MARKET ECONOMY OR CAPITALISM OF THE OLIGOPOLIES?

1. Capitalism and market economy are not synonymous, as the dominant political discourse and conventional economists would like to make believe. The specific characteristic typical to capitalism is one of a system based on private ownership of the means of production; an ownership which by definition is the one of a privileged minority. An ownership which is one of important equipment (other than land ownership) at the level of modern production technologies for two centuries, from the first industrial revolution (beginning of the XIXth century) and the following ones. The majority of non owners is thus obliged to sell its work power: capital employs labour, labour has no free use of the means of production. The bourgeois/proletarian contrast defines capitalism; the market is only the management form of its social economy.

This definition places then the specificity of capitalism not “within the market”, but “beyond the market”, in the “monopoly” private ownership represents. For Marx, and after him Braudel and even (partly so) Keynes, this is commonplace evidence, the dominant ideology of which pretends to ignore the decisive important to substitute it the one of the “market”.

The bourgeoisie under consideration has itself evolved in the course of the deployment of capitalism. Even if that class has always exercised dominant collective economic, social and political power at all stages of that modern history, enabling thus its reproduction and development, it has also always been strongly hierarchical. 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 strong tutelary power over the entire class, and in such a case have levied on the collective surplus produced by the exploitation of labour a decisive “monopoly rent”. In appearance, that levy is produced by market mechanisms functioning. But, this is, in that occurrence, only an appearance, social and political monopoly being in itself the true means through which that resource tapping operates.

Under certain conditions, the power of that monopoly has been reduced by political intervention of “middle” (and even “low”) capitalist classes and the research of a large bourgeois alliance, necessitated, among other things, to face the challenge of popular classes. In that context, it even happened that the alliance necessitates a “capital/labour social compromise” less unfavourable to workers. Such was the case of the Post World War II Welfare State capitalism. It is thus important to qualify the state of the social and political conflicts specific 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 decentralisation of the capital, etc.), and the balance of social and political forces specific to the considered moment.

The dominant stratum of the capital must be qualified as being the “oligopoly financial capital”, not in the sense this would refer to capitalists operating in the financial sector of the system (banks and others), but in the sense of capitalists having privileged access to the necessary capital for the development of their activities which may be directed at different sectors of the economy (industrial production, commercialisation, 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 in particular that oligopolistic group of the bourgeoisie which, in the present phase, dominates the financial market (interest rates), and in the global economy, the exchange rates. It commands the decisive investments in the dominant sectors of the economy, foreign investments, big international trading of commodities, high technology research, merger, etc.

The power of that stratum is such that it enters in competition with the State, the collective representative of the capital and manager of the hegemonic social block which ensures capital valorisation and accumulation; a block which in some circumstances (the ones of the Welfare State) took into consideration the requirement of the capital/labour compromise in exercise.

In some circumstances then the State intervenes to restrict the powers of high finance. It gives itself the means of control of the financial market, the Central Bank exercising then decisive authority in determining the interest rates, controlling the foreign relationships through power over exchange rates at various degrees, etc. It sometimes goes even further, imposing its tutelage over research and decision regarding major investments. These practises can go well beyond the sole policies of public expenditure and indebtedness, and so called monetary policies. Keynes struggles went exactly that direction, as Dostaler wrote it.

But, in other circumstances, high finance succeeds in domesticating the State and reducing it to the status of an instrument at its service. The issues of limitless privatisation, markets "deregulation" (understood as the abolition of the State's regulatory interventions, abdicating to high finance control over markets), State withdrawal are then orchestrated, organised into an adequate doctrinal and ideological cluster.

We are living in an era of that type. The reason of that evolution does not reside for the essential part in the nature of the objective transformations of the productive systems related to the concentration and centralisation of the capital, the current technological revolutions, etc. These transformations are real, and exercise their power in the forms of exercise of high finance's command authority. But at the origin of that genuine overturning of the balance of forces, allowing direct control of the State by high finance, there are essentially political and social reasons: the erosion and exhaustion of the forms of regulation of the economic and social reproduction typical of the Post World War II. Those forms – the Welfare State in the developed West, actually existing socialism is the Eastern block, national populisms in the Third World – had dictated both the social relations within each of the three groups under consideration and international relations. The chapter of that phase of history is behind up. Exhaustion – or even collapse – of post-war systems has reversed the balance of forces to the advantage of the capital, and high finance found itself capable of abducting the command posts.

2. What is called the "financiarisation of the system" is nothing other than the expression of the new economic policy governed by the interests of the financial heights

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 then repeat the essential items of his analysis.

It is an oligopoly composed of about ten lead international banks (followed by about twenty others of lesser capacities), institutional investors (pension funds and collective investment funds among others) managed by subsidiaries or associates of those banks, insurance companies also largely associated and groups of major firms. That financial oligopoly is the major acting boss of the fifty or hundred biggest financial groups, industrial production and agri-business, big trade and major transports.

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 the consensus (such as ours), could be followed by a moment of ferocious competition. This would then materialise into conflicts opposing the States because if each of the units which composes the oligopoly operates on the transnational ground of the world economy, they remain national from the belonging of their major management to a particular State bourgeoisie.

The quasