. The fictitious and speculative nature of credit-based accumulation comes to light when the pseudo validation of surplus value is tied to the accumulation of real surplus value rights over future labour. As long as an inverted pyramid of credit supports the speculation phase, the gamble is ‘freed’ from productive labour, which is the real economy and will be able to strongly confront it. By investing in the speculative sphere, capital can operate relatively without productive labour, resulting in more flexible involvement of labour and greater benefit rates. But there are limits to this withdrawal. The market tends to contract along with the possibilities in the real economy to make profit. Fictitious capital will collapse the day that expectations of real profit making by redistribution and concentration of real wealth disappear along with the possibility of prolonging the virtual economy. Capital itself will incur tremendous losses.

A specific form of nonproductive labour by-its-content is defence spending. This subject we develop more deeply in a former analysis "The post cold war era: unsustainable economic development", Wim Diercksens, IVO, Costa Rica 1994. We will introduce just a few central elements here. Defence spending means use of labour to produce goods whose value and surplus value are realized in the market but that are not involved in the next cycle of the reproduction process. This leads to increased national revenue in the primary cycle accompanied by an absolute decline of constant capital in the secondary cycle or even later. This chain illustrating labour’s non-productivity can be extended during several economic cycles. The development of machinery in one cycle to produce other machines in another cycle, to produce defence-related goods in a third, which will disappear from the reproductive sphere in a fourth, demonstrates finally after years the nonproductive impact of the military industrial complex where much of this spending is channeled. In this way, defence spending may lead to growth in the short run, but in the long run however it curves growth. It finally operates as if productive forces were not developed to their full potential.

The expansion of the arms economy assumes the redistribution of surplus value in favor of a handful of companies at the expense of many others. The growth of the military industrial complex will shrink the profits of many companies in the civil economy. From general capital’s perspective the arms race will curve growth. In an open economy however general capital's perspective becomes a global one. Military spending and its 'false costs' can be exported, that is, they may be transferred to third countries. In this way defence spending may become even a blessing for advanced capitalist economies as far as they are able to export and transfer these false costs to third countries. Effective demand of the final products of this military industrial complex however depends highly on war. This brings war in the logic of reproduction as we will see in a next chapter.

Chapter I.2. Interest-bearing capital as a source of fictitious capital

Monetarism, which is the decree of purely monetary accumulation, is essentially the accumulation of 'unemployed capital' that no longer uses (productive) labour, gambling instead on more intensive exploitation in the future. Capital accumulates monetary wealth without a corresponding use of labour in the productive sphere. High monetary profits can easily be obtained and are unlimited by boundaries in the financial sphere, that is, it may go global. In this process of globalization capital feels liberated from the discomforts of productive labour and boundary restrictions. The monetarist project consists of using money to neutralize the power of productive labour. The shift away from productive labour leads to increased exploitation and flexibility of the remaining productive labour worldwide.

The desperation surrounding this gamble is apparent in the intense and prolonged efforts to subordinate productive labour for greater worldwide benefits in favour of finance capital. This leads to capital concentration
one one hand and exclusion on the other. Despite growing unemployment, all the misery and poverty caused by abandoning productive labour, that is despite exclusion, capital reproduction through a return to the productive sphere has been postponed. It turns instead to the unlimited expansion of debt, it is, credit without previous savings to finance its project to subordinate productive labour processes worldwide and gamble on the more profit use of labour in the productive sphere afterwards.

Unlimited expansion of credit leads to increasing private debt. The relentless rise of financial markets involved insuppressible appetite for debt. It is not surprising that debt increased exponentially both in the 1920s and even more the last few decades. The crisis of the wealthy nations' banking system in 2008 leaded to a bail out of banks. It was said they were too big (that is, too powerful) to fail. The bankers must be saved not the people. It is all done in the name of the Common Good of the happy few bankers. The state must guarantee that credit to avoid an eventual collapse. Greater cuts in government social spending- for housing, employment and health care and social security- along with greater austerity. In this way common people will pay the bail out of the banks. Private debt crisis leads from than on to the public debt crisis of these wealthy nations. It is not possible, however, to support the inverted pyramid of credit indefinitely. Sooner or later it will lead to massive destruction of fictitious capital. It looks we are coming very close to this moment.

To grasp the connection between money and productive labour, it is necessary to understand that production and circulation processes jointly include the possibility of crisis and confrontation. Their interrelationship is established through money, but becomes less transparent when credit is involved. Credit predominates throughout the world today and is the best weapon for more flexibility in labour and for more intensively exploiting and global subordination of productive labour processes. Neither money nor credit is outside of reproduction, although credit temporarily allows reproduction of profits but not the reproduction of productive capital. Fictitious capital emerges as a consequence of the generalized existence of interest-bearing capital, but it is the result of a social illusion. And so, why should we call it fictitious capital? Carcanholo and Sabadini (1) argue that it is because there is nothing real behind it. It does not contribute at all to the production or circulation of wealth, at least in the sense that it does not finance either productive or commercial capital.

The fictitious and speculative nature of credit-based accumulation comes to light when pseudo-validation of surplus value is tied to the accumulation of stocks or rights (titles) over produced or real surplus value. By the time, there are ever greater limits to this withdrawal. The market tends to contract along with the possibilities in the real economy to make profit. Fictitious capital will collapse the day that expectations of real profit-making disappear along with the possibility of prolonging the virtual economy. Capital itself will incur tremendous losses.

Chapter I.3. Speculative capital, fictitious capital and the Great Depression

Today the economy has lost, as never before, its connection with the productive sphere. There is a huge paper economy, basically fueled by the persistence of public deficits and mechanisms of financial innovation not corresponding to the real situation of the economy. Increasingly bigger amounts of speculative and fictitious capital move from one place to another. They try to achieve, by means of financial investments, a profitability which is no longer obtained in the real economy. This is due to the fall of the profit rate in the real sector. It can be concluded that capitalism today has become in fact “Fictitious Capitalism.” The rules of the game are radically different, and even conflicting with classical “Productive Capitalism,” that is, capitalism based upon the generation of surplus value and real wealth.

Therefore, capital takes on a mystifying aspect when it becomes interest-bearing capital. Under the form of fictitious capital, however, it assumes an even more complex and dematerialized appearance. In its moment of glory during the neoliberal era, the true economy seemed to be the financial economy. In those days, financial centers of New York and the city of London could laugh at the productive capital of the world. It seemed that the financial economy developed independently from the dynamics of production.

The speculative rise in value of the shares represents an increase of the total volume of fictitious capital existing in the economy. But this increase has a distinctive feature from the original value: it does not entail an apparent duplication of a real value. In fact, there is nothing real backing it up. Company shares as such are a form of fictitious capital because they represent wealth which has been counted twice. The first time they represent the value of the company’s assets. The second time as the value of the shares themselves. The value of the shares
frequently changes independently of the value of the company’s assets. The evidence of this is that both values can serve a guarantee purpose, for example, for bank loans. They can be counted twice, three times or more, thanks to the existence of holding companies. When the loan is intended for the private sector and is formalized through a bond negotiable in the market, it must be considered as additional fictitious capital because the value has been apparently doubled. When there is an increase of the public debt due to unproductive expenses or revenue expenditure, or even transfers, we are dealing with the creation of ever new fictitious capital, since no real wealth results from that non-stop increase of the debt (2).

Fictitious capital generates fictitious profits which can only become real at an individual level, but never at a global level. So, as long as there is hope of turning them into real profits, the speculative bubble generated by fictitious capital will keep on growing. When governments rescued the banks from the credit crisis, the financial sector could return to the casino economy. Today, the bankruptcy of states is a real fact, and with it, the fact that those fictitious profits cannot become real ones will be self-evident sooner or later. Then, the bubble will burst, putting an end to the accumulation of fictitious capital. This fictitious capital can be compared to a kind of cancer or a parasite in the human body.

There is a massive generation of “fictitious” or “parasitic” capital circulating in the world mixed with real capital. According to the Basel Bank for International Settlements (a central bank of all central banks in the world) an estimated amount of 1,000 trillion dollars in stocks, bonds and bank notes were circulating in the world in 2009, whereas the gross world product (GWP) was little more than 50 trillion dollars. Therefore, at present, for each dollar with real value there are twenty other dollars circulating which are “fictitious” and “parasitic” capital – representing the biggest fraud in history (3). These shares, which Wall Street has called “derivative financial products,” in the form of debts, bonds, promissory notes, etc., were the cause of the credit crisis in the US, and contaminated all world markets.

Sooner or later this bubble of fictitious capital reaches a point where it causes its own destruction. That means the elimination of a big part of this paper economy by means of the cancellation of debts due to bankruptcies. Private company bankruptcies in the US rose from 800,000 in 2007 to 1.4 million in 2009 (a 75% increase). The situation is getting worse since 2010. In the year 2009, 140 US banks went bankrupt, while other 700 were in danger of bankruptcy according to the Federal Deposit Insurance Corporation (James Quinn, “Recession, Depression or Systematic Breakdown”). The huge financial bubble is exploding, and along with it the world economy enters a period of depression, thus undergoing tremendous instability and uncertainty. Hegemony of the US is adrift. The global depression reveals the need for a new international economic order, while the US tries hard not to lose its hegemony. In view of the weakened situation of the US economy, it is not likely that a new international order could be established may be under the hegemony of the US.

In the periphery countries, unlike the core countries, there was an increase, in relative terms, of the creation of real and productive wealth. In the core countries, average profits in the financial and speculative sectors were higher. As a consequence investments moved during decades from the productive sector and the real economy to the unproductive parasitic sector. In markets of the first world, real wealth has been exchanged for fictitious capital lately. Such exchange represents a growing permanent subsidy of real wealth from periphery countries to the rich nations of the planet. It reveals their progressive “parasitic” and dependent character. For this reason the periphery countries were less affected by the crisis than the centers of power. It is in this context that the demand for a change in power quotas emerges from the South among the emergent countries (such as the BRIC). Other nations in the South struggle for a “decoupling” or “disconnection” from the dominant system. In the middle of the crisis, international trade collapse will create the objective conditions for such a disconnection.

Latin America and the Caribbean countries such as Venezuela, Ecuador and Bolivia are trying to achieve a greater level of disconnection. They understand they can survive better without subsidizing or bearing the waste of the rich countries. The latter understand that under today’s circumstances they cannot survive without the permanent subsidy from the periphery countries, and much less without their natural resources. In view of the possible collapse of fictitious capital, reactionary forces among the elites, with the US at the head, become more radical. They try to prolong the current political status quo even resorting to war. In Latin America there are forces which are more aligned with this position as is the case of Mexico and Colombia, for example. The possibilities of war are becoming stronger and more concrete around the world. Specific threats exist for Latin America and the Caribbean. War can be used to maintain political hegemony, but it does not offer a solution for
getting out of the crisis. The big question is how, in a profitable manner, to reconnect investment with the real economy.

Later on, we will see that it is doubtful that the West can return to a productive sphere by means of a rise in the rate of profit. This situation confronts capitalism with a crisis with no apparent solution – at least in the West. With it, there are expectations for a change in the form of civilization and not in the very long run. Nevertheless, in the short run, global hegemonic capital will attempt to establish a process of domination, even under the effects of negative growth. This scenario would be the beginning of the post capitalist era. This is an era with no accumulation of capital, possibly authoritarian in its initial transitional phase. In this context, and amidst a greater disconnection, the possibilities of beginning more endogenous projects with more democratic and participative efforts come into view. This process can be seen taking shape in some form already in Bolivia. Coexistence with capitalism hinders the process of self-determination and more radical participative democratization. The eventual collapse of the international monetary system would cause a forced, profound and global disconnection. The longer it takes place, the more radical the disconnection process will be. In the next chapter, the risks of a collapse of the international monetary system will be discussed.

Notes

(2) Carcanholo and Sabadini, op. cit.
Chapter II - A new stage in the world crisis: the threat of state bankruptcies

Chapter II.1. “Recovery” of the fictitious economy but not of the real economy

The housing crisis in 2008 was the result of years of accumulation of fictitious capital. It began in the US with the granting of loans to indebted households for buying their own houses. Commercial banks or institutions specializing in real estate financing, agreed to loans with mortgages which they transformed into securities for the creation of new derivative products that were sold in the financial market. By this, they reduced the risks of payment default and expanded the borrowing capacity of households. They stimulated lending and artificially pushed up housing prices. Between the end of 2004 and the beginning of 2006 there was a growing tendency to grant loans to poor families (so called subprime loans). These families only had a low income and did not have favorable installment conditions for repayment. Those contracts did not include a resistance period to maintain very low interest rates at the beginning (from 1 to 2 %). As a consequence they did not protect them against brutally high interest rates after two years, usually more than 15 percent (1).

Derivatives involved were much more accepted and attractive for the financial markets. They were used by some financial institutions (insurance companies) for creating other compound instruments. These, in turn, were commercialized with the aim of securing a refinancing. Doing so they obtain participation in the interests. The crisis broke out when a critical mass of debtors began to face serious difficulties for repaying their loans. This was the result of the increase of the interest rate by the Federal Reserve. They did so in order to finance the huge expenses linked to wars in Iraq and Afghanistan. The financial and monetary system presented great paradoxes. One of them was the illusion that it was possible to find a solution following the neoliberal management of the capital expansion crisis. However, as Herrera and Nakatani state, one bubble bursts just to create another one which is even more dangerous; and that is precisely what is happening now. State bankruptcies are the next stage.

Central banks kept the interest rates again close to zero. Private banks received huge amounts of money from government rescue plans in 2008 and 2009. As a consequence, financial capital was not afraid of investing again in high risk assets. Investments reached a wide variety of forms, from the speculative buying of gold to buying apartments in Dubai or Beijing. Forward contracts in commodities prospered. The price of oil for instance, rose 132 percent since February 2009 in just nine months. Options concerning interest rates are in fashion again. Trading with derivatives continues to be the favorite activity of big speculative capital. In spite of its disastrous results during the recent crisis, speculation continues being legal and still occurs without major regulation. As a result, a new bubble of fictitious capital has been developing, more rapidly this time. This renewed parasitic development of fictitious capital, with the desired fictitious profits, continues to be the most important business. With a new financial collapse, the losses would amount to several times the US economy (2).

Despite all the rescue funds injected, the real economies of the G-7 have not recovered. Growth rate has been negative in the core countries during 2009 (Japan -5.4 %, Great Britain -4.5 %, the Eurozone -3.8 % and the US -2.5 %). In difficult times, the official numbers always tend to be corrected downward after a while. That is, because governments try to keep the best impression possible. If the real data is considered, the US was in recession since 2001 and reached a negative real growth rate of 6 percent in 2009. These results contrast with the positive growth rates of some emergent economies such as China with 8.2 percent, India 5.5 percent and Indonesia 4.2 percent. In Latin America, countries most closely linked to the US economy underwent a strong recession (Mexico -7.1 %). In emergent countries like Brazil (where there is a combination of speculative and productive capital) there was neither recession nor growth (3).

The announced recovery has not been the result of private investment in new projects in the real economy. It is true transnational corporations began to generate profits again, however these profits are the result of cuts in production costs. They were the result of redundancy of workers with the consequent increase in the level of unemployment. They were not the outcome of the expansion of the market due to an increased demand. As in the case of the inflated statistics concerning economic growth, the official number of unemployed people is below the real situation. Official statistics do not take in account 50 percent of the economically active population with no right to unemployment benefits. Real unemployment in the US reached 22 percent at the end of 2009, and it could reach 35 percent in the coming years, as can be seen in the chart below. It is approximately the same unemployment level reached during the Great Depression, as Egon von Greyerz states (4). This author thinks that in the next crisis the unemployment level will be even higher. From a historical perspective, it can be noticed that there was a strong increase in the creation of (productive) jobs in the 1950s and 60s. This happened together with a considerable increase in Gross Domestic Product (GDP). But there is a sharp decrease in the creation of jobs since the 1980s. It showed zero growth over the last decade causing a decrease in the GDP to negative levels, as can be seen in the following chart.

Chart 2: Unemployment rate in the US; official numbers and alternate assessment
Although the core economies are in recession, fictitious capital has renewed its strength. Since its lowest point in March 2009, the stock market in the US had already recovered, in only seven months, 66 percent of its losses during the credit crisis, states Rana Foroohar (5). This recovery is basically the result of the rescue packages amounting to trillions of dollars. These packages have been financed with money without backing. In real terms, that is, in terms of purchasing power (which is better estimated in terms of the price in gold), the stock market has been falling since 2000, as can be seen in the chart below.
Although the bailout rescued the main speculators, it caused huge government debts at the same time. There are ever more voices predicting a second fall, but with the rather baseless hope of a subsequent and definitive recovery. We do not think that this so-called W-shaped recovery is very likely – even though president Obama himself has announced it. On the contrary, as the concrete and lucrative possibility of reinvesting in the productive sphere has been ruled out, the most probable tendency would be to a new fall without subsequent recovery, that is, the so-called “L” pattern. The probabilities of this tendency are considered by Andrew Gavin Marshall as rather high than low (6). The case of Japan is illustrative of the “L” pattern.

Chart: New York Stock Market (Standard and Poor 500) Priced in Gold, and the US Ten-year Notes Priced in Gold

Source: Ty Andros, “When hope turns to fear”

What happened in Japan two decades ago is about to happen again in the core countries as a whole and particularly in the US. In December 1989, the Japanese stock market reached its highest point in history with 38,916 points. The Nikkei 225 reached in September 2011 values below 8,500 points, that is, a level more than four times below the point reached two decades ago. The prices of urban properties are one third of the price they were in 1989. Some apartment buildings in Tokyo are sold at prices ten times lower than they were twenty years ago. In the last four months of 2009 the Japanese GDP reached, in nominal terms, a figure below the level reached in 1992. These elements strengthen the impression that the lost decade was not only one but two decades, and with no indication of recovery in view of the threat of a new Great Depression on a global scale (7).

In the midst of a new depression, there is a growing conscience (not only among ecologists and most critical economists) that the myth of a sustained and endless global growth is a dream which is swiftly reaching its end. The view that economic growth cannot be endless was already expressed by John Stuart Mill in 1857 (8). But this does not mean that there will not be economic growth anywhere. In our opinion, it is mainly in the North where a recovery of the growth rates seems more difficult because investment has left the productive sphere in relative terms.

A return to sustained growth will be particularly difficult for the core countries as they are relatively removed from the real and productive economy. And there are more reasons for this: Technological innovation stopped being the main competitive advantage. Nowadays low wages and natural resources become more important. This advantage is based above all in lower wage countries. As the life expectancy of technology has been reduced since the 1950s, the technological substitution has become more expensive than the reduction in workforce cost that it can be achieved introducing those new technologies. Therefore, there are no major prospects of recovery for the accumulation of productive capital in the core countries (9).
Chapter II.2. The threat of bankruptcy of the states

What are the symptoms of the next stage of the crisis? In 2010, at the beginning of the year, some governments of the most industrialized nations were trying to avoid bankruptcy. A second wave of financial bankruptcies was to be expected during the second decade of the 21st century. In case of an increase in interest rates, a new wave of real estate bankruptcies, mainly commercial real estate this time is inevitable. After a fall of 16 percent in commercial construction during 2009, The Economist considers that another sharp fall is to be expected after 2010. Big hotels, commercial centers, office buildings and apartment buildings will be the most affected. As a result it is believed that more than a thousand US banks will go bankrupt (10). Then, the following question emerges: Are governments of the core countries (including the US) in a position to finance ever new rescue packages? Is this possible when they are already facing a situation of default due to the huge and growing interest they have to pay to their creditors? In spite of the stock market euphoria, celebrated in the dominant mass media such as CNN, a growing number of analysts believe a new financial collapse, even more dramatic than the previous one, was to be expected as we observe in 2011.

The idea that the government of a highly developed country could go bankrupt, that is, the idea that such a government had to inform its creditors that the country is not able to pay its liabilities, was unimaginable until very recently. Nowadays it is not only a possibility, but a real threat and reality, says Robert J. Samuelson (11). According to Samuelson, the issue was so unfamiliar that the past gives us few clues to predict the future. This threat is not just limited to the economic field, but begins to be more and more a psychological matter, says the author. Controlling the crisis, official indebtedness grows ever more out of control in most developed countries. Gross government debt in the core countries reached 106 percent of the GDP in 2010. This is 30 percent more than the level before the crisis at the end of 2008. How long will faith in payment capacity last? (12) In March 2010 there are already 19 first world countries bankrupt or almost bankrupt. Others will follow once the domino effect reaches its full swing (13).

Every politician knows that the current pace of growing fiscal deficit is not sustainable. In the middle of a recession, government’s plans for economic recovery cannot be prolonged for a long time without increasing the public deficit at unsustainable levels. In case of a long-lasting recession, a high fiscal deficit and a growing public debt will lead to bankruptcy. What can a government do in order to avoid such a critical situation? Public deficit can only be controlled if public expenditure is reduced and/or taxes are increased. Both measures are unpopular, as observed in Greece nowadays, and tend to reduce global demand accentuating recession even more. In order to face the threat of a long lasting recession, governments of the core countries will have to make their choice among three difficult options during: inflation, intensification of fiscal pressure or default payment. In fact, this situation implies danger of a collapse of the Western World, says the GEAB (14). If the fiscal deficit becomes out of control during, governments of super powers will risk having to apply all options together.

The possibility that states may avoid these three brutal options is based on two expectations: continuity of consumption or new private investment. Expectations concerning civilian consumption and investment, however, are very negative. Everywhere consumers are under heavy pressure to save more, repay their debts and reject (voluntarily or not) the western model of consumption of the last 30 years. Foreign demand is characterized by total saturation and may come down. As internal demand is stagnant, everybody wants to increase exports now. In these circumstances, a trend is to reduce imports creating a favorable atmosphere for protectionism, which is both growing and more apparent. Generalization of protectionism leads to the contraction of global demand. Sales expectations inside and outside the country become increasingly negative. This motivates a further reduction of investments – a tendency that is accentuated in turn by bank restrictions. In consequence, the vicious circle of recession becomes increasingly noticeable.

