‘Market Economy’ or Oligopoly-Finance Capitalism?

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Market Mythology and Capitalist Reality

Capitalism and *market economy* are not synonymous, as the dominant political discourse and conventional economists would have one believe. The specific characteristic of capitalism as a system is that it is based on private ownership of the means of production; an ownership which by definition is that of a privileged minority. This private ownership (aside from land ownership) has taken the form of exclusive rights over important equipment associated with modern production technologies, from the first industrial revolution at the close of the eighteenth century to the present day. The majority of non-owners are thus obliged to sell their labor power: capital employs labor; labor has no free use of the means of production. The bourgeois/proletarian divide defines capitalism; the market is only the management form of capital’s social economy.

This definition places the specificity of capitalism not “within the market,” but “beyond the market,” in the “monopoly” that private ownership represents. For Marx, and after him Braudel and even Keynes to some extent, this was a plain commonplace fact. However, today, the dominant ideology pretends to ignore its decisive importance, ideologically substituting the abstract notion of the “market.”

The bourgeoisie has itself evolved in the course of the development of capitalism. Even if that class has always collectively exercised dominant economic, social, and political power at all stages of modern history, enabling its reproduction and development, it has also always been strongly hierarchical within itself. There have thus always been fractions of that class which govern the dominant heights of the economic system. Those fractions have sometimes been able to exercise hegemonic power over the entire class, and in such a case have levied on the collective surplus produced by the exploitation of labor a decisive “monopoly rent.” In appearance, that levy is produced by market mechanisms. But, this is only

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an appearance, social and political monopoly being in itself the true means through which that seizure of resources takes place.

Under certain conditions, the power of that monopoly has been reduced by the political intervention of "middle" (and even "small") property-owning strata with the resulting emergence of a larger bourgeois alliance, necessitated by, among other things, the need to face the challenge of popular classes. It has even been the case in some periods that the search for a broader alliance to stabilize the system has given rise on a temporary basis to a "capital/labor social compromise" less unfavorable to workers. Such was the case of welfare-state capitalism after the Second World War. It is thus important to situate social and political conflicts within the specific conditions pertaining to each of the phases of the concrete history of actually existing capitalism. The characteristics specific to a given phase are the complex products of both the internal transformation of the productive system (technologies, degree of decentralization of capital, etc.), and the balance of social and political forces specific to the moment under consideration.

The dominant stratum of capital should be characterized as "oligopoly-finance capital," not in the sense of referring to capitalists operating in the financial sector of the system (banks and others), but in the sense of capitalists having privileged access to the capital necessary for the development of their activities, which may concern various sectors of the economy (industrial production, commercialization, financial services, research and development). That privileged access gives them a particular and powerful authority in the shaping of markets, which they regulate for their profit. It is specifically that oligopolistic group of the bourgeoisie that, in the present phase, dominates the financial market (particularly interest rates), and the global economy (particularly exchange rates),. It commands the decisive investments in the dominant sectors of the economy: foreign investments, big international trade in basic commodities, high-technology research, and mergers.

The power of oligopoly-finance capital is such that it enters into competition with and counterposes its own interests to the state—the collective representative of capital and manager of the hegemonic social bloc. It is this hegemonic social bloc under the direction of the state that ensures capital valuation and accumulation. It was this bloc, moreover, which under some circumstances (those of the welfare state) went so far as to take into consideration the requirements of the capital/labor compromise.

In some circumstances, the state intervenes to restrict the powers of high finance. It can give itself the means of regulating the financial markets.The central bank then exercises decisive authority in determining interest rates, controlling foreign relationships through power in varying degrees over exchange rates, etc. The state sometimes goes even further, imposing its tutelage over research and decisions regarding major investments. These practices can go well beyond the mere regulation of public expenditure and indebtedness, and so-called monetary policies. The mature Keynes strove to encourage such practices.

But, in other circumstances, such as today's neoliberalism, high finance succeeds in domesticating the state and reducing it to the status of an instrument at its service. The issues of limitless privatization, market "deregulation" (understood as the abolition of the state's regulatory interventions, abdicating to high finance control of markets), and state withdrawal are then orchestrated and organized into an effective doctrinal and ideological cluster.

