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On Deligitimising Capitalism: The Scourge of Africa and the South

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Abstract

Contrary to orthodox belief the ongoing economic growth crisis in the West and the perpetual development crisis in Africa derives from the problematic of capitalism. The situation in Africa of high prices, inflation, massive unemployment and stunted growth is just taken as it is and borne painfully but stocially. But all this is due to the structure of capitalism which this paper seeks to explain. Marxian dynamic analysis, founded on the law of value and its role in the accumulation of capital, is the method of analysis employed. I explore results of such in terms of “unequal development” in the context of the asymmetry of the “centre-periphery” dual model. The discussion leads to an analysis of Walras’s general equilibrium model and paradoxical observation that capitalism never experiences a general equilibrium. The “anti-law of value” theories of Walras, Sraffa, and Keynes are analysed as they seek to transfer economic value from the product of labour to the gains of capital. The critiques of Giovanni Arrighi are also woven into the critical fabric. Contemporary liberal economists such as Joseph Stiglitz are noted for their lack of full comprehension of the dynamics of the contemporary form of capitalism which although seeking growth tends rather to stagnation in the social context of human alienation. In the end it is globalised finance capital that will prove to be the Archilles’s heel of capitalism. It is at this point that the nations of the South should be prepared to delink from the capitalist as a precondition for genuine development. Necessarily this would apply to the nations of Africa.

Résumé

Contrairement à une croyance répandue, la crise de croissance actuelle en occident et la persistante crise du développement en Afrique découlent de la problématique du capitalisme. Le problème de la hausse des prix en Afrique, de l’inflation, du chômage massif et de la faible croissance de l’économie sont juste perçus tels qu’ils sont et supportés avec stoïcisme. Mais tout ceci est une conséquence de la nature même

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du capitalisme que cet article cherche à expliquer. L'analyse de la dynamique marxiste, fondée sur la loi de la valeur et sur son rôle dans l'accumulation primitive du capital, est la méthode d'analyse employée. J'observe ce genre de résultats du point de vue du développement inégal dans le contexte de l'asymétrie du modèle double de la périphérie du centre ? La discussion conduit à une analyse du modèle de l'équilibre général de Walras et à l'observation paradoxale (qui veut) que le capitalisme ne connaît jamais un équilibre général. Les théories de « anti-loi de valeur » de Walras, Sraffa et Keynes sur les théories des valeurs anti-loi sont analysées sous l'angle de leur tendance à transférer la valeur économique du produit du travail aux gains du capital. Les critiques de Giovanni Arrighi semblent, elles aussi, trempées dans le même genre très critique. Les économistes libéraux contemporains comme Joseph Stiglitz sont connus pour leur méconnaissance totale de la dynamique de la forme contemporaine du capitalisme qui tout en visant la croissance s'occupe plutôt de la stagnation dans le contexte social d'aliénation humaine. À la fin, c'est la capital de finance globalisée qui s'avérera être le talon d'Achilles du capitalisme. C'est à ce moment seulement que les nations du Sud devraient être préparées à se déconnecter du capitalisme comme une condition nécessaire pour le vrai développement. Et cela devrait s'appliquer forcément aux pays de l'Afrique.

Introduction

Since the twentieth century, Africa has known only the capitalist system and its impact on African life. Violently drawn into the capitalist system, firstly, as slaves, transported to the Americas, and afterwards used as pawns in the colonialist system spearheaded by the same countries enriched through Atlantic globalisation, African populations became an integral part of the capitalist system. Right from the beginning and into the twentieth century, nothing has really changed. Africa and Africans continue to be exploited by the capitalist system for the well-being of the capitalist nerve centre of the industrialised countries. The consequence is the discontentment of Africa's peoples on all fronts.

The problem is that today's African does not know any other economic and cultural system than capitalism. And even African lecturers-cum-researchers and their students, in general, seldom wonder if alternatives exist. The reason for this is that education in post-colonial universities only takes into account the rules and mechanics of the neoclassical economic system. The severe effects of neoliberal economic initiatives such as Structural Adjustment Programmes, open market diktats, NEPAD, etc., are all meant to continue to extract 'imperialist rent' from Africa's suffering populations and others from the South. Low wages, low commodity prices, high import prices for the same processed commodities, massive unemployment coupled

with significant underemployment, punishing exchange rates, resource wars, the coddling of the firmly entrenched corrupt, comprador classes of Africa and the South, the flight of capital – physical, monetary, and human – etc., are all instances of the debilitating extraction of ‘imperialist rent’ from Africa. All this is founded on my original theses of the ‘centre-periphery’ paradigm always characterised by ‘unequal exchange’. So, *Que faire ?* The long-term goal is a socialist world of ‘equal exchange’ and the abolition of ‘imperialist rent’. In the short term, Africa’s labouring classes and its intellectuals should militate to put an end to the ongoing extraction of ‘imperialist rent’ from Africa by way of debilitating ‘unequal exchange’. This can be done through worker organization and cooperation, and concerted democratic processes which would hold accountable the decisions made by those voted into power. The question they must be constantly made to answer is: ‘Are you on the side of imperialism or on the side of the people?’ There are grounds for optimism given the ongoing crisis of capital in the Eurozone and the United States.

This is why my purpose in this article is to analyse and explain the capitalist economic system which causes so much discontentment and anxiety in contemporary Africa. In reality, alternatives exist, but it is first necessary to understand this system and the misfortunes it is causing today. To fight the disease it is necessary to understand its aetiology. The goal is to render the ideology and practice of capitalism illegitimate for the development of Africa.

I offer, in this article, to develop salient points to show the objective reasons which clearly reveal that capitalism, considered in its entirety as mode of management of the economy and of our social life, is an obsolete system. Alas! The widely-held view that lends legitimacy to this system because it guarantees economic efficiency born from competition on which it is founded, as well as political democracy, is groundless. In fact, it can, convincingly, be shown that capitalism feeds an irrational and extremely dangerous vision on three levels from a social and human point of view. The conventional analytical paradigm used by most economists in the world is that of neoclassical economics. With the political and economic transformations that took place in the Soviet Union and China, a triumphal neoclassical economics with its practice as neoliberalism on the world scale was being touted as the optimal economic system available. The pundits were wrong as the severe ongoing crisis of capitalism proves. The pundits of neoclassical economics were incapable of predicting and explaining the severe economic recession of 2007. On the contrary, Marxist economic analysis is much better equipped, both in terms of depth and width, to understand, explain and predict the present situation. The same applies to the unending economic crisis in Africa. Neoclassical economics and its practice as neoliberalism can neither explain nor solve the economic problems of

Africa. The Marxist model offers a better understanding of how capitalism operates in Africa as it seeks to extract imperialist rent from its victims according to its voracious need for continuing accumulation. It is on this basis that nations of the South, and Africa in particular, must reject the enterprise of capitalism if they are going to develop. This is the reason why capitalism must be delegitimised as the optimal model for African development. This essay seeks to explain why this is so. Capitalism operates on what I note as three levels. They are as follows.

- *First Level:* the reproduction of the extensive accumulation of capital (capital development) in capitalism demands monopolies which have characterised this system since the end of the nineteenth century through the growth of dependent, useless, and destructive activities, with the sole objective of absorbing a growing surplus which cannot be invested to increase and sustain productive and useful activities.

- *Second Level:* the reproduction of accumulation, on a global scale, produces, reproduces and deepens the gap worldwide and allows the hold of an imperialist revenue in uninterrupted growth to the detriment of the people and nations of the periphery of this globalised system, which is, in itself, an increasing obstacle to the building of the multi-pole world that guarantees equal respect of the rights of nations.

- *Third Level:* products alienation, the reification of social relations as well as the commercialisation of economic management, all inseparable from capitalism which ruins possibilities needed to induce progress for the liberation of human beings and societies.

No alternative capitalism is possible as Remy Herrera strongly continues to point out. The internationalist socialist perspective is the only realistic alternative to the barbarism perpetuated through the pursuit of the capitalist action called 'development' (or more simply the endless GDP growth based on capital development).

Part I: The Expansion of Economic Surplus

In my book *The Law of Value and Historical Materialism* (1977, a new edition is expected soon in French and English), I proposed to identify the characteristics and the conditions for extensive accumulation, formulated for a system that is reduced to its two departments which are: I - production of assets, and II - production of consumer goods, in a simple model.

From this simple model, we draw two conclusions:

- (i) That extensive accumulation requires real wage growth defined by a combination of productivity growth rates in Departments I and II;

- (ii) The rate of economic growth (the sum of wages and capital gains, which in turn controls employment, is determined by the rate of accumulation, which is also controlled by the rate of capital gain (the percentage of capital gain in comparison to net proceeds: salaries + capital gain) and the rates of progress of social labour productivity.

These two findings are crucial in understanding that capitalism truly exists.

The natural tendency of capital is not to guarantee the growth of real wage as required, but to keep it as low as social conditions permit. This fundamental and enduring contradiction reflects the history of capitalist development in its true dimensions. It helps amongst others:

- (i) to understand why the glorious phase of this development was remarkably short, and corresponds to the beginning of capitalism from the Industrial Revolution to the nineteenth century. During this early period, extensive accumulation was made possible, despite the stagnation (and even regression) of wages, by its expansion at the expense of segments of the non-capitalist productive system, because it disintegrated (ruined craftsmen and poor peasants fuelled the expansion of paid labour) and integrated into its system (demand was fuelled by the expansion of commercial agriculture and that of new middle classes). The huge investments in infrastructure (railways, among others) that the new spatial planning imposed complete the picture of this established and completed capitalism.
- (ii) Marx had fully understood that capitalism was not the end of the story, but rather a brief interlude during which conditions would be, finally, in place to enable its being rapidly overtaken.
- (iii) To understand why, after this rapid implementation, capitalism entered its long crisis with an economic face seen through the emerging spectrum of stagnation (from 1873) and the political face as seen through its questioning by the Commune de Paris (1871). Capital responded to this structural crisis through monopolisation, globalisation and financialisation. The accumulation method was transformed, and henceforth based on the continued expansion of Department III – on absorption of growing surplus, as Baran, Sweezy and Magdoff demonstrated. I also analysed in this way the second long crisis of capitalism that began in the 1970s, and came into a new phase of its evolution with the 2008 financial disintegration. Here, I refer the reader to my analysis of these two long crises of matured (in real fact, obsolete) capitalism.

It is not hard to see why, in the absence of real wage growth at a definable rate (by the growth rate of social labour productivity), capital accumulation is possible only if there is a department III for the absorption of surplus, which is defined as the excess of capital gain over its fraction to be invested in expanding and deepening the productive system (investments in Departments I and II). We can even measure the growth rate of the volume of department III, which is based on the difference between the growth of net proceeds and real wage growth.

For example, let us assume the growth rate of social labour productivity is in the order of 4.5 per cent per annum, ensuring a doubling of net proceeds over a period of fifteen years, which corresponds to the average life of equipment. To simplify this reasoning, it can be assumed that the organic compositions and growth rates of labour productivity for Departments I and II are stable. The introduction of different assumptions would require the use of algebraic representation of this example, which is easy to write but may be difficult to read for non-mathematicians. The consideration of this complication would not affect the conclusions illustrated by the example, since real wage growth is lower than net proceeds.

Let us imagine that real wage growth is, in the long term, of about 3.5 per cent per annum, thereby ensuring its increase to 70 per cent over 15 years.

This leads to changes in key variables of the example according to the illustration that follows (figures rounded up).

	Net Income	Wages	Profits	Surplus
Year 1	100	50	50	0
Year 15	200	70	70	60
Year 30	400	100	100	200
Year 45	800	140	140	520

After half a century of continuous and regular evolution of the system, surplus, (which defines the volume of Department III in relation to net income, itself sum of wages, reinvested profits and surplus), absorbs two-thirds of net proceeds (roughly the GDP).

This is roughly what actually happened during the twentieth century for the developed centres of global capitalism (the triad: United States, Europe, and Japan).

Keynes had keenly observed that mature capitalism was struck by a latent tendency to unyielding stagnation. But he had not explained it, as this would have required him to seriously consider the substitution of monopoly capitalism with the classical model of competition. His explanation remains, therefore,

tautological: stagnation is the result of the fall – unexplained – of the marginal efficiency of capital (below the liquidity preference).

Initially, that is to say until the 1914 war, surplus was reduced almost to government spending financed by taxes, of about 10 to 15 per cent of GDP at most. These were the expenses of sovereignty (state, police and army), expenses associated with the public management of certain social services (education and health) and the development of certain infrastructure (bridges and roads, ports, railways).

Analysis of the components corresponding to the concept of surplus reveals the diversity of status governing their management.

Marx's Departments I and II correspond – approximately – to the sectors defined respectively in national accounts as *primary* (agricultural production and mining), *secondary* (processing industries), and a fraction of activities called *tertiary* that it is not always easy to spot in the statistics (which were not designed for this purpose), even though the definition of their status does not cause confusion.

- Must be selected as participating – indirectly – to the production of Departments I and II: transport equipment, raw materials and final products, trade in these products, management costs of financial institutions at their service.
- Are not to be taken into account as components of direct and indirect production of Departments I and II, and should be considered as part of the surplus: government spending, social transfers (education, health, social security, pensions and retirements), the services corresponding to selling costs (advertising) services to individuals covered by the spending of income (accommodation included).

The private or public nature of the management of the services in question, classified in national accounts under the tertiary sector (with the possible distinction among them from a new sector called quaternary), does not define, in itself, the association to Department III (surplus).

Still, today the volume of the tertiary sector is already in itself far more than primary and secondary activities in the developed countries of the centre (but also in many countries of the periphery, but this issue – different – is not ours here). Also the amount of taxes and mandatory contributions, alone, reaches – or exceeds – 40 per cent of these countries' GDP. The speech by some straight ideological fundamentalists calling for the reduction of these taxes is purely demagogic: capitalism cannot function otherwise. In fact any reduction in taxes paid by the rich must necessarily be offset by a higher taxation of the poor!

One can thus estimate without fear of committing a major error that the surplus (Department III) constitutes half of the GDP or, in other words, it passed from 10 per cent in the nineteenth century to 50 per cent in the first decade of this century. And if at the time of Marx, therefore, an analysis of the accumulation reduced to the consideration of departments I and II made sense, it is no longer the case. The enrichment brought to Marxist thought by Baran, Sweezy and Magdoff by their consideration of Department III (and the concept of 'surplus' which is associated with it, defined as we mentioned) is, therefore, crucial. I regret that most analysts of contemporary Marxism are still in doubt!

Once again, everything in this surplus is not to be condemned as being parasitic and useless. Far from it! On the contrary, the growth of a good portion of the expenditure associated with this Department III deserves to be supported; and, in a much later stage of development of human civilisation, it would have to still take on more importance, like education, health, social security and retirement policy, or even other services associated with deploying forms of socialisation through democracy to replace the socialisation of the market (public transport, housing and others). On the other hand, certain components of Department III – such as the costs of sale in exponential growth during the twentieth century, identified as such, very early, by some economists less or badly considered by the profession (like Joan Robinson) – are obviously of parasitic nature. One can also treat, similarly, certain public (armament) or private (private police, armed forces lawyers, etc) expenditure.