Chart: Government and private debts as a percentage of the GDP in some countries
Without developments in investment or demand, states will have no other choices than increasing taxes significantly and or lowering public spending in order to face public deficit. They will allow inflation to grow. The aim is to reduce the weight of their debt rather than to announce a default. We already saw the case of Iceland with a debt of almost 600 percent of its GDP. Recently, Dubai (United Arab Emirates) announced a default and it is likely that they adopt the three measures together. Greece, with a debt of 200 percent of its GDP, is already old news, and the only question was: who is next? According to the GEAB report, it would be not just the case of relatively modest economies like Greece, Spain (with a debt of more than 200% of GDP), Portugal and Ireland. Countries from the G-7 such as the United Kingdom (with a total debt of 250% of GDP) or even Japan could default. Although it may seem unbelievable, even the US with a record total debt of more than 300 percent of GDP might default any time as we became aware in July 2011 (see chart above).

Countries that are deprived of internal and foreign credit and are not able to revive their economies, announce defaults and historically faced deep recessions with strong devaluations and hyperinflation. This situation has a very high political cost as can be seen not just in Greece at the moment. Super powers, mainly the US, if rejecting to face any of these two options, still may opt for a total or partial default, leaving their creditors much up in the air. They may choose this option just because they have the power to do it, using the threat of war. That is why, threat of a large war becomes more real as the US approaches a default situation, something that may occur any moment from now on.

Chapter II.3. The threat of bankruptcies in the Eurozone

Since bankruptcy in Dubai, the same process in the Eurozone accelerated, although it was something that was already in motion. The Iceland default, with a debt six times its GDP, inaugurated the crisis in the European Union. Greece followed and rescue by the EU seemed uncertain. Similar defaults took place in Spain or Portugal, expanding the crisis in a short period of time. The bankrupt governments, as in the case of Greece, might be pressed to create again a national currency. This currency could be devaluated against the Euro in order to become more competitive. It would avoid growing unemployment and an explosive internal crisis. Although it is not likely to happen, once this process is set in motion, a chain reaction occurs invariably. Some very open economies which are linked to the Eurozone, such as the Baltic States, could fall probably without much stir. Bigger tragedies could be witnessed in Eastern Europe. The impact for the Eurozone would be higher if countries like Hungary, Poland or the Czech Republic go bankrupt.

Western European banks, especially from Switzerland and Austria, bought many banks in Eastern Europe.
Devaluations in those nations have complicated their capacity to repay those loans they received in Euros and Swiss francs. Their local currencies have already fallen between 40 and 60 percent. Their debts with the Swiss banks in Swiss francs became unpayable. Swiss banks will also face serious problems, being able to pay only 20 or 30 percent of outstanding debts. (15). The Bank for International Settlements (BIS), with its headquarters in Basel, points out that Austrian banks’ doubtful state debtor payments represent 75 percent of the Austrian GDP. Pending debts of Baltic States with Sweden reach 23 percent of their GDP. Debts of Poland, Russia and Romania with Dutch banks reach 16 percent of Dutch GDP (16). But the problem is not limited to Europe. In the same way as the mortgage crisis swiftly crossed the Atlantic because European banks (Société Générale, Deutsche Bank, etc) bought bonds guaranteed by these mortgages, now “the ten biggest banks in the US face a great danger because they have a total exposure to the debts of Ireland, Portugal, Spain and Greece amounting to 176,000 million dollars” The Economist states.

In the Eurozone, a stabilization pact demanded that the annual deficit of member states could not exceed 3 percent of GDP. However, this agreement has not been taken into account. Countries like Germany or the Netherlands have not deviated so much from this norm. In the case of Italy, for instance, public debt in February 2009 was already over 110 percent, a situation very similar to Greece (17). The European Union could face even bigger problems in the case of bankruptcy of economies in Italy. It is also believed that France, with big public debt and a negative trade balance, might also be in danger. In the case the US no longer received foreign loans, they could increase money supply to support banks in crisis. The US is the only nation with the possibility to pay its foreign liabilities in its own currency. This palliative is not available for countries in the Eurozone. Its structure demands that each member state must finance its own rescue plan. They cannot resort to the issuing of Euros by the European Central Bank. There are policies advocating for fiscal integration and the creation of a European Monetary Fund. The aim is rescuing countries in problems, under strict conditions. It means that countries with better finances should rescue nations which have gone bankrupt due to wrong practices.

One wonders, as Ambrose Evans-Pritchard did (18), if Berlin will agree to rescue smaller bankrupt economies such as Greece. It looks difficult but probable. You might ask if they will rescue Italy in case of a default. Axel Merk (19) sees the possible danger that more than one country leave the Eurozone in order to be able to devaluate currencies. His forecast is not the most likely in the short run. He believes that the Eurozone will be divided into three zones: one in the south, one in the east and the other in the northwest. He considers the division of the Euro into several currencies as a real threat. In such a situation, according to Jim Willie, the northern Euro would be a kind of new-style German mark. It would be shared by those countries from northwestern Europe that keep a positive balance of trade. This is the case of Finland, the Netherlands, Norway, Sweden and Denmark. It would be something like a gift to France if this nation could enter the northern Euro. In Willie’s opinion (20), the dollar will show its very weakness with the new northern Euro.

The dollar grew stronger against the Euro at the end of 2009 and the beginning of 2010 and once again since August 2011, at least apparently. It happens as a result of the growing debt problems Europe is facing and as a result of speculation. There are forces that speculate the Greek government will be unable to pay. How do they speculate? Well, they quote the credit default swaps (CDS). Increases in the price of these financial products, which are supposed to cover payment risks of the states, leads to lower traders’ confidence. The sequence is simple: if the CDS rise, the risk of default becomes higher. This implies an automatic increase of interest rates. New Greek loans will become more expensive. This causes an increase of its deficits and in consequence an increase of public debt. (21).

A downward trend is set in motion. Financial markets demand an even tighter austerity policy. The rating agencies – which have been questioned by all governments – continue with their work downgrading the rating of Greece. They do the same with other countries of southern Europe. Rise in the interest rates takes place in a part of the Eurozone. It threatens however the whole zone. The Central Bank of Europe should respond to this crisis by increasing its interest rates. Such an increase might have a negative effect in the exports and growth of Germany. This nation will probably not accept it. They do not want to pay for the poorer countries either. In the end they might threaten to leave the Eurozone in order to protect themselves.

However, there was another alternative, as Angela Merkel proposed already at the European Summit on February 11th 2010. The introduction of instruments to press indulgent countries. That is, instruments to strengthen political domination. In that case, it would be impossible for a country under pressure to leave the
Eurozone. But threat of disintegration of the Eurozone is not limited to this. Crisis of the Euro reveals all destructive logic of the European construction, says Nicolas Benies. It is time for building a left-wing program which includes the struggle against the systemic crisis. It is time to make proposals to overcome the logic of valorization of capital and to defend and expand all collective rights. The popular response in Iceland could be a step in that direction.

In October 2008, in the midst of the crisis, Icesave, a private on line Icelandic bank which was a subsidiary of the Landsbankinn, went bankrupt. Many British and Dutch clients lost their speculative investments. The British and the Dutch governments reimbursed their citizens for the lost money, but they also demanded the Icelandic government to pay them back. It concerned 3.900 million Euros – that is approximately 50 percent of the Icelandic GDP. On December 30th 2009, the Icelandic parliament approved, by a narrow margin of votes, an agreement with the British and the Dutch governments to reimburse. The agreement had profound fiscal implications for the Icelandic people. The popular demonstrations began immediately and a demand against the law was signed by a fifth of the population. In view of this situation, Olafur Ragnar Grimsson, the Icelandic president, decided not to promulgate the law, that is to veto the law and call a national referendum on the issue. With a participation of 62.7 percent of the population, 93.2 percent was in favor of not paying the debt. New negotiations between governments started. A new referendum took place. This time the Icelandic government was backed up by the almost unanimous position of its people. It means a very interesting precedent for social struggle in other nations.

Chapter II.4. The threat of bankruptcy in the US

The trillions of dollars that the US government injected in order to avoid an implosion of the banking system basically favored the financial sector. The banks that have received these funds have not used them for loans to reactivate the real economy. The first thing they have done is to improve their balance sheets to be able to pay their executives unprecedented bonuses. With the fraudulent consent of the government, they have not had the need to adjust fictitious value to real value. Everything was arranged so that the principal banks could continue with speculation. The four biggest US banks have placed 200 trillion dollars in derivatives. This represents 13 times GDP of the US. But time comes when this fictitious capital, will no longer have any hope of becoming real. Parasitic operations will go on until disappearance in a chain of bankruptcies. The transfers/subsidies in real wealth from the third world are no longer enough to sustain the dollar. These countries will have to look after their own survival and create mechanisms of integration which allow them to protect themselves against the great volatility caused by currencies, markets and speculative fictitious capital from the North. The free inflow and outflow of foreign capital to countries of the South is progressively limited. This is a necessary step in the process of disconnection from neoliberal globalization policies.

Small banks in the US are in a tragic situation and their bankruptcy is immediate. These banks are not rescued because they are like sardines for the big fish. Three quarters of the mortgage loans of the small banks (90% of the banks in the US) are invested in commercial property (commercial centers, office buildings, hotels and apartment buildings) and they are going bankrupt. In fact, the payment capacity of mortgage loans is deteriorating at a growing speed. Shares of commercial property have fallen between 35 and 50 percent, but the banks are not making the necessary arrangements to face this situation. Vacancy rate of commercial property is increasing nonstop. One hundred and forty banks went bankrupt in 2009 and according to the Federal Deposit Insurance Company (FDIC), 157 banks went bankrupt in 2010. Many states of the Union are highly indebted and bankrupt – something that may even threaten the Union. This possibility was analyzed in our 2009 book, The great depression of the 21st century. Some parallel with the disintegration of the Soviet Union in the 1990s may be noticed.

Chart: Percent of foreign reserves in dollars 1995-2008
Until the end of 2008, the US government got almost limitless credit. This was just because international reserves are principally in dollars and international trade is basically in dollars. The dollar received a first blow in 1999 with the introduction of the Euro. International reserves in dollars fell notably, although they are still very important, as can be seen in the chart above. Reduction of international reserves in dollars leads to a reduction to obtain credit. Up to now the US could consume much more than its GDP because they could get wide international loans. This trend led to the increase of foreign debt. But this debt reached such a magnitude now, that creditor countries have doubt about the paying capacity of the US for its liabilities. From this moment on, emergent countries that possess large amounts of treasury bonds (long term bonds), as in the case of China, are no longer interested in buying these reserves, as can be seen in the chart below.

Since other nations stopped buying treasury bonds in 2009, the Federal Reserve has bought more than half of the bonds issued by the Treasury Department. With this “guarantee” it is issuing dollars that do not have any backing. In 2009, by means of the above mentioned practice and with shorter-term loans, the US managed to get loans for almost 1.5 trillion dollars. The participation of China in buying US bonds has fallen from 12 percent to 10 percent in a year, as can be seen in the third chart below. This situation leads to a downward trend in the price of the dollar. This will reduce even more the possibility that the US may obtain foreign funding to finance its deficit. The Federal Reserve will respond to this by issuing more dollars without backing, it is by quantitative easing. An increasingly deeper vicious circle with a constant depreciation of the dollar in terms of real purchasing power is going on. This means, a fall of the intrinsic value of the dollar.

Chart: Percentage of net new US debt bought by China, net new government borrowing, and percentage of outstanding US Treasury securities owned by China
Over the last ten years, the dollar has fallen 79 percent against gold. In the coming years the Federal Reserve will do what its president Bernanke has always said: Unlimited amounts of dollars without backing will be issued. This is quantitative easing. It means that the intrinsic value of the dollar will go almost to zero. This international currency will be reduced to the level of “toilet paper” (24). The problem with paper money, when not backed up, as for example with the gold standard, is that it could be issued in unlimited quantities by governments. It however carries disastrous consequences for their economies. Such a situation already caused destruction of several currencies in the history of capitalism. Now we are witnessing it again.

Chart: The Dollar’s decline against real money - Gold

Source: Egon von Greyerz, Gold is not going up – paper money is going down
During the last two years, the Federal Reserve and the Treasury Department injected in the US financial system trillions of dollars without any backing. In July 2011 this process of monetization became more difficult. Immediately a default looked possible and panic was there. It will generate a situation similar to what happened in Argentina some years ago or during the Weimar Republic in the 1920s. Many people just wonder when the US Treasury will default, with a subsequent strong devaluation of the dollar. Some analysts, as Bob Chapman (25), state that the discussion is not whether the US will go bankrupt or not, but when it will happen.

Chapter II.5. The power of the US Federal Reserve

The central bank is an institution of the most deadly hostility existing against the principles and form of our constitution...

President Thomas Jefferson

Let us analyse now – for those readers who are not very familiar with the topic – the reach of the bankers’ power by means of the US Federal Reserve. A brief account is necessary. Congress established the First Bank of the US in 1791. At that moment, the government had twenty percent of the capital while the remaining eighty percent was private. There were allegations of conspiracy to put the bank in foreign hands, mainly the Bank of England. Many private banks emerged, created by the State, and after a short period of time there was more paper money in circulation than gold and silver for backing. So it was necessary to create the Second Bank of the US in 1816. The government kept only 20 percent. In 1836 there was a speculative bubble in the prices of land caused by imports of Mexican silver. The burst occurred in 1837. This situation attracted the Rothschild bankers of England. They sent a representative (August Belmont), who ended up being adviser to President Andrew Jackson (who considered the banks unconstitutional and antidemocratic).

The book The Rothschild’s – the Financial Rulers of Nations, gives details about a secret meeting in London in 1857. There the international banking syndicate decided to bring about a civil war to force the creation of a central bank. The American Civil War started in April 1861, four years after the meeting of the Rothschild’s in London. The war caused more than one million deaths, three percent of the population. Another attempt to force the creation of a private central bank was attributed to the Rothschild’s in 1907. According to the conspiracy theory, the agent was the American banker J. P. Morgan who was in charge of triggering a banking crisis and spreading panic concerning the integrity of the banks established by the government. Once more the pressure for creating a private central bank emerged.

The creation of the Federal Reserve was hidden from the public. The bankers chose Senator Nelson Aldrich, grandfather of Nelson and David Rockefeller, to introduce a law prepared by the bankers for the House of Representatives and the Senate. President William H. Taft had said he would veto the law. The bankers supported the campaign of Woodrow Wilson. He accepted the law when he got to the White House. The idea that the bankers would be in charge of the Federal Reserve faced opposition within the Democratic Party. In order to allow it, the concession had to be made that the president was to be the one in charge of appointing the Federal Reserve's staff.

The Federal Reserve was legally founded in 1913 with 203,053 shares. A total of 70,000 shares (35%) was in the hands of four banks: the Rockefeller’ National City Bank with 30,000 shares; the Chase National (currently the Chase Manhattan of David Rockefeller) with 6,000; The National Bank of Commerce (now Morgan Guaranty Trust) with 21,000; and the Morgan’s First National Bank with 15,000 shares. A total of 133,053 shares (65%) was in the hands of a bigger group of bankers, foreigners mainly. Among them: Rothschild Banks of London and Berlin; Lazard Brothers Bank of Paris; Israel Moses Sieff Banks of Italy; Warburg Bank of Hamburg, Germany and Amsterdam; Kuhn Loeb Bank of New York; Lehman Brothers Bank of New York and Goldman Sachs Bank of New York.

That is why the US Federal Reserve – unlike others – is a Central Bank managed mainly by private bankers, with the power of creating, out of nothing, bonds and securities without any backing. It is the biggest factory of money without backing in the world, in the hands of private bankers of the US and Europe. Since its establishment, and even before, bankers have been a determining factor in the economic, political and military course of events in the US, and the rest of the world by extension. They are the biggest consortium on earth and behave like a supra-government behind the scenes. It is all about businesses and profits at any cost.
It is said that on June 4th 1963, John F. Kennedy signed the executive order No. 11110 stripping the Federal Reserve of its power to lend money to the government with interest. With this action, JFK was returning to government (Treasury Department) the constitutional right to create and issue money without passing through the Federal Reserve Banks controlled by private bankers, thus interfering in their business. The Treasury Department received the authority to issue silver certificates backed with physical silver or Treasury standard silver dollar coins. More than 4 billion dollars were issued in denominations of 2, 5, 10 and 20 dollars. At that time Kennedy was making efforts to bring back the troops from Vietnam (Robert McNamara), also affecting the interests of the military industrial complex. Kennedy was assassinated some months later, on November 22nd 1963. The silver backed notes were taken out of circulation and the war in Vietnam continued (26).

Ben Bernanke, Federal Reserve chairman, warned Congress in February 2010 about the possibility that the Greek debt crisis could soon extend to the US. He pointed out recent developments in Europe, where countries like Greece and other nations with huge and unsustainable deficits, the same as the US, are having problems to sell more of their debt to investors. This means that this country is vulnerable to a sudden reversal of fortunes that will force citizens to pay more taxes and higher interest on loans. “It is not something that will happen within 10 years. It is already affecting the markets,” he said in the Congress Finance Committee. “Today we could be facing higher interest rates” (27).

Chapter II.6. How long will the reign of the dollar last?

Although the price of gold in dollars had a fivefold increase in the last ten years, it could skyrocket once more from 2011 on. The reason is obvious: Issuing of dollars increases as the US government deficit grows. In a context full of threats of bankruptcies, gold eventually appears as the only safe haven. The risk of bankruptcies in the super powers is more and more a concrete threat, and could be widespread. The fall of main currencies such as the dollar, the Euro, the pound sterling, the Swiss franc, etc, is not a theoretical abstraction. As the threat increases the demand for gold will be higher.

The central banks of China, India, Russia, Japan, Brazil, South Korea, among others, whose economies are more connected with productive investments, have already lost confidence in the dollar and are currently net buyers of gold. Pension funds need to place their contributions into safe investments, and in view of the lack of financial stability they will be forced to invest more in gold as the only safe reserve. Trust in gold certificates has decreased because there are more gold certificates than gold. Besides this, gold production shows a downward trend over the last years. The last audit of the real stock of gold stored in Fort Knox, US (which backs the dollar), occurred in 1953. There are no subsequent data on this. There is no certainty about their full existence. In a word, the dollar, which has functioned as a safe haven during many decades, seems to have reached the end of its reign as the main reserve currency and as its currency for international trade.

The point is how long will the world allow a country, in an objective situation of bankruptcy like the US, to continue using money created out of nothing. By means of issuing dollars without backing, the US is able to pay goods and services that are produced by workers in supplier countries, particularly in the third world. In essence, the US exports increasingly devaluated dollars to countries like China that give in return real goods and services. Such a situation continues just because the dollar is the most widely held reserve currency and the main currency in international trade. But the huge trade deficit of the West, particularly that of the US, and the surplus of the East, represent a threat to the current international monetary order. It is just a matter of time that both, creditor and debtor, reach the conclusion that the debt of the Empire will never be paid. And as the creditor countries do not want to finance the US, as is the case of China nowadays, issuing dollars without backing might grow nonstop. When creditor countries stop accepting those worthless papers, US hegemony will depend more exclusively on their military strength. In consequence, the possibility of a war is no longer a theoretical option (28).

The real wealth of the world has been moving from one region to another. First world worthless papers of the financial speculative sector are exchanged for the real wealth created in the real economy of the North and South. G-7 countries are currently the biggest debtors in the world, and emergent economies their creditors. In this context, the emergence of BRIC (Brazil, Russia, India and China) is considered a threat. Since bankruptcy of the super powers is a real threat, political power tends to shift or at least be shared. This tendency has already been seen in G-20 gaining prevalence over G-7 (29). Then, military blackmail emerges. It is a form of stopping
these changes. It increases the threat of a large military conflict. This is something extremely dangerous as military arsenals of the big powers are full of conventional arms and weapons of mass destruction. The US in particular, does not seem to be willing to give up its idea of unipolar control of the world. The United States tries to keep this control at all cost, even resorting to war.

Summing up, it is not a theoretical abstraction that sooner or later we will witness the “Weimarization” of the US Federal Reserve and the dollar. It will mean the bankruptcy of the US, the biggest power on earth. In order to install a new world order, a diplomatic offensive by means of the G-20 is being carried out. The idea is the same as Keynes’s in the 1930s to face the Great Depression: the coordination of global economic policy by means of a Supranational Central Bank and the establishment of a single currency (not the dollar). Keynes also advocated, back in the 1930s, the transition from the casino economy to an economy based on productive investment. It has to avoid capital flight to speculative and unproductive spheres (30). However, the question is, what kind of political institution could control the movement of capital around the world? Could it be the renewed IMF? In the European Union they are already talking about the European Monetary Fund. Everybody seems to be trying to find his own way out of the problem. Is it necessary to wait for the collapse of the monetary system to achieve a real global regulation? The whole world would be in a state of shock if the Euro collapses. Needless to say what would happen if that is the fate of the dollar? However, in the words of Jim Willie (31), such a thing may occur any time in the near future.

From 2010 on, confidence in the greenback is coming under growing pressure. So, we may wonder if there is still any reliable currency left. At the current stage of the crisis, growing negative effects are not only felt in the financial economy or the real economy but also in currency markets. These markets work as circulating blood of all economic activity. A more or less generalized monetary crisis is possible and would represent a general crisis of confidence in the market economy. It might mean its chaotic disintegration. So we are facing a crisis of the capitalist system as such. The possible disintegration of the whole monetary system constitutes the highest expression of disconnection. In that case, the local or regional market become not only an opportunity but an urgent need. Projects that are currently trying to achieve that disconnection, such as ALBA or Banco del Sur, will find a much better environment to prosper. New currencies for international trade are emerging. Such is the case of the Sucre in Latin America. Creation of local currencies not only will become a possibility but an urgent need. Growing economic insecurity caused by the crisis of the international monetary system, implies emancipating opportunities for the world in general, and for the South in particular.

Notes

(2) Rana Foroohar, “The boom in the gloom”, en Neesweek, November 9th 2009, pp. 34 and 35.
(3) The Economist, January 2nd 2010, p. 69.
(4) Egon von Greyerz, “Gold is not going up, paper money is coming down”, in www.gold-eagle.com http://www.gold-eagle.com
(7) “To lose one decade may be misfortune”, in The Economist, January 2nd 2010, p. 52.
(13) See, Bob Chapman, “Structural weakness of the dollar”, in www.globalresearch.ca
(17) The Economist, February 7th 2009, p. 43.
(19) Axel Merk “Are there any hard currencies left?”, in www.financialsense.com
(20) Willie, op. cit.
(21) Nicolas Benies, “Speculation against the Greek debt. Crisis of the debt or crisis of the euro”, in www.rebelion.org
(22) See www.agenpress.info, March 10th 2010.
(23) Egon von Greyerz, op. cit.
(24) Véase Egon von Greyerz, op. cit.
(25) Bob Chapman, “All currencies will continue to fall against gold”, en www.globalresearch.ca
http://www.globalresearch.ca
(31) Willie, op. cit.
Chapter III - The Great Depression of the 21st Century and The Military-Industrial Complex

Chapter III.1. Productive and non-productive labour and the Military-Industrial Complex

To understand better actual geopolitics, we think it is important to have a short look at the economics of war. It leads us to understand the war economy in times of a new Great Depression. Let us define first of all the most basic idea of productive and nonproductive labour in relation to the Military-Industrial Complex. We want to be short but clear. For those interested to go in more details and data we may refer to our study “The Post Cold War Era: Unsustainable economic development” (Wim Dierckxsens, IVO 1994).

In terms of its content, the production of armaments and the means of destruction in general will permit, in a given economic cycle, the creation of destructive products that have surplus value and create profits. During this cycle, merchandise will have been produced that counts as national monetary wealth. Their consumption leads to destruction of environment, of human lives and of material goods produced in the sector of the real economy. But even when these destructive products are not consumed, that is to say when they do not destroy lives, the environment or material goods, even then, they are still not contributing to an enlarged reproduction of capital in a future cycle. Labour carried out for the production of armaments and destructive goods, even when these goods are not used, appears at the social-global level, as non-productive labour. It appears as though the productive forces have not developed as much as they could have done.

Why there is non-productive consumption of weaponry, even when weapons are not used? The answer is simple. In a future cycle of production, weaponry does not figure, neither amongst the means of production necessary to renovate or enlarge the productive forces, nor amongst the means of consumption necessary to contract the same, or more labour forces in the re-production process. The circulation of these merchandises tends to increase the amount of money but does not increase the amount of consumption goods (private or otherwise), all of which contributes to more or less permanent inflation.

In other words, although the selling of merchandise and the realization of surplus-value does not affect the overall economy in a given cycle, nor even in a next cycle when the process is still going on in the military industrial complex, in the long run, the creation of destructive products leads to a reduced reproduction of capital that even may turn into negative growth. Negative growth, in the long run, endangers not only the civilian economy but also the total economy and so the military industrial complex itself. In this way, one can envisage the internal limits of a war economy in a capitalist system.

In a closed economy the redistribution of defence spending is done via the tax system or by government debt. Its payment is transferred, in other words, to the future. The monopolies linked to the military industrial complex can make their profits (usually above the average level) and continue their individual accumulation process. In some of the next cycles the purchaser of destructive materials hands these materials over to the army, thereby taking the materials out of the spiral, and they do not appear as a means of enlarged re-production. It is in this context that we have to understand why those countries that have had reduced levels of defence spending in the post-war period (Japan, Sweden, Switzerland) have had relatively higher economic growth rates than those countries that have had relatively high defence expenditures, such as the US, the former Soviet Union, France and Great Britain.

Chapter III.2. Arms exports as a transfer of non productive expenditures

In an open economy, there is a method of transferring non-productive expenditures to third nations: via arms exports. The export of weapons means for the producing country, the realization of merchandise and value produced by the military industrial complex without the State having to absorb the non-productive effects and transfer it to the tax payer. By transferring the non-productive expenses to third countries, these countries (by buying the destructive materials) receive also the negative effects of limited reproduction, while the exporting country receives the income necessary to import the means of production and/or consumption that are necessary to enlarge its reproduction. The more a country monopolizes the production of destructive materials (as is nowadays the case of the US) the more that country will have an interest in fomenting war as the best guarantee to sell them. The cold war formed a perfect way of internationally redistributing military spending, subsidizing predominantly military industrial complex of the USA. During the Cold War, more than 2000 military low intensity conflicts in the Third World, with direct or indirect participation of the US, granted constant effective
demand for weapons. The amount of human lives lost exceeded 20 million people. Damages to the ecosystems and the economies of attacked countries are still incalculable. Vietnam and Nicaragua are just examples. The last one suffered a damage equivalent to 84 years of its gross domestic product during the 10 years of US led war of the 80’s (1).

The end of the Cold War introduced a new chapter in the history of the USA: that of “looking for new enemies in the world”. It was above all in the so called Third World that the competition to sell arms took place and so war. It was necessary to seek new conflicts there, so as to transfer the non-productive costs to third nations. The “Gulf War” opened a new way to transfer the costs of war to third countries. As far as nations approved this conflict in the UN, so they had to co-finance it. The war against terror since 2001 may be better understood in this context. Permanent conflicts in the Middle East increased since then and the policy was that third countries had to contribute. It is in this context that we also may better understand the “drugs war” since the end of the eighties. In those places where this war is most successful, drug traffic, corruption, criminalization and last but not least money laundry in the North are well developed as well. It shows how decadent capital accumulation in core countries has become. A drugs war generates huge funds for money laundering. The drugs war in Colombia is just an example. The US military presence in Colombia for decades only left the development of the biggest cocaine market in the US. An open war of the drug cartels against the Mexican government, were 50 thousand people die every year, is a more recent example. The war in Afghanistan reinstated the opium industry and its market generates huge funds for money laundering.

After World War II the ruling elites, in one or another way, transferred the costs of war to third countries and particularly to the peripheral ones. They didn't take into consideration or didn’t care about the damage and long term effects of the cold war. Nor they did about the more recent conflicts and wars in the South. The military production and the militarization of the planet on the global scale not just have its consequences for the economic system but also have negative effects to human and natural life. The planetary capacity to absorb waste and damage a war economy provokes to nature cannot be underestimated. This we called the "boomerang effect" in our book "The Nicaraguan War; Low Intensity Warfare" (1994, A. Jarquin et al)

Chapter III.3. US defence spending in the XXI century

During the first decade of XXI century civil industrial production in the US has decreased by 19%. It took around four years for the manufacture sector to recover and to reach once again levels shown before the 2001 recession. However, all these profits completely vanished in the current recession. The military-industrial complex, however, increased by 83% from levels reached in 2000 (See graph 1). It expanded severely at the time that domestic economy shrank. Growing military spending indicates that the government generates artificial demand for military products. It does so when the civil economy contracts in the area of equipment or so called capital goods. In the short run, as we argued, this investment may represent a sustained demand. At mid term, however, defense spending is a drain on the economy, reducing efficiency, slowing growth and costing jobs. A loss in the rhythm of growth occurs with taxes previously collected. More recently, however military investments are done with growing public debt and most recently with quantitative easing (2).

Graph 1
The announced military budget of the US for 2010 was 707 billion dollars (see map 1) and for 2011 around one trillion. As a matter of fact, asserts Rick Rozoff (3), an expert on the matter, this represents half of the real military spending of the US as there are indirect suppliers. With this, military spending reaches 9% of GDP of the US. In comparative terms, it is the highest budget since 1945, the last year of World War II. The official military budget of the US actually represents about 45% of world military spending (see map 1). It is six times larger than that of China, which holds the second place. It is even ten times larger than that of Russia, which at present has to settle for a modest fifth place behind France and Great Britain (4).

Even if there are economic arguments to support accumulation of capital goods, this trend in the development of the Military-Industrial Complex can not be explained without arguments of geopolitical order. The United States, or at least a conservative fraction of its leaders are prepared to unleash a greater war. In our opinion this is to explain in a context to maintain or not to loose the US its hegemonic place in the world. The consequence of an arms race and a more dangerous world is that other countries feel forced to become a part of this logic as net buyers. It is the case of some Latin-American countries like Venezuela who may feel threatened and Brazil that might have aspirations to build up its own military-industrial complex. The consequences will be negative for any country’s economy which practices this unproductive spending without control. With or without a great war, an arms race means a decline in the civil economy, due to a great unproductive consumption of wealth in new armaments. It may increase profits of bigger capital in the Military-Industrial Complex, which is supposed to exist in function of the stability of the system itself.

In recent crisis time Military Spending again is considered a recipe to face the current crisis. Supposedly it was a way-out of the crisis of the 30’s that ended in World War II. Sometimes it is called “Military Keynesianism” when referred to the crisis of 1929 in the United States and to its economic dominant situation during World War II. It is true that this war assured the US its definitive world hegemony. There are, however, some differences between that scenario and the current situation of the US. During most of World War II, the US was benefited by being the world’s factory of weapons and civilian products for the powers in dispute. It was not in the US its interest to get involved early in the conflict. However towards the end of it, the US entered the war and so became also the winning power and the absolute leader of the world economy. The US was benefited even more
as its territory either suffered the destructive consequences of war as was the case, for example, in Eurasia.

Map 1: Regional Military Expenditure 2010

It was however, not until the 50’s that markets became stable after the Great Depression. The Second World War secured US hegemony in the world and their conservative elites might think that they may sustain this power during this current crisis. The Great Depression left a huge debt at that time, the US are confronted with an even larger debt now, which only will grow with growing defense spending in these days. It will directly lead to default. General Eisenhower warned already in the 50’s that “we might lose control over the military-industrial complex”. Today military spending looks really out of control as it is the most important factor of indebtedness. By then, the total indebtedness of the US was already 150% the amount of its national income. This gap only became wider since then surpassing 350% nowadays as we may observe in graph 2. Every one will understand that having one dollar of income one cannot go on spending 3,5 dollars by debt for ever.

Graph 2: US total credit market debt as % of GDP: 1929-2008
Chapter III.4. Military spending, economic growth and hegemony

A strong investment in the military-industrial complex tends to generate, in the short run, employment, products and growth. It will show as well expansion of technology and knowledge. We must not forget the essence of it all: extraordinary profits for the big capital active in this sector. Military Spending may give a boost to growth in the short term. In the middle and long run things are quite different. It has been one of the main causes of the breakdown and disintegration of the Soviet Union. This might be applicable to a certain level to some arm producing countries in Europe but first of all to the United States today. In our opinion, the US with a sustained arms race is at risk of encouraging its own collapse. A policy of sustained arms race implies a loss of dynamism in real economic growth. A growing proportion of the installed capacity of the whole industrial park, becomes more unproductive. Reconversion of the military industry into a civil one becomes more difficult as time goes by. This happened to the former Soviet Union two decades ago and is endangering Europe to some extent and surely the US today (5). This will also have its consequences for the rest of the world.

Total debt of the US (private and public together) actually surpasses 350% of GDP and growth in military spending surpasses growth in overall public spending. This has strategic consequences for US hegemony. China, with a GDP growing at 8% or more per year, can double its annual expenditures every nine years (between 2000 and 2010 it increased defence spending 2.56 times as we may see in map No. 1) and nothing would change in the relative relation between military spending and GDP. The US, on the other hand, increased its military spending by 83% between 2000 and 2010. With actual negative GDP real growth, the US will see how this unproductive spending will impact negatively on its civil economy. By focusing its economy on productive sectors and sustained growth, China can afford it to go deeper in this arms race. The sustained race for the US means an ever deeper economic crisis as it was for the former URSS. When an economy shows negative growth, increasing defence spending by pure credit sooner or later leads to default. Growing debt in a time of a new Great Depression, without any doubt will lead to a default. The US, in other words, is digging its own grave just as the Soviet Union did a few decades ago.

The real difference between the economies of the US and China is that since several decades, the latter invests mainly in the real economy and so invests in enlarged reproduction. In the last decades, China has become the world manufacturer par excellence. With a vigorous civil economy, it shows high rates of sustained economic growth. This is the economic basis which permits an arms race. The US however, not only shows a permanent arms race since World War II but also centered much of its investment in the last decades in financial and speculative areas. In other words, it has developed particularly fictitious capital accumulation. This is not a basis for military spending as it concerns, by its content, another unproductive investment. Together they will lead to the end of US hegemony. High nonproductive investments by its content affect negatively both capitalist as socialist countries. It affected already the existence of historic socialism, which collapsed two decades ago. We may be close nowadays to the collapse of the US economy already in full crisis.

Chapter III.5. Perestroika revisited

In the 80’s the US spent on defence related matters, in absolute terms, more than the USSR. The defence expenditure as a percentage of GDP in the Soviet Union was more than twice as high of what the US spent of its GDP; more than four times what Western Europe spent at that time and more than fifteen times what Japan spent. With an economy two or three times smaller, military spending (as a proportion of Soviet GDP) reached 14% in 1984. Other estimates reach as high as 17%. This represents almost three times the proportion of the US invested expenditures as we showed in our former study The Post Cold War Era (Dierckxsens Wim., IVO, 1994, pp.82-84). During the 80’s the US accelerated its defense spending and the USSR joined this arms race. This meant that the Soviet Union accelerated the arms race at an even higher rate than the US did, although its capacity to transfer this non-productive expenses to third nations via exports simultaneously was reduced as Mariano Aguirre and Carlos Taibo illustrate in their “Anuario del Centro de Investigaciones para la paz, 1988-1989” (Editorial IEPALA, 19989 Madrid, pp. 288-297).

The more a country spends of its GDP on defence (non-productive spending), the less its investments in the civilian economy will be (which includes consumption) and therefore, the less the spending on generating the means of production will be that are necessary to make an economy running dynamically. When a higher percentage of GDP is assigned to defence spending, it means a further obstacle for the civilian economy to grow.
The result was that the economic growth of the USSR became negative. Abel Aganbeguian, principal economic advisor to the Gorbachev administration, concluded that the physical volume of industrial production had decreased by 40% as Ernst Mandel cited in his study ¿Hacia donde va la URSS de Gorbachev? (Editorial Fontamara, Mexico, 1991, p. 26). That is to say that a good loss of industrial product was observed in the civil economy. Hence consumption per capita showed a negative growth. An increase in military spending in a decreasing economy represents an ever more negative growth of a nation’s economy as time goes by. The Soviet economy was in a vicious circle towards its collapse. The conversion of the military based economy into a civil economy became necessary. President Mijail Gorbachev was just forced to introduce the policy known as “Perestroika.”

Uprising of the civil economy of the USSR required a bigger decentralization. That meant a higher degree of autonomy and democratization for the Union of Republics. Economy based on heavy military-industrial complex implied a strong centralization of the economy. It sacrificed the republic’s civil development plans. “Perestroika” caused -not expected- nationalist feelings. This strengthened local powers in the republics. Separation from the central power was the result. It was a clear phenomenon of disconnection or disengagement with existing socialism. The fall of the Berlin Wall symbolizes this breakdown of the socialist bloc and with it the fall of existing or so called historic socialism. This breakdown opened a new path to understand the big problems, errors and contradictions accumulated by the Soviet Union since Stalin. These contradictions had rotted away the foundations of historic socialism, in both Soviet society and the Warsaw Pact. In a trice this alternative project to capitalism, proposed in a historic period, thus collapsed.

At the end of the 80’s, everyone pointed out that capitalism seemed to be the only possible system for humanity. It seemed to be eternal by nature. This perspective was promoted by Francis Fukuyama. It meant that any alternative project for countries of the South was closed. The consequence was their virtual subordination to globalizing finance capital during the era of neoliberalism. These powers as a whole, but mainly the US, displayed themselves as glorious winners of the Cold War. This interpretation is marred by a serious error, as capitalism was already at the edge of its own collapse, as we already predicted in 1994 in our study The Post Cold War Era (p. 115) and as reality now demonstrates. As a matter of fact, no one won the Cold War, and all lost it. The Soviet Union was the first power to fall and now the US and even the civilization of the West may be falling. Both are victims mostly of non-productive activities such as fictitious capital, corruption, wastefulness, and last but not least, massive military spending. At the end of 20th century socialism failed and today, at the beginning of 21st century, capitalism seems to follow. By the XXI Century no other clear options are left than good and bad experiences from the past. With this inheritance we think it possible that reconstructing the world in a different and fairer manner soon may become reality.

Chapter III.6. The necessity for a 'Perestroika' in the West

Crisis times mean decreases in exports of most industrialized countries and mainly of the US and so imply a decrease in capital goods, such as machinery-tools. Reduced civil demand of capital goods is substituted by an increase in defense spending. A consequence is the enlargement of the military-industrial complex. This apparent solution sooner or later only will intensify the already existent economic crisis. The only way to avoid negative growth is to transfer more military spending to third countries. Effective demand of weaponry supposes wars. Military industrial complex in general and particularly in crisis time so leads to more intensive search for a long war. This war first of all will be directed to those countries with payment possibilities. In other words, war will be directed to countries with huge energetic and natural resources, those the whole world needs and consumes. However, a ”great war” may be at risk, that is a war between core counties. It will be addressed specially against those powers which could represent a threat to the current established order. In our opinion this means most surely a militarily conflict with China and probably Russia.

Due to growing difficulties of selling its capital goods in crisis times, the State has to guarantee the demand of those final products. States so favor actively unproductive capital in the military-industrial complex. In the last few decades defence spending is no longer funded mainly by taxes yearly collected among US citizens. In 2009 44% of US taxes were allocated to defence spending (graph No. 3). The US government funds war more and more by credit and a lot of it obtained abroad. This means that foreign countries are financing more and more the US military industrial complex without the need to export its final products. This becomes more and more doubtful as credit was acquired abroad mainly from its direct rivals: China and Russia. Nowadays it becomes
It is harder for the US to obtain those credits from its rivals. Quantitative easing became since then, the utmost solution. The US is printing money without any real support. As long as this money is accepted worldwide the show may go on. However, a default becomes more and more a real risk.

Graph 3: Allocation of US 2009 Taxes

More military exports might look as a solution. A country’s capacity to transfer unproductive military spending is measured in weapon exports. Numbers in chart No. 1 indicate that weapons exports of the US did increase only 12% during the last decade. SIPRI informed further that the two biggest importers of armaments over the past five years (2006-2010), India and China, bought over 80% of their weapons from Russia. To the displeasure of the US even its own European allies do better with weapon exports. In 2009 six European Union countries (Germany, France, Great Britain, Netherlands, Spain and Italy) had bigger weapon exports (7.376 million dollar) than the US (6.658 million dollar). Russia and China together with 6.575 million dollar almost equal US arms exports in 2009. The European Union has its own more limited military-industrial complex as their defence spending is about 50% of US military spending (see map No. 1). As European military exports equal those of the US, this means that they have better possibilities to transfer the unproductive military spending to third countries. We believe, together with Sara Flounders (6), that this time the economic crisis of the US is so large and its military spending so unbearable that the transfer possibilities to third nations have become insignificant. A growing debt is the consequence of huge military spending which sooner or later leads to default. This means that some day, the US will have to declare a payment cessation to its creditors.

Curiously the US obtained huge credits from its most direct opponents (China and Russia especially). As credit becomes more and more difficult to obtain and actual quantitative easing will lead to default, the US might consider to transfer the effects of this unproductive-destructive expenses by eventual nonpayment of their debt in general and to China and Russia especially. It is not the US cannot pay its debt, as is the case of Greece actually, the US is in the exceptional condition to deny that payment. This requires special conditions. We already observe nowadays a growing currency war between China and the US. Economic wars historically lead to a more direct conflicts. A direct conflict between these nations might be an argument to stop debt payments. A great war, in other words, is no abstraction. Historically we have seen that these scenarios, contradictorily create at the same time a favorable scenario for the disconnection of the peripheral countries and even a a favorable scenario to change the economic rationale as was the case during World War I with Russia and with China in World War II.
We have to say it once again that it is not just defence spending that leads to unsustainable debt and default. Fictitious capital accumulation in general is financed basically by growing debt and leads to an economic depression, that is, generating negative growth rates for years. In early November 2009 celebrations because of the twentieth anniversary of the fall of the Berlin Wall, former Soviet president Michail Gorbachev referred to the fall of another wall, this time in New York (Wall Street). He referred to the systemic crisis of capitalism. He stated the United States “needs its own Perestroika”, as we already predicted in 1994 in our mentioned study (p. 115). In our book *The Great Depression of the 21st century* (7), we referred to the possibility of a Perestroika in the West as possibilities of nonproductive cost transfers become very hard during a new Great Depression. This implies that first of all the US needs to convert its military economy into a civil one. Chronic negative growth rates will show this need. Reconversion is neither easy nor can be done quickly.

The former Soviet president added that there are signs of change favoring the whole world. He referred to the process of decentralization and independence in peripheral economies. Gorbachev asked for “more transparency and more openness” (¨glasnost¨). Finally, he wished President Barack Obama good luck. We think that he recommended Obama to prepare himself for an eventual disintegration of the whole US empire and even of the United States of America. It may lead not just an eventual disintegration of the European Union as nowadays is hot news but even the American Union may be at risk.

During the Cold War it was stated that the ideology and political system of historical socialism in a specific country would drag its neighbors into the same system. This geopolitical statement, better known in geopolitics as the Domino Theory, is attributed to John Foster Dulles and President Truman. More recently it was advocated by Dr. Henry Kissinger among others, to justify US military intervention in Vietnam and Southeast Asia. Apparently this theory worked, not as its advocates foretold but the other way around. We observe nowadays a “boomerang” effect (8) of accumulating contradictions among the core countries. It seems that the power which dared to practice such a theory ends up to be its own ‘victim’, paying an expensive price. First a disintegration process was observed in the USSR, in recent days we already saw the European Union at risk, the next station well might be the US.

### Chart 1: World’s largest arms exporters 2000-2009 in millions of US dollars

<table>
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<tr>
<th>Supplier</th>
<th>2001</th>
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<tr>
<td>1 United States</td>
<td>5908</td>
<td>5229</td>
<td>5698</td>
<td>6866</td>
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<td>5896</td>
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<td>5236</td>
<td>6178</td>
<td>5095</td>
<td>5426</td>
<td>5953</td>
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<td>3 Germany</td>
<td>850</td>
<td>916</td>
<td>1713</td>
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<td>1994</td>
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<td>4 France</td>
<td>1297</td>
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<td>5 Un. Kingdom</td>
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<td>6 China</td>
<td>499</td>
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<td>700</td>
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<td>14 Canada</td>
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<td>334</td>
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<td>15 South Korea</td>
<td>165</td>
<td>N/A</td>
<td>100</td>
<td>29</td>
<td>48</td>
<td>94</td>
<td>220</td>
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Source: Stockholm International Peace Research Institute (SIPRI), www.sipri.org
Chapter III.7. Geostrategy of the financial elite in the past

“Permit me to issue and control the money of a nation, and I care not who makes its laws.”
Baron of Rothschild (British banker)

“The money power preys upon the nation in times of peace and conspires against it in times of adversity. It is more despotic than monarchy, more insolent than autocracy, more selfish than bureaucracy. It denounces, as public enemies, all who question its methods or throw light upon its crimes. I have two great enemies, the Southern army in front of me and the Bankers in the rear. And of the two, the bankers are my greatest foe.”
President Abraham Lincoln – 1866 – (he was assassinated)

“Whoever controls the volume of money in any country is absolute master of all industry and commerce.”
President James A. Garfield – 1881 – (he was assassinated)

“I am a most unhappy man. I have unwittingly ruined my country. A great industrial nation is controlled by its system of credit. Our system of credit is concentrated. The growth of the Nation and all our activities are in the hands of a few men. We have come to be one of the worst ruled, one of the most completely controlled and dominated Governments in the civilized world, no longer a government by free opinion, no longer a government by conviction and the vote of the majority, but a government by the opinion and duress of a small group of dominant men.”
President Woodrow Wilson (1856-1924)

“The high office of the President has been used to foment a plot to destroy America’s freedom and before I leave office, I must inform the citizens of their plight.”
President John F. Kennedy (10 days before being assassinated)

These presidents were assassinated apparently because they defended interests which were contrary to those of the financial elites. In our article “The great depression of the 21st century,” written at the time Mr. Barack Obama was being elected president, we pointed out that he would have few options of implementing his own policy faced with the banking elite, unless he would take a big risk.

Bankers and transnational corporations have probably not been absent from any modern war of any importance. They financed one side of the conflict, often both sides, destroying entire countries, dragging millions of human beings to death and deciding on the winner at the end of the conflict. They financed both sides during the American Civil War and the Russian Czar while they supported the Bolshevik Revolution. They supported both sides during World War I, Hitler’s National Socialism and at the same time the allies who defeated it. This is true
in almost every war of the 19th and 20th centuries. They are the main element of the elite of powerful agents who decide the present and future of mankind (9).

Throughout the 20th century, a whole theoretical and geo-strategic theory was developed to justify and advance in the concentration of wealth and power in the hands of few on a world scale. Halford John Mackinder, of English origin and father of geopolitics (1861-1947) established the link among geography, the human being and his surroundings as the basis of geopolitics. In his 1904 essay “The Geographical Pivot of History” he describes the world as a politically closed system where nations cannot ignore incidents in any place of the globe. It is an idea which is precursor of globalization and the establishment of a policy of permanent war as a system of international relations. Mackinder asserted:

Whoever controls Eastern Europe (Russia), will rule the center of the World (the ‘Heartland’), whoever controls the center of the world will rule the “World Island” (Eurasia) and, whoever controls the World Island will rule the world.

American-Dutch Geo-politician Nicholas Spykman would later provide the concepts of “contention” and “Rimland”. He did so referring to the ring of countries, which by their proximity, size, importance, population and wealth, might be susceptible to an alliance with the Soviet Union, or later with Russia and China. The policy of contention would be developed further by George F. Kennan and be used as the basis for the defeat of the USSR.

Map 2: Eurasia: Heartland and Rimland

McKinder’s ideas became a key part of British foreign policy through the first half of the twentieth century and the two world wars. These ideas did not disappear after World War II. On the contrary, the United States strengthened them. One of its present, keen advocates is Zbigniew Brzezinski, currently advisor to president Obama. Brzezinski has announced the use of Europe and NATO as a spearhead to besiege Russia and China. On this basis, the Cold War and the fear of communism, was justified before the people.

With the elimination of this ideological pretext with the collapse of the socialist system, it becomes clearer today what the objective of a new great war might be. It is to prevent the expansion of or alliances between Russia, China and Iran, or with other Asian countries. A further objective is to secure an entrance to Central Asia all the way to Siberia. This in order to control mineral and energy resources in this region of the world. As stated before, the policy recommended by Brzezinski includes containment of Russia and China. An alliance of the triangle Russia, China, Iran, maybe India and others, is unacceptable not only to the US but also to the financial globalized elites. This makes Eurasia the most probable scenario of a new great war.

Chapter III.8. Financial elites' present geo-strategy
a) global perspective

Bankers and transnational corporations possibly haven't been absent from any modern war of some importance, financing some party in conflict and even both sides, destroying whole countries, crawling millions of human beings to the death and at the end even able to decide who is the winner. They financed both sides in conflict during the American civil war. The same happened with Czarist in Russia as they supported at the same time the Bolshevik Revolution. In World War II, both sides in conflict (Hitler's national Socialism and the Allies) were financed at the same time at least during the first few years of the war. They are the main component of the powerful elite who decide humanity's present and future. They remove and/or put new governments; they collapse or rescue nations; start or finish wars; they build up or destroy institutions and laws according with their interest. They pay for the services of the best scientists, intellectuals and Universities. They control the means and technology of mass communication and define in this way the "good Guy" and the "bad one"; they divide and/or confront nations, and so on (Richard K. Moore, Global Research 27 Feb 2010).

In "The Grand Chessboard - American Primacy and it's Geostrategic Imperatives," Zbigniew Brzezinski (Basic Books, 1997), describes Russia and China as countries whose interests threaten the U.S. ones in Central Asia. In this context Russia would be the more serious threat. He describes Ukraine, Azerbaijan, Iran and Kazakhstan as essential 'second category nations' that must be controlled by the US as buffers or counterweights to Russian and Chinese influences to control the exploitation of oil, gas and minerals of the Central Asian Republics (Turkmenistan, Uzbekistan, Tajikistan, and Kyrgyzstan). He also notes, (p. 53) that any nation that might become predominant in Central Asia would directly threaten the current U.S. control of oil resources in the Persian Gulf. He states that "America is now the only global superpower, and Eurasia is the globe's central arena". In a clear reference to defend the US unipolar domination, he states that "The Eurasian continent will be of decisive importance to America's global primacy and to America's historical legacy." (…) “A power that dominates Eurasia would control two of the world's three most advanced and economically productive regions”(p.194). An obvious difference between the ideas of Mckinder in 1905 and Brzezinski in 1997 is that at that time there were no nuclear weapons nor intercontinental missiles. Perhaps, the mistake may be ours as the main purpose behind his words might be to use them in Eurasia. In that case we all are in danger.

The rich fields of Siberia and Central Asia are a clear object for corporative capital concentrated in the West. In our opinion it is not just a current US strategy that aims to separate Russia and China. In our opinion, the financial globalization elites, with its center in Wall Street and the City of London, also have the strategy to prevent the economic and militarily integration of Eurasia and avoiding their possible alliances with European countries, as nowadays looks to happen. We will come back to this subject in chapter VI. The objective of a new 'cold war' is undoubtedly to prevent the expansion of Eurasia with alliances between Russia, China and Iran, but also with Europe. A second important objective is to force an entrance corridor to Central Asia and Siberia to assure access to the rich mineral and energy resources of this region. With the last development in recent years, more and more NATO and not just the US appears as the new “policeman of the world". The United Nations becomes the instrument to give legitimacy to this global “policeman”.

With the catastrophic tsunami in Japan in 2011, when their nuclear plants suffered huge damage (Fukushima), country's confidence in nuclear energy as the substitute of oil for civil purposes is lost . It showed Japan's people once again how dangerous the use of nuclear energy can be. As a consequence, Japan's dependency on oil becomes suddenly very strong. The rich oil fields in Siberia and the peninsula of Kamchatka, as well as oil imported from the fields in Center- and South Asia became of enormous strategic importance. In this context this country will have to come closer to NATO's strategy of a possible military adventure with Russia and China.

The actual policy of "Contention" established in fact a 'permanent war status' in the world, and constitutes a pretext for the intervention in internal matters of other countries and even to declare 'Preemptive Wars'. Install NATO armaments as close as possible to the borders of Russia and China had to increase the capability to launch a surprising "first nuclear strike". This concept of modern war means that we are talking about “total war” and even a “global war”. A total war does not exclude any means, including weapons of mass destruction. This strategy has extremely dangerous variants. This Re-installation of a new cold war demands to be supported by massive deliveries of weapons and plans for the installation of supposedly “interceptor” missiles. Supposedly it would mean that the only winner would be NATO, but it could imply as well the beginning of something worse: A total thermonuclear war. A question we might make is, how to finance this war with bankruptcies in the
Western World, or are we talking about a Bang(k) of last resort?

This strategy has dangerous implications. It means the provocation to states such as Russia and China with possibilities to answer with nuclear capacity. Both Russia and China have the capacity to retaliate a nuclear limited attack. In this context, Iran is at risk to be the test case of these plans of the US and OTAN. Since years public opinion is informed regularly about this possible preemptive nuclear strike with the implication of Israel. Iran has the capacity to defend itself and retaliate to Israel, the US or NATO in the region with conventional weapons, but not with nuclear ones. The US recently announced the withdrawal of its troops in Iraq. This is not necessarily good news as in our opinion it might mean that a nuclear strike comes closer. The US and NATO had to withdraw their troupes from the whole region before such a nuclear strike could be executed.

The provocation of conflicts with neighboring countries already has caused strong reactions. Moscow manifested its concern with regard to the expansion of NATO with its military blocs ever closer to the Russian border. It was known that NATO not only had placed ant missile shields in Eastern Europe, but also installed 480 B61 thermonuclear bombs in five “non-nuclear” nations: Belgium, Germany, Italy, the Netherlands and Turkey. Based on this, Russia announced in February 2010 that it will make use of atomic weapons if it feels threatened and that it will respond militarily to any of its OTAN’s allies. Furthermore Russia stated that the use of its army outside its borders as “legitimate” in order to defend its vital interests. Russia also criticized the considered possibility to provide NATO with global military functions as this would be in violation of international law.

A reaction could be expected. Russia threatened to install nuclear missiles in Kalingrad close to the border with the European Union. On the other hand Rossiyskaya Gazeta informed about a regiment of antiaircraft defense established recently in the outskirts of Moscow and showed journalists, the real masterpiece of Russian armament, the S-400 anti-aircraft system. Europe obviously became nervous as this continent is not looking for another great war within its own borders. Pascal Mallet reported that European NATO allies were pressing president Obama to withdraw nuclear weapons from European territory. Furthermore, Belgium, Germany, Luxembourg, Holland and Norway would soon demand the withdrawal of nuclear heads installed mainly in Italy and Turkey.

The former threats at geopolitical and military level are the most dangerous aspects of the actual crisis of the western civilization. We have integrated different crisis and dangers for the present, one of them is the possibility that in this complex and multiple crisis, the dominant elites may cause a bigger military conflict, not just a new cold war, but an even more dangerous great war. It will be much more destructive than previous ones, because the current advances in military technology and armaments show a destructive capacity without any precedent. The most valuable thing that we have as humanity is life itself and the possibility to live in peace, with freedom, justice and dignity. In contradiction with it, the logic of anti-life based on profits at any cost has been developed at the very extreme and may finally lead to a new great war. It may mean the end of life not just of uncountable people but of live in general. To save the people, we have to stop the global bankers as the most responsible elite for this global destruction of life.

b) The strategic location and role of Latin America and the Caribbean

Today Latin America and the Caribbean are of great strategic importance to the United States as they were during World War II and so for the more conservative and unilateral fraction of its elites. This is not necessarily the case for the financial globalized elites, which means a contradiction in the USA between nationalist unipolar elites and the globalized financial elites with its center in Wall Street and the City of London. We will come back to this in chapter six. In ant case the region is a main secure, strategic reserve vis a vis the large military adventures planned in Eurasia. Latin America has all varieties of world climate needed to cultivate all kinds of food. It has large reserves of hydrocarbons, minerals, water and biodiversity. At the beginning of 2008 the United States' 4th fleet controls Latin American seas. This action undoubtedly is to guarantee the control its access to region's natural resources. Latin American governments responded with acquirement and investments in new war equipment and military technology. This implies redirecting valuable productive resources necessary for their civil economy and population to nonproductive equipments. And in so doing it supported, however, the US military-industrial complex.

In response to this situation, it is a strategic policy that Latin American people and governments are able to
We have not paid much attention to a possible crisis in China. An economic crisis in China is not out of reality. It may suddenly be accelerated during actual Great Depression and will be even more radical with a great war.

The prevention of a new era of authoritarianism must be the stone corner of this policy to move forward in the construction of a more sovereign system based on liberty, peace, democracy and social justice. Latin American social forces nowadays are building a process of unity in diversity, creating a regional integration with the mechanisms this implies in all spheres, economical, political and military.

There have been clear advances of unity and integration in the last few years to restore the lost sovereignty during the neoliberal era. There exists an unanimous opposition to the 4th fleet in Latin American's waters, unanimity existed between governments rejecting the coup d'etat in Honduras and the condemnation of US military bases in Latin America. The proposals of the recently formed Organization of Latin American States, created in Cancun, Mexico, which excludes the United States and Canada, represent, from our point of view, a remarkable advance on the way to a more sovereign integration. These efforts are supported not just by progressive social and political forces in the region. This has to disconnect us from the neoliberal policy of subordination of whole countries to foreign corporative and financial interests and reconnect us with internal and regional sovereign interests which will lead to self-determination. This would allow, yet still does not guarantee, a reconnection to the people's interests of the Latin American countries.

It is highly recommendable that the continent avoids to fall into the trap of entering an arms race. What is needed to deal with conflicts is a defense with low investment in armament, accompanied by continental unity and non-conventional methods. With this in mind it is possible to respond properly to any aggression. The immensity of the territory facilitates its self-defense. A military strategy to control a territory only with planes, ships and bombs has not been invented yet. This was already proved in Vietnam and Nicaragua and it is seen today in Iraq and Afghanistan. Any military presence of the United States in our territories and seas is highly dangerous and must be rejected. This is not only because it diminishes the strength of self-determination. In the case of a new great war, however, those Latin American countries that holds US military bases, may become the target of an eventual attack. This might happen even with nuclear weapons, either from the enemies of the US or NATO or even from international terrorism. This is why it is necessary to strengthen the sustained and united struggle against all US military bases in the region and all foreign intervention in Latin American domestic issues. It is urgent to demand the withdrawal of foreign fleets from their seas. It is necessary to respond as a region to any external aggression, threat or intervention. For this it is appropriate to create regional mechanisms and define possible conflict resolving policies without extra-regional interventions.

We encourage Latin American and Caribbean leaders to gain full conscientiousness of this historic moment. They must avoid the temptation of rhetoric or unnecessary confrontations, or to fall into the hands of ambitious or authoritarian leaders. Liberty, justice and more integral and participative democracy are not negotiable because they represent a precious heritage conquered by our people. Our struggle, and that of all the people, is the one for life itself which implies first of all the right of everyone's survival. We end up remembering once again the phrase from Julius Caesar "divide and conquer" as the anthem of dominator's 1%. Our purpose is to reveal its antithesis for 99% of the people searching for their freedom and self determination: "Unite and prevail".

Chapter III.9. Disconnections and re-connections in crisis time

We recommended in the past the reconversion of the military-industrial complex into a civil economy in a context of international cooperation in peace. We cannot expect this reconversion will be promoted by the conservative elites in the world in general and specially in the United States. Such a process anyway will take quite a long time, probably even decades. A new Great Depression and eventual collapse of the capitalist system itself might create more objective conditions in this direction. This collapse will provoke the disconnection of wide regions of the world and even the US is at risk to be disintegrated. Just as happened with the disintegration of the Soviet Bloc, we believe that a process of disconnection of wide regions may suddenly be accelerated during actual Great Depression and will be even more radical with a great war.

We have not paid much attention to a possible crisis in China. An economic crisis in China is not out of reality. It
will not so much be due to overproduction of goods and equipment at home. It will be particularly due to the contraction in export possibilities to the West because of the economic depression in the latter and consequent probable protectionist measures. As exports of consumer goods made in China really may go down, the country will have to concentrate itself how to substitute huge losses in external demand by fomenting internal demand. This substitution process may work but it also won't be so easy. It would imply an economic slowdown and even a crisis in China. As a consequence, exports of raw materials from the South in general and Latin America especially to China will fall down. It means lower growth rates in the South and the new Great Depression will be world wide. This will be the moment that XXI Century Great Depression will be announced officially. Substitution of imports becomes from then on a general policy in these peripheral economies. This means a progressive disconnection from neoliberal policies and possible South South re-connections. It also opens possibilities of re-connections with class struggles. In crisis time, it is also argued that China will be forced to increase its defense spending. This contributes obviously to an even more risky world. This may be re-enforced by a third alternative: an intensified commerce between China and Russia and China and Germany. The consolidation of an Eurasian bloc will make the world particularly insecure, as this is not in the interest of actual ruling elites.

Capital accumulation is becoming decadent as it is more and more corrupt world wide. It is true that corruption has always existed. Actual capital accumulation, however, goes more and more together with war, drugs, criminalization and corruption of the political systems, institutions and states. With the invasion of Iraq and more recently in 2011 the attack to Libya, another modality of capital accumulation was re-born: the old piracy classic during the first historic period of capitalism, has been reinvented and even legalized by the United Nations. Piracy by the expropriation of the international reserves, investments or property of any country becomes an institutionalized practice. In this way, the neoliberal process of globalization is ending up in more corrupted and criminal way of accumulation. Possibly new wars will foment this practice even more with highly destructive consequences for majorities. It is incredible that it is a practice with United Nations' agreement. After Libya, no periphery country may feel itself secure anymore to keep funds or foreign reserves in Europe or in the US. From now on any country in the South may eventually expect the same treatment. A country that already announced to withdrawal its foreign reserves is Venezuela. It is not an abstraction that other peripheral countries may follow.

As a reply to actual decadent phase of of the capitalist system, millions of people with growing indignation demonstrate in more than a hundred countries, in the streets of a thousand cities around the whole world against bankers and demand life with dignity. Rebellion started in 2011 in Tunisia and Egypt and is rapidly spreading around the whole world. The movement reached southern European countries, Great Britain, but also the USA and nobody can say that it won't take place here. The ‘Occupy Wall Street’ movement in the United States rapidly spread beyond New York and is present all over the country. It is notorious that the movement converged on Wall Street, epicenter (together wit the City of London) of the Anglo-American financial global business. They seem to shout “Save the people and not the bankers”. Indignant unemployed and excluded people who feel themselves victims of a corrupt financial, economic and political system simply rein-vindicate life with dignity. A prolonged struggle will create higher levels of consciousness, political position and organization. At that stage majorities even may question the existing society as such and struggle for another civilization with respect for life and a place for of all us, including nature. This demands not only to stop wars, but to dismantle the industrial military complex and to relocate all military investments in the civil sector in areas to improve the wellbeing of people, to stop the waste and to repair the damage done to the planet, life in general and the environment.

Notes
(2) See Washington’s Blog, “The Military-Industrial Complex is Ruining the Economy”, in www.globalresearch.ca
(3) Rick Rozoff, “Nobel Committee Celebrates War As Peace”, in http://www.rickrozoff.wordpress.com
(5) Wim Dierckxsens, De la globalización a la perestroika occidental. San José, DEI, 1994, p. 84.
(7) Observatorio Internacional del la Crisis, “La gran depresión del siglo XXI: causas, carácter, perspectivas”. San José, DEI, 2009, p. 103

(8) Medipaz, op. Cit.

(9) R. K Moore, "Prognosis 2012: Towards a New World Social Order", in www.globalresearch.ca

(10) M. Chossudovsky, "Europe's Five Undeclared Nuclear Weapons States", in www.globalresearch.ca, Feb 23\textsuperscript{rd} 2010.

(11) Source: EFE.

(12) Moscow, February 19\textsuperscript{th}, RIA Novosti.

(13) Source: AFP.
Chapter IV - Is a “New Green Deal” an alternative?

Control oil and you control nations, control food and you control the people

Henry Kissinger (1970)

Chapter IV.1. Sustainable Growth, myth or reality?

For the elites in power, “Military Keynesianism,” is not at all an option for meeting the current crisis, as was the case in 1929. Is there a possibility of another “New Deal” in order to rescue the capitalist economy? All conventional ways out of the crisis point to a tacit condition and sine qua non: the necessity of sustained economic growth. Capitalist society clings to the myth of economic growth. Without it sustainable accumulation is impossible. Myth holds that growth would be a necessary condition for people’s welfare. Although economic growth may be and has been through history an important vehicle to create greater welfare, it is not a necessary condition for it. At certain degrees of capitalistic development, according to authors like Daly (1), it is more likely to obstruct welfare.

Economic growth, however, is a very necessary condition to make profits in the long run. Sustainable capital accumulation requires investments in productive labor by its content. It is simply not possible to sustain productive labor based on its form (making profits) without productive labor based on its content. Only then when sustainable growth is guaranteed as permanent economic growth, sustainable capital accumulation will be assured. Without economic growth, it is only possible to accumulate capital temporarily. In that case it is based on a more unequal distribution of income and existing wealth, mortgaging the future. Another way to do so is by means of fictitious capital accumulation. This way to accumulate however, sooner or later, reaches a limit and henceforward produces a deep economic crisis. This evidences the impossibility of creating profits without creating real wealth based on real value.

Nowadays the world economy is five times greater than a half century ago. The globe is in danger. Although no one could imagine it a half century ago, today energy resources and natural resources cannot provide enough supply to sustain capital development and its perspectives of growth. Global warming is an immediate threat. CO2 pollution and other forms of contamination represent a threat to the life of ever more species and for natural life in general on our planet. If hypothetically the world economy continues to grow by 3% annually the way it has grown in the past half century, in fifty years the world economy will have a volume five times larger than its current size and ten times in a century. Every ten years we would need to occupy another planet to maintain this current state of growth. This simply is impossible.

Nowadays our planet is more than saturated. In other words, at present there is already a need for another globe. Humanity, however, will have to manage with only one. If we do not stop global economic growth, nature will destroy us due to our destruction of the natural resources necessary for our survival as a human species. So it is absurd to maintain the myth of sustainable growth. We are facing a deep crisis derived from western lifestyle. Its logic of practical ideological and political performance rules the world today. In other words, this crisis is not only one of this mode of production. It is a crisis of the very western “civilization” itself.

Chapter IV.2. The limits of growth

As western model of development is based on economic growth, energy resources are the very basis for this process. They represent the most strategic resource to maintain the engine of growth of the current economy. Therefore, with continuous shortage of such resources, this development paradigm reaches the limits of its possibilities. Oil is the main energy resource today, which together with natural gas, covers more than 90% of all the energy used on a global scale. According to the Energy Information Administration of the US (EIA) oil production has not covered world demand since 2005. The graph below shows how oil production did not increase in the OPEC countries since 2004.

Graph 1: OPEC, Crude Oil Production 2002-2006
We are currently facing the so called “peak-oil”. Peak exists when the difference between demand and possible supply becomes negative. In other words, peak exists when new discoveries and development (supply) do not meet the ever higher demand. In that case price tends to a permanent increase. New discoveries in countries which do not belong to OPEC or Russia also show decreasing trends, as the graph below shows. “Peak oil” is in other words a world phenomenon.

Graph 2: Evolution of oil production of countries which already reached their peak (does not include OPEC or Russia). To the right of the vertical line is a forecast
For years many authors forewarned the arrival of “peak-oil”. Even if estimated dates vary, it is generally accepted that if we have not gone through that peak yet, we will do so in a few years. Authors also agree that we will soon be witnessing the ‘natural gas peak’, an energy resource which supply depends heavily on oil discoveries. When oil is relatively scarce, its price tends to rise, as we have seen in recent years. Due to the current crisis, oil prices decreased just temporarily. Recently they rapidly increased again. It demonstrates the relative shortage of this energy resource. Super powers, including first of all the US, are net oil importers. The difference between oil imports and domestic supply is ever larger as can be seen in graph No. 4 below.

Energy resources represent the engine of economic growth on a world scale. Just due to their running out support of such growth is in danger. We, however, should not underestimate relative shortage of other minerals. Besides “peak-oil” other limits are already reached among minerals. Eleven out of fifty seven minerals (almost 20%) already reached their extraction limit: Mercury (1962), Tellurium (1984), Lead (1986), Cadmium (1989), Potassium (1989), Phosphate (1989), Thallium (1995), Selenium (1994), Zirconium (1994), Rhenium (1998), Gallium (2002). More than half of minerals will reach their extraction limit in the next 30 years (2).

Graph 4: US Oil Production and Imports
Mineral coal, a still much used energy resource today, will also have its ¨peak coal.¨ The ¨Energy Watch Group¨ (EWG) estimates this peak for 2025 while the US Energy Information Administration projects that mineral coal production may increase until 2030. On the other hand, B. Kavalov and S. D. Peteves, from the Institute for Energy Technology, do not make estimations on concrete dates. They conclude however, that coal in the future may not be plentiful and widely available. Growing dependence on this energy resource has no future. Besides nearing its peak, mineral coal contaminates the atmosphere and the environment and intensifies global warming. These are important reasons why it will be questioned as an energy resource as time passes by.

Substitution of non-renewable energy resources for renewable ones is an immediate necessity. It is not only a relatively slow process, but it also has its limits. For 2020 it is expected that all alternative energy resources together will cover at most 20% of total of the world´s energy demand (3). Furthermore, energy production based on renewable resources (including agro-fuels) will not be enough to properly compensate non-renewable energy decline (oil, gas and coal). This will be manifested by a permanent oil price rise. Supply of renewable resources cannot satisfy its growing demand. An increase in prices of such renewable resources will be a consequence.

Chapter IV.3. Agro-fuels: Speculating with hunger

Competition between agro-fuels and food, tends to increase the price of the latter. Something similar happens with prices of arable lands. They are used more and more in the production of agro-fuels of all kinds in detriment to food production. The outcome will be the omnipresence of famine precisely in places where purchasing capacity is lower, affecting the poorest countries. Permanent price rises of all energy resources will imply a constant increase in production costs. The recovery of these costs will become a chronic difficulty. It will hinder capital to realize profits creating a more or less chronic crisis. In Middelkoop’s view (4), the so called credit crisis will be an insignificant one compared to the chronic crisis caused by ¨peak-oil.¨

The current world crisis will be more devastating than the Great Depression of the 30´s, asserts Chossudovsky. It has many more geopolitical implications. Economic dislocations have accompanied the beginning of regional wars, the fracture of national societies, and in some cases, the destruction of entire countries. This is, by far, the most severe economic crisis of modern history (5). Faced with the real estate and financial crisis, that hit the United States in August 2007, large speculative investment funds transferred huge amounts of money to control agricultural products (agricultural commodities) on international markets. Once real estate bubbles burst, speculators returned to a former paradise: cereal markets (6). It is estimated that these funds control 60 percent of wheat business and a high percentage of other main grain markets. A greater part of the soy harvest for the
next few years has already been purchased as "futures". These grains have become another object of speculation. Its changing (rising) prices, are the result of speculative ups and downs and not of changing local markets or people's needs.

This mix of speculative increases in food prices, led to a wave of world famines with no precedent due to its scale. Absence of regulations in these speculative markets triggers famine. Volatility in food markets is mostly due to deregulation, lack of control over big agents, and lack of necessary State intervention on the international and national levels in order to stabilize markets. Since 2009 speculation with new menaces of hunger were back in the economy. In 2011 commodity food prices were even higher than in 2008. A stop on speculation in staple food markets, taken as an imperative political decision, would immediately contribute to decrease food prices. There is nothing to prevent this from happening. We cannot foresee, however, a cautious group of measures of this kind being implemented. (7).

The food crisis is occurring despite there being enough food in the world to feed the global population. Famine is not the consequence of the shortage of food but the other way around. In the past, food surpluses in the core countries were used to destabilize production in developing countries. According to the FAO, the world is able to feed up to 12 billion people in the future. World grain production in 2007/2008 was estimated to be 2108 million tons (a rise by 4.7% in comparison with that of 2006/2007). This surpasses the standard of a 2% increase during the last decade. Even though production remains at a high level, speculators bet on an expected shortage and artificially did increase prices. According to FAO reports, price of basic necessity grains rose by 88% since March 2007 (8).

While speculators and large scale commercial groups profit from the current crisis, most farmers won't get benefits from these high prices. As land becomes more expensive, speculation on agricultural land rises. Evictions, sometimes by force, are one of the consequences. Farmers that 'survive' cultivate their land, but their harvest is frequently already sold either to the lender, to a provider, to agroindustry companies or a merchant. Even when prices paid to the farmers have increased in some cereals, the rise is too small compared to both the increase in the world market and consumer taxes.

During the last years, super powers and multinationals have rapidly developed production of agro-fuels. For this reason subsidies and large investments are being allocated to this growing sector. As a result, land usage is largely being redirected from food production to agro-fuel production. Multinationals and conventional analysts foretell that lands will be increasingly utilized for agro-fuels (corn, but also palm oil, sugar-cane, etc....). An important part of US corn suddenly "disappeared" because of purchases for ethanol production. This uncontrolled explosion in the agro-fuel sector caused a great crash in already unstable international grain markets. Speculation takes advantage of the relative shortage of food. Sellers keep their stocks off the local market to stimulate price rises in the domestic market, obtaining huge profits. Multinationals aggressively obtain large areas of agricultural land around cities, dislodging farmers, for speculative purposes.

In the last decades, the World Bank and the IFM, together with the World Trade Organization (WTO) forced peripheral countries into diminishing their food production investments and their support to small farmers who are basically responsible for food production. The rules of the game changed dramatically in 1995. Then, the WTO treaty on agriculture came into force. Neoliberal policies undermined domestic food production. They forced farmers to produce commercial crops for multinational companies and to buy their food from multinationals in the world market. Free Trade Areas (FTA) have compelled countries to "liberalize" their agricultural markets and dismantle their import barriers. At the same time, multinationals dumped their often transgenic surpluses in these markets, using direct and indirect export subsidies. As a result, Egypt, former wheat provider of the Roman Empire, became the principal importer of transgenic wheat. Indonesia, one of the rice cradles, nowadays imports transgenic rice. Mexico, a corn cradle, imports transgenic corn at present. The US, European Union, Canada and Australia are major exporters.

Peripheral countries became addicted to cheap food imports. However as price increases, famine becomes a world menace. Many countries that till now produced enough food for their own consumption, were forced to open their markets to agricultural products from abroad. At the same time, most of state regulations concerning the existence of stocks, prices, production, import and export control, were gradually dismantled. As a result, small agricultural and cattle raising initiatives all around the world have not been able to compete in the
international market place and many went broke (9).

Neoliberal policies from the last decades expelled millions of people from the countryside to the cities where most of them end up in slums, with very precarious lives. They will be the first victims of the current crisis because they are not able to produce their own food. Their number has dramatically increased and they have to spend large amounts of their income on food. According to the FAO, in developing countries food represents, up to 60-80% of consumer expenses. A sharp increase in prices condemns great majorities to famine and even to massive death. It is not odd that in recent years many disturbances burst out all around the world due to rising food prices. A struggle for life itself is at stake.

Chapter IV.4. Towards an economy in favor of life

As we have seen, conventional ways out of the crisis are strategically nonviable. Income and wealth concentration, military Keynesianism, economic growth with rising expenditures of energy, food and natural resources, etc. are nonviable. On the other hand, it is important to analyze the current huge waste of energy from the perspective of the world’s diminishing oil production. In fact, is the much touted modern productivity a phenomenon that comprises the whole society or does it limit itself to products and specific services which reaffirm life? Productivity of a rifle factory, for instance, may be high and even growing in terms of profits for private capital. From the point of view of society as a whole, rifles instead of supporting growth cause the contrary. In that case, all the work involved in this production is a waste and therefore becomes socially useless. Furthermore, it is a destructive enterprise in which a death ethic is involved, and thus is even reproachable from an ethical viewpoint which stands up for life.

Our societies produce ever more goods that are useless and dispensable. In other words, it concerns products and services which do not reaffirm life. Vehicles, weapons, wars, the whole structural system of cities for automobiles, publicity, innumerable merchandise and services of needless consumption, etc., all tend to be produced with growing productivities. They only create more profits, regardless of their real use in people’s lives, without mentioning the decreasing lifespan or durability of all what is produced. As a fact, the simple change of current emphasis on individual transportation based on vehicles, to an emphasis on collective transportation, would substantially reduce the size of cities. It would thus lower the cost of equipment and urban services needed for people such as parking lots, highways, bridges, sewers, electricity lines, etc. Hence, cities would become more livable. By the same token, urban planning based on concepts of local production taking into account the location of factories, shops, and residential neighborhoods in accord with collective interest, would substantially reduce both size of cities as well as costs.

Graph 5: Luxury vs. Necessity; the western world spends more in luxury than what it would cost to reach the millennium goal

The gap between production to support people’s lives and production to make profits, taking into account those
desires and/or “necessities” created by capital itself is illustrated in the previous graph. It shows how in the western world of the XXI century, 30% more is invested in cosmetics than in reproductive care for all women. Barely 10% less is spent in dog and pet food than in finding a solution for famine and malnutrition for all human beings. 300% more is invested in perfumes than in teaching illiterates how to read and write. 30% more in ocean cruises than in drinkable water for all. 600% more in ice cream in Europe than in investment to immunize all children against curable diseases. The West’s production and consumption is, in other words, directed far from life itself.

In the graph there is no mention of weapons. An important decrease or even the eradication of the arms race and of all wars in the world would create enormous surpluses in governmental budgets. These might be directed to services really needed by people as in the area of health and education as well as other needs that reaffirm people’s lives. Increase in lifespan or durability of goods would save energy and raw materials and would reduce a lot of work necessary to produce these goods and services one time and another. This would create more leisure time for workers and their families. If publicity, needed mainly to create “new indispensable necessities,” were restricted to its purely informative aspect, it would reduce the cost of selling products and services and it would direct information to the real usage of things. It is clear that productivity of modern societies exists just in the sphere of microeconomics because it is falling, wasteful and irrational on the level of macroeconomics. Thus, we support the necessity for a stationary or zero growth economy in terms of value. Even a negative growth economy may be the only alternative to overcome the blind alley in which our economies are placed. This concept will be analyzed below.

Simple democratic and participative control of the amount, specifications, localization and durability of goods and services, or in extreme cases, their pure and simple elimination, would reduce pollution, save energy and natural resources. It would create leisure time for the worker’s personal growth. This is the road needed to transform the current economy of constant growth and microeconomic productivity into a stationary or zero growth economy, with high productivity not only in the micro world but principally in macroeconomics. Such an economy would substantially improve people’s material and spiritual quality of life.

Chapter IV.5. About the transition moment

Current civilization is based on two basic pillars. The first one is the isolated and vertical decision making by elites controlling productive and financial processes. The second pillar is the existence of an individualistic, selfish and non-inclusive rationality. It is derived from a dogma of making free choices. Those are supposed to be free from these same controllers, who end up obliterating freedom of all other human beings. Both the way of exercising power and the ideology of our societies derive from these two pillars. Transition to and the existence and effective performance of a zero growth economy requires a new civilization. In this new society decisions in fact will be democratic and based on as large as possible citizen’s participation. It will be in such a way that rationality and the prevailing power are englobing as well as cooperative.

On the other hand, we can ask ourselves if it is plausible to envisage this transition process. We make this question in view of the measure and its seriousness in which western civilization, based on the myth of growth, is wearing itself out. Ecological economists such as Daly (10) have shown with enough clarity that people’s welfare does not depend on economic growth per se. Writers such as Daly point out that after having reached a certain growth level, another increase in a country’s GDP is more likely to decrease material welfare of a nation (See graph above). These authors along with us, conceive as a necessity, promotion on a global scale of a stationary or zero growth economy. This implies a regulated economy.

This kind of economy, however, should not be centralized nor administered by elites, as happens with money under bankers’ control, nor at rich countries’ discretion, in particular that of the US, as they consume, squander and contaminate the most. Nor must it take place under a scheme similar to that of the UN Security Council, as just five members with veto power decide for the rest.

The implementation of a stationary or zero growth economy implies a re-arranging of the world economy and society. It supposes an absolutely democratic participation of all countries and regions. This process will require wealth redistribution from rich countries to those of the South in order to eliminate existing imbalances. The basic principle is the common good and not the privileging of the strongest. These latter factors led nations to current imbalances and to this actual civilization crisis which is just beginning. The cancer tentacles represented
by bankers, corporations and multinationals of the North are spread all around the planet and must be controlled as the first step. They are like an unproductive parasite which sucks all productive wealth and life out of the so called third world. They do so in order to reinvest in militarism, warfare, wasteful and unproductive consumption in rich countries. Such a regulation does not have to deteriorate life quality of populations in the richer countries. On the contrary, regulation will improve it through a more rational and efficient use of world resources. In the meantime food supply problems, which are most indispensable, proper housing, decent public transportation, public health and good quality education, among others, need to be solved with immediacy for the poorest populations. We need to begin repairing these fundamental imbalances. In the middle and long run reorganization of a new, balanced, stable, fair and democratic world system is priority.

Emerging countries of the South are net producers of all kind of natural resources and recently claim these resources for their own endogenous project. However, if countries of the South would proceed in accordance with the same western rationality, the world economy would soon need several globes in order to maintain itself. We all know we only have one. There is no justification to hinder or block Southern countries in their right to use their own resources. It implies, however, stopping core countries and their elites in their continuous ravishing of peripheral countries. The countries in the South, including even China, still keep their consumption and contamination levels within sustainable limits for the planet and nature. If consumption and contamination of India or Malawi, for instance, would be generalized to the entire globe, less than half the planet would be required to sustain the economy and repair damage done to nature. If the levels of Latin America and the Caribbean were to be used, even less than half the planet would be required. If those of Africa were to be used, less than a quarter of the planet would be required. On the contrary, if we apply consumption levels of Europe, we would need three planets and those of the United States, today would require more than 5 planets. The problem is that we only have one and countries of the South will demand more resources for themselves. See figure No. 2:

Figure 2: Number of planets required today to sustain our world if we transfer the consumption of each country to the rest of the world

Source: New Economics Foundation

In order to reduce contamination levels and avoid depletion of natural resources, Malthusian theses are promoted in the West. It states the need for population growth reduction in the South. Even-though we know that more
than 80% of natural resources are absorbed by just 20% of world population concentrated in the North. This population is responsible for almost 80% of all contamination due to their style of consumption. It is appropriate to pin down in the first place that populations not just only consume. They are the real wealth creators, based on productive labor. This productive labor is concentrated more and more in the South. Unproductive labor takes place in the North, as we mentioned already.

Although it is not what is happening today, welfare of its citizens should be the objective of any political and socio-economical system. World population is made up of consumers and in 2010 it reached almost 7 billion inhabitants. In 2050, according to United Nations projections, world population will surpass 9 billion, a growth of almost 30% in 40 years (see next chart). Global fertility rate, as we can now foresee, will be 2.05 children per woman. This means that in a few years population will start to decrease. It is a phenomenon already happening in many countries classified as "more developed" by this organization. The conclusion of countless investigations is that this historic trend is irreversible. It is mostly caused by a rapid decrease in fertility in all countries classified as "less developed," since the 1960’s. The main challenge drawn from the previous facts is that the economy will have to solve the welfare problem of a big poor population which will still grow by 30% in the near future. On the other hand, these figures show the strategic geopolitical change occurred in the 20th century. In other words, a huge difference exists between population size of less developed countries, 85%, against 15% of the more developed ones.

### World population in 1950, 2010 and projection for 2050 regarding more and less developed countries

<table>
<thead>
<tr>
<th>Year</th>
<th>World Population</th>
<th>More developed population</th>
<th>Less developed population</th>
<th>% population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>2,519,470</td>
<td>812,772</td>
<td>1,706,698</td>
<td>67,7</td>
</tr>
<tr>
<td>2010</td>
<td>6,842,923</td>
<td>1,225,678</td>
<td>5,617,246</td>
<td>82,1</td>
</tr>
<tr>
<td>2050</td>
<td>9,075,903</td>
<td>1,236,200</td>
<td>7,839,702</td>
<td>86,4</td>
</tr>
</tbody>
</table>

*Source: United Nations Fund for Population Activities, middle variant projection*

A system of stationary or even negative growth economy has to be established in all those countries which consume above the planet’s capacities. Countries that consume less will have to grow for a while until a balanced world system is established. As previously stated, transformation of the current military-industrial complex into an industrial complex for cooperation and international solidarity would be helpful. It would sever unproductive squander of weapons and wars. It would favor as well the establishment of a more equal and coherent world system. This sub-sector would change from being destructive and unproductive to productive and constructive. This would not imply massive unemployment in countries where it is strongly developed, as in the United States.

Another clear example is China. This country opened up to capitalist markets, which allowed its economy to grow spectacularly. China has achieved already a third position among world’s largest economies, a position which turned into second very recently. China is a direct rival of western economies, and competes using the same voracious rationality. Nowadays China is not only the world’s second economy but also holds a first place as contaminator. India is another emerging country with more than a billion inhabitants. It also follows the same quantitative development. With a generalization of this manner of western development, we would soon need two more globes in order to maintain such a western lifestyle.
Chapter IV.6. Positive growth in the South and negative in the North

A logical fact in the North-South imbalance frame is the following: a canary-legged weightlifter is not efficient, nor is a track runner with the lungs of a mouse. To pretend otherwise is abnormal and this is what large capital precisely established for its exclusive benefit – to concentrate almost all wealth and world power in a small number of powerful hands. We are facing a real dilemma. We cannot and must not restrain the development of countries of the South. Moreover, peripheral countries will call for it with increasing force. There are several reasons for this. During the last decades, real economy has been gradually moving towards the South. The highest potential for real economic growth will be there where activities are based on productive labor by its content as we see may observe during the current crisis. Most natural resources necessary for economic growth are right there as well. All this may be done without an increase or just a small one in energy costs and natural resources, as long as productivity growth of society as a whole is achieved through participative and democratic mechanisms. It implies a reduction of production and/or consumption of weapons and needless spending. It implies changing the structure of the urban system. It implies as well changing production profiles by giving priority to the collective consumption of goods, etc.

As for the core countries, apart from previous measures mentioned, the message is different. In order to achieve ecological sustainability, a dematerialization of their economies is required. This means that the demand for energy and natural resources per unit of the GDP should decrease, not only in relative terms (relative dematerialization) but even in absolute terms (absolute dematerialization). Relative dematerialization implies that the impact on the environment is lower by unit of product. Impact continues to grow in absolute terms in a specific time span (a year generally) due to GDP growth. In these analyses it is very important to segregate results obtained in the consumption sphere from those obtained in the production sphere. We will look at this in more detail.

On a world scale, between 1970 and 1999, energy demand decreased almost 33% to obtain an equivalent GDP. What is not mentioned is that this reduction was made mainly by conscientious consumers. The battle for a more rational use of energy, which is becoming more aggressive as time goes by, is happening there. We cannot say the same about the production sphere where this battle is not being fought. CO2 emissions, for instance, increased between 1990 and 2009 by almost 40% in the production sphere. Demand and consumption of large amounts of minerals (iron, copper, nickel, bauxite) increased in the productive area even faster than GDP growth. This happens basically due to shortening the life cycle of produced goods. When everything made is short life cycle based, a smaller percentage of material per product or value unit is required. However, a higher volume is produced per time unit, contaminating therefore more than before. This implies lower use of material per product unit but an equal contamination as more products with resources and contamination are produced per time unit (a year). This due to the shortening of the life cycle of all what is produced. In such cases we cannot talk about dematerialization in absolute terms.