We are living in an era of that type. The reason for that evolution does not reside in the objective transformations of the productive system related to the concentration and centralization of capital, the current technological revolutions, etc. These transformations are of course real, and exercise their power in the manner in which high finance's command authority is exercised. But essentially political and social reasons are at the origin of the genuine overturning of the balance of forces that has allowed direct control of the state by high finance. Here we must look to the erosion and exhaustion of the forms of regulation of the economic and social reproduction typical of the immediate post-Second World period. Those forms—the welfare state in the developed West, actually existing socialism is the Eastern bloc, national populisms in the third world—had dictated both the social relations within each of the three geopolitical constellations under consideration and their international relations. That chapter of history is behind us. Exhaustion—or even collapse—of postwar systems has reversed the balance of forces to the direct advantage of capital, and high finance has found itself capable of seizing the command posts.

Financialization and Power

What is called the "financialization of the system" is nothing other than the expression of the new economic policy governed by the interests of oligopoly finance capital.

We owe the best analysis of that strategy—because it is a strategy and not an "objective requirement" of high finance—to François Morin (*Le nouveau mur de l'argent* [Seuil, 2006]). I will set out the essential points of his analysis.

There is a grand oligopoly composed of about ten leading international banks (followed by about twenty others of lesser capacities), a network of institutional investors (pension funds and collective investment funds among others) managed by subsidiaries or associates of those banks, insurance companies and groups of major firms also largely associated with the dominant banks. This financial oligopoly is the effective chief of the fifty or hundred biggest financial, industrial production, agri-business, trade and transportation groups.

The oligopoly is not governed by the laws of "competition" but by a mix of competition and oligopolistic agreements—often called "consensus"—which is itself unstable in the sense that a moment dominated by consensus (such as ours), may be followed by a moment of ferocious competition. This would take the form of conflict among states since, although each of the units that compose the oligopoly operates on the transnational ground of the world economy, they each remain national by the adherence of their top management to the bourgeoisie of a particular state.

The quasi-monopoly that this represents has enabled the high finance of the Triad (the United States, Europe, and Japan) to take control over of the globalized financial market, dispossessing the finance ministries and central banks from their function as authorities able to determine interest rates by their own decision. In the preceding phase of capitalism (the postwar period) state policies, via the central banks, had set the goal of keeping interest rates generally negative in real terms (below the inflation rate). Investment decisions, largely liberated from the strictures of financial indebtedness, were managed differently and by other means: the expansion of the volume of activities and productions of a firm by self-financing, access to (often public) bank loans, and state assistance. It is said today that those means did not enable "optimal allocation" of capital. What the economic authorities take care not to say is that the system which has replaced it—control of the markets by high finance—is no more able to guarantee this fabulous optimal allocation. In every case it is a false concept, a deduction from a doctrine (itself disguised in theory) that asserts the properties attributed to an abstract "market." The theory of that abstract generalized market is of an imaginary capitalism substituted for actually existing capitalism.

Dominant high finance has then set itself the objective—which it has attained—of setting interest rates at a high (real) positive level. The aim is, through control of the financial market exercised by that oligopoly, to impose a significant levy on the surplus (the value gain—roughly GDP less salaries and other labor remunerations) to the benefit of high finance. That levy does not in the least guarantee an optimal allocation of capital as conventional economics pretends. Moreover, it does not in any way guarantee maximal economic growth but rather the exact opposite; it is a primary source of the relative sluggishness of the productive economy. We know that today's growth rates are at levels which scarcely reach half that of the preceding phase of the welfare state.

The ambitions of high finance are not restricted to control of national markets; it aims at establishing its domination on a global scale. "Globalization" is nothing other than the strategy of conquest implemented to that end. Interpenetration among the financial markets of the partners of the Triad, reached through abolition of the control of financial flows and adhesion to the principle of floating foreign exchange rates, has been the product of decisions reached through a working consensus within the oligopoly of high finance of the Triad.

Conversely, the expanding intervention of that high finance in the countries of the South has been imposed on more or less reluctant states by, among others, the WTO and the IMF, as instruments of the Triad's collective imperialism. The means of the conquest were: (1) debt, (2) *promises* of opening up the markets of the North to the products of the South (promises that rarely materialize), and (3) the opening of national capital accounts to high finance and submission to the pseudo-floating foreign exchange markets. Interventions of high finance in those pseudo foreign exchange markets practically wiped out the resources of national states in the South and enabled transnational finance to determine exchange rates which maximize their levies on the production of the periphery.

A few quantitative indicators, borrowed from François Morin, give an idea of the extent of the domination of the Triad's new financial plutocracy over the world economy.

Table1. Synthetic table (amounts in trillions of dollars, 2002)

1. goods and services transactions (world GDP)	32.3
2. foreign exchange transactions	384.4
2a. (of which the portion for international trade)	(8.0)
3. derivative financial instruments transactions	699.0

The above numbers of course are not strictly comparable. (This is the reason for the dotted line separating world GDP from world financial transactions). Foreign exchange transactions (only a tiny portion of which is related to international trade) and derivative financial instruments transactions are presented in nominal terms. They have no clear relation to world GDP accounting. But the dwarfing of the transactions associated with world GDP by world financial transactions is at least intuitively obvious as a result of the above. Goods and services transactions (the world GDP) represent 3 percent of the monetary and financial transactions in 2002, transactions concerning international trade amount to hardly 2 percent of foreign exchange transactions, settlements of purchase and sales of shares and bonds on organized markets (operations supposedly constituting the excellence of capital markets) are only 3.4 percent of monetary settlements! It is the transactions of hedging products—designed to cover the operators' risks—which have "literally exploded." Morin—rightfully—draws our attention to that major fact.

Imminent Financial Catastrophe

"Financialization" of the world economy described in the preceding section (taken from Morin) is by itself neither the means of ensuring better allocation of resources, nor the means of encouraging growth, as I have already set out. But, is it at least "viable" in the restricted sense that it has the advantage of reducing the risk of financial catastrophe?

Morin demonstrates that this is largely illusory. High finance has indeed invented means which enable operators on the financial markets to cover themselves individually from many of the risks under consideration. The invention of "derivative financial instruments," of which the numerous and complex techniques are only known to those operators, partly answered that need. That invention has stimulated financial flows on the scale mentioned above. The ratio between hedging operations and the ones from production and international trading was 28 to 1 in 2002—a disproportion which has been growing steadily for about the last twenty years and which had never been witnessed before in the entire history of capitalism. But apparent risk reduction for individual capitals has transformed into an increase of the collective risk, which ultimately impacts the individual units of the system. The growth indicator of that risk is given by the never-ending expansion of the financial sector, the volume of which has been multiplied by ten in the decade 1993–2003.

In the face of that growing risk of a world financial crisis of uncontrollable scale, the economic and social policies enforced by states to en-

able the domination of high finance were such as to transfer risk from capital to labor. Here again, the means are known: the reconstitution of a significant reserve army of the unemployed, job insecurity, the reduction of workers' rights and social benefits, and replacing indexed pensions with various financial investment schemes. These means are accompanied by a politics of pseudo-solidarity among middle-class sectors, employers in general, and high finance. Promotion of savings in the form of private shares and bond markets aims at creating that apparent solidarity. A "theory" of patrimonial capitalism—a capitalism that would somehow be owned by everyone—has been constructed to give apparent credibility and legitimacy to the transfer of risk disproportionately to "small shareholders" and workers.

The system under consideration, viewed globally, presents itself as a grand idol, but with feet of clay. It will certainly collapse. But, how? From the effect of which major causes? To the benefit of which alternative?

Financial instability—always unexpected when it occurs—does not constitute, in my view, the main reason for the unsustainability of the system. The system is unsustainable for other reasons of a social and political nature. The policies that accompany the domination of high finance of necessity lead to an indefinite growing inequality in the distribution of income. Beyond the strictly economic consequences of an evolution in that direction that is steady and permanent—i.e., the tendency to stagnation of growth from lack of effective demand—a model of that type is socially intolerable and will probably be politically intolerable as well. At the global level, the system leads to an accentuated polarization, permanent dependency of the countries of the South said to be "emerging" (China, India, South-East Asia, and Latin America) and the destruction (quasi genocide) of the countries said to be "marginalized" (Africa in particular), the peoples of which have become useless for the continuation of capital accumulation, and where only the natural resources (oil, minerals, wood, and water) interest dominant capital. There is every reason to think that domestic social and political conflicts in all the regions of the world both North and South, and international conflicts (North against South) must lead to making an end to the current domination of high finance.