A large portion of Department III certainly had profitable advantages to workers and supplemented their direct wages (social security, pensions). Nevertheless, these hard-won advantages by the working class were questioned during the last three decades; some seriously reduced, and others transferred from a social-solidarity-based public management to an alleged individual rights-based private management. This management style, dominant in the United States, and in progression in Europe, opens up additional possibilities for surplus investments, in turn, very well remunerated!

But it remains that in capitalism, all of these uses of the GDP – useful or not – fulfil the same function: to allow continued accumulation despite insufficient growth in labour incomes. In addition, the permanent battle on the choice of management – by the replacement of private management with the public management of many components of Department III – provides capital with additional opportunities for profit-making (and to, consequently, increase the surplus volume!). In the United States, private medicine believes that if the patient must be treated, he must surely enrich (private clinics, laboratories, pharmaceutical companies and health insurance companies)!

My analysis on Department III of surplus absorption falls within the context of the pioneering works of Baran and Sweezy. The ultimate conclusion is that an important proposal of activities managed within this context is, indeed, parasitic and inflates the GDP, depriving it of much of its significance as an indicator of the real degree of richness of the society.

In counterpoint, it is fashionable today to consider the rapid growth of this Department as an indicator of the transformation of capitalism, from the industrial age to the knowledge economy. Thus, the endless pursuit of capital appreciation finds its legitimacy. The expression 'cognitive capitalism' is, in itself, an oxymoron. Tomorrow's economy, of socialism, will, well, be cognitive; capitalism cannot be. Imagine that the development of the productive forces, by itself, sets up – in capitalism – tomorrow's economy, as inspired by the writings of Negri and his followers, is only seemingly correct. For capital appreciation, necessarily based on the submission of work, annihilates the progressive and transformer aspect of this development. This annihilation is at the heart of the definition of Department III, designed to absorb the inseparable surplus associated with monopoly capitalism.

Imperialist Rent

Imperialist rent is the result of unequal development of truly existing globalised capitalism, pertinently of the polarisation generated by the globalised expansion of capital domination and the differential in prices of the work force (with equal productivity) which is associated to it. This polarisation, unceasingly produced, reproduced and deepened from one phase of globalised expansion of capital to the other, destroys the possibility for peripheral countries of this globalised system to catch up with the dominant centres, i.e., to resemble, the opulent capitalist societies. It is, thus, for the people and the nations of the periphery (Asia, Africa and Latin America, which constitute 80 per cent of the human population) the major reason which should completely nullify any legitimacy of capitalism.

However, this reality does not, necessarily, exist in the minds of the people and nations concerned. More so, as the concerned societies are class societies where the dominant classes – in modern times – were largely created (or recreated) by the global expansion of capitalism. Thus, large numbers of these dominant classes are stakeholders in the system which ensures their privileged position in their respective societies on the economic and political fronts. On their side, the classes dominated and exploited, simultaneously – by dominating capital on a global scale and by the local classes/driving forces of this domination – are not, more than others, spontaneously conscious of the real reasons of their misery.

Discovering, through scientific analysis of veritable globalised capitalism, the mechanisms (economic) which generate polarisation and consequent imperialist rent is an imperative requirement in critical reflection

I have devoted much of my important and personal work for over fifty years to this task. This is why I will neither even try, here, to summarize the stages, nor the theoretical reasoning for this purpose, nor the confrontations with empirical realities essential for checking the validity of this work. I will return only to my recent work (underway for publication in French and English), precisely on the analysis of what I called the metamorphosis of the law of value to the 'law of globalized value' (the title of the book!).

Reading Marx

I was an early Marx reader. This work certainly filled me with intellectual pleasure and the convincing power of Marx's thoughts. But, simultaneously, it left me hungering for more. For I was asking myself a key question, about 'underdevelopment', (a new term often used when I started this reading in the 1950s), of the societies of Asia and contemporary Africa, for which I did not find an answer in Marx. The texts read later when they were published in French for the first time in 1960 (*Grundrisse*) left me with the same hunger.

Without giving up on Marx and judging him as outdated, I concluded that his work had remained unfinished. Marx had not completed his work as he had planned through the integration, on the one hand, in his analysis of the global dimension of capitalism and, on the other hand, the systematic evocation of politics and of economy (capitalist and before) – beyond what the overly brilliant indications that his treatment of the French revolutions (from the Great Revolution of 1871 through 1848) can provide on the subject.

The question of (unequal) development which is the reality of globalised capitalism thus brought me, as a student, to focus on the first of these dimensions. My doctorate thesis (*Accumulation on a Global Scale*, 1957) testifies to this. It was, for me, a beginning, a first step in the work I continued during the following fifty years. I will not recall the successive moments of the development. I believe it is only useful to highlight the overall formulation of the question of unequal development which I proposed in 1973 in the book with the same title, and in two other works written at the same time: *The Law of Value and Historical Materialism* (1977) and *Unequal Exchange* (1973).

To arrive at this formulation, I had chosen to deepen my reflexion in these two directions, while being directly inspired by the superb lesson that Marx himself had given us on the matter. Initially, I read, attentively, the great works on conventional economics produced after Marx, in answer to Marx, as Marx had taught us to, through his criticism of classical economy

and its previous orthodox idea. This implied the complete reading of Bohm Bawerk, Walras, Sraffa and other producers of the foundation of the new empiricist or subjectivist economy including Keynes' formulations. This critical reading is already proposed in the first version of *Accumulation* (1957), and undertaken again in *Unequal Development* (1973). 'Reading Marx' today – i.e. after Marx – imposes this critical reading which convinced me of the orthodox, ideological character in the functional sense of the term, of the new bourgeois economy, post and anti-Marxist.

Marx, in his time, went beyond the theoretical criticism of his precursors. He had, equally, provided an ordered presentation of substantial empirical data. I thus thought that, similarly, post-Marx criticism of bourgeois economy would be insufficient. And that it was necessary to, also, complete this criticism through the ordered presentation of facts illustrating the reality of the globalised development of capitalism. I proposed the first blend of this mass of empirical data in *Accumulation*; and then updated it for the publications of the 1970s. I continued this work, while monitoring the then on-going developments – that of the first 'awakening of the South' that the period of Bandung (1955-1980) represented. Attentive readers of my writings – mainly British and Asian – noticed these empirical studies.

The continuation comprises two sections: the so-called development economy on the one hand, and the depth of markets analysis (and the role of anticipations) on the other hand.

The first of these sections seemed, generally, rather poor, restricted to the decreed vision of the fundamental stages of growth. I had formulated the radical criticism of this mechanist and orthodox vision three years before Rostov expressed it in his 1960 work. And since then, never has the 'development economy' proposed by major institutions that intervene in favour of this economy (the World Bank, cooperation programmes, universities) gone beyond these idiocies.

The second section seemed to continue the neoclassical vision while carrying it to a logical end: construction of an imaginary economy – that of generalised markets – unrelated to truly existing capitalism. The centrality of the empty and unreal concept of anticipation, that is needed for this construction, completes this vision. Economic theory became pedagogic, leading to the discussion of something like the 'sex of angels', while thinking like the predecessors of the Middle Ages, that the answer to this question is the only means through which one can understand the world. Simultaneously, this self-proclaimed empirical, vision undertakes to integrate, into its proposed theses, a growing mass of – disordered – empirical data. The mathematical method that this action imposes is certainly not to be rejected. But the continued

sophistication of its methods does not abolish the absurd – unrealistic – character of the questions of its users: the anticipations (the sex of angels?).

Neither the criticism that I made on the orthodox theory and its para-empirical applications, nor the counter proposals developed and proposed as counterpoint to integrating the ordered data into a theory of truly existing globalised capitalism, seemed sufficient to me, in understanding all the reality of unequal development. The articulation of the political, ideological, and cultural dimensions and that which relates to economic management of the society is, indeed, the backdrop for an imperative historic materialist read. And here, my reading Marx had already convinced me, as reiterated, that his first proposals dare one to advance. What I tried to do by proposing, on the one hand, a general concept of tributary mode of production, base of the large family of organisations of societies of advanced anti-capitalists classes: I opposed the articulation dominating power/dominated economy to that, inversely particular to capitalism, and I drew some important conclusions from them on the forms of alienation specific to old historical societies and to modern capitalist society.

I also sought, in the varied forms, the existence of real contradictions which operate therein, accelerating or delaying capitalist development. I thus tried to integrate the questions on historical materialism and on economic dimension, as the reader of *Unequal Development* and *The Law of Value and Historical Materialism* (1977) will notice.

My work was never that of a ‘marxologist’. I have repeated unceasingly that for me ‘to be Marxist’ was to start from Marx and not to stop with him, or with his major successors (Lenin and Mao), exponents of historical Marxism. The central axis of my conclusions is defined by the formulation of a ‘law of globalized value’, coherent with the bases of the law of value which is particular to capitalism as discovered by Marx on the one hand, and to realities of unequal globalised development on the other hand.

What I will dare to describe as my humble contributions to the enrichment of the analysis of Marx are varied, in particular given their importance as regards the design of nature and the range of major contradictions and conflicts associated to them in contemporary capitalism. I did not hesitate in contributing to complete the proposals of Marx, even to correct them. I thus announce here my developments on the role of credit in *Accumulation* (in answer to the question of surplus by Rosa Luxemburg); my key analyses of the growth of Department III on the absorption of profit (inspired by the pioneering works of Baran, Sweezy and Magdoff); my criticisms of the theories of Marx on the determinations of interest rate and of land revenue and my alternative propositions in these areas – my criticisms of conventional economics.

My major contribution is on the transition from the law of value to the law of globalised value, based on a hierarchy – itself globalised – of prices of labour force around its value. With the management practices of access to natural resources, this globalisation of value is the basis of the imperialist rent. I claim that this globalisation of value controls the elaboration of the major contradictions of truly existing capitalism/imperialism and conflicts associated with them, in such a way that social classes and nations are caught up in their fights and conflicts, in all the complexity of their specific and concrete articulations. I claim that twentieth and twenty-first centuries' reads cannot be other than that of emergence – or awakening – of the peoples and nations of the peripheries from the globalised capitalist/imperialist system.

The Fundamental Nature of the Law of Value

The analysis of goods, and of the form of value which defines it, is inevitable for whoever intends to understand what capitalism really is. The scientific/political economy of this system cannot choose to overlook the law of value. Orthodox bourgeois economics in all its successive formulations, self-proclaimed neoclassical (the misleading appellation by which it lays claims to 'science') never managed – and will never manage – to establish a criterion of 'rationality' of the system of observed prices unrelated to the rate of labour exploitation (the rate of profit). I will come back to this crucial criticism of orthodox (non-Marxist, even anti-Marxist) economics.

On the other hand, I then analysed the metamorphoses of value, from its transformation into production price, then into market price, and finally into the law of globalised value.

From Production Prices to Market Prices

If competition of fragmented capital suffices to transform values into production prices, it is nevertheless necessary to consider a third component of operative realities which transform production prices into market prices.

The first element here is the existence of oligopolies, which negate the liberal assumption of competition. These oligopolies, which define the truly existing capitalism – as Marx and Braudel after him have done – are able to tax all profits from monopoly rents that guarantee profit rates above those registered by dominated capital segments. Baran and Sweezy had, from 1966, started this analysis of monopoly capitalism. Extending this analysis, I advanced the thesis that the advanced degree of capital centralisation that now characterises contemporary capitalism deserved to underline for the first time the generalised, globalised and financialised oligopoly system, foundations for the configuration of collective economic power of the triad (US, Europe and Japan). A Marxist thesis that few dare propose, for fear of being – wrongly – equated to Kautsky and his thesis of super-imperialism.

The second intervention element in the determination of market prices challenges the theoretical analysis of the functions of monetary standard. Marx proposes here major and interesting developments for the production of commodity/standard (gold) and the creation / destruction of currency by credit. I also proposed some theories on this issue under new conditions of widespread abandonment of the metallic standard (*Unequal Development*). The fact is that human societies – because of their alienation (i.e., commodity alienation inherent in capitalism) – still need a fetish. Hence, for our modern world, gold remains the ultimate resort, as seen in moments of crisis of accumulation – such as ours, for example.

A third component of disparate elements that either define the general situation (easy growth periods and sharpening periods of capitals competition) or specific situations (new products versus products with exhausted expansion potential), intervene in turn in the determination of observed prices in the markets.

Is an Empiricist Approach to Accumulation Possible?

The strictly empiricist philosophical spirit of the Anglo-Saxon world, carried over into all contemporary conventional economics, prefers to retain only observed facts (prices such as they are), directly deducing laws from it enabling understanding of the mechanisms of reproduction of the system and its expansion. For the professional economist, and hardcore empiricist, the detour through value is burdening and useless.

One could be contented to respond that to understand capitalism, it is not enough to understand its economic laws, but also to understand the relations between these laws and the general conditions of its social reproduction, that is to say the functioning of its ideological authority in its relationships with its base. The law of value occupies a key position that favours one to grasp this reality in the overall richness of its entirety. Those who operate the reduction we condemn always end up imagining socialism only as ‘capitalism without capitalists’.

But this argument, as fundamental as it is, is not the only one. In fact, the empiricist treatment of the question which economises this ‘burdening and useless detour through value’ – replacing it with the direct understanding of the expressed reality in market price traps one in a dead end. What will happen if, indeed, we placed our analysis, undertaken within a context strictly inspired by *Capital*, with an analysis inspired by price, using the Sraffa type of model?

The difference between the two methods lies in two areas to be carefully separated: a) the replacement of price with values; and b) the adoption of a production system of branches in place of the two departments specialised in the production of capital goods and consumer goods. The major drawback

of price analysis compared to value analysis does not result from the open nature of the Sraffa model (i.e., that the balance in the dynamics of supply and demand of each product, capital goods and consumer goods, is not formalised as an internal condition of the model, but simply and supposedly driven externally), as opposed to the closed character (knotted) of Marx's model (where the balance question is formalised in the same model). This drawback is from the replacement of prices, which depend on distribution, with values that do not depend on distribution. Thus, the concept of progression of labour productivity (as a measure of development of productive forces), which is perfectly objective with Marx (it does not depend on profit rate), is no longer the case with Sraffa or with any model expressed in price.

Certainly, a system defined in prices is perfectly determined - in the sense that relative prices and profit rates are – the moment the real wage rate is given. But then there arises the question of a standard where Sraffa, in Ricardian tradition, defines the condition for validity as follows: it is a standard that would leave the net proceed unchanged while distribution (wages and profits) changes autonomously.