Authors in ecological economy consider it impossible to achieve real dematerialization without a policy of absolute dematerialization. This implies the necessity for negative growth. It involves making more durable and better quality products. It would imply a historic triumph of use value over exchange value. A higher percentage of material per product unit will be used producing a much longer lasting product. Only then a process of dematerialization and decontamination per time unit may be achieved. How much dematerialization do ecologists talk about? Ernst von Weisäcker talks about a need of “Factor 4”. This means a duplication of the world wealth should be reached with half the natural resources in 3 to 5 decades. Schmidt-Bleek talks even of a “Factor 10” (11). Analysts agree that reaching a “Factor 4” or even a “Factor 10” without negative economic growth, is a mere illusion. Thus it is very clear that a ‘New Green Deal,” that is to say, continuous economic growth with ecological sustainability, is purely a myth. There is no real possibility for capitalism to turn around economic growth with a ‘New Green Deal’.

“New Green Deal” promoters, like Al Gore, for instance, do not question capitalistic production systems as such. Their solutions basically refer to individual consumptive behaviors. They refer to a reduced use of electric energy, a more moderate and rational use of automotive transportation and to a more moderate and rational consumption of food (less meat mostly). It is a positive result of course and everybody will agree about it. As energy and natural resources become scarcer for productive purposes, however this might bring about the imposition of an authoritarian society. Consumers may be pressed by authoritarian rules to consume less energy.
and resources (by sky high taxes for example) just in order to release energy resources and contamination rights for producers. The final result will be a more contaminated world with even less resources. In this context it is particularly interesting to mention recent changes proposed in the automotive industry aiming at massive introduction of a cleaner electric car.

Hitherto, cars with more economical motors in fuel consumption have not succeeded in a lower use of fuel. It is due to users’ preference for heavy cars and long journeys. On top of that, “ecological tourism” involves travel by plane to exotic and faraway places. It is not unreal to foresee a future society with high energy taxes on the consumers’ side combined with sky high taxes on CO2. On the production side it may be a completely different picture with all kind of subsidies. The alternative presented in the automotive industry is the electric car with an electric motor which works together with a combustible motor to charge the battery. Such a vehicle is able to reach 1000 kilometers before charging its battery again (12).

By focusing the issue of contamination and energy use exclusively on the consumer side, promoters of the “New Green Deal,” support and promote manufacturing new car models. It is presented as the great solution to the problem. Permanent technological innovation, that is “creative destruction”, would be the nostrum. By promoting massive construction of new more eco-friendly car models, average life expectancy span of these models becomes shorter and shorter as time goes by. From the perspective of automotive manufacturers, this implies an increase in capital rotation. It increases the sales and therefore profitability for big private capital. Making profits more quickly increases the profit rate, which is the essence of capitalism. For promoters of the “New Green Deal”, permanent innovation must provide the solution for capital. Hence, for instance, Peugeot encourages you to buy new models with the following ad: “20% of the oldest cars is responsible for 60% of automotive contaminating emissions. Replace them!” (13).

From an ecological point of view, car production with shorter useful life means growing use of raw materials and greater energy consumption. This also causes more contamination. CO2 emissions in industries are already higher (40% of all emissions) than the mere use of manufactured vehicles (responsible for only 30% of all emissions). The benefits supposed to be obtained in transportation after introducing new car models are lost when producing them with a greater speed and rotation (14). The lesson is clear: in order to achieve an absolute dematerialization it is not only necessary to produce cars more economical in fuels and cleaner in gas emissions, but above all it is necessary to produce more long lasting and collective means of transportation. It is not about improving vehicles with ever shorter life expectancy but progressively substituting them by durable collective transport of good quality.

The “New Green Deal” inspired in the “New Deal” was introduced in the second half of the 1930’s during President Roosevelt´s administration. It pretends to be a paradigmatic answer to the current world crisis. It conceives large scale investment programs in infrastructure and eco-friendly production. The ultimate purpose is promoting sustainable growth and so prolonging capital accumulation. In other words, the final goal is sustainable accumulation. By focusing on the consumer side in how to save energy and reduce contamination, it not only promotes the massive introduction of short-lived so called eco-friendly cars. It also introduces construction of residential and public buildings which save energy by improving isolation mechanisms. By promoting the replacement of older and less eco-friendly buildings, technological innovation in shorter life construction is encouraged. By promoting buildings which meet the conditions of the newest technology, the existing stock of buildings becomes ever sooner obsolete. More and more old buildings do not meet requirements for energy consumption. We have gone from one extreme to the other. Today, people are already talking about “sick buildings” due to the lack of ventilation in new construction because of high isolation degrees. Summing up, technological innovation in construction norms shortens average life expectancy of buildings permanently.

Energy consumption in construction of short life new buildings, require more frequently extraction of natural resources (cement, steel, wood, etc.) and energy to manufacture construction materials and require more frequently transportation. So it would damage the environment more than ecological benefits obtained with a more rational use of energy in those new buildings. This is the opinion of Peter Tom Jones and Vicky Meyre (15). We can perform this analysis on most durable products and the story would be almost the same. The “New Green Deal” includes then a more generalized tendency towards less lasting products in the area of production. This would imply a larger absolute materialization of the economy. The consequence is a growing shortage and
even an accelerated depletion of available natural resources and greater contamination. Alternative rationale would be to build longer lasting and cleaner community buildings. Such a measure would imply however the end of economic growth and thus the end of capitalism. To avoid this, the system will seek by all means an ecological approach on the consumer side to safeguard growth in the production area. It may even imply ecological dictatorship. This will only guarantee depletion at an ever higher rate of natural and energy resources. Sooner or later absolute limits to growth on a global scale will become evident.

In order to achieve a stationary economy on a world scale, a change of paradigm is needed. It will imply mainly negative growth in the North with positive growth ideally directed in favor of the common good in the South. Without achieving the first it becomes really difficult to achieve the second. In the first case, the South finds no other alternative but to disconnect from the North in order to survive in a more or less united South-South relation. As we previously stated it is very clear that there is a shortage of natural resources on a global scale and these are concentrated mainly in the South. So, we consider that negative growth must first take place in core countries. For a determined time it will be possible and even necessary to stimulate positive growth in the peripheral countries. While capitalism rules on a global scale and imposes its seal, it is however really difficult to pass beyond neo-development projects in the South. This is what happens today in the Southern Cone of Latin America.

Where is the weaker link to break current economic rationality? A new rationality will imply a change not only in the core country’s lifestyle, which focuses more on consumption, but also require a change in their own mode of production. Civilization change this implies must happen first of all in core countries. It will be based on their more difficult access to natural resources. It is obvious that current and future wars for natural resources will postpone this situation. However, facing the Great Depression of the 21st century, the process of disconnection of the South will be sudden and strong. Their reorientation towards the center and unification among themselves will be very strong.

A crucial question remains: How is this change going to occur? Will it be spontaneous? Will it be derived from profound crisis? Crisis, without any doubt will create favorable conditions. We do not believe, however, that this change will occur without social conflict of various kinds and intensities. We will observe both poor people struggling for survival and privileged minorities who seek to maintain their habits of squander and will fight tooth and nail to keep the status quo. In any case, it is about class struggle. With this, other questions emerge: Who will be the historical actor of change in the 21st century? ¿Where is it more likely that more advanced social forces will appear to lead this civilization change...? We believe that main forces will emerge from the necessity for survival. Great majorities in the South and even in the North, are faced with catastrophes already established as a real possibility in the 21st century. Climate change and raw materials depletion may be the more important ones.

Notes

(1) Herman E. Daly, Beyond Growth: The Economics of Sustainable Development. Beacon Press, 1996.
(4) Ibid., p. 166.
(7) See, Chossudovsky, op. cit.
(8) See the article of Ian Angus, Food Crisis: "The greatest demonstration of the historical failure of the capitalist model," in Global Research, April 2008.
(9) See Henry Saragih, “La Vía Campesina saluda el reconocimiento preliminar de los derechos de la/os campesinas/os por la ONU”, in www.ecoportal.net
(10) Daly, op. cit.
(14) Ibid., p. 44.
Chapter V - Humanity confronting a Great Transition

Chapter V.1. Global labour market in the XXI century

From 1980 to 2000, population involved in the globalized world economy doubled its number. Until 1980 there was a relative autonomy in national economies with respect to the world market of products and services. The labour force operated mainly within the limits of national borders. Much attention has been given to the globalization process and its impact on commercial and financial markets. Less attention has been given to impact on the labour market and on living conditions of majorities. The neoliberal process has destroyed all traces of economic sovereignty in most countries of Asia, Africa, Latin America and the Caribbean and nowadays sovereignty in the core countries is at risk. In Latin America, structural adjustment policies dismantled the relative internal autonomy of national economies. Border-less private consortia captured a larger market segment and a greater portion of the existing wealth, rather than stimulating growth via investments in productive areas to generate new wealth. In this context it is important to understand the mergers and acquisitions policies that constitute the majority of investments in the neoliberal world. The global market forced periphery economies to compete with transnational products and subordinating them to foreign investment. Since then, opportunities for local, formal jobs have been reduced, and the replacement capacity of the labor force has increased.

Since the mid 80’s, population of the globalized world economy, in other words, population available to major capital interests, has more than doubled, passing from 2.5 billion to 6 billion human beings. This figure includes both economically active and inactive population. According to a study conducted by the International Labor Organization (ILO), the working class, which is potentially available for exploitation by transnational capital, had doubled its number from an economically active population of 1.46 billion in 1985 to almost 2.93 billion in 2000 (1). In this process of expansion it is important to highlight the relative weight of China’s opening to the world market and foreign investment. The breakdown of the Soviet Union, including Eastern Europe, and the final consequence of the so called autarky of India, subordinated since 1991 to the International Monetary Fund (IMF), opened up these markets to foreign investment.

The incorporation of almost 1.5 billion new potential workers to the world labor market, in regions with high rates of unemployment and underemployment has had a huge impact. This will be remembered for decades in the labor markets of core and periphery countries. It represents mainly a higher replacement capacity of the labor force in the entire world and therefore a trend to wage reduction, intensification of work, prolongation in working day hours and a worsening of labor conditions, in other words, increasing the extraction of absolute surplus-value. This takes place not only in the periphery but also in the very core countries. Summing up, we are faced with an increase in the rate of exploitation of the labor force on a global scale. The current crisis, in a dramatic way, is reinforcing this tendency which began decades ago. Today all the brutal ways of exploitation denounced by Marx and Engels at the beginning of industrial capitalism exist in abundance, and the practice of forced labor, human trade and even semi-slavery is multiplying.

Although due to geopolitical motives there is a very clear exception made for agricultural products subsidized in core countries, the current trend is that products which can be produced in the periphery at lesser costs, are usually produced there in order to be exported to the rest of the world. Due to China’s large industrial reserve capacity, its large labor force and one of the most competitive wages in the world (with long and intense working days), it is the champion in this race, and will remain so for a long time. Suzan Berger (2) found that in 2005, participation in international commerce of 500 largest corporations in the world from periphery countries, had already reached almost a third of all world commerce. 70% of cases were involved in commerce of products (China in the first place) and the remaining 30% mainly in productive services such as transportation, telecommunication and tourism where India plays an important role.

Not all manufacturers or services can be moved to periphery countries. Construction of highways, infrastructure, houses and buildings is a clear example of this. Agriculture protected by huge subsidies is another one. Due to geopolitical reasons, subsidies to basic food products in core countries will unlikely be removed. In times of war food must be guaranteed, or the resistance capacity of a country is shortened to days. In the internal economy of core countries, manpower replacement capacity has been increased by means of the South-North migratory process, especially in productive areas. With capital emigration from North to South and cheap manpower
immigration to North countries from the South, labor force replacement capacity at the service of the world’s major private capital has been increased.

Production chains have been lengthened with the new division of world labor. What can be manufactured at lower costs outside core countries tends to be transferred to the periphery. In order to reduce labour costs within core countries, not only immigration has been an appropriate tool. Before this phenomenon happened on a large scale, the massive incorporation of cheaper feminine labour force had notoriously expanded during the last four decades. When this additional source of employment became relatively scarcer in the 80’s, cheaper migrant labour from periphery countries flooded the market like a wave. Labour insertion of migrant population occurs mainly in the productive area.

The “New York Times” published that there are 200 million immigrants in the world currently giving support to more than 500 million people, in other words, to a little short of 10% of all humanity. Between 1980 and 2005 more than 20 million immigrants were admitted in the US and it is estimated that another 12 million entered the country illegally. Thus in total, there are more than 32 million immigrants in the US, i.e. more than 10% of the population of this country. Latin Americans represented in 2005 14.5% of the economically active population, Asians 4.5% and Afro-Americans, another wrongly classified “minority” in the US, 12%. These overexploited “minorities” together represent almost a third of the economically active population, a proportion which grows every year as immigrants are relatively young adults in reproductive ages.

Immigrants’ ties and involvement with their country of origin are manifested very clearly through remittances they send to their country of origin. It is estimated that US immigrants send 300 billion dollars per year. China, India and Mexico are the top countries on the list of remittances in terms of volume, with approximately 25 billion dollars each. There are 22 countries where remittances surpass 10% of the GDP, with Haiti in the first position with 23%, followed by Lebanon with 22% (3). Due to the economic crisis, unemployment has increased sharply, particularly for the so called minorities. With it, remittances in the world have also suffered a strong decrease and return migration is becoming a more common phenomenon, as it was during the Great Depression of the 20th century.

Based on the foregoing we can observe how the process of production of wealth and productive content based work, very often the hardest and less valued work, has become the responsibility of inhabitants of the periphery. This is carried out either in their own countries, with their own natural resources, or as immigrants in core countries. At the same time, during the neoliberal era, unproductive labour has developed in the financial sector in core countries, often parasitic in its form. In these sectors there is a greater concentration of the non-immigrant population, with mostly a white labor force.

**Chapter V.2. The subordination of whole countries to global financial capital**

During the origins of capitalism, and still today in the periphery countries, it was above all commercial and usury capital, that is nonproductive and parasitic capital, that tended to destroy the pre-capitalist forms of labour, separating independent producers from their means of production. Commercial and usury capital were only indirectly related to the direct producers. The subordination of the latter occurred only in an indirect way. These producers reproduced their labour force outside capitalist relations, while finding themselves subordinated to capitalist market mechanism. Small producers, who generally had no access to loan institutions had to turn to usury capital, where they had to pay very high interest rates. The usurer was not directly involved in the productive process, but rather played the role of parasite. If the producers who take the loan went 'belly up', expropriation of their means of production would be the next and more interesting step. The increasing concentration of the means of production in the hands of a few was a direct consequence. Apart from the usurers there have always existed the commercial capital, who had a relative monopoly on access to the market. This type of indirect subordination led to the misery and expropriation in which small producers were and still are plunged, while contributing to an increase of the value appropriated by a fusion of commercial and usurer capital.

Small independent producers so lost historically their ‘independence’, becoming indirectly subordinated to the usurer or to commercial capital. There is a qualitative jump from this indirect subordination to direct subordination of labour to productive capital at a national level. Commercial and financial capital at a national level existed before productive capital was developed. The Dutch commercial capitalism and its accumulation
process didn’t lead to an industrial revolution in Holland, but rather they co-financed the origin of productive capital in England. From then productive capital imposed itself and commercial and finance capital became in function of it. During the 18th and 19th centuries, productive capital reigned on the previous historical forms. Today the situation has been inverted again. The bankers and the financial sector have conformed a powerful elite able to subordinate whole nations.

Today globalized financial capital influences in almost all matters of world importance and in the main internal matters of each country. This form towards direct subordination has become a trend on world level, two centuries after the origins of capitalism. Historically, the chain of indirect and direct subordination extended itself geographically and includes whole countries first of all in the periphery but in recent times even in the core countries. The same fusion of commercial and loan capital at a transnational level, represented by the International Monetary Fund (IMF) and the World Bank (WB) subordinate periphery countries to global finance capital, transferring value from the periphery to the core countries.

The network of subordination crosses borders and traces international patterns of accumulation with ramifications that affect millions of workers and small business in the periphery. Since the foreign debt crisis in the 1980's financial capital represented by their intermediaries (IMF and WB) conditioned new loans to the indebted periphery countries and first of all in Latin America. These countries had to adjust their economies according to the imposed conditions, among others the Structural Adjustment Programmes (SAP's). The process of of debt re-negotiation and the capitalization of debts have been the clearest proofs of this subordination. These SAP's weakened the countries' capacity of self-determination as Nation-State by subordinating them indirectly (via FMI and WB) to global financial capital.

In the context of debt crisis, the creditor banks preferred to exchange doubtful titles for higher yielding assets, that is productive assets, from the debtor country. The privatization process in Latin American countries is a capitalization process of the debt, which provides great benefits for the creditors, given that debts, that might not have been recovered otherwise, were exchanged for profitable and depreciated real assets- all due to the recession SAP's provoked and the financial strangulation of the debtor country. The capitalization of the debts tends towards the De-nationalization of real assets. Global financial capital became the owners of strategic assets, implying the corresponding loss of national decision-making. Herein lies the essence of the loss of self-determination of the debtor nations and the transition from indirect to direct subordination at the level of entire countries. What we are observing nowadays is that not only peripheral core countries tend to be subordinated to globalized financial capital but even the European Union and the US.

Franck Biancheri, Director of Studies at the Laboratoire Européen d'Anticipation Politique (LEAP) and editor of Global Europe Anticipation Bulletin (GEAB), whose public announcements are translated in more than 70 different languages and read by more than 10 million people worldwide each month, foresaw the “global systemic crisis” as early as February 2006, and which has ever since been anticipating its evolution. Biancheri published a book, titled ‘World crisis: The Path to the World Afterwards Europe and the World in the decade from 2010 to 2020'in which he states that in 1989, the “Soviet pillar” has collapsed and we are now witnessing the accelerated decomposition of the “Western pillar” with the United States at the heart of the process of disintegration. After two decades spent living in the myth of an “ended history” in which our Western camp would be imposed universally, it is almost impossible to imagine “a world after” where tendencies would not be defined in Washington or Wall Street, where “Anglo-American” would not necessarily mean “modern” and where the dollar would no longer be king. The financial and economic crisis that the world has been facing in the past two years marks the end of the world order established after 1945. This what we want to analyze in our last chapter.

Chapter V.3. The limits of power sustained by a nonproductive elite

Richard K. Moore (Global Research 27 Feb 2010) wrote: "The businesses (…) are in the hands of the capital through the mediation of banks and brokerage where the investment banks occupy the maximum hierarchy of the wealth and the power. Bankers' families like the Rothschild and Rockefeller have ended up dominating the economic and political matters of the western world (…). The capitalists are not tied to any place (…). The capital is disloyal and mobile (…) it flows there where its growth can be bigger (…) it flowed this way from Holland to England, after England to United States and now from all parts toward China (…). Under the
capitalism whole nations can be exploited and annihilated" by an elite that represents less than 1% of humanity. We would call it a global Private State without borders nor engagement with citizens.

The powerful economic elites that are behind the control of most of world policy in the XXI century is analyzed by David De Graw in his “The axis of greed” (Global Research 27 Feb 10). We are talking about "people's that meet secretly to control the world where the arisen conspiracies of practically secret organizations are plentiful as the "Group of Bilderberg", a multimillionaires' elite at international level united by a shared ideology of exploitation and the belief that the wealth and the resources should be concentrated on the smallest quantity of hands possible at the expense of the other ones". This group would have been summoned for the first time by the Rockefeller’s in the 50's of last century. Since then they secretly meet each other every year. The most important bankers and corporations of the world assist those meetings. The Group Bilderberg has often attracted speculation that it forms a shadow global government. Bilderberg meetings often feature future political leaders shortly before they become household names. Bill Clinton went in 1991 while still governor of Arkansas, Tony Blair was there two years later while still an opposition MP. All the recent presidents of the European Commission attended Bilderberg meetings before they were appointed”.

http://news.bbc.co.uk/1/hi/world/americas/4290944.stm

According to Moore (Idem), at the center of the organization the Executive Directors are (CEO) of the biggest companies and corporations of United states, part of the not very well-known “Business Roundtable”, an organization of the economic elite with more power and influences that began to operate in 1972. This "Round Table" next to the “Business Council” constitute the very heart of the community of corporations of the richest. The most powerful persons inside the United States and at international level are members of this almost secret society . The form how they operate is synthesized in the next figure:

The new division of labour in the world, which implies a gradual transfer of productive labour to periphery countries, does not eliminate the plunder by corporative capital of scarcer raw materials and natural resources nor eliminate multinational agricultural mono cultures. On the contrary, the search for scarcer natural resources of all kinds becomes more aggressive as there is rising competition due to rapid growth in the emerging economies who also need these very basic but scarce resources. Current reserves, however, are more concentrated in the periphery countries along with cheaper manpower. These two conditions erroneously called "extra-economic factors" are fundamental to guarantee an enlarged capital reproduction in the productive sphere in general. With it periphery countries will be the future centers of productive labour, even though temporarily under the capitalist production relations.

These so called "extra-economic factors” place the emerging countries at a relative advantage over core countries. Prices of natural resources are going up as a consequence of growing scarcity. Wars over natural resources have become more frequent in the last decades and will become even more so in the future. We are witnessing once again neocolonialism, which seizes territories militarily, but this time colonized by global
Private States without borders nor citizens. In the XXI century even the core countries tend to be subordinated and colonized. This transition implies a deep change in existing power relations between the core countries and periphery. Even core countries tend to become subordinated and colonized. Nowadays private armies contracted by the financial elites are more common. NATO armies are more and more private. These armies do not have any real identity in contrast with the occupied nations. Poor people of the periphery nations, accustomed to all sorts of privations, have more subjective motivation and capacity to resist when the time comes to defend their territory and freedom. Their survival capacity is more powerful than great armies gifted with modern technology but without any identity. The reality is that wars to obtain natural resources will be lost with growing frequency. Scarce natural resources will become more strategic as time goes by, and so will become periphery countries.