Plutocratic High Finance and Monopolistic Power

The current actually existing capitalism is no longer the one we knew just three decades ago. We have reached today a phase of centralization

of capital by no standards comparable with the one which characterized historic capitalism during the five centuries of its development.

Monopolies have indeed always existed, from the origin in the mercantilist era (charter companies), to the nineteenth century dominated by disseminated industrialization (in the financial sector—the "200 families" in France), and from the end of that century with the emergence of giant corporate "monopolies" (as described by Hobson, Hilferding, and Lenin). But, however decisive their intervention in the economic field had been for the global evolution of the system—and it has always been so—capitalism as a whole was organized under the form of millions of medium-size industrial and commercial companies and peasants. Rich farmers were regulated by a multitude of markets (which without being "pure and perfect" were nonetheless genuinely competitive markets) that largely escaped the interventions of monopolies. Monopolies operated in certain reserved sectors (big mercantilist trade, financing the state, international trade in basic commodities, international loans, and later, some important sectors of mass industrial production and commerce, banking, and insurance). These privileged areas with monopoly power were largely national in spite of their expansion beyond borders. That situation gave state policies true efficacy in the management of the economy as a whole.

Capitalism today is totally different. A handful of oligopolies alone occupy all the dominant heights in the conduct of national and global business. These are not strictly financial oligopolies but "groups" within which the production activities of industry, agri-business, commerce, services, and of course financial activities coalesce. Finance rules primarily in the sense that the system is globally "financialized," i.e, dominated by financial logic.. It is a "handful" of groups: around thirty gigantic groups, a thousand others, not more. In that sense, one can talk about a "plutocracy," even if that word may worry those who remember its abusive use by the demagogues of fascism.

That group plutocracy dominates the current globalization which it has indeed itself shaped (not to say "constructed") to suit its sole narrow interests. It has substituted for the ancient "international (unequal) division of labor," based on the centers/peripheries contrast. a financial geography, i.e., an integration of transnational "territories." This geography is the product of the strategies of the groups under consideration, and not a "reality" external to it. It shapes in turn what appears as "international trade" and what has become in reality and in growing proportions a transfer of wealth on behalf of certain plutocratic groups.

Delocalization as analyzed by C. A. Michalet in its various forms (*La mondialisation, la grande rupture* [La Découverte, 2007]), constitutes the means of that shaping of the world.

That same plutocracy governs the globalized financial markets, and is able largely to determine the interest rate that enables it to operate to its best advantage, constituting a massive levy on the value produced by social labor—as international exchange rate differentials also largely suit its purpose (see F. Morin, cited above, from whom this discussion is largely inspired).

In that context, millions of private companies said to be "medium size" (and even many "large" ones) and capitalist farmers no longer enjoy true autonomy in their decisions. They are rather forced permanently to adjust to the strategies enforced by the plutocracy. That situation is new, qualitatively different from the one which has characterized historic capitalism in the previous phases of its development. The market invoked by conventional economists no longer exists. It is now a complete farce.

That analysis is not simply my own; it is widely shared amongst those critical analysts who refuse to align with the discourse of the dominant conventional economics. The question which in my opinion deserves being placed at the center of our discussion is then to know whether that transformation is "final" or, on the contrary, "unsustainable." The answer to that question settles key matters for us.

Some—perhaps many—consider this transformation as final, even if it is "unpleasant." The only thing possible is to adjust, at best bend its movement to give some place for a few social considerations, but nothing else. The continued dominance of the strategies of the groups under consideration, the withering away of states in the face of market globalization, must be accepted. Such in the main is the perspective of the social-democrats who have changed into social-liberals. Some even see in that change a "positive" transformation, which in itself, heralds a better future. It is contended either that capitalism constitutes an unsurpassable horizon (a conception which underlies the social-liberal option), or will surpass itself through its own globalizing movement (we recognize Negri here). Both of these perspectives come down to much the same thing: there is no need to act against the transformation under consideration. Farewell socialism, an outdated nineteenth-century utopia. Farewell Marxism.