Sraffa does not analyze the system like Marx. He eliminates labour from the productive process to consider wages, not as the value of labour, but as a category of distribution. Sraffa also proposes, and as we know, to choose as standard the price of net proceeds. With this standard, profit rate and wages are in a linear relationship independent of price, and designated by a straight line, while any other given standard shows a relationship between wages and profit rate that is neither linear nor monotonic.

Is the standard proposed by Sraffa better than another? No: (i) because this standard involves the Sraffa treatment of wage; if it (wage) is integrated into the production process as variable capital, standard varies when wage varies: it is no longer independent of prices, (ii) because, even in Sraffa formulation, the net proceed is changing over time (as a result of growth), the standard is, thus, not independent of price, it is elastic. This is no longer a standard. If we then reinstate wages in the productive process, as it must be done, no matter the standard, we can always express profit rate based on salary. But the relationship is neither linear, nor even necessarily monotonically decreasing.

It does not do justice to Marx to reduce his proposal – to choose value as the standard for price – to demonstrate that this standard works, i.e., to say that transformation is possible. The debate on transformation is a false case against Marx that comes from a positivist / empiricist Capital, totally foreign to Marx's method. I will not return to this issue which I have fully explored in my major writings. I simply repeat that, by the transformation of

value into price, the profit rate that the system expression of value allows to calculate differs from the profit rate observable in any system directly formulated in price, and does not reveal a mistake from Marx, but is instead a key discovery to understanding the nature of capitalism. Science requires that research goes beyond appearances to discover what is hidden behind. If both rates were similar, aligning underlying reality and visible appearance, there would be no need for scientific logic to understand the world; we would only need to look at it! Of course, economists whose scientific philosophy makes do with empiricist positivism cannot understand the scope of discovery (and not the blunder) of Marx. This discovery is the key that gives alienation in capitalism its entire dimension. I will return to this question.

In fact, Marx was looking for a yardstick for measuring the progress of productive forces. This yardstick is value. Indeed, the amount of social necessary labour is the only wealth of society in the long run. And value is independent of distribution.

One can show the relationship between wages and profit rate in an illustration where salary is plotted as the ordinate (so it goes from zero to the highest maximum possible point when it absorbs the entire net income) and the profit rate on the abscissa (the profit rate is maximal when the wage is zero).

In this illustration, we must interpret system transformations from one phase to another by reading them on the y-axis. The system that maximises the net income minimises the necessary social labour-time to produce a sum of values of a given usage. It, thus, corresponds to more efficient, more developed productive forces. The Sraffa yardstick compares the systems along the x-axis. For zero wage, profit absorbs the entire proceeds. The system that maximises profit rate will be considered as superior. This is not the same thing.

Along the ordinate axis, the comparison of systems simultaneously considers all coefficients corresponding to goods input and the coefficients defining direct labour inputs. On the contrary, to compare productive systems along the x-axis, for which wage is zero, is to consider only the first coefficients (production of goods by goods and not by goods and direct work) and neglecting the coefficients of direct labour inputs. The value yardstick is higher because it, solely, considers production as a result of all the technical coefficients that describe it.

There is therefore no way of ignoring the theory of value. It allows us to link all the economic variables (price and income) to a common denominator – value, that is to say, the amount of necessary social labour – independent of distribution rules (operating, competition etc). And this is for characterising a given phase (synchronic static analysis) as well as for measuring change

from one phase to another (diachronic dynamic analysis) of the progress of productive forces.

In the Saffran system, by replacing wages with their equivalent (goods consumed by employees), work disappears from production equations ; goods are no more produced than with the help of goods without work (which remains fundamental); surplus is entirely due to capital, which becomes the sole factor of production!

We have here reached the highest stage of alienation: goods (workers' subsistence) create goods (a larger quantity of goods) without work. We can compare this supreme alienation to the financier, who while making money with money, qualifies money as being solely productive. Or again, we can remove material inputs by replacing them with their equivalent in time worked. We would thus have a system with only a single factor, labour, but timed, and we fall back into the productive-time factor of Bohm Bawerk.

The empiricist approach – and that of Sraffa expresses the most rigorous attempt – not permitting to establish a rationality of price system independent of the rate of labour exploitation. It does not allow it in its general model. And therefore it does not give the differential rates of labour exploitation, in the truly existing global capitalism, the central importance that it has. It is this difference – foreign to Sraffa's method – which shows the imperialist rent, the scope of which only the transformation of the law of value into the law of globalised value allows to capture.

The Sraffa structure does not lend itself to analysis of conditions from equilibrium to dynamic, since it does not address the supply/demand balance of each product type (equipment, consumption) as in Marx's structure. This is an empirical and poor model that allows, at the most, to describe an observed trend, but not to draw evolution laws from it.

All post-Marxian economics worked – to abandon Marx – by locating the origin of progress outside social work. This economics invented for this purpose specific productivities of factors of production, or reduced them to commodity (Sraffa: goods produce goods), or that of money (money produces silver), or that of time (time is money, the depreciation of the future in Bohm-Bawerk), or – today – that of science ('cognitive capitalism', with precursor the marginal efficiency of capital as Keynes understood it). Here, it is just forms of fundamental alienation, particular to conventional bourgeois social thought.

Marx completed his assessment of capitalist reality with assessment, whether it concerned those produced by great classics, founders of modern thought in the field of new political economy (Smith, Ricardo, et al), or those of orthodox economics, already present at the time (Bastiat). Criticism of post-Marxian economists is no less necessary. It was made by some Marxists out of the straitjacket of exegesis, sadly out of fashion. I note my

contributions to the assessment of the best conventional economy that extends the classics (Walras, Keynes, Sraffa, et al), to criticism of new forms of conventional economics ('witchcraft in modern times', I wrote), that the reader might find in *Unequal Development* and *Critique de l'air du temps* (Harmattan 1997).

Is the Law of Value Valid?

The identification of value as the core of the critical analysis of capitalism economy, and then of its masked presence by operations of its transformation into observed prices is not without its problems. Developments by Marx on these issues demands of Marxists not to be limited to the analysis of their texts but to dare to go further. In particular, in terms of treatment of (i) concrete works with diverse qualifications and their reduction to the concept of abstract labour, (ii) the time required for the production, circulation and production of profit and from the relationship between living labour /transferred dead labour, (iii) the identification of usage values, (iv) the processing of natural resources, whether they are subject to private ownership or not, (v) of appropriate definition, specific to capitalism, social work and analysis of its relationship to other forms of labour, (vi) the highlighted forms of absorption of profit by Department III.

The evolution of capitalism since Marx's time and the huge changes it has produced challenges Marxist analysis. A perspective that seeks to remain critical, and deepen this radical criticism of capitalism, requires going beyond Marx's answers to the challenges involved in these issues. Some Marxists, including myself, are engaged in this endeavour. My interventions in these debates such as the proposals I made in response to challenges were summarily reproduced in *From Capitalism to Civilization* (Tulika Books, 2010:84 - 95).

The time is not conducive for the pursuit of these enrichment projects of Marxism, conceived limitlessly in its fundamental criticism of the reality of the capitalist world. Instead of enriching Marxist thought, we prefer to bury it and pretend to start over at zero. One is then often prisoner – whether one realizes it or not – to orthodox thought, by nature non-critical. The radical criticism of the concept of progress reduced to GDP growth that I proposed (*From Capitalism to Civilization*, Chapter 3, from page 98 onwards) and – in counterpoint – the thesis I have adopted, equating progress to emancipation (*Eurocentrism, Modernity, Religion and Democracy*, introductory chapter, Pambazuka Press, New Edition, 2010) register here against the trend of the times.

It is fashionable today to say that the law of value is outdated. This would have been particular to the industrial manufacturing stage of capitalism, overtaken by the formation of contemporary 'cognitive capitalism'. We forget

that, by its essential nature, capitalism today and yesterday is based on social relations of capital domination and the labour exploitation associated with it. It cannot be otherwise.

The invention of the 'cognitive capitalism' concept lies on the rallying to the method of orthodox economics – based on measure of specific productivities of factors of production (labour, capital, nature, etc). We discover that progress by these factorial productivities explains only 50 or 60 or 70 per cent of the general progress (of growth). This difference is due to the intervention of science and technology, regarded as a fourth independent factor. Some think they have rediscovered it in the concept of 'human technological creativity' the importance of which Marx underlined in defining social labour productivity. But there is nothing new here because work, scientific and technical knowledge are inseparable at all stages of human history (*From Capitalism to Civilization*, Annex 2, pages 113 to 123). I proposed a radical criticism of the orthodox method that I accused of artificially separating work (with the tools it uses and under the natural conditions of its development) from scientific and technical knowledge without which it cannot alone be considered. The operation is the same as in theology where the soul is separated from the body (*From Capitalism to Civilization*, pages 77 to 84).

There is only one productivity, social labour, operating with adequate tools, in a given natural environment, on the basis of scientific and technical knowledge, incorporating inseparable elements. What orthodox economics separates artificially, Marx associates, thus giving to the concept of value that emerges its fundamental status, a condition in turn for radical criticism of capitalist reality. Cognitive capitalism is an oxymoron. We can only speak of 'cognitive economy' when social relations other than those on which capitalism is based have been established. Instead of this vision that the trends of the times inspires, I have tried to add the transformations of forms of expression of the law of value that capitalist transformations entrain.

In *Critique de l'air du temps* (Harmattan, 1997, Chapter V, pages 66 to 80) I imagined a capitalism that is at the extreme in its decline in allocated labor to material production (hardware, the hardware store: manufactured objects and food products) by an imaginary generalization of 'robotisation' production departments will only mobilise a tiny fraction of labour force, used, on the one hand, in producing sciences and technologies (software) for the hardware and, on the other hand, in services associated with consumption. Under these conditions, the dominating relations of capital, expressing itself in the unequal distribution of global income and value, only has meaning at this integrated and comprehensive level. The concept of value exists only because society remains alienated in economism.

Does the system at this stage of its development still deserve to be called 'capitalism'? Probably not. It could be neo-tributary based on the exercise of a systematic political violence (associated with ideological procedures that can give it the semblance of legitimacy), itself essential to the reproduction of inequality. Such a system is sadly unthinkable in a globalised scale, it is already underway. I have described it as 'global apartheid'. The logic of forces that command capitalist reproduction operates in this direction, the direction that would produce 'another possible world', even more barbaric than have been all successive class societies in history!

From the Law of Value to the Law of Globalised Value

I now broach the law of transformation of value which I think is the most important by far, in terms of its consequences, which operate decisively in all fields of social struggles and in all national and international political conflicts of the modern world. I mean the transformation of value into globalised value.

I had sensed the importance of this issue even during the writing of my doctoral thesis (in 1954-1956), although it took me ten years to express it and to write about it, even clumsily. The issue was not brought up by Marx. And it is, in this precise sense that I pretend – with humility – to have contributed in expanding and enriching Marxism. I had, perhaps, the audacity to imagine what Book 6 of the *Capital*, announced in the *Grundrisse* under the title of 'International Trade', could have been. Of course what I wrote then, stems from contemporary reality, quite different from that of Marx's time. The thesis barely convinced the thinkers of Western Marxism, except, to my knowledge, that of Giovanni Arrighi. On the contrary, it was well received in Asia and Africa, where, through diverse but ultimately converging voices, it contributed to the shaping of an Asian and African face of Marxism.

The argument is simple, but still double. Truly existing historical capitalism has always been imperialist in the precise sense that the inherent mechanisms of its global development, far from gradually homogenizing economic conditions globally, have instead produced, reproduced and deepened the divide between the dominant (imperialist) centres and the dominated peripheries. It is in this irregularity that is affirmed, with still greater violence than that imagined by Marx, the law of impoverishment inseparably associated with the logic of capital accumulation. My proposed developments on the forms of accumulation by dispossession find their place here.

Despite this permanent irregularity, capitalism is one and indivisible. Capitalism is neither the United States nor Germany, while India and Ethiopia would only be half of it. Capitalism is the United States, India, Ethiopia and Germany put together. This means that labour force has only one value, the one associated with the level of exploitation of productive forces considered

on a global scale (the 'general intellect' on this scale). In response to the controversial argument that was opposed to it – 'how can one compare the value of working hours in The Congo and in The United States?' – Arghiri Emmanuel had written: 'as we compare the value of the working hours of the hairdresser from New York to that of the worker in Detroit'. We need to be consistent. One cannot invoke inevitable globalisation when it is convenient and deny its consideration when it disturbs!

But if there is only one value of labour force on the level of global capitalism, this force is, nevertheless, still paid for at very different prices. Certainly, price variations in labour force do exist in the central capitalist countries themselves, but this variation is increased tenfold in the world.

We can therefore model the expressions of this reality, and, from them, measure their magnitude (if one wants to bother), that is to say that of the transfer of value from the peripheries to the centres. This is a transfer hidden in the system of observed prices and wages and therefore unthinkable for the neoclassical economist. I therefore make in this way the terms of this modelling required to understand the metamorphosis that transforms the law of value into a law of globalised value.

A second set of arguments exists about access to natural resources, the standards governing their management and their uses thereof. Here, we are no longer in the law of value, but at the external borders of the latter. This is why Marx does not confuse 'value' and 'wealth' as do all the neoclassical economists, including supposed Marxists open to contributions from conventional economy. Marx concludes his radical criticism of *Capital* by noting that capitalist accumulation is based on the destruction of the foundations of wealth: human beings and nature.

It took a century and half for our ecologists to re-discover this reality that is now blinding. It is true that historical Marxism had largely erased the analysis offered by Marx on the subject and adopted the standpoint of the bourgeoisie – considered as a classic rational point of view – concerning the exploitation of natural resources. So we must now retake the issue from zero. Certainly, the bourgeois economy was forced to consider the price of access to those of resources that are subject to private ownership, and designed mining revenue in its own way similar to land revenue. It is, henceforth, recognised that the challenge is at a totally different level that must incorporate all the unprocessed resources. Neoclassical economics is unable to do so, while the creative method of Marxism allows it.

The treatment of natural resources is inextricably linked to the analysis of irregular globalisation produced by capitalist expansion. As unequal access to the use of global resources is in turn a second dimension of the imperialist rent no less important than that from the global prioritisation of the price of labour power.

One or two Models of Accumulation?

I proposed (*Unequal Development*, pages 60-65 and 164-169) two models of accumulation, one for the centre and another for the periphery. The central model is controlled by Departments I and II of *Capital*, which thus expresses the consistency of a self-centred capitalist economy. On the contrary, in the peripheral model, what controls the reproduction of the system links exports (driven) to consumption (induced). The model is 'extroverted' (as opposed to 'self-centred'). It reflects a dependency in the sense that the periphery unilaterally adjusts to dominant trends across the global system in which it is integrated into, these trends being themselves controlled by the demands of accumulation at the centre.

Obviously, each of these models (central and peripheral) passed through successive phases with their own characteristics. For example, the peripheral model passes from the first stage (agricultural and mineral exports) to that of industrialisation through import substitution (the general model of the second half of the twentieth century, during the Bandung era) and then to the generalised industrialisation for export competing with industries from the centre (the Chinese model of the 1990s). However, the model remains peripheral because it operates within unilateral adjustments to the demands of globalisation.

These conditions that govern accumulation globally, thus, reproduce unequal development. They explain that countries are underdeveloped because they are overexploited and not because they are late (if they were actually late, this allowed their overexploitation).

Experience, however, confirms this view. All projections of dependent development policies elaborated at constant prices lead to a blockage by the double deficit of external balance and the public finance; all projections of these same policies elaborated *ex post* at current prices (relative prices of imports and exports) lead to the same blockage even faster. This fact has only one explanation: that price structures are distorted (as a result of combined class struggles in the world) favouring increased exploitation in the periphery.

'Catching up', according to the sense that the false theory of 'stages of growth' gives it, becomes impossible in the context of truly existing capitalism, imperialist in nature. This conclusion does not only concern the past, it questions the future under construction. The idea that supposedly emerging countries are engaged on the road to catch up due to their deep integration in globalisation as it is (and it cannot be otherwise) is baseless.

The two models are none the less constitutive of one reality that of an accumulation operating worldwide, characterised by the two Departments I and II of Marx, retained, henceforth, at the global scale and no more in the

societies of the centre. Because exports from the periphery become at this scale constitutive elements of constant capital and variable capital (the price of which they reduce), while imports have similar functions to those of Department III, that is to say facilitating the realization of surplus profit.

The conclusion I drew from the implementation of this expression of global capitalist economy /social struggles and national and international political conflicts, is that the North-South conflict and the conflict between the tendency to reproduce social relations specific to capitalism on the one hand and, in counterpoint, the demands of their socialist excess on the other, are inseparable. The magnitude of the calculable portion of the imperialist rent, produced by the differential in price of labour (to equal productivity), is obviously considerable. I will attempt here to give an order of magnitude, with the assumption that global GDP is divided into two-thirds for the centres (20 per cent of global population) and one-third for the peripheries (80 per cent of global population). I am assuming a growth rate of GDP of 4.5 per cent per annum for the centres and peripheries and wage growth at 3.5 per cent for centres and zero for peripheries (stagnant labour income). After fifteen years of development of this system, we would achieve the results summarized in the following table:

	Centres	Peripheries	Globe
YEAR 1			
GDP	66	33	100
Wages	33	17	50
Profits	33	16	50
YEAR 15			
GDP	132	68	200
Wages	56	17	73
Profits	56	17	73
Department III	20	20	
Imperialist rent	34	34	

Of course, the volume of this imperialist rent, which is of about half of the apparent GDP of peripheries, being 17 per cent of global GDP or 25 per cent for the centres may be partially masked by exchange rates. This is a well known reality that makes international comparisons uncertain (GDP at market exchange rate or the exchange rate ensuring equivalence of purchasing power?). Moreover, the rent is not fully transferred to the benefit of centres. Retention of a portion by the local ruling classes is the condition of agreement

for them to 'play the game of globalisation'. But the fact remains that the material benefits from this rent, that benefit not only the dominant capital on a global scale, but also the affluent societies of the centres, are very considerable.

Calculable advantages associated with the differential in labour pricing are added to those which are not calculable though decisive, based on exclusive access to global resources, technological monopolies and control of the globalised financial system.

Unequal Access to Global Resources and the Ecological Issue

Classical economics was interested in natural resources only when they were under private ownership. It then treated these resources as factors of production eligible to an income (revenue) determined by the productivity of the factor in question. In counterpoint, Marx analyzes these revenues as categories of distribution, that is⁷ to say, as taxes imposed on the profit. For natural resources do not create value, although they are an important foundation of wealth.

The exploitation of global resources has now become disproportionate, whether they are subject to appropriation (such as subsoil and resources) or not (such as atmospheric air), and has brought back the issue of treatment of natural conditions of production. Contemporary neoclassical economics maintained its policy positions, seeking to integrate into its usual reasoning these new factors of production to give them a price. For my part, I see it differently and I will evoke, by prolonging without fear, the reflections initiated by Marx. Because the emergence of these issues is precisely the best witness to the limits that the so-called economic science cannot cross, and calls for further consideration of the radical criticism of both the reality that capitalism represents on the one hand and its alienated representations through the new orthodox economics (known as 'green') on the other hand.

The issue of natural resources – read global – by its very definition challenges the nature of the irregular global system of truly existing capitalism / imperialism. Strategies and practices implemented by the dominant centres work to preserve to their benefit the exclusivity of access to these resources. The imperialist rent is thus a second dimension, superimposed on the one drawn from the global hierarchisation of the price of labor power.

Orthodox neoclassical economics is obsessed with the false concept of real prices, be they those of ordinary goods, labour, money, time, or natural resources. There are no 'real prices' that the 'market' would have the genius of revealing. Prices are the combined products of the rates of labour exploitation (the rate of profit), competition and split capital, and deducted tax in the form of oligopoly revenues of political and social conditions that control the distribution of surplus value between profits, land and mineral revenues.

Mining revenues are thus determined by compromises from the confrontation between the owners of the subsoil on the one hand and the entire capitalist class on the other hand. Because the tax that mining revenue represents, precisely, concerns the entire system of capital reproduction, government intervention has always been decisive in this area. I developed my thoughts on this question in a chapter of my book on the globalisation of the law of value.

The ecological question requires us to leave the narrow context of conventional economic reasoning which recognises only exchange value, replacing it with the fantasy of an economy based on usage value, that is to say the political economy of socialism (actually the communism of Marx). The concept of *ecological footprint*, introduced by the work of Wackernagel and Rees (*Our Ecological Footprint*, 1996, New Society Press) that I commented on, moreover, started this major reflection for radical social thought on the construction of the future, based on a calculation (and I mean a calculation and not a speech) that itself was based on the usage value of resources of the planet shown here by their measure in global hectares (gha), and not in dollars.

The proof exists that the social usage value can be the subject of perfectly rational calculations. This proof is decisive in its scope since socialism is defined in terms of society based on usage value rather than exchange value. While defenders of capitalism – the end of history – have always held that socialism is an unrealistic utopia because they believe that the usage value is not measurable, except if it matched with exchange value (based on ‘utility’ in conventional economics).

The establishment of ecological calculation by orthodox economics is rapidly advancing. Ecological costs are assimilated, to this effect, into external economy. The orthodox method of calculating cost / benefit specific to the measure of exchange value (itself confused with market price) is then used to define a ‘fair price’ integrating economies and external economies. Mission accomplished. The establishment of ecological discourse through the political culture of consensus (necessary expression of the concept of capitalism – the end of history) is no less advanced. This establishment takes the easy path. This is because it responds to alienations and illusions that nourish the dominant culture, which is that of capitalism. Easy because this culture truly exists, is in place, and dominant in the minds of most humans, in the South and in the North.

In counterpoint, the expression of the demands of the counter culture of socialism leads to a difficult path. For the culture of socialism is not there, before us. This culture is a future to invent, a civilization project open to the inventive imagination. Phrases (such as ‘socialization through democracy

and not through the market', 'dominance of culture replaced by economics and politics at its service') are not sufficient, despite the power that they have to begin the historical process of change. Being a long secular process, the reconstruction of societies, on principles different from capitalism in both North and South, is not to be imagined fast. But the construction of the future, however distant, begins today.

The North-South conflict over access to global resources

The issue of 'mining revenue', or more generally revenue that countries get from natural resources within their territory, is inseparable from forms of domination of oligopolistic capitalism on subordinate peripheries. The treatment of this question is closely associated with the analysis of the phases of economic imperialism, of international class alliances related to it, and the modalities of labour division controlled by it. To each phase corresponds, then, a certain simultaneous arrangement of productions and applications, a suitable structure of income distribution: structuring of labour remuneration, amount and profit rate, volume and rate of land revenue, volume of revenues from natural resources.

In the first case in point, we distinguish three phases in the evolution of capital accumulation within the imperialist system. During the first phase (the long nineteenth century until the 1930s and 1960s of the twentieth century, according to countries and regions), international division of labour, colonial-style, confines the periphery to the export of agricultural and mineral products. This division of labour based on class alliances between imperialism and the traditional local ruling classes results in a relative price structure of goods traded globally. This leads to the promotion of industrial capital accumulation at the centre, facilitating wage increases parallel to the development of labour.

Price structures corresponding to this equilibrium point to land revenues that reward landowners, allies of imperialism, but they do not include mineral revenues, which constitute the capital that the colonial monopolies reserve for themselves through free access to peripheral underground resources while confining the new comprador classes of dominated regions to its purchasing portion. We often forget that the easy growth of the 'thirty glorious years' (1945-1975) was associated with energy prices (particularly petrol) reduced to almost zero.

The second phase of modern unequal globalisation opens with the victories of national liberation movements in Asia and in Africa, during the Bandung era (1955-1980) and the development of the Non-Aligned Movement. This second phase is characterised by import substitution industrialisation. This requires the renewal of international class alliances, the replacement of the national bourgeoisie with the old ruling classes.

During this phase, the dynamic balance continues to operate primarily on the basis of the expansion of centre markets, fuelled by wage growth, exacerbated by the maintenance of unequal exchange rates, with the periphery continuing to provide raw materials under conditions of stagnant labour wages, while its earnings pay for imports of industrial goods and equipment which replace previously imported consumer goods. Land revenues sometimes disappear when feudal alliances are broken through bourgeois agrarian reforms that establish new classes of landowners and middle peasants. Consequent reduction in agricultural prices favours the local bourgeoisies engaged in substitution industrialisation as it favours oligopolistic imperialism, in a context whereby agricultural products continue to be exported to the centre.

However, whatever the limitations of this first moment of awakening would have been, the on-going movement of peoples and nations in Bandung soon raised the issue of acquired income by states concerned about their natural resources. Bandung proclaimed the principle of the exercise of national sovereignty over those resources and succeeded, albeit belatedly – in 1973 – in imposing an upward revision of oil prices as we know.

This readjustment of access conditions to natural resources (oil price is a symbol) was not inherently anti-capitalist. On the contrary, the inclusion of revenues (oil in this case) in the prices of natural resources exported by the South would have improved capital mobilisation by the peripheral bourgeoisie which in turn would have allowed them to enter into a new era of industrialisation, based this time on the export of industrial products to the centres. The relocation of some industries, from the North, could have recreated an unemployment reserve account, which would have simultaneously helped in raising profit rate. Expansion would have been initiated through the export industry of the South, on the basis of which, new motor industries could resume their expansion in the North. This perspective, quite capitalist in nature, to overcome the contradictions of the global system, was the programme of the peripheral bourgeoisie of the time.

The imperialist West rejected the proposals and adjustments were finally made of the 'New International Economic Order', even though oil price was imposed. Very different theses have been proposed on this subject. Some have focused on the objective economic conditions of energy production: trend reversal on the relative price of oil, for example, which, falling for a century, would have begun a long period of recovery from the 1960s to 1970s. Others have emphasised the inter-imperialist contradictions and stressed the United States' commitment to turn in their favour a deteriorating situation (dollar crisis, etc), while mobilizing oil multinationals and petro-states against Europe and Japan. Some even went further and saw in this last conspiracy a

manifestation of the strategy of multinationals that would have chosen alliance with Third World states against the central states. The objective of multinationals was supposedly to increase profit rates through the relocation of industries under their control.

Adjustments in the economies of the North made to absorb oil price shocks actually inspired strategies to enable capital to go on the offensive and dismantle the gains of the working classes (post-war social democratic compromise). These strategies succeeded in imposing on these working classes the needed restructuring for the resumption of accumulation that was grounded.

The new order project was then finally implemented (relocations as proof). But it was neither under peripheral bourgeois control nor their states' control – nor to their benefit – as elaborated in the original project. It was in fact implemented for the benefit of oligopoly capital of the imperialist centres! This operation opened the – short – era of new globalisation called 'neo-liberalism' that I qualified as the second 'golden age'. The fast and expected 'breathlessness' of this phase of globalisation created conditions for a 'second wave of awakening of the South', initiated even before the 2008 financial collapse.

The ruling classes and the states of the South – at least those qualified as 'emerging' – retook the initiative and engaged in accelerated industrialisation and 'modernisation' of their agriculture. The pursuit of their business requires that these countries benefit from an increasing access to global natural resources, which arises when the operating costs of the best of these scarce resources, are considerably higher than in the past. Beyond these cost issues, the battle is now engaged on the ground for direct access to resources. Western imperialism intends to reserve them for itself – a condition for the continuation of its 'lifestyle' and the basis of a social consensus that guarantees the stability of capital power – through brutal global military control. This North-South conflict has therefore become the major conflict of our time.

The range of natural resources in question is broader than was previously thought, not long ago. It concerns oil and gas, but also the rare minerals, water and agricultural land – whose access has become the stake in conflicts over their use – and even the atmosphere (and through it, the climate).

Under these conditions, it is impossible to resolve the issue of determining mining revenue (or more generally the access cost of the resources in question) in general terms. Examination of this issue must be based on concrete analyses of concrete situations. For each mineral, specific circumstances control the debate over its revenue, and possible outcome. Thus, as a comparative example, one could cite the case of iron ore, long produced exclusively in developed countries for their national steel industry. Since steel needs were no longer being satisfied by former major producers, the West secured, for itself, a mining belt of safe countries (Canada, Brazil, South Africa and

Australia) to provide competitive minerals in largely sufficient quantities in the foreseeable future. Under these conditions, Third World producers (Venezuela, Mauritania, Guinea, Liberia, Gabon, India, and Malaysia) are marginalised and deprived of negotiation possibilities (particularly if Brazil continues to refuse them support). But, on the other hand, the financial requirements for the establishment of steel plants in Third World countries are considerable. Here we can see the possibility for a three-partner association: the Third World steelmakers, countries with significant financial resources (the OPEC countries, China, Japan, etc.) and countries with mining resources. Such an association would strengthen the collective autonomy of these countries and separate the minerals/steel relationship between the periphery and the centre, that is still exerting influence on the mining and steel producing countries of the Third World. Mineral revenues, within this context, would become negotiable between States.

Revenue utilisation by countries that are potential beneficiaries obviously depends on the type of dominant ruling classes in place. In extreme cases – still frequent – this revenue may be wasted by the ruling cliques to solely maintain their stay in power, with neither the masses nor even the country benefiting from it (this revenue is not invested in economic development). In other cases – as in the Gulf countries – this revenue simply funds the globalised financial market controlled by Western oligopolies. These patterns of revenue utilisation by dependent states or powerless archaic regimes are quite acceptable to the dominant economic imperialism. On the contrary, when the revenue is used for development, be it capitalist – as in emerging countries – conflict becomes inevitable.

Is Imperialist Revenue Called into Question?

The visible part of imperialist revenue – that comes from the structuring of labour price – is already huge by itself, and measurable, if one bothers to find out. This can be confiscated by the countries of the South only to the extent whereby they ‘disconnect’ – even relatively – to give priority to domestic market development and to the satisfaction of the needs of their masses. Only then can this anti-imperialist position help in bringing focus on surpassing capitalist social relations and engaging on the long road to socialism.

The invisible part of capitalist revenue – access to global resources – though not measurable (being outside the scope of economy), is no less important. The battle here is on the affirmation of sovereignty of the countries of the South on these resources, together with their assignment to give priority to internal development. Through this option, the countries of the South would refuse to submit to the perspective of global apartheid, which capitalist logic imposes.

By engaging in these directions, the victories of the nations of the South would be the conditions for questioning the consensus based on profits derived, by the North, through capitalist revenue. Progress in the South depends on the defeat of capitalist states through confrontation with the nations of the North.

Market Alienation and Financialisation, the two Inseparable Dimensions of Capitalism

Capitalism is a social system – the first – whereby economic authority directly dominates all other authorities of social life. In other words, ‘economic life’ now directly dominates other aspects of social life. The economy is more than ‘important ultimately’. Having won its autonomy, economic life is then subjected to its own laws, and to discover its outlines can and should therefore become the subject of a particular scientific thinking. This is the purpose of the new economic science, that it is best to call political economy to highlight the relationship that associates its autonomy to the new historical/political stage that is capitalism.

It is, thus, no coincidence that economic science began its first formulations at the time of the Enlightenment, in close relation with the emergence of the discourse of bourgeois ideas. This social class – the bourgeoisie – is then in conflict with the existing order, that of the Old Regime. Bourgeois enlightenment thought inaugurates modernity that I defined as the proclamation that man makes his own history, in contrast with the dominant conception of earlier times, based on the idea that it is God, or the gods, through the ancestors that created an unchangeable social order. Bourgeois thought flushes out alienation (therefore irrationality) that underlies this submission to the demands of the existing order, the alienation that I qualified as metaphysical specific to dependent production methods. The criticism that this thought directs to the system governing reality and the beliefs of the Old Regime seeks to be scientific. And it is, once one understands that science is neither final, nor complete. The system of organisation of real economic and social life that the rising bourgeoisie proposes, and the system of thought that accompanies it and gives it legitimacy, are based on the concept of rationality that defines the entire scope of the thought on Enlightenment.

The contradictory, limited and ambiguous nature of modernity and the new rationality is expressed through the conviction of the bourgeoisie that the new system it wishes to promote, that is to say, capitalism (in the sense of capitalist relations of production), is simply an expression of complete, definitive, rationality and not of the relative rationality associated with capitalism. The scientific nature of the analyses that the new political economy

proposes, is, therefore, contradictory, limited, not completed (as the bourgeoisie believes). The legitimising function of the established new capitalist order, and bourgeois political economy of Enlightenment is inseparable from its methods, conceptualisations and from the economic laws that they help in elaborating.

So let us step back and look at capitalism not as the end of the story (which the thought on Enlightenment cannot afford to doubt), but as a stage in an uncompleted story. It then becomes clear that, to do this, it is necessary to make the double radical criticism of the real world (defined mainly by capitalist economy) and the thought that grants it absolute legitimacy – without time limit. That is to say, criticism of labour exploitation by capital (on which the system is based) and criticism of bourgeois political economy.

Marx focused on doing this. And he did it with unparalleled convincing power. Reading of *Capital* enables one to understand the immense scope of this double criticism of real-world labour exploitation and bourgeois economic science that masks its reality.

To do this, Marx attacks the formulations of the new political economy – the most serious, the closest to science – those of Adam Smith and David Ricardo. This does not prevent him, in passing, to criticise – sometimes in humorous style as it should be – the first visions of the economics of his time (Bastiat, Say, et al).

Indeed, the moment completed capitalism is established with the emergence of the machine invented by the industrial revolution, bourgeois thought ceases to be critical, as it was obliged to be in its fight against the now toppled Old Order. The dimension through which it legitimates the new order wins the day. The scientific spirit that it evoked in its criticism of the old order no longer has a *raison d'être*.

The history of economic science – now bourgeois (in that Marx gives this qualification to its legitimizing function of the capitalist order) – becomes the story of its vision, of its increasingly marked distancing from the basic requirements of scientific thought.

To delegitimise this pseudo-science called (modern) ‘economic science’ becomes an essential requirement in the exercise of the ability to criticise reality, and formulate objectives from this criticism in the fight to change the way.

We will draw the outlines of this criticism, without which the views on building another world (supposedly better, of course) become wishful thinking and baseless. We will do this in stages. We recall, first, the basis of the criticism of neoclassical economics post-Marxist (actually anti-Marxist). We continue with a presentation on various aspects and degrees of alienation that are specific to capitalism. This presentation will allow you to flush out

the aberration of contemporary discourses (including the left) on financialisation and, in connection with it, the nature of the ongoing crisis of contemporary capitalism.

Criticism of Orthodox Neoclassical Economics and its Avatars from the Left

After Marx, to go against his views and discoveries, serious bourgeois economy tries to develop a counter proposal based on a positivist / empiricist method that is allegedly similar to a scientific method. Walras in the nineteenth century and Sraffa in the twentieth (but also Keynes) are the major thinkers – consistent and firm – that illustrate better than others this attempt to analyze the functioning of the reality (capitalist) without turning to the concepts highlighted by Marx's discoveries (the law of value).

I, therefore, focus my criticism of conventional economics on these thinkers.

The starting point for Walras, Sraffa and Keynes is in the rejection of the law of value, under the pretext that the transformation of values into costs of production was 'impossible', or at least unnecessary and cumbersome. I will not repeat what I said about this: that this refusal demonstrates the inability of these thinkers to understand alienation.

Walras – and after him, Sraffa – therefore consider (wrongly) the value (work) as a metaphysical and cumbersome hypothesis. But they are not any further won over to its substitutes – the value / usefulness – that they probably judge as also metaphysical. They, then, stick to the immediate visible reality of – market prices. Walras proposes in this strict positivist spirit a model of generalised interdependence, coded in a system of equations describing the production of n products as it is, that is to say from inputs of equipment, raw materials and direct labour. These inputs are quantifiable by the technical coefficients that define implemented methods of production. The system solution correctly provides products prices under certain conditions.

First, the system does not classify the productions into the two departments similar to those considered by Marx. Walras's system does not tell us, then, if the volume of profits from production will be lower, equal, or greater than that required to be allocated to investment (in equipment) necessary in the production of consumer goods that correspond to effective demand (determined by the fraction of net proceeds assigned to this demand for consumer goods). The question is not by Walras. So, he does not answer it. However, to understand the possibility and reality of accumulation we are, actually, forced to answer this question.

Then – and here is the major criticism against the Walras model of general equilibrium – it is not established that the application of a decentralised market

solution actually provides the solution that can be deduced from the system of n equations, even by trial and error. For, when a single agent takes any decision (e.g., to change the technical mode of production) the system, in its entirety, is transformed and its solution yields results different from those of the system in place prior to this decision. The system then moves into reality from imbalance to imbalance (due to the decisions taken) never aiming at a balance. The history of the system triumphs over the rationality of its solution!

Walras was honest – a quality certainly alien to today's Nobel Prize winners – and therefore acknowledged this failure. The failure of positivism as a scientific method? Walras did not dare go that far; to acknowledge the scientific superiority of Marx's method and the inevitability of the law of value and the consideration of the rate of surplus value (degree of labour exploitation). Value/labour then appears not as a metaphysical hypothesis but as an expression of acknowledgement of reality.

It is known that Walras has imagined only one solution to the problem: entrance of an 'auctioneer' who knows everything in advance: the invisible hand, or God, which exists only for those who believe. Contemporary neoclassical economics will substitute it with the 'perfect foresight' of those officers (plural) gifted with a perfect knowledge of the objective requirements of the operation of the system – a terminology substituted with another, which adds nothing to it.

Neoclassical economics, committed to the path of the analysis of markets operating on the basis of an imperfect information, is then forced to substitute the analysis of capitalist reality with an endless game (in which mathematics becomes indispensable) of assumptions about expectations. For the assumptions about expectations help to pre-empt everything and nothing, which Keynes' subtle and realistic intelligence had fully grasped.

What expectations? A series of good jokes. The expectations of labour sellers? The unfortunate know they have little choice. They also know that they can only improve the sale of their labour through organisation and collective class struggle. Like consumers who choose (their supermarket?) and choose their prospective financial investments? The unfortunates are indeed forced to go with the advice of their bankers, the real decision makers. Those of entrepreneurs who decide to invest or not to? History shows, as Marx and Keynes had understood it, that the cycles of over-investment, then of capital depreciation impose their reality. That of capital owners who choose between risky term investments and liquidity preference? The recurring story of financial bubbles of which the reasons and mechanisms have been fully analysed, once again, by Marx, together with his discovery of the supreme alienation of neoclassical economics 'money makes money', A gives A 'without going through production', will always remain outside the scope of

thought of our conventional economists. And that of stock market speculators? We know that the best position is the one taken by the sheep that follow the general trend and that this practice necessarily increases the magnitude of instability.

Drowning in the ocean of expectations is the inevitable product of the reduction of society to a sum of individuals and to a wilful ignorance of major realities through which is defined real capitalism (the classes, private property, the State, nations, etc...). This is an ideological expression in the negative sense of the term, which is perfectly in place to give legitimacy to the actual practices of dominant capital. The neoclassical economists who lay claim to scientific work are not even aware of this. They cannot understand that to do scientific work, to approach an understanding of objective reality, we must start from the radical criticism of the starting point of their reasoning.

Walras concludes, then, that capitalism can only work if it is no longer capitalism, but a planned system (by the State, as the only capitalist). Walras was a socialist, just like his pupil Barone, the ancestor of Gosplan. And the Gosplan projects not a socialist economy, but – in the historical settings of the Soviet Union – a capitalist economy without capitalists. The model of general equilibrium, which does not reflect the real operation of capitalism, becomes a good planning tool, that is to say a primer establishment of a system that could pave the way (I mean just clear the way) to the gradual replacement of socialisation through the market of a socialisation via democracy, which requires more than good management from the top of the productive system.

Sraffa takes back the questions by Walras and treats them in the same way. I cannot come back here to the analyses that I devoted to the failure of Sraffa (with some details in my book on the globalization of value).

In line with the efforts and failures of post-Marxian positivist economists, the economic vision starts in another direction, by replacing utility value with labour value (Menger, von Mises and latest – the most extremist – Von Hayek, all Austrians). And it is in this context that originates the formless body of alleged contemporary economic science, on the one hand, and the recovery and takeover of Keynes, on the other hand, by the new economic termed 'neoclassical' (that it is not, having failed from the beginning with the classics).

The construction lies in abolishing the concept of capitalism and replacing it with the insipid discourse on market economy. The essential reality – which is the social relations of production (especially the private ownership of means of production becoming, thus, capital) – is excluded quickly. We feign ignorance that the markets in question must be qualified and are actually

capitalist markets – that is to say, subject to the requirements of capital appreciation.

This abolition of the concept of capitalism rests on two assumptions apparently unrelated to reality.

Firstly, we substitute the relations of production – particularly the submission of the seller of labour to the employer forced to appreciate capital – with the assumption of a society made up of individuals, who ultimately become the active agents of the reproduction system and its evolution. This individual (Robinson or the *homo economicus*) is non-historical, identical to himself since the dawn of humanity. Similarly, ecological challenges are formulated in terms of relations between Man and Nature, without reference to the economic and social system in which the man in question thinks and acts. Capitalism and the capitalist are thus freed from all suspicion.

Secondly, the concept of capital itself is abolished. Standard neoclassical economics recognizes only equipment (with their own productivity) implemented by work. Another non-historical concept since, of all times, the worker has used instruments, the peasant plough, the artisan's medieval tools, the bow and the arrow of the first hunter and even before him carved, then polished stones of *homo sapiens* of archaeological periods. At this rate, capitalism, though confused with the use of means of production, always existed.

The construction built on these foundations – the market economy – does not correspond to a stylized expression of the world of historical and real capitalism. This is the construction of an imaginary system that only integrates the essence of what characterises the capitalist reality. Consequently, some major and decisive dimensions of reality, such as the domination of monopolies in the entire production system (and the issue of increasing returns associated with it) can also be deliberately ignored.

Modern conventional economy has never been able to render operational the economic system imagined by it on these bases. I refer the reader, here, to Rémy Herrera (*Another Capitalism is Not Possible*, Syllepse, 2010) who made the thorough proof of this. From Walras to Solow and Samuelson, to Debreu and Arrow, there is a failed attempt to prove that the convergence of agents' choices is visible, recognised, but without any conclusion drawn from it. The solution requires that we replace the multiplicity of agents, with the single representative agent (i.e., one who knows everything – Big Brother, the Auctioneer of Walras, the planner of Gosplan, or the invisible hand of...God!). There are no more interactive Robinsons, but one Robinson who represents all! There is no field of scientific research—beyond economic science – where such nonsense would be tolerated.

Neoclassical economics is not a standalone product borne from intellectual and academic delirium. It occupies an important place in the ideological construction essential to capitalism – and often, more brutally and like today – serves as a screen for covering the most undemocratic and deliberately reactionary policies.

The utility value has this unparalleled virtue that helps to erase the idea that the submission of labour to capital can be the vehicle for the exploitation of workers. The method of analysis of society in terms of an aggregate of individuals and the substitution of equipment with the concept of capital (a specific social relationship) – two non-historical operations – that allow to read the story like that a linear development / progress. And since our contemporary societies are visibly richer than those that preceded them, we live in a perfect world in which there can be no question of invalidating its legitimacy, rationality, or even eternity.

The views on neoclassical economics reinforce the ideological requirements of production and reproduction of truly existing capitalism. It promotes at centre stage the exclusive praise of competition regarded as the prerequisite for progress, a quality denied to solidarity (despite historical evidence), itself locked in straitjacket compassion and charity. Whether it concerns competition between producers (capitalists, without much attention to the oligopolistic form of contemporary capitalist production), or even between workers (which implies that the unemployed, or poor, is responsible for his situation), the new language (social partners instead of classes in conflict) like practices, amongst others, of the Court of the European Union staunch supporter of union busting, barrier to competition between workers) – reinforces the exclusivity of competition.

In turn, the adoption of the exclusive principle of competition invites society to rally around the goal of building a consensus that excludes, from perspective, an imaginary other society based on solidarity. This ideology of a consensual society that is now about to be adopted in Europe destroys the transformative scope of the democratic message. It conveys the libertarian message of the right that considers the State – whatever it is – as the enemy of freedom (read: the enemy of the enterprising freedom of capital). It separates the practice of castrated democracy from social progress.