The original and prehistoric development of the production forces obliged humanity to the rationale of an economy in function of life. Social production relations were based on the unity and solidarity and high respect for nature. This solidarity rationale and respect for nature created the objective conditions to reproduce the primitive community as a species. History leads us once again to our very basis, although this time at the historic highest level of development of the social productive forces. The rationale of an economy that reaffirms life will become once again a necessity and countries in the South will have a good deal in this process. Peripheral counties are the main providers of those resources which are becoming scarcer every day. Emerging countries are using more and more those resources for themselves. Ecological movements in general and indigenous people especially are struggling not to exploit those resources at all or leaving at least resources for our future generations.

This means that core countries will be the first to feel a lack of supply of these resources. In order to face the growing shortage of natural resources, prolongation of life cycle of products will be an inevitable in these core countries. Sooner or later life cycle prolongation of products in general will be a must. This is also the rationality for society claimed by many today’s social movements. Lifespan of products, sooner or later, inevitably has to be enlarged. It implies that monetary wealth created year by year will decrease. The same national product as use value, however, will be with us for a longer time span. When we retain existing wealth, in other words when we retain the use values, genuine welfare increases although the creation of 'new' wealth expressed in terms of money year by year will decrease.

This new approach leads to a more rational use of the natural resources of the planet by decreasing their squander. It will be in function of natural life itself. Instead of tabulating wealth as the volume of exchange values (economic growth in monetary terms), wellbeing would be seen as those generated use values which really attends the collective needs to live in community. This material wealth stays around a longer time with us, so satisfying us more longer in time and so is an advance in the development of the production forces (4). In other words, individual exchange values of wealth lose ground in favor of use value for the wellbeing of the community. This is the Great Transformation towards a new civilization.

By decreasing monetary wealth created year by year, economic growth becomes negative. In that case capital accumulation tends to be negative and so interest rates cannot be positive. This means that the historic role of capital wears out, and especially of financial capital. In such a scenario we would be on our way towards post-capitalism and the simultaneous burial of financial capital. Instead of focusing on economic growth and capital accumulation as a supposed condition for wealth and wellbeing, benefiting in reality private interests, a new approach of genuine collective well being provided by those use values sought by the majorities becomes a possibility.

It will be clear that the more reactionary forces to halt this historic process may be found precisely in the club of the banking and financial elite. The logic that feeds bankers and corporations is exactly the opposite one. It is motivated mainly by greed and ambition of accumulating more and more capital and power, and ideally without the use of a labor force at all. The subordination of both peripheral and core countries by global finance capital will lead to an exploitation of labour at a global scale as never seen before. Huge concentration of capital and massive exclusion are its consequence. This is a contradiction which progressively grows in view of the current crisis of civilization. Either the rationale of unlimited profit for 'one percent' of humanity at the expense of the 99% will triumph and lead to barbarism, or will triumph the struggle for a new society with the right to life itself, both human and natural.
This contradiction between the struggle for an economic rationale which encourages life on the one hand and the salvation of the rationality of capital at any cost, is reaching extreme levels. This may appeal to mankind’s most primary instinctive mechanism: its survival in extreme crisis times. Survival as a people, social group, nation and as a species. It is a contradiction referred to by Pope John Paul II as “Savage Capitalism”. This confronts tiny financial elites of power against interests of all humans, beyond nationalities, races, religions, social classes and ideologies. Two great forces come into play: the power of barbarism based on a speculative and parasitic accumulation of money on one hand, against an economy that reaffirms life of the majorities as worthy human beings in harmony with nature. This contradiction will be at stake in the coming years of this 21st century. On its outcome the survival and quality of life of the great majorities will depend. We cannot assure with full certainty that this contradiction will not result in a great war. It is useful however to share with the phrase of Albert Einstein; I know not with what weapons World War III will be fought, but World War IV will be fought with sticks and stones...

We have tried to describe from a realistic point of view the main crises and dangers of the epoch we are living in. Different simultaneous crises, from our point of view, do not converge just in another crisis of the capitalist system but more like a crisis of civilization. It has not been our intention to criticize any country, government, race or social group. We aim to make a documented statement on the destructive power of a tiny world elite whose greed has taken the world to its current situation. We have pointed out the danger of gathering and administrating the greater part of wealth and power for their exclusive benefit. Until the 1980’s there were two main options: Socialism of the 20th century or capitalism of the 20th century. The first one sank with the collapse of the socialist system two decades ago. The second one is sinking in the current civilization crisis. The challenge of building an alternative choice for humanity on the basis of values which reaffirm the lives of the majorities still remains. For this there is no point in reviving exhausted models or a preconceived system. Something drawn from past history is the desire of the majority of the world population to live at peace with liberty, justice, mutual respect and integral democracy. We think this is possible and we must devote ourselves to achieve it.

Chapter V.4. Class struggle in the XXI century

Neoliberal globalization created the basis of an era of capitalism of low and decreasing salaries on a global scale with a progressive concentration of wealth and universal exclusion. The new Great Depression has also created the objective basis for a wide rebellion beyond individual differences, and as we have seen lately, even beyond borders. During the last decade World Social Forums have been the meeting place for critical social forces on a global scale. From there, alliances between movements and forms of integration between movements beyond borders have emerged. However, the process of moving from dialogue to political action was missed. It seems that the Great Depression of the 21st century is changing this. The Arab revolt in North Africa beginning in Tunisia and Egypt and spreading like wild bush fire to the rest of the world, has taken the international community by surprise. A struggle beyond particularities and borders is without any doubt a challenge with no historic precedent. We believe that the Great Depression of the 21st century will provide a historic opportunity for this.

After the first financial crisis in the core countries with growing unemployment migration possibilities from these countries became very difficult since 2008. If possibilities for individual life projects or at a family level outside the country become blocked, the only way out is in my own country. As possibilities to work at home are very limited and decreasing and at the same time work stability very insecure, collective rebellion is a logical answer. The rebellions in 2011 sweeping the Maghrib, from Mauritania to Egypt, and across the Arabian peninsula have inspired hundreds of millions of people around the world. They have also raised important questions about revolution and liberation, at a time when revolution has been declared ‘over’ by capitalist ideologues.

In this context, critical thinkers such as Samir Amin (5) talk about an appropriate occasion for the creation of a New International in the same style as the First International in times of Marx and Engels. Today in fact we are witnessing tenacious social struggles in the very core countries. Massive unemployment and worse labour conditions, social and economic insecurity lead to massive demonstrations which first took place in Greece and soon in Spain. Nowadays these massive demonstrations even take place in the USA. As public debt grows and the risk of default become close, austerity policies are introduced to save the bankers. The Icelandic people have
risen together against speculative bankers, calling for a participative democracy. In two referendums Iceland decided to save the people and not the bankers. The new movement transcends its national character as it takes place in a hundred countries at the same historic moment. during the Great Depression of the 21st century. During the new Great Depression the possibility of a common struggle of workers around the world against global and speculative capital and the bankers is not any more a mere illusion.

The radicalization of this process of unification and solidarity of social movements beyond individual differences, borders and continents is foreseeable as the Great Depression of the 21st century deepens. We have to state however, it will not be a movement without counter-movements. Those newly excluded who until recently had benefited from and identified with the market-based system and its legitimating electoral process, concentrated in the core countries where social welfare state is dismantled, develop a deep resentment at being left out. Failure to understand the root of the problem, in other words legitimizing the system, may lead to demands and justification for using extra economic means to gain access to possibilities for involvement that have been eliminated, even at the expense of others. As the crisis of capital deepens, a division of the working class becomes possible through racism, sexism, xenophobia, religion, ideology, and other means of division. The latter will try to appeal to “everyone for themselves,” stating that some, of a certain race, nationality, culture, gender, etc., have more right to be in this world and to be saved from the crisis than others. It may especially the case in core countries, where the idea is encouraged, that the chosen ones in core countries have more right to be in this world than entire countries of the periphery. This is the case in the northern countries of the European Union. The opposition to bail out Greece and other Mediterranean countries with public funds of the core counties in the North is just an example.

This conservative ideology may reach a rising degree of diffusion manifest in the rebirth of neo-fascism. As the Great Depression will deepen, in these countries there will be clear lines of exclusion by which there is no salvation for the so called “minorities”. Banking elites are willing to save themselves at the cost of sacrificing the great majorities even in the core countries. The latter, after realizing that in this “everyone for themselves” not many of them will be saved, may become inclined to question the system and fight for another more more inclusive world in which they are considered with dignity. Due to the number of places where this struggle is going to take place, we believe a New International may consequently occur. It is in this scenario that immigrants coming from periphery countries, as global citizens, may become strategic players for a struggle beyond borders.

Forces of solidarity and integration of the working class and citizens of different social strata tend to be greater where the “everyone for themselves” is less seen as an alternative, that is, first of all in the periphery. Therefore it is not odd that the process of disconnection from the globalization process and the search for sovereignty and local alternatives occurs in periphery countries in general and Latin America especially. There will be fascist movements in periphery countries, but they probably will lack real popular support. In the outskirts of the very core countries such as Southern Europe, there are more possibilities of rupture in the search for more democratic alternatives than in most core countries such as North European ones and the US. There, reactionary tendencies may obtain a broader social base as is the Tea Party in the US. However it must be said that the longer the Great Depression will be and the more it will affect common people in the core countries, even there the system as such and its elites will be questioned and so class struggle may become a global phenomenon.

Notes

(2) Ibid., p. 12.
(3) Ibid., pp. 159 y 224.
Chapter VI – The historical actor confronting a civilization change: challenges and threats

Chapter VI.1. Introduction

Towards the end of June 2011, the world faced for the first time in recent history, the possibility of a financial collapse that not only threatened the countries of the periphery or in one or two European countries, but also the US. Since then panic has become widespread, the price of gold has sky-rocketed, and we hear more and more about an imminent Great Depression. We truly are not before a new recession or a “double dip” like the mainstream media wants us to believe, but before the Great Depression of the 21st C. Even the data readjusted for 2011 of the US Bureau of Economic Analysis (BEA) show that the GDP of the US declined in the last quarter of 2008 by 8.9%. According to other data reported by the BEA that usually shows lower numbers after readjustments, 2009 registered a negative growth of 3.5%. Per capita GDP at current prices demonstrate that the US entered a recession already in 2005 (The Economist, August 6, 2011, p. 28). This is why we have to go more back in time to search for the causes of the depression. Let's summarize.

Since the end of the seventies of the last century, the rate of profit declined in the productive sphere. In other words, it declined in those sectors where the real wealth is produced: value and surplus value. This is so, because since World War II the average life of fixed capital has gradually declined to the extent that the cost of technological renovation cannot be compensated by a larger reduction of the cost of labour once the technology has been introduced. Driven by the need to be ahead of the competition in the development of cutting edge technology, fixed capital’s average lifespan has been reduced at the expense of its rate of return. Since then Keynesian economics is in crisis and neoliberalism has come to take its place. The time was ripe to look for cheaper labour force outside the metropolis and/or to import cheaper labour force from the periphery. As labour became flexible globally, the reserve army of labour was to be found worldwide and the degree of exploitation in the real economy was intensified.

In the metropolis, we do not observe a move of capital towards the productive sphere instead we see how capital tries at all costs to abandon the productive sphere. Capital takes refuge more and more in the fantastic world of the self-expansion of money. In other words, capital tries to realize profit and accumulate in the speculative and unproductive spheres of the economy. Profit here tends to be higher, but it does not contribute to increase real wealth. Profits act as a form of entitlements that demand participation in real wealth, without have taken part in its creation. It is fictional capital and fictional profit. They develop as forms of dispossession and concentration of the real wealth that has been produced at the global level. Such profits intensify the competition for the distribution of the mass of surplus valued produced globally without effecting a real increase of it at global level.

In order to guarantee the good functioning of this economic logic, the deregulation of the financial system became necessary in the decade of the eighties. The measures that were adopted promoted the exponential growth of investment banking and of new financial instruments known as hedge funds and derivatives. Huge financial networks were created that functioned without any type of fiscal or legal control or constraint. In the last decades, financial capital resorted to a significant expansion of credit to finance its commitments to the future. This translated into an increased expansion of titles in financial markets that was sustained by an inverted pyramid of credit that was not backed by a major growth of the real economy. In short, with neoliberalism we enter into a casino type economy that is more and more global in scope. As long as the objective of appropriation and concentration of real wealth is maintained, credit will serve only to finance this speculative movement. This upward spiralling does not only generate (fictitious) profit, it is also a mechanism of appropriating the mass of real wealth produced in the world by a minuscule club of the super rich that have control over this process.

The actual size of the inverted pyramid of titles that is built on the ever-shrinking base of real wealth makes palpable the magnitude of fictional capital and its fictitious profits. The Bank for International Settlements (BIS) reported in its June 2011 issue of Quarterly Review that it had received information that by December 2010 a total of 601 billion dollars of derivatives had been issued. This sum is ten times more than the net world GDP, however, the real number of derivatives issued is probably an underestimation as there is no obligation to report it. Trace Mayor (“The great credit contraction,” sample 9; Premier Ark Editors, 2009) estimates that the real number of derivatives issued is 30 times the world GDP. In reality it is very hard to measure its real dimension. Sooner or later the fictional capital will disappear in an unprecedented financial collapse. The strategy of those who possess this gigantic inverted pyramid of investments is to incorporate as many mechanisms as possible that
allow them to hoard the lion’s share of the productive or real wealth before or when the collapse takes place. This is a politics of subordination to the global financial networks of not only countries of the periphery like Latin America in the past, but also in the final analysis, even superpowers like the European Union and the US.

The creation of a Euro zone and the European Union was a political attempt of this continent to avoid being absorbed by the tentacles of the two financial octopuses of the City of London and Wall Street. Today we face the threat of the bankruptcy of states in the European Union and even the US. This demonstrates that not even the metropolis can stay safe from the encroachment of the Global Financial Network. We can see their unified efforts through the Financial Funds of Global Investment (FFIG) and the way big banking and corporations are strategically managed. It is a diversified network that operates with a maximum of anonymity and secrecy; it is where the struggle for the control of transnational capital takes place and where they are able to transform themselves into global financial networks. These networks function like “Private States without borders and citizens” that are unaccountable to none and nobody. It is a form of capitalism without citizenship. (See Dierckxsens, Los límites de un capitalismo sin ciudadanía, DEI, 2011; 104-108 y 152-155)

How is this global financial network structured? The findings of a study conducted by Swiss researchers Stefania Vitali, James B. Glattfelder and Stefano Battison of the ETH in Zurich, Switzerland entitled The Network of Global Corporate Control show that 737 companies control 80% of the transnational network of corporations and that only 147—what the researchers call the “super entity”—control more than 40% of this global network (http://pijamasurf.com’23.09.2011) Half of the 50 largest corporations are US American. Great Britain occupies the second place with eight, followed by Japan and France with four each, Switzerland, Holland, and Germany with two each, China, Canada, and Italy one each. Here we can draw a comparison with the secret Bilderberg Group. We can add also that 12 of the 25 companies with the greatest nodes or connections are well-known financial institutions. They are in order of importance: Barclays PLC from Great Britain, WE Morgan Chase, UBS AG, Merrill Lynch & Co, Deutsche Bank AG, Credit Suisse Group, Bank of New York Mellon, Goldman Sachs Group Inc.; Morgan Stanley; Mitsubishi Financial Group Inc.; Societé Générale and Bank of America Corp. The “super entity” is no longer composed mostly of big corporations of the real economy instead increasingly it has been taken over by financial institutions with Wall Street and the City of London at the forefront. (See chart below).

**Chart: The Super-Entity of the World Economy**

These financial institutions have the capacity to speculate in the market and have privileged access to enormous quantity of information. Thanks to these researchers we are able to understand how the great bubbles and financial crises that we have witnessed in the last years originate, and how these great corporations in contrast to the majority of the population can report great earnings in the context of the global economic meltdown. We can understand the phrase: they are too big (powerful) to fail. The major stockholders can exert massive influence through their connections with other transnational corporations, concentrating so much power in their hands that they are able to destabilize entire countries and even the US. It is clear that the fictitious capital is concentrated in Wall Street and the City of London. The forces that subordinate productive capital at a large scale operate from these places and are in the position to control the metropolis.
Chapter VI.2. The Struggle to Restructure the World Order in the Current Crisis

The current crisis is not only an economic chaos or panic that overwhelms us, but it is also the stage where different interests struggle to manage the economic and political processes at a global scale. The current crisis is the expression of the struggle to re-distribute the global mass of real wealth. This redistribution no longer confronts countries of the metropolis against each other like in the past world wars. This time financial capital engages in a warlike strategy to enlarge its areas of influence and establish a global order under its hegemony through the creation of a global state without borders and citizens. This newly created “social territoriality” requires a new state form: a state-global financial network that has sovereignty over a social territory. This war will have winners and losers inside and among the great economic powers themselves that are based on territoriality. Formento and Merino, two Argentinean authors that wrote the excellent book The Struggle for the Reconfiguration of the World Order (Peña Lillo/Ediciones Continente, Buenos Aires, 2011) emphasize that the imposition of global financial power responds to a logic that transcends the subordination of some countries to other countries or an imperial country. In the new world order they say, “the global networks need to supersede the US as the only world superpower and advance to a new form of imperialism that has no central country as hegemonic and exclusionary power.”

In the US, we observe how the conflict of economic interests uses the global financial crisis as a strategic political struggle that resembles a financial-political-media war. The conflict of interests inside the divided Anglo-American financial power bloc is deepening and globalizing. Formento and Merino (p.9) talk about a conservative US American financial fraction led by JP Morgan and the Bank of America now steeped in crisis and the globalist financial power fraction led by Barclays, Citi Group, Lloyd’s Bank. Clearly, the global financial network is not monolithic. The latter group wants to create a state form that is global, without geographic borders and citizens and is not anchored in any territory, not even the US territory. Its territory is social. According to the global networks, Formento and Merico tell us, “there should be only colonies, no colonizing countries; colonizing countries themselves must be colonized territories”. Global financial networks have been already successful incorporating many Latin American countries, and now they are targeting the European Union and the US itself. It is through the pyramidal multiplication of fictitious capital as entitlements or rights over the ever-larger portion of the world’s real wealth produced each year that they are able to control effectively the productive assets in the world and thus, its process of reproduction. This internationalized power in the form of a global state seeks to impose its own global currency and to accomplish this it is ready to destroy the area of influence of the Euro and even the hegemony of the dollar. (Formento y Merino, p. 21)

How can we envision the new imperial modality? It is a form of imperialism that is deployed as a hierarchical network of global financial cities with cities like New York and the City of London as its centre and other local nodes in cities like Paris, Tokyo, Shanghai, Frankfurt, Moscow, Singapore, Hong Kong, Dubai, Abu Dhabi, Bombay, Sydney, Johannesburg, Sao Paolo, Buenos Aires, Mexico City and others. The principal nodes would give the global state its shape and there would be a global division of labour that assigns each region a specific role. In this context, the hegemonic power of the US as a unipolar, unilateral or even trilateral force in the world now becomes an obstacle to the realization of the Anglo-American globalist economic interests. The Anglo-American power bloc controls the largest portions of transnational financial capital and the largest financial network in the world under the leadership of Citi Group, Lloyd’s Bank, HSBC, Rothschild, Shell, Barclays and others. The Democratic Party best represents the political interests of this group since the Clinton administration, and today with the Obama - Hillary Clinton administration.

The main characteristics of the global-state-network can be summarized as follows: a) Constitution of a Global Government articulated within the G-20 as a unipolar multilateral sphere. Opposing this trend is the multi-polar multilateralism of other power fractions of the European Union that struggle not to be absorbed in this sphere. We can also mention the BRICS and China that presents a degree of autonomy and even UNASUR. It is not surprising then to watch how these groups support the Euro to prevent the European Union from falling under the aegis of dominant global financial capital b) the development of an imperialist global network consisting of a network of financial cities as a mean of social territoriality; the state modalities are constituted by the structures of strategic management of the cities. The central command are the global financial networks that make up the Financial Funds of Global Investment (FFIG). The aforementioned regional power fractions oppose this trend; c)
the emission of global electronic money through the granting of Special Drawing Rights (SDRs) by the IMF or other ways of keeping the global financial networks always at the centre. This form of politics implies the elimination of the dollar as the leading currency and the dismantling of the Federal Reserve Bank as a global bank. This is opposed by the US financial bloc that seeks to maintain the hegemony of its country; ch) optimum liberalization of global commerce through the WTO; d) the development of the Global Armed Forces through NATO and UN Peacekeeping forces; e) a fictional, virtual democracy composed of demobilized and disorganized majorities, in other words, a global citizenship under the sovereignty of financial media power (See Formento and Merino, p. 57 & 58)

There is a fraction inside the US power bloc that opposes this political project. These are conservative forces that try at all costs to preserve the hegemonic power of the US. Thus, it is important to them to keep the dollar as the leading global currency in order to fund their military might. It also needs to strengthen its position vis-à-vis other groups. Their politics still rests on the control of geographic areas. According to their logic, Latin America must be annexed through free-trade agreements and the consolidation of a continental defence strategy. Latin American projects like the ALBA, UNASUR, and the South American Defence Council go against these political projects of the North. The deployment of the US Fourth Fleet ran parallel to the installation of the South American Defence Council. At the very moment that the coup in Honduras was taking place to prevent the consolidation of an autonomous South American power bloc, the Pentagon was allowed to install in Colombia seven military bases.