Solidarity Among All the Workers of the Planet

My analysis distances itself from this view. The current transformation testifies to the obsolete ("senile") stage capitalism has reached; not only because it has become the enemy of all humankind (and must then be overturned through conscious political action, if we want to escape the worst), but also because that transformation is not sustainable. This is to be understood not so much in the sense that regulations imposed by the groups' plutocracy fail to reduce the "risk" of a financial collapse but, rather, in the sense that they inevitably aggravate it. In a general political sense their regulation is unbearable; socially, for the working classes of all the regions of the world; politically, for the peoples, nations and states of the periphery (in particular countries said to be "emerging"). The return of an affirmative state must therefore not be excluded as a possibility (even a likelihood).

The major paradox, for me, is that views which think of themselves as being sincerely democratic do not see the flagrant contradiction between the governance of the world by the plutocracy now in place and the fundamental principles of democracy. In fact, the new plutocratic capitalism of the financialized oligopolies is the enemy of democracy, depriving it of all substantive content. The current deconstruction of bourgeois democracy is being pursued in a perfectly systematic way by the leading political class, in particular in a European "project," which was by its founders, the first of whom was Monnet, designed for that very purpose. The discourse on the "individual as the subject of history" is mere window-dressing and legitimization of antidemocratic practice. It should have been immediately obvious that the economic structures administered by groups now taken over by oligopoly-finance capital in fact constitute true "social goods," i.e., they should be the "property of the nation," and managed by it. Our self-styled democrats, supposedly representing the interests of those low on the social hierarchy, rush to substitute private management—as if the powerful financial interests really respected the sanctity of property not their own? Is it not an illusion to think that management of these structures could be assumed by a collective of small shareholders? Are we so gullible as to swallow the belief in the superior efficacy of private management and the fatally bureaucratic destiny of the state, as if their reality were Weber's rationalized capitalism?

Reality should open the eyes of those naïve democrats. Can their admiration for the great innovators (Rockefeller in the past, Bill Gates today) cause them to forget that the majority of the plutocrats are heirs? By

what social rationale should they be allowed to dispose of such exorbitant powers? Does there not exist a "private bureaucracy" which is not necessarily less sclerotic than the one of the state? Does not the state also have its great innovators (Colbert in the past, the engineers who have placed the publicly owned SNCF in the vanguard of railway companies in the entire world)?

Genuine democrats ought instead to understand that today's degree of concentration of capital calls for its socialization. It is true that the terms on which the workers will participate in managing the national economy remains to be devised. It is true as we;; that democratic socialization outside the market need not exclude (yet for a long time) the initiative and property of millions of small and medium enterprises. The socialization of the commanding heights would create the conditions for a true market economy for such small and medium enterprise. Diverse forms of management can be devised: private property but also workers co-operatives (the cooperative Lip in France in fact demonstrated its efficiency, its "failure" was a wanton and planned assassination by the state of a dangerous model), permitting the emergence of forms of socialization beyond the limits of the capitalist market.

The obstacle to this possible and necessary future is entirely situated in the dominant political culture, in the form of the Americanization of Europe currently underway. Critical analyses of that drift of ideology and politics are not lacking; analyses which have focused on the many facets of that ongoing degradation, and that point to "another world" emerging still worse than the one we know. Negri ignores those analyses. His "optimism by fiat" is meant to justify inaction.

A multiplicity of conflicts are bound to arise from the continuing dictatorship of the financial capital now in place, with the people and states of the South leading the way in opposing the logic of globalized plutocratic governance. In this respect, the opposition of the South is likely to grow much faster that the opposition of the peoples of the imperialist Triad. Hence, I imagine the first firestorms will emerge in the South; albeit in diverse forms as we can see already in Latin America on the one hand, in Asia on the other.

This last observation is not one of a "Third Worldist militant." Rather it is one of an internationalist calling for solidarity among all the workers of the planet. The more solidarity is able to go forward, the better will be the chances offered for revolutionary advances in the South and in the North.