The theory is called ‘economics’, as we say ‘physics’, to show that it is not a social thought, but a hard science. Its function is to make us believe that the markets produce by themselves the best of worlds, or the social optimum! It invents, for this purpose, imaginary theories – expounded without basis on the analysis of reality in its essential and determinant scopes – to consolidate the commitment to the idea – false – on the reign of universal

harmonies, that symbolise the real prices of all : goods, money (interest rates), land and nature (externalities) and even exchange rates that govern international relations and govern capitalist globalisation, thus becoming also in themselves factors of globalised, generalised progress. Deconstruction of these imaginary theories is the starting point of the radical criticism of capitalism, needed to delegitimise it. Some have done it within the strict domain of economic theory. Others went beyond refusing to separate the economic (then called apolitical) from the social and the political. This has always been the case of Marxists, but also of others, such as Braudelians, particularly in areas concerning the globalisation of capitalism.

The economist discourse of universal harmonies could bring others to memory, such as the Confucian discourse of ‘harmonious development’, yet of a much better intellectual performance. But this is not enough. We must delegitimise the bourgeois thought – henceforth reactionary by nature – in its entirety and for that, delegitimise neoliberal economics – at the service of the reactionary policies of capital – also as a whole. And we are very few addressing ourselves to this task. Alongside genuine mathematicians (especially Israel and Guerrien), I will mention here the recent work of Rémy Herrera, who had the bright idea to label as science fiction the false economic science known as neoclassical, and to demonstrate that this is so. For my part, I had used the expression ‘science of imaginary economy’ (having nothing to do with real capitalism). I had compared the type of questions it poses to those previously discussed by the medieval scholars (the sex of angels). I had compared these functions with those of witchcraft in ancient times (*Critique de l’air du temps*).

The direct political function of contemporary neoclassical economics is obvious. Its theorists are equally activists of neo-liberalism, of often the far right. Their major concern is to justify reactionary (State) policies to the extreme, with the real purpose of supporting the growth of social inequalities. Brave moralists, addressing themselves to the complementary tasks of ‘fight against poverty’, that provide them with useful alibis. Internationally, these neoliberal theorists advocate the destruction of the State in the peripheries of the system, paving the way for the return of colonialism for which they never lost the nostalgia.

Undoubtedly, sincere reformers though too timid to challenge the social relations characteristic of capitalism, or even the contemporary dominance of oligopolies, believe they can give capitalism a human face. Obama was elected proclaiming ‘Yes we can’. The title of his next Speech of the Union should be ‘No, we cannot’, and thereby recognize that it is the oligopolies and not the elections that are at the controls. When the question was put to

Paul Sweezy, 'What would you do if the President were to put you at the head of the FED?' (the Central Bank in the US), his answer was: 'Resign'. Rémy Herrera is right, 'another capitalism is not possible' (title of his book).

Delegitimizing both the system (truly existing capitalism in the era of globalised, financialised and generalised oligopolies in the terminology I proposed) and its intellectual mode of legitimacy (especially by neoclassical economics) is not easy. The task is made more difficult presently by the adhesion of the vast majority of left thinkers to the postulations of both standard neoclassical economics and political thought of consensus called 'democratic' (in the strict sense of membership to the form of procedural, representative electoral democracy considered final).

The contemporary left – in its majority and even beyond the majority which the social liberalism parties represent – is eclectic. It thinks it can combine fragments of Marxism its adherence to the postulations and the method of conventional economic theory. The list of avatars of the left of economic science fiction is long. I will return to some of their illustrations on the crisis and financialisation.

The general public and the working classes are thus disarmed, stripped of needed intellectual resources to enable their struggles (that do exist) to assert themselves through strong revolutionary advances, capable of reducing their vulnerability. Yet in moments of crisis like ours, the powerlessness of neoclassical economics appears in all its fullness.

The newspaper *Le Monde* asked a mean question to this effect, 'How is it that the "geniuses" at Harvard did not foresee the crisis ...?' Are they just idiots? Certainly not. But their intelligence is entirely focused on the only tracks marked out by neoclassical economics and the false theory of imaginary capitalism of generalised markets. Just like the best minds of the past believed that the debate on the sex of angels could help in better understanding the world!

For the general public, including the working classes, the big names of economic science – recognised with the Nobel Prize (Economics) – are surrounded by a halo of respect. They know. If, moreover, they accompany their incomprehensible technical sentences with moralizing sentences and expressions on social issues, the authority of their proposals hold sway.

It is time to delegitimise the Nobel Prize that is awarded to only faithful servants of capital for their work that is not done to enlighten but to plunge one into darkness. The Nobel Prize is the equivalent of the Academic Prize in Painting in the nineteenth century, which rewarded the highly placed provided they represented the Emperor or a Princess in their best clothes ... Their names are all forgotten today. And it is those in the 'Salon des Independants' who eventually prevailed. Conventional economists are not critical thinkers.

They are, at best, technocrats. I prefer to use, for them, the Anglo-Saxon term of – ‘executive’ (executing agent, here at the orders of capital, today oligopolies).

That is why the criticisms that they can make against the system are still marginal and reform proposals they believe are realistic but are actually quite unrealistic for the most part. And if then, for any moral reason they dislike the reality (‘too much poverty’ even ‘too much inequality’), the slipping towards wishful thinking and preaching as a policy becomes inevitable. A bestseller for a Nobel Prize winner in economics (restricted to neoclassical economists) is therefore necessarily a work, at best, mediocre. Joseph Stiglitz’s first chapter in his book, *Making Globalization Work* (Norton 2006) that bears the pompous title ‘Another World is Possible’ is a good example of this.

Stiglitz discovers in 2002 that the Washington Consensus was not good; he discovers the reality of the IMF and of WTO attitudes, etc. More than half of the 550 pages of this bloated book is celeb revelations already known by others for the last 30 or 40 years! Stiglitz believes to be the first to say this, having never read the work of critical thinkers (and he will probably never read them). This has nothing here to do with arrogance, but simply ignorance. An amusing example: Stiglitz ‘discovers’ that in 1990, there was agreement on some prices by some oligopolies! Wonderful! And what does he propose to restore the competition: an anti-trust law and recourse to the courts, US style! In this work published in 2002, Stiglitz ignores financialisation, which he says almost nothing about, that he considers harmless and even useful ... The outstanding work of the late Giovanni Arrighi, on financialisation as final stage of declining hegemonies, is completely ignored. Obviously, Stiglitz was surprised by the financial collapse of 2008, although not a line of his book indicates the seriousness of the threat. Yet, over the same period, others (including myself) had analysed the globalised liberal system as inherently unstable, doomed to collapse through financial crisis (the Achilles heel of the system as I wrote). Stiglitz obviously knows nothing about it. The idea he has of himself, revealing to the world the defects of the system, can only be funny.

It will not be surprising that what I called the Stiglitz report, that is to say that of the Commission designated by the Chairman of the UN General Assembly – Padre Miguel D’Escoto – of which the presidency was unfortunately assigned to Stiglitz, who probably imposed his superficial and limited perception of the problems in finalising the document, did not move away from the scope of reactionary conventional orthodoxy. The failure that resulted from this – the fact that developing countries had given up on being represented at the Assembly by officials at the required level – is in fact, for

me, a good sign. It suggests that developing countries have understood that this report – under the pretext of ‘global consensus’ ... and realism – was part of the strategy of the North of a response to the crisis and that their proposals were likely to be acceptable to the oligopolies. Change the world? You bet!

Market Alienation, Reification of Social Relations and Financialisation are Inseparable

1. Alienation is conjugated in the plural, echoing the diversity of situations in which it is expressed. But there is a common denominator to all these situations, the denominator that legitimates the choice of this same term. There is alienation when a human being – individually, or a society (an organized group of people) submit their views and choices of action to what they believe to be transcendental supernatural forces, which act on them. Alienation is thus the obstacle that emancipation – which defines modernity (the human being is his story) – must find and analyse in order to be able to overcome it, to destroy its binding power. This is the freedom of thought and action to which emancipation calls and which is unlimited. Marx himself said that men make their story, but in objective conditions which apply to them. Freedom enables knowledge of necessities. I will not go further in this philosophical debate – concerning ‘free will’ – which is not my field. I will only say that in an alienated society, alienation is itself part of the conditions that limit its thinking ability, to imagine and to act. To delegitimise a system of thought and of action (here that of capitalism) is doomed to failure if the alienation (or alienations) specific to this system are not uprooted and deconstructed. Only then can we transcend them and open wider horizons to thought and to action.

2. The anthropological debate raises an inevitable question: is the human being, beyond historical determinants which condition him not, by nature, producer and victim of an alienation that he cannot do without to live?

This debate is not ours here. Although I have accepted, without much hesitation, that the answer to this question might validate the saying that: the abolition of alienation is impossible for humans; for example, in accepting the idea that man[generic] is a metaphysical animal that cannot avoid questioning the meaning of life, even if he cannot respond to the questions of science. Psychoanalysts do not imagine an unalienated human being and do not imagine that we can understand his condition differently. They may have a point.

Our discussion is more limited in scope. It involves specific forms of alienation produced by a defined social / historical system that conditions its functioning and reproduction. These alienations, I contend, can be discovered through critical analysis of the system in question. Their questioning then

becomes possible, necessary for going beyond what the system allows, to innovate.

3. I have personally taken on the task of identifying social alienations (that is how I qualified them in contrast to anthropological alienations) of ancient and modern times. I intended to show here the differences (and not the similarities) between what I called ‘dependent alienation’ and ‘capitalist alienation’.

The thesis I have proposed for this purpose is that the overthrow of the dominant body – the power in dependent stages of civilisation, the economy in capitalism – implied a parallel revolution in content and form of expression of the social alienation peculiar to the reproduction of involved systems.

I do recall here this thesis, whose follow-up is centred exclusively on the specific alienations of capitalism.

4. The terms ‘market alienation’ and ‘economic alienation’ were henceforth rendered common in all schools of thought somewhat critical of capitalist modernity, for better (for critical intent) and for the worst (to blur the definition used by each and everyone).

The discourse on (and against) market alienation expresses protests against the transformation of everything into goods – the most trivial productions, works of art, labour, scientific research, etc... – expressed in the refusal to see the range of practice extended unceasingly through the abolition of the concepts of public services, for example (and their privatization). However, only the most radical protesters connect this dominance of goods to the endless value of capital that defines capitalism. Others believe they can say ‘yes’ to market economy and ‘no’ to the market society. This separation is, on the contrary, impossible, for me.

The term ‘economic alienation’ is somewhat trivial, though often expressed, rather quickly. We, express, by this, a refusal to accept that all choices – political and social – must obey economic imperatives. The ambiguity that this refusal projects must be lifted. In capitalism – in its real operation and in the system of ideas that gives it legitimacy – economics and politics are subordinated to it.

For capitalism is not to be reduced to a ‘market economy’ I said. It is an economy of capitalist markets subject to the requirements of capital appreciation. Thus alienation (or alienations) that portray it cannot be reduced to the general concept of market alienation.

5. The expression of capital appreciation does not make sense if we do not understand the sense that Marx makes of capital and of the relations of production associated with it.

Capital is neither a 'thing' (nor a set of equipment, nor a monetary fortune) but a social relation. The one that requires the seller of 'free' labour with nothing else to offer, to sell this labour to his employer, landlord (or owner or manager) with the means of appreciating this labour. This relation exists only under capitalism, and even if marginal and embryonic forms of it appeared in ancient times, it only became dominant with advanced capitalism.

It is in capitalism that 'equipment' becomes capital. Because the social relationship then allows the exploitation of work, that is to say, the production of a profit (the excess in the amount of work supplied – 8 hours – over that required for the reproduction of labour – for example, if four hours are needed to produce what the employee will be allowed to consume, to buy in the consumer goods market). Of course, only the concept of value helps to capture the key importance of what the capitalist production relation produces.

But, I already said, bourgeois thought does not know – refuses to know – the concept of production relation and that of value. It replaces them with the plurality of inputs to simplify direct labour and equipment. Capitalist thought well qualifies them as capital, but it is then with a different meaning, that of 'effective and useful things' that equipment is.

Alienation proceeds here through a reification of social relations: two things face to face, direct labour, equipment. Each of these things has its own productivity, that of work, that of capital. I will not repeat what this dissociation expresses – the disembodied soul as scholasticism imagined it. For Marx – and in reality, it must be emphasized – work and work tools are inseparable. There is only one productivity, the productivity of labour supported with necessary tools for the accomplishment of its tasks. I will not go back to the inconsistency of bourgeois discourse on the 'productivity of capital', this factor consisting of an addition of specific equipment (and each having its own productivity). Their aggregate is impossible outside of the common denominator that the estimation of their value (in the trivial sense, their price) allows to establish. In other words, there is only financialised capital (I will return to this issue). Reification of components of the production system, separated from each other, should be continued beyond what I have just said.

Labour productivity armed with adequate instruments also depends on 'natural conditions' of production. Marx rejects this account of the theory of value (real, not imaginary) by distinguishing value from wealth. Neoclassical economic thought ignores this distinction and is therefore working and attempting to reify nature, seeing it as a series of things that have their own productivity, as well as their price.

Of course, the adequacy of equipment put in place is not separable from technological knowledge (and behind them, science). Here again, what Marx associates (body and soul), scholasticism dissociates: science is in turn treated as a thing that has its own productivity.

The definition of capital so reified can be changed. Conventional economic thought replaces its definition in terms of social relations with another reversed definition based on what its exploitation produces: its income (profit). The operation is financial; it assumes an interest rate (of capitalisation) and therefore the capitalisation of income at this rate. We arrived at alienation to the power 2; exceeding that which the mere thought of markets alienation permits to imagine.

6. Market alienation, in general, dominates all minds. All were struck by it, like the plague, even if all are not dead. The worker that sells his labour power believes he is selling his work. He therefore accepts his salary as normal pay for what he offers. At most, he demands a just wage, a better one, and does not consider himself exploited other than when he is overexploited. The criticism that Lenin was making in the face of the powerlessness of the immediate consciousness – conveyed by trade unionism – places emphasis on the effects of this alienation, and rightly so.

The most extremist lovers of the market did not hesitate in extending the logic of supply and demand to all areas of social life, beyond the economic. They do not hesitate in analysing, in these miserable terms, the choice of partners in marriage, electoral choices in politics! The excessiveness moves to talking about human capital, which reveals the transformation of the human being into a thing regarded as such – useful – for some in certain conditions.

7. Money and credit certainly existed long before capitalism. They are inseparable from exchange of goods, even at early stages of its appearance. But with capitalism, and therefore capitalist exchange of goods (non-goods simply), they change nature. Non-financialised capitalism is unthinkable. Not considering that the first forms of money have been associated with the choice of goods, produced like others, by social work. The moment this good becomes the universal equivalent in trading, it acquires a new nature: it becomes more than a good. But it is not yet capital. We will need to wait for capitalism (and capital appreciation) for a sum of money to become the equivalent of the possession of capital; that is to say precisely of a right that renders its value possible.