This US American power bloc appears as a unipolar, unilateral strategy of the Pentagon and prefers building regional blocs that are kept under the leadership of the US (Brzezinski), but this project is more and more difficult to sustain. The Pentagon and the financial fraction of JP Morgan, Bank of America, Goldman Sachs, Big Pharma, Exxon Mobil of Rockefeller and others support this political strategy. The Republican Party under the George W. Bush administration best represented this group politically. The economic weakness and backwardness of this US American power bloc was compensated by its military strategy. After loosing the midterm elections in 2010, the globalist Anglo-American fraction is having serious difficulty in imposing their program. (Formento & Merino, pp. 63-79). As the globalist and nationalist forces appear to struggle with each other, a third force arises with the mass movement ‘Occupy Wall Street’ that now advances an alternative project. The more both former parties struggle the more the alternative forces may arise.

The current wave of speculative attacks targets the public debt that has been accumulated by the governments of the metropolis. In the context of a debt crisis, the creditor banks seek to exchange the most difficult debt titles to collect against productive assets, in other words, in the real economy of the debtor countries. This type of regime was applied to Latin America towards the end of the 20th C., and the turn has come now to the countries of the metropolis. The importance of the ratings agencies in this speculative wave is significant. Many entities like the pension funds that carry billions in investments, are tied to these rating agencies of credit and are forced to submit themselves to their ratings. When the credit rating of a country is lowered (intentionally), the sale of bonds is massive and consequently they loose their price value, simultaneously raising the interest rates for new credit. The new credit can only be obtained under severe conditions of structural adjustment policies that were very well known in Latin America during the decade of the 80s of the last century. To ensure the installation of the global state without borders it is necessary to first subordinate the European Union and its Euro zone as well as the US and its dollar. The threat of bankruptcy is the weapon par excellence.

Through the Credit Default Swaps (CDS) one can engineer a financial coup against a particular country or several countries at once like the so-called PIIGS countries (Portugal, Ireland, Italy, Greece, and Spain). The CDS are derivatives of credits that act as if they were insurance policies to protect themselves from debts (public debt in this case) that have become UN-payable due to the lowering of their ranking by rating agencies or by the increase of interest rates that the their low credit rating produces. The Credit Default Swaps and the interest rate swaps are the markets of Wall Street and the City of London par excellence. The real objective of the Anglo-American globalists is not necessarily to bankrupt the countries of the periphery of Europe or that they abandon the Euro zone, but to steal their assets that were produced in the real economy. Bankruptcy is a mean to do so but not the very objective.

Chapter VI.3. The Globalist Anglo-American Forces and the Euro
There are several credit rating agencies in the world, but among the most important are the Standard & Poor, Moody’s and Fitch Ratings. During the international economic crisis, rating agencies play an important role in the daily fluctuation of financial markets. Any raising or lowering of the credit score (or any other similar indicator) of a particular nation will immediately have an impact in the markets and the economy. Just as banks rank their clients using credit scores before granting a loan, international financial organizations have their own methods and objectives to rank countries in order to grant or deny them financial support.

Fitch Ratings is associated with the Bank of France and Renault and responds to the politics in Brussels. The purpose of cutting Greece’s credit rating to junk status was a step towards a greater centralization of the European government, and it appears to be working as it survived the speculative attacks at the end of the summer and the fall of 2011. S & P has its headquarters at the City of London and is part of the most global financial network that works with Barclay and others. It was the first one to lower the credit rating of Spain causing a contagion effect over all the European periphery reaching even Italy. This gave way to the speculative attacks centred on insurance contracts (securities) or Credit Default Swaps (CDS) fearing the eventual bankruptcy of these countries.

Global financial capital was able to put the European economy back on track after the experience with the Greek crisis. Through the rescue plan of the PIIGS, it was possible to transfer the risk of the peripheral countries to the central countries of the Euro zone. The Germans, Finnish, Dutch, Austrians and the French must now pay tribute to stabilize the peripheral countries of Europe. In actuality, it was all about rescuing German and French banks. It is in this context that a German-French project emerged to create the fiscal integration of Europe. This would imply the transfer of taxes from the North to the South. This transference, which began taking place in the present crisis, has provoked an ultra conservative backlash in the North. Popular sectors demanded to leave the Euro zone. Global rating agencies were of the opinion that if the crisis did not break out in the South, it should break out in the North. The risk of having northern European countries leave the Euro zone was not great. Were they to abandon the Euro zone, their exports to the South of Europe would be seriously in danger.

The ultimate goal of the German-French project is to avoid falling under the aegis of Anglo-American financial capital. The German-France axis continues to consolidate as a power bloc with a hard currency and a fiscal integration to prevent its subordination to Anglo-American global financial forces. The politics is to: a) deepen the gap between countries with trade and fiscal surplus like Germany and China and countries with a trade and fiscal deficit like the US and Great Britain. b) to increase protectionist measures and economic warfare among blocs. To preserve their domain over the real economy the German-French project is to confront Anglo-American global capital with a politics of adjustment-savings-investment-production-export-supervit. (See Formento & Merino, Op. Cit. 120-127).

To prevent subordination to Anglo-American global financial forces European financial capital finds tactical allies with other big banks in the US, like Goldman Sachs. Goldman Sachs is one of the bigger banks in New York which is not allied with mentioned Anglo-American forces. Since the Euro-crisis Goldman Sachs became a central economical and political player in Europe. Mario Draghi, the present president of Europe's Central Bank, Mario Monti who succeeded Silvio Berlusconi in Italy, Lucas Papademos the new prime minister of Greece they all are or were part of Goldman Sachs. In this context it becomes clear that the real battle in the Euro crisis is one between the big banks at a global scale. Will survive this alliance or will triumph the Anglo-American global financial forces, or will emerge a more radical social movement at a global scale against the bankers in general (See Emilio Marín, 'Goldman Sachs, dueño de parte de Europa, EE UU y algo más', in www.rebelion.org, 11.12.2011).

Europeans find in the BRICS (Brazil, Russia, India, China, and South Africa) tactical allies for their project. In the meeting of the G-20 October 20 it became already clear that Russia and China would support the Euro. Anglo-American forces meanwhile tried to snatch the real assets of Europe through the business of speculating with the public debt and looking for bankruptcy of ever bigger countries. If they do not win this bet the burden of the collapse of fictitious capital would fall over Wall Street and the City of London. Towards the end of November 2011 it looked like if the global Anglo-American financial capital had lost an important battle: The creation of the European Fund for Financial Stability with external support represented a great loss for them. They have lost another battle, but the war continues. Amidst this confrontation of the forces of capital, a space is opened for radicalized progressive forces that fight for de-globalization and a decoupling from neoliberal
globalization. As the Great Depression of 21st C looks to be a reality these forces may become more radical and internationalized. If 2011 represented springtime, harvest time might become quiet close in 2012.

The greatest fear of the Anglo-American is that the Euro zone not only transforms itself into Great Germany but it may do so, even worse, in alliance with China and Russia as part of the Euro-Asian Continental Bloc. The constitution of the Euro-Asian Continental Bloc would implicate the definitive defeat of global Anglo-American capital. The Euro-Asian Continental Bloc clashes not only against global Anglo-American capital, but also with unilateral and imperialist conservative forces of the US. In this context we observe that actually the geopolitics of Anglo-American global capital promotes the transfer of the scenarios of war in oil producing countries in Iraq and the Middle East (a major interest of US conservatives) towards countries that can break the integration of China and Russia. In the context of this encirclement of the Euro-Asian Continental Bloc we can expect an all out war against Iran. This means a possible direct confrontation with China and Russia. We can hear the drums of war again of a direct confrontation among superpowers.

Chapter VI.4. The Anglo-American Forces and the Dollar

The strategic objective of the Anglo-American project is not only to destabilize the Euro, but also the dollar. At the end of June 2011 the S&P lowered the credit rating of the US for the first time in history. This was a warning that the sole superpower of the world ran the risk of not being able to pay its debt. This caused immediate panic around the world. Global bankers seem to deliberately want to destroy the dollar and the current financial system. The purpose is to produce a shock effect in order to establish a new system. Global bankers want to take advantage of the panic to replace the dollar and the Federal Reserve Bank with a global monetary authority controlled by the global bankers themselves free of any state control, even of the US government. (See John Truman Wolfe, “A Greek Tragedy, Part III www.johntrumanwolfe.com April 4, 2011).

Moody’s, the third credit rating agency, is associated with Goldman Sachs and the US conservative power bloc. It has threatened recently to lower the credit ratings of both the US and Great Britain and even find a way to integrate both countries into the formula of PIGS. (See Formento & Merino, pp. 106-11) In a scenario where Anglo-American forces advance, the opposing poles that feel threatened must find a way to protect their interests as a bloc. Conservative US anti-globalist forces need to maintain the dollar as the leading international reserve currency, guarantee their domination through the military industrial complex and the Pentagon, control the Middle East and tap into their oil reserves and deepen their intervention in Latin America. This backward fraction of Anglo-American financial power bloc is anchored in neo-conservatism and is the fraction that mostly takes the conflict to the terrain of politics and military intervention. It needs to perpetuate traditional US power and deploy a neo-conservative strategy that is both fundamentalist and militarist, and even neo-fascist.

As the conflict deepens, the division of the power bloc becomes more visible making possible the development of nationalistic social movements like the Tea Party. The internal struggles in the US reached new highs on November 2010. The midterm elections were won by the Tea Party. Bush’s nationalistic and even neo-fascist tendencies were strengthened in the process. In the event of a tie of hegemonic forces, the Tea Party begins to mobilize against who they consider the enemy of the country: Obama and the global financial oligarchy embedded in Wall Street, New York and the City of London. According to conservative groups, these centres of power want to destroy the ‘American Dream.’ The neo-conservative fraction imposes its agenda of reducing public investment (except military expenditures), putting a stop to raising taxes, defending unilateralism and militarism in foreign policy and putting forward its cultural and ideological obscurantism. The current tie between the two conflicting hegemonic forces has left the field open to new and alternative forces as Occupy Wall Street. As the Great Depression of 21st C will be a fact in 2012 social and political movements will grow to new highs in the midst of the election race.

Chapter VI.5. How to Save the People or the Struggle for a New Civilization

As we could observe in 2011, the globalization project that is torn by class warfare from above and showing no boundaries has reached a climax. It has generated class warfare from below and made possible the emergence of a popular subject beyond its borders. The popular sectors that have been historically subordinated in the US and Europe take advantage of the conflict of interests inside the global financial bloc. ‘Occupy Wall Street’ best symbolizes this new space. The Great Depression of the 21st C. involves the collapse of neoliberal globalization and opens new venues for alternatives. The Great Depression of the 21st C. is not only a threat; it also constitutes
a message of hope. A global rebellion is making its way in the world creating a new collective subject that has
the potential of achieving a civilizational change. The rejection of the bankers is becoming international with the
movement of the ‘indignados’ or the outraged. On October 17th, there were demonstrations against the bankers in
one thousand cities in over one hundred countries. Only in Spain there were one million demonstrators. Hungry
has formally accused the bankers of being responsible for the financial crisis of the country. Other countries will
follow. (See Geab 58 October 17th 2011)
The Great Depression of the 21st C. has provoked a crisis of legitimation of global proportions. It appears as if
we would enter a new era of rebellions and revolutions that reminds us of those that took place in Europe in
1848. We can speak of a global political awakening and awareness. Although this new awakening manifests
itself different in every country and region, it is global in nature. This is no longer an isolated rebellion in one
country or region like North Africa or Southern Europe, it can explode in every corner of the world, even at the
heart of the financial centres of New York and the City of London as we could see in the events of 2011. Western
civilization itself could be put to question.
Over the last decade, we have observed in Latin America a deep questioning and decoupling away from
neoliberalism. In 2008-2008 we witnessed popular uprisings in Sub-Saharan Africa due to famines. 2011 has
seen famines in Somalia, Ethiopia, Eritrea and Kenya, and now the FAO warns us of a new generalized famine
in Africa and other continents. This is due mainly to the increase in prices of staple grains and speculation. We
have been watching in North Africa, with the exception of Algeria, rebellions against labour instability and social
insecurity for decades now. For several decades, political stability was only achieved by installing dictatorships.
As the opportunities for international migration diminished, the possibilities of realizing the individual or
familial projects outside of the home country were shattered. The ‘American Dream’ or the ‘European Dream’
doesn’t lead to a greater politicization in the country of origin.
The crisis and unemployment in the metropolis posed serious obstacles to migration. The solution to the
problems of millions and millions of migrants of the periphery since then only could be found in their own
countries. This demands collective action. It has the effect of politicizing the population, in particular, the young
who were the ones that migrated in droves. Rebellions surged in Northern Africa and became widespread.
Economic depression and massive unemployment in Europe and the US have also provoked their own popular
uprisings that we had not seen for many decades. We can no longer say that it cannot happen in core countries.
Today rebellions can surge anywhere and at any moment. We are living an era of rebellion and so an era of hope
and opportunities to change the world.
The economic rationality of today tends to deny life to an increasing portion of the world’s population both in
the centre and the periphery; it tends to shorten the service life of workers causing great economic and social
insecurity. The same logic destroys the shelf life of products as they become disposable, and even the lifespan of
the machinery and business equipment is reduced in the search for having the cutting edge technology in the
competition of markets. It destroys the natural world to the extent that it destroys non-renewable resources.
Capital negates life in all realms as its own logic of reproduction. It promotes the death of all that is incorporated
in its logic. It therefore runs the risk of succumbing to its own rationality. It is my contention that as capital
negates life and sows death in so many fields, capital ends, in ultimate analysis, negating life in the reproduction
of itself. In other words, it is a system that is programmed to self-destruct.
We believe that human beings are the product of history as well as the producers of history, and not the least
through labour. The possibility of building a political project that can change the economic rationality does not
depend exclusively on the will of the people nor is it predetermined by so-called objective conditions. Liberal
democracy is not nearly the exclusive historical project of a social class. The same can be said of alternative
projects, be it socialism, civilizational change or simply another phase of global capitalism under the hegemony
of a global state. The key is provided in the intersection between the political will and the historical moments that
allow a change in the economic rationality. We think that the Great Depression of the 21st C. is characterized by a
crisis of civilization of a specific historical moment that offers the opportunity to transcend borders based on a
political project destined to change the current economic rationality.
The global crisis will promote and amplify the decoupling from neoliberalism. In the last decade, Latin America
has tended to free itself from the politics of annexation of the most conservative wing of US politics. The non-
approval of the ALCA as a politics of annexation was a deep disappointment for US politics. The politics of decoupling continued in Latin America with the ALBA and Petrocaribe. Ecuador and Bolivia joined the politics of decoupling and other countries followed suit. The Union of South American Countries UNASUR that was constituted in 2008 signified the emergence of a new regional power bloc and new beacon of liberty. Today we are witnessing decoupling attempts from neoliberalism even in Europe and the US.

Chapter VI.6. How to Confront Bankers

Global bankers were able to subdue entire countries by using the burden of debt, something that could only be achieved in the past through war. The imposition of a debt can be understood as a financial war and therefore as odious debt. National economies have the right to defend themselves before such aggressions the way Iceland did through two referendums. Iceland did not rescue the bank (Icesave); it rescued its people. Mainstream media tries by all means possible to hide from public view the historical lesson that Iceland has taught us. Greece preferred to save foreign banks rather than its people. The Greek people had to rescue the banks by enduring a severe austerity program and a deep recession. The usual credit rating agencies committed fraud by classifying the Greek debt to junk status. Debts that have been acquired through fraudulent acts or corruption are illegitimate, and even illegal. This odious debt can and must be cancelled. The odious character of the debt can be demonstrated through an audit of the people, an audit that we support. (See Eric Toussaint: Es necesario anular las deudas ilegítimas, interviewed by Sebastian Brukelz)

The more countries and regional blocs get involved in the fight against global corporate greed and the banks, the more is it possible to conform an international mass movement that can rescue the people, and not the bankers. The Great Depression of the 21st C. creates the climate for the nationalization of the banks to make them work for the common good. The recent nationalization of the Dexia Bank is a case in point. It is necessary to regulate the banks just as it was done after the Great Depression in the 20th C, It is imperative to impose on banks where people deposit their money and savings, a financial discipline that does not join investment and commercial banking together. It is important to exclude securities from banking. It is also necessary to control and put limits on the flows and outflows of capital to a country, as it is now done timidly in Europe with the Credit Default Swaps. Obviously, to accomplish this it will be necessary that governments be forced to change their economic politics radically by decoupling from neoliberalism. (See Paul Armstrong et al. Germany riskier than the UK for the first time since January 2008, in www.bloomberg.com August 9, 2011)

Chapter VI.7. How to engineer the change of history

The project of globalist bankers is to subordinate the countries of the metropolis, including the US and the European Union by stealing their productive assets. The Multilateral Agreement on Investment (MAI) was the first attempt to destroy the self-determination of the world’s nation-states in economic strategic matters. The attempt failed in 1998/1999 within the OECD. The present battle against the dollar and the Euro has the same objective. We do not believe, different from Formento & Merino, that the project of the globalist bankers will succeed. The autarchy of these so-called Private States without Borders and Citizens is very dependent on the unsustainable investments in the unproductive sphere of the economy. The lack of commitment of these Private States to its citizens and their borders is precisely their weakness in a geopolitical conflict between them and to confront the interests of economic blocs with citizens and borders that are oriented much more to the productive sphere. To envision the forthcoming collapse of western banks it is necessary to look at what is happening in the City of London and Wall Street. It has become clear that Greece and the Euro were two fingers pointing at the problem, but they were not the problem themselves. The Greek debt reveals the infamy of the banks of yesteryear and can explode any moment. The Euro is the needle that will explode the balloon in the future that is the financial system of today.

The City of London, Wall Street and the mainstream media blamed in 2011 the fiscal debt crisis on Greece and Euro throwing up in that way a smokescreen that concealed the impending débâcle of Wall Street and the City of London. One can assess the state of the western banking system by measuring the evolution of bank personnel, its performance, and stockholders. Both Wall Street and the City of London have announced since mid 2011 incessantly the lay-off of hundreds of thousands of its employees. A ‘perfect political-financial storm’ has been predicted for the end of 2011 and the first trimester of 2012. Western banks will become decimated of its personnel, benefits, and finally a large quantity of banks will go bankrupt. In 2012 we may expect the collapse of
the global banking system of the City of London and wall Street. As this succeeds, the time has arrived to demand the nationalization of banks with audits of the citizens. (See geab 58, October 17 2011)

In the meantime, the real economy has moved to the emergent countries. According to The Economist, (August 6, 2011, p.66), in terms of the purchasing power these emergent countries (defined here as those countries that are not part of the OECD), encompassed in 2011 already 54% of the world’s GDP. It is really surprising to find out how 52% of car sales and 82% of cell phones are sold in these countries. The export sales of all these countries together surpassed in 2010 more than 50% of the world’s exports against 27% in 1990; together they held 81% of international reserves and only 17% the world’s public debt. These countries consumed 60% of the world’s energy, 65% of copper, 75% steel, and 55% of the oil. China is the strongest of the emergent countries with more than 49% of their GDP in investments compared to 16% of the US. As Chinese exports lowered and will lower even more during the Great Depression of 21st C, investment in China are made in huge housing- and infrastructure projects that sooner or later will lead to a new exploding bubble.

During 2009, spurred on by the government, China’s banks increased their lending by almost 1.5 trillion dollar. This is roughly twice the size of the Indian banking system. Much of this lending flowed to some 10,000 investment companies sponsored by local governments, which cannot borrow directly in their own name. These companies set about buildings roads, bridges, irrigation works and housing schemes of dubious merit. In 2010 the loans of local governments totalled about 35% of GDP (Simon Cox, ‘Keynes v Hayek in China, in The Economist, “The world in 2012” page 71). A copy of Manhattan is under construction an hour’s train ride from Beijing. Debt accumulated by companies financing local governments such as Tianjin, home to the New York lookalike project, is rising the debt disclosed by all 231 local government financing companies that sold bonds, notes or commercial paper through Dec. 10 this year. The total amounted to $622 billion, mostly in bank loans, more than the current size of the European bailout fund (Bloomberg News, ‘China Debts Dwarf Official Data With Too-Big-to-Finish Alarm’, Dec 18, 2011). Many of these projects will fail to raise enough revenue to repay their creditors. Defaults have already surfaced in Yunnan province and elsewhere. A not determined amount of these projects will be abandoned halfway. The expected exploding bubble will impact the economies of Africa and Latin America particularly and so deepen the Great Depression of 21st C.

Latin America has a potential even in crisis time as it will be forced to a more endogenous economy. The continent geographically is bigger than Russia. Latin America is the largest producer of food in the world, and it possesses the most important biodiversity reserves and water resources of the world. The South American territories have the largest reserves not only of fossil fuels and agro-fuels, but also of minerals in the world. As these resources become more scarce and strategic to its own economies, a unified continent can channel these resources to a more endogenous use, and even preserve them for future generations. In the context of the Great Depression a politics of self-reliance or relative autarchy, becomes not only a possibility it will be from then on a necessity. All these elements build a solid base for a proper real economy in emergent countries in the context of the crisis.

Capitalism cannot survive without economic growth, independently if this occurs in the metropolis or the emergent countries. The increasing relative or even absolute scarcity of natural resources compromises the economic rationality of capitalism. A politics of preservation or of the reduction of the exploitation of natural resources as espoused by the indigenous communities and peasants organized, as “Los Sin Tierra” in Brazil will only increase the scarcity. The demand of a political project that is more endogenous in the periphery during the Great Depression of 21st C. means that fewer natural resources will be available in the world market. Sooner or later the rationality of capitalism fails against this extra-economic factor when this recession looks to be one of decades. There will be an excellent opportunity and even no other way out than expanding the shelf life of products.

The use value starts winning over the exchange value. The expansion of the life span of the use values will decrease the effective demand in terms of its value. The era of a negative growth at the world scale seems to be a fact, and it announces a new civilization. To satisfy the same need would demand less time as the average shelf life of products would expand. According to the social accountability of the content, the productivity of labour would increase. From the perspective of the form, we see the contrary, as we experience a negative growth. To be able to manage more your own natural resources in the periphery is becoming a social subject that can change the global rationality of capitalism in a more profound way than the classic seizing of power in the last centuries.
Here is where we envision the beginning of a new civilization.