In dependent societies, gold is certainly already currency in the sense of an instrument of exchanges, of general equivalence, a reserve of value and of liquidity. But it is especially treasure and not capital. Those in power accumulated it not to capitalise it but to spread the force of their power.

Currency (usually still exclusively metal), however, began its metamorphosis into capital. In the interstices of dependent society, traders do not accumulate their wealth just to flaunt it; they seek to appreciate it through the expansion of their trading activities. It remains that the profits derived from this appreciation are not directly associated to job submission processes. The formula is $A ! A$ ('A' superior to A) passing through exchange E and not through capitalist production P. The impression then is that exchange is productive (of profit), as would say our neoclassical economists. This is only an impression. Because the goods purchased by the trader to be sold elsewhere by him, are surely the product of work – but the work of a craftsman or a peasant, not that of a manual worker involved in a capitalist production process. Though – quite late – early forms of it appear in the manufacturing that precedes the machine in Asia and later in Europe.

I have drawn attention here to two facets of this issue:

- (i) that the transition from $A ! E$ (exchange) ! A 'to the formula $A ! P$ (capitalist production) ! A ' represents a qualitative leap, that involves a transformation in social relations.
- (ii) that in the formula $A ! E ! A$ 'profit (commercial) is based on comparisons of utility: silk is popular with the rich user of fine clothes without him/her knowing where it comes from, who produces it and how. Curiously, I said that the 'value-utility' that does not make sense in capitalism (it does not illuminate the reality, but masks it) does in the old dependent/traders systems.

Once money becomes the means of work of the trader, the invention of credit is imperative. The techniques of this latter are already so richly developed long before capitalism. But with capitalism credit, in turn, changes its nature.

8. There is no thinkable capitalism without credit.

In the model of extensive accumulation that I proposed and to which I refer to here (see among others its mention in my book on the globalisation of value) I refer to my elaborations (already old) on the issue of the realisation of profit that had plagued Rosa Luxemburg. I think I had risen to the challenge and established that extensive accumulation was possible on the condition that at the beginning of a production period (one year, fifteen years, whatsoever) an advance is made to the capitalist of an amount equal to the profit that he can make during this period, allowing it to repay this advance at the end of the given period.

In this first sense, capitalism is still financialised, and cannot be otherwise. But we must add that: the volume of credit expansion necessary to enable extensive accumulation is calculable. Neither much nor little. This requirement raises the serious question of credit management, its issuance, the creation

and destruction of money through it. This requirement is new, specific to capitalism, and does respond to questions relating to credit in past non-capitalist trading systems.

9. Credit management in capitalism raises a new issue: the credit must serve not any capitalist (the borrower) but capitalism (the collective of capitalists) since it must be determined in volume by the requirements of balance in extensive accumulation.

Credit and State meet here in a symbiotic relationship. The State, Engels reminded us, is not the defender of *capitalists'* interests, but that of *capitalism*, and was then, in some cases, against the interests of certain capitalists, sometimes many! The state at the service of capitalists, or of some amongst them, is the corrupt State!

Similarly, credit must be managed by collective capitalism to serve this latter, not capitalists, for their seemingly exclusive benefit. Neoclassical economics, which cannot make this distinction, ignores the question. Credit, for neoclassical economics, can be managed by its managers (banks) on the exclusive basis of the profits that private capitalists and individuals can gain from this management. To the real question: how much credit is required by extensive accumulation? – it puts forward a false answer: the price of liquidity.

Two sets of problems must be solved in the spirit of the thesis I am elaborating here (which is none other than that of Marx, in my own thinking).

The first concerns the nature of currency as a last resort. Gold was the metal used for a long time during the earlier period of capitalism. Marx proposed here immense developments on the relationship between the volume of credit issued and the gold produced. His comments on the debate – almost exclusively British in their time – between bullionists and advocates of the bank, are, for this purpose, brilliant.

The abolition of convertibility – partial until 1971, total since then – modifies the facts of the problem and the extent of options for credit management. Credit has never been exclusively practiced for the sole satisfaction of the requirements of extensive accumulation. There has always been credit for private consumption (not very important before the contemporary time) but especially a credit to the State. This is even way back before capitalism. The old financialisations, highlighted by Giovanni Arrighi (*The Long Twentieth Century*, New Edition, Verso, 2010) are of this nature; they rely on huge loans made by traders (or by trading towns due to their glory) to monarchs.

In capitalism and with gold convertibility, the possibility for the State to borrow from financial markets remains limited by the requirements of convertibility. So it is therefore no coincidence that the massive resort to these loans is rather that of peripheral states (the Ottoman Empire, the Latin

American countries). The loan here is guaranteed by the capitalist powers to be reimbursed through seizures in the defaulting country via direct management of their taxation (especially customs). Credit in this instance is simply a way of direct looting without resorting to the establishment of forms of production that requires the direct exploitation of labour. The indebtedness of contemporary Third World countries and the structural adjustment policies that the global system imposed on them are similar.

But once convertibility is abolished, the scope of expansion of credit takes a quite different scale. In principle, the State can borrow without limit from its central bank, which prints currency notes in return. Of course, this action generates inflation, which reduces the cost of reimbursement and imprisons in a vicious cycle that can be tragic. It is to nullify this apocalyptic danger that Europe chose the extreme rules of the Maastricht Treaty. And if the US has not been constrained to do as much today, it is because the adoption of the dollar as international currency accepted by the others allows the US debt transfer to others, forced to become her creditors. But this is an issue we will meet later.

And in any event, even when convertibility is abolished, gold remains present behind the scenes. All human societies to this day need fetishes. In capitalism, it is gold. Here we discover another facet of general alienation. The second set of questions concerns credit management: private or public?

Banks, including central banks, have always been private until World War I. This did not hinder much their operational management as agents of capitalism as a whole. Because at that time, the ownership of these banks (and they were plural) was distinct from that of production companies that they were serving, even when, in Germany for example, the rapport conglomerates/banks was more marked than elsewhere. As a result, banks were forced to obey the credit policies established by the central bank, in close cooperation with the State.

François Morin (*The Wall of Money*, Seuil 2006) has clearly demonstrated that this wall does not separate a segment of capital (financial capital) from the other (productive capital) but was built by capital as a whole to withstand the onslaught of its victims, workers. Where, in given political conditions, the State is forced to consider workers' claims, the established wall then serves as an alibi to facilitate its eventual betrayal of these workers and enable its return to its normal function, of serving capital.

What has changed is not that financial capital would be given a position to dominate productive capital, as our critical analysts from the naive left would make us believe. Change is of a completely different nature. In reaction to the crisis of 1970 to 1980, capital as a whole responded through its increased

monopoly, to the point of arriving at the new stage that I call the capitalism stage of generalized and financialised oligopolies. By generalised, I mean that they now dominate the entire 'productive' apparatus of capitalism and no more segments of it, even when they were important as was the case in the first capitalism of monopolies (1890-1950). By financialised, I mean that oligopolistic groups bring together production companies and financial institutions (banks, insurance companies, pension funds, hedge funds, etc.). Therefore, it is no longer just financial institutions that engage in financial markets operations, it is equally – and on a great scale – companies known as productive. This fact is known and recognised by all, without our drawing necessary conclusions. The naive left carries on as if it was an abuse that can be corrected while – as we shall see later – contemporary capitalism can be nothing else because there is no more possible separation between financial institutions and companies known as productive. François Morin gave a concise and magnificent presentation of this.

Under these conditions there is no more possible credit policy, at the service of capitalism as a whole, but just a collection of policies from each oligopolistic group on real production (relocation included) and financing. Contemporary neoliberal economics welcomes this abolition of the odious operations of the State in credit control. So what is to be done?

The fashionable thing today, in reaction to the severe financial crisis of September 2008, is to separate 'good capitalism' that is useful and effective, the type practiced by entrepreneurs who invest in real production of goods and services and innovate in response to competition, from the 'bad capitalism' of speculative financiers. From this distinction, therefore, we propose regulations that should help, according to their authors, in curbing the excessive financialisation of capitalism to favour the restoration of healthy growth.

The most modest regulation proposals are limited to lecturing and, in the best case, to limiting strictly, through regulations, the huge salaries of traders and bankers, as proposed by Obama, Sarkozy, and others.

Other projects, called 'neo-Keynesian' go much further. These projects incorporate, into the array of regulatory measures designed to limit speculation, a set of active policies designed to redistribute income in favour of workers and to manage credit instruments, without hesitating in anticipating the nationalisation of major banks and, maybe, even beyond. But these projects remain in the logic of respect for private property, including that of oligopolies that dominate the contemporary production system. I will not recall here the criticism I made on all these projects which are, in my view, illusory (see Appendix).

I will not hesitate to say that even the nationalisation of all banks, insurance companies and other financial institutions does not ensure the implementation of a credit policy other than that required to perpetuate taxation of monopoly rents by the oligopolies. This is so because of at least two major reasons. The first is that as long as these oligopolies are not, in turn, nationalised, there is no reason to imagine that they will not remain in charge, requiring nationalised banks to serve them honestly. Now, the nationalisation of oligopolies is not on the agenda of projects of the naive left. The second is that credit, at the service of oligopolies, performs the inevitable function of support to the expansion of Department III, the only possibility for running contemporary capitalism and even of ensuring minimal growth. I will address this issue later.

10. The confusion reaches its peak once we confuse currency with credit management.

Money is not a collective good but a very private good. My money is not yours. And the management of an economic system even so slightly decentralised, even in the early stages of socialist development, demands it. The money of one business is not that of another!

The American *Newspeak* has thrown here the greatest confusion on real stakes. We speak pointlessly of these *common goods* that are everything and nothing. But if money is a *common good*, like atmospheric air (which is not a private property like money), because it is a very useful good so why not say that food (beyond water!) and many other things that are not less useful should not be subject to private ownership? Advocating for full communism if we take this *Newspeak* to heart. Why not? But it is certainly not for tomorrow, much less not in the minds of its inventors!

The American *Newspeak* offers a beautiful array of words deprived of real meaning such as governance, civil society, whose contradictions I will not discuss here, so as not miss our subject. This contemporary honest American English is not the language of Shakespeare and Locke. It is a newspeak formatted to cloud minds and bring in criticism that becomes very naive into the constraints of a possible consensus, always liberal in the end, that is to say, pro-capitalist. Many vague words authorize the exercise of apparent common sense to legitimise different options. But common sense resists logical reason badly. We must break free of this American slang and move away from it.

11. Whenever there is currency and credit, profit must be redistributed to pay back loans. An interest rate on money becomes necessary.

Here again, the interest of money had appeared before capitalism, in the ranks of goods exchange. But it was frowned upon and condemned by public opinion and often reserved for outcast minorities (albeit wealthy), like

the Jews in Europe. But with capitalism, interest rate becomes a means of implementing this credit policy designed to ensure the volume of capital required in extensive accumulation, neither too much nor too little.

We could have imagined another means of issuing and distributing credit that could satisfy the requirements of accumulation without interest payment : a (State) bank obeying the orders of Gosplan. This was more or less the logic of the Soviet system for the distribution of funds between companies.

The natural logic of capitalism, and respect for private ownership of banks associated with it, would suggest the option of an interest rate. This is watched by the central bank in order to match – more or less – the volume of loans issued to the requirements of accumulation. I do mean more or less since credit policies in question have never stopped the cycles and have even shown amplitudes.

Neoclassical economics is required to give an explanation on the rate of money (price of money) consistent with its whole language – to everything its price, and fair price. The preference for cash, or the depreciation of the future performs this function, especially as these concepts refer to the *homo economicus* of all times.

But reality, in turn, finds its reversed interpretation. It is not shared profit that provides the interests on money. It is money that becomes productive (as a factor of production) by itself. All that is profitable is productive (by its profitability). The tautology is perfect. Money makes money (while bypassing production). We are here confronted to alienation to the power of 2, that I propose to call financial alienation to distinguish it from general markets alienation, from which it comes, nonetheless.

12. Alienation continues on its path, and at each step reinforces the confusion between so-called real economy and financialisation. Capitalist private property concerns, in real terms, factories, offices, stores, service firms, banks, etc. I will not discuss here the serious related problems that the exercise of this property creates: ownership, possession, control, more or less separated.

The key here is knowing that this property is the subject of securities with legal status and value. And that these securities are in turn goods that can be bought and sold. The price of these securities is based on their estimated potential to produce profits. They are fluctuating, sometimes volatile, always subject to potential speculation. It becomes impossible to ignore that the value of a property is the subject of two parallel estimates: in real terms, the value of plant equipment, the store's stock, in financial terms capitalisation (at the interest rate!) of the profit that its exploitation can bring. The fictitious capital represented by the second form of assessment (if it can be called that) is not entirely separable from the real evaluation, but it is well separated

from it in the real behaviours of the buyers and sellers of these securities. If their imperative reconciliation does not, automatically, take place at any point in time, crisis starts.

There is nothing really new here. Marx had already made the comment in this sense on joint stock companies and operations in the first stock exchanges in his time.

Accounting by capitalist enterprises is subjected to different uses; either the reserves allocated to amortization are calculated on real historical purchase price of the equipment in question or they are in another way to take into account their depreciation when newer and more efficient models are to replace them at a given period (accounting at market prices). Europeans have generally given preference to the first method, the North Americans to the second, which will become more widespread with contemporary financialisation.

Marx (*Capital*, Volume I, chap. VIII, page 233, TOK Edition, 2009) indeed considers capitalist accounting at market prices, also perfectly consistent with the illusion produced by alienation, that is the replacement of a virtual reality with a real reality. The recourse of neoclassical economics to expectations shows the formulation of this replacement.

The forms of these two accounting methods do not, basically, give different results, but these forms produce impressions that they are. Accounting at historical prices fuels the creation of reserves corresponding to depreciations that are sufficient to ensure good assets renewals. On the contrary, when these reserves are reduced to zero, the estimated value of equipment in use becomes zero when new equipment is available in the market, the written-off depreciation gives way to excess profits of equal value. If this profit is distributed to shareholders, the firm can only renew its equipment if its access to the financial market allows it. The firm / market good side outweighs the firm / place of production side, as is the case in contemporary capitalist economy, especially in the United States.

13. Financialisation is in no way an unfortunate drift and its explosion does not extend to the loss of the growth of real economy of production. There is a good dose of naivety in the proposals in the style of seriously-taken social democracy that suggests the control of financial expansion and mobilisation of financial surplus to support real growth. The tendency to stagnation is inherent in capitalism of monopolies superbly analysed by Baran, Sweezy, and Magdoff. Financialisation not only provides the only viable outlet to capital surplus but remains the sole growth stimulus. Regressing financialisation could, only, therefore weaken further growth of the real economy.

I refer here to the recent book by John Bellamy Foster and Fred Magdoff (*The Great Financial Question*, Monthly Review, 2009) that gives us the

best analysis of the contemporary stage of financialisation. The volume of surplus generated in generalised oligopoly capitalism minus the part of the surplus that oligopolies took for themselves (their monopoly rent) are now such that the expansion of Department III needed to absorb this surplus becomes impossible without a unlimited expansion of credit in all its forms - credit to consumers, credit to States. Herein lies the secret of successive bubbles – that of computer technology, of property loans (whose occurrence caused the 2008 financial crisis), that is in progress and deals with raw materials and basic food products. Herein lies the secret of the meteoric rise of sovereign debt, despite the prohibitions of the Maastricht Treaty (for Europeans)

Policies have been consistently implemented to enable this expansion, firstly the abandonment of the Bretton Woods (1971-1973) system and the adoption of the generalised system of flexible exchange rates, imposed by the IMF and proposed, in addition, to all countries of the periphery in the new globalisation called neoliberal. The option in favour of these policies is not the product of a drift inspired by dogmatic, even stupid monetarist theory. There is no other option for truly existing capitalism. And it is in this sense that capitalism is proving to be obsolete.

Foster and Magdoff show that the slow growth of Europe, US, and Japan is accountable to the option of financialisation. The capitalism of oligopolies is necessarily financialised ; its reproduction moves from bubble to bubble.. A first bubble inevitably bursts when the pursuit of its indefinite growth is hindered for any reason, and the system can only get out of the financial crisis caused by the explosion by engaging in the manufacture and swelling of a new bubble. Obviously, this form of accumulation weakens global balance and the successive financial crises that follow in its path are expected to produce in turn crises of the real economy. The probability that in this truly existing capitalism, is regrouped the conditions of a balance of real supply and demand (let alone those that match the imagination of markets and the virtual economy associated with it), which allow an extensive accumulation without problem, is almost zero.

That is why the crisis is a long system crisis and not a financial crisis. I refer here (see appendix) to the analysis that I propose on it that refuses the method based on the juxtaposition of crises – (financial, energy, food, ecological, etc.).

Could capitalism come out of this long crisis and indeed emerge stronger. Fans of the illusion of capitalism-eternal-end-of-the story are many who believe it. 'Capitalism knows how to adjust to everything,' they will repeat. In fact, if by capitalism they mean what neoclassical economics says of it, their judgment is carved in stone. What these fans cannot imagine is that if it

survives, capitalism will be forced to deploy with even more violence the destructive dimensions of the capital appreciation process that commands it.

To understand the reasons for the explosion of the financial operations sector for thirty years, we should start analysing the difficulties faced by capital accumulation.

But first it is necessary to remember that capitalist accumulation is both real and financial and that the distinction between these two sides of the same reality – truly existing capitalism – as useful as it could be for the analysis of the contradictions of accumulation, should not imply that the first of these faces would be positive and the second negative. This is so because the real process and the financial process are complementary and not at all competitors.

Accumulation is as much of financial assets accumulation as real assets. Foster and Magdoff (2009:68) write: ‘accumulation is adding to the stock of existing capital goods... it is also adding to the stock of existing financial assets’. The observation is important.

On these bases, Foster and Magdoff (2009:81, 106) criticise the proposal from the famous Tobin tax precisely because it is based on the assumption of competition rather than complementarity between real investments and financial investments. Does it (i.e., adding to financial assets) do so at the expense of producing real goods and services? And Foster and Magdoff’s answer is in the negative. Tobin, like radicals in the United States and elsewhere, are unaware that financialisation is functional for capitalism.

Well-intentioned critics of the left of the American radical schools do not understand it. Foster reminds us that, in their writings, these critics speak continually of financial abuses that reduce the possibilities of real accumulation. The claim is that the fall in financial investment crowds out investment in the expansion and deepening of production systems. This view by the European left and the majority of those who fall under the banners of an alternate globalization is fundamentally and consistently wrong.

Accumulation has always involved – at all stages of the history of capitalism – real investments (equipment purchases), credit expansion driven by the demands of balancing Departments I and II in growth and simultaneously financial transactions of purchase and sale of property titles.

In capitalism in its pre-monopoly stage (roughly in the nineteenth century), the real dimension of accumulation is expressed mainly – but never exclusively – by the requirements of balanced growth divided among Departments I and II and that of credit (which I have called the active function of credit in accumulation).

This is no longer true in the capitalism of monopolies (that is to say, since the end of the nineteenth century). As noted above (see the first part),

accumulation now requires an expansion of Department III. This requirement cannot be understood by neoclassical economics and leads, therefore, to explanations unrelated to reality. Neoclassical economics is incapable of understanding that monopoly capitalism is the product of a persistent dominant tendency to stagnation. Analyses that involve furthering the theory of value to rigorous empirical analysis, as Baran, Sweezy and Magdoff, proposed for this purpose are no more read, or are misread.

Economists of our time deliberately ignore the analysis of the fundamental contradiction of capitalism that leads to the recognition of the persistent tendency of monopoly capitalism to stagnate. They suggest a discourse on the cycle, the conditions of recessions and then successive takeovers (from 1971 to today); as if the observation of the major fact that growth rates since 1975 till date have always remained at levels that rarely exceed half of what they were from 1945 to 1975 did not matter.

The assumption (erroneous) of conventional economics, becoming defining principles, is that strong growth is inherent to capitalism. The observation of reality requires seeing things differently: it is strong growth that is the exception and must be explained by special causes, the rule being the tendency to stagnation. The thirty glorious years of strong growth (1945-1975) are the exception. They come after the long crisis (1873-1945), of which the last unfolding phase had produced two world wars and the two great revolutions (1914-1945). The gigantic changes caused by these events are the cause of international and social balances of power that are less unfavourable to the peoples and working classes, who in turn are responsible for the exceptional conditions of the accelerated growth of thirty glorious years. Then comes the second long crisis that began in 1973 and from which we have by no means emerged.

My presentation of this history of truly existing capitalism of monopolies is different from that which links it to terms of long cycles called Kondratieff. I will not repeat here the criticisms that I have addressed to this last reading, based on the idea of a long-cycle downturn caused by the internal logic of its deployment.

Department III is heterogeneous, I already said. But it contains a significant financial component. It expands in parallel with the expansion of Department III as a whole and even expands at a much faster pace. Empirical evidence confirms it: the share of the financial sector in the overall GDP is growing. This swelling is the product of the growing difficulties of accumulation and not its cause. It is a form, among others, of surplus absorption.

What I added to this analysis is the new stage of monopoly capitalism, that I qualified as the stage of generalised oligopoly capitalism (1970-1980), following the first form of monopoly capitalism (1880-1950/1970).

I proposed here the thesis that the fundamental contradiction that characterizes accumulation is that which opposes production capacity in strong growth to that of consumption in slower growth had reached such a level of violence that the only possible solution for capital required generalisation of the oligopolistic form of control of the economy. This is a qualitative leap. Its consequence is that the growth of surplus (as defined by Baran and Sweezy) accelerates and that the only possible answer then implies an acceleration in the volume of financial transactions of which the proportion in Department III is growing rapidly and violently. The flight of the volume from these transactions that stand out now from that of the economy (Departments I, II and III) is noted as from 1980.

To say that these operations are largely if not entirely speculative and parasitic, or at the limit dishonest has absolutely no bearing. Another capitalism is not possible, as Remy Herrera said. To say that they replace the real investments that they hunt is wrong. Instead, Foster has shown that the slow growth of economies of Europe, US, and Japan would have still been much lower without this pumping up of the financier.

On the contrary, to say that this explosion demonstrates that capitalism is an outdated system seems to me to be the conclusion we must draw from it. But what is obsolete is not financial capitalism but simply capitalism, that of oligopolies that can only be financialised. Failing to be sufficiently radical, the criticism of radicals in the US loses its radical nature. It becomes an expression of wishful thinking and powerlessness, a moral sermon that Sarkozy, Obama or Stiglitz can safely administer on us on behalf of capital.

The invention of means capable of offering financial outlets to expanding surplus is not the cause of this expansion. It is rather the consequence. We always invent what needs to be invented. The general logic of these inventions, beyond their technical complexity, which forbids the right people from understanding much of it is simple: overflowing insurances. Ensuring profit (always uncertain), then ensuring this first insurance and so on without end.

The swelling volume of financial accumulation – the overflowing Insurance – among others involves limitless swelling of credit. This is beyond the scope of the blueprint under which credit is the only active agent of accumulation. Of course, let us mention it in passing: this swelling would have been impossible in a monetary system that uses gold – to a second or even tertiary degree. That is why the abandonment of Bretton Woods in 1971-1973 was demanded.

Indefinite swelling of credit responds to the concern of liquidity in capital assets (real and financial) which now outweighs all other considerations. We then understand that real assets themselves (physical businesses, buildings, equipment, stocks of goods) must become as liquid as financial assets.

Conventional economics does not explain the reasons for this requirement. It replaces it with an ideological discourse whose function is to give legitimacy to the reduction of physical assets to forms of liquid assets.

We can say that the process is absurd. From the perspective of social global rationality it is. But it is not from the standpoint of the possessor of capital that uses them. And it is this rationality alone that the system recognises. The nature of the conflict of these two rationales cannot be grasped outside the analysis of alienation which drives the capitalist life.

I will make a probably daring, but hopefully illustrative, parallel here. The fundamental alienation of the old systems was metaphysical: it is God (in fact its definition by organized religion in the society concerned) who makes history not men. We now understand that some prelates (i.e., Catholics in the Middle Ages) may have been selling indulgences or even square metres in paradise. And they have had buyers, victims of dominant alienation at the time. Our ancestors were no less intelligent than us. But their alienation was on other grounds. In capitalism it is now money that makes history, an ordinary way of saying: that capital appreciation is at the controls. We may then want to ensure a guarantee of the profit of the fortune in question. Nothing very mysterious. A good form of security is also the flight to tax havens. Paradise is perhaps not the term chosen here by chance. The paradise of souls, far in heaven, is substituted with a paradise of profit, down here.

To overcome a contradiction is not to resolve it. We overcome a contradiction by remaining in the system that generates it. We solve it by replacing this system with another which does not generate it.

In a beautiful article written in 2006 (cited: Chapter 3 of the book by Foster and Magdoff) the authors report the accelerated swelling of FIRE (Finance, Insurance, Real Estate) needed to absorb the surplus. But beyond that, they analyse it as being unsustainable; and leading yet to the production of successive bubbles. And the bursting of a bubble (a financial crisis) finds no solution (restoring financial trust) than feeding the preparation for another. Because of the rigor of their analysis, the authors were among the few economists to predict the 2008 crisis.

14. The transformation of capitalism into monopoly capitalism as the first form (1890-1950) and then to generalised oligopoly capitalism (from 1970 to 1980) resulted in a major systematic distortion of what is called the financial market and a redistribution of the cards in the articulation of different markets.

At all stages of its deployment, the dominant capitalist market controls access to available capital, making it available to the capitalists. In this first sense, financialisation is inherent in real capitalism at all periods, it is not superimposed.

What has changed is who the capitalists who have access to this market are (and therefore how this market is organised to prioritise such access) and how these transformations reorganise any other markets (production, labour markets, etc).

The grip of generalised oligopolies over the entire capitalist system is expressed here by the almost total control of these oligopolies on the financial and currency markets managed by banks and other financial institutions that are stakeholders of groups that they constitute. In common parlance, this means that only oligopolies access these markets. All other potential borrowers are forced to go through them. Whether it is small (the individual who applies for a mortgage or SMEs) or major (the States themselves are caught in this trap for the investment of their bond, especially the states of the South, of course). It is in this sense that I described the financial market as the dominant market. For, indeed, the loans that oligopolies get from this latter, which constitute the means of implementing their expansion strategies in all areas (price competition, new product launches, outsourcing and others), largely determine, at their turn, configurations of downstream markets: product markets, markets from which subaltern SMEs equip themselves, labour markets.

Of course neoclassical economics, which deliberately ignores the realities of the world which it purports to report on, does not pose such questions. It is merely satisfied with its theoretical thesis that the level of employment is determined by wages and thus that full employment requires that employees adjust their requests (actually accept lower wages) to the required level to allow the profit rate that is acceptable to the capitalists! The extended model of accumulation, to which I referred (notably in my book on value), demonstrates the absurdity of this argument. The level of employment is determined by the rate of accumulation and not vice versa.

Neoclassical economics also present a range of financing options from which the capitalist chooses: the issue of shares or bonds, borrowing. We deliberately ignore here that the capitalist in question is concerned about retaining ownership (or at least control) of his business and that this concern weighs decisively in his choices. At the time when the French Ministry of Finance led econometric research that made sense, the question was asked. I, in collaboration with a good mathematician (Nataf), elaborated a model of price variables based on the (empirical) observation of maximum foreign debt rate that these companies and major French groups of the time could accept, in the absence of which their excesses would have threatened their control. The model was very useful for highlighting state support policies for industrial modernisation

15. The generalised and financialised oligopoly capitalism is also globalised. The scope of this globalisation is defined by the expansion requirements of these oligopolies: opening to their export markets of the periphery (and to a lesser extent that of the markets of the North to exports from the South), opening to financial transfers, etc.

The opening is governed by the adoption – often imposed – of the principle of flexible exchange rates. The advantages reaped, from this by capital oligopolies in particular, and more generally Northern companies, are considerable. The method allows a systematic undervaluation of peripheral currencies that provokes distortions in the price system that favours the “consumers” of the North and – equally important – further increasing the profits of oligopolies that control international trade. The case of China, accused of keeping the yuan undervalued to promote exports is not discussed here, if only because China refuses full financial globalisation and maintains exchange rates control. This method also allows raids through the invasion of peripheral economies by available capital from the North, and then their abrupt withdrawal after claiming super profits from speculation. The crises in Mexico, Argentina, South, and South East Asia were largely the product of these raids. This opening is further associated with the choice of the dollar as the quasi exclusive international currency, maintained despite the financial shortcomings of the United States.

The argument developed to make flexible exchange rates acceptable, supposedly determined by the free and honest game of supply and demand, is that of neoclassical economics: the market, globalised here produces the best of worlds. It ensures the equilibrium of external balances, in accordance with the doctrine of universal harmonies under the criticism that I will not return to. Market alienation is the key that allows such flat, ideological and dogmatic nonsense to be considered as scientific and to confuse the requirements of dominant capital with what can be called inescapable economic constraints. The real world consists of unequally developed nations whose development requires the implementation of appropriate national policies which cannot be substituted by a submission to the same general rule for all. Who does not know that free trade still favours the most powerful, and reproduces and deepens international inequalities?

Globalisation of the currency and financial market is definitely the weakness of globalisation termed as neoliberal. No wonder that it is through the rupture of this weak link that globalisation in place will be called upon to implode, and that the countries of the South will re-invent adequate forms of disconnection (un-globalisation), thus opening a new era of awakening of Africa and the rest of the South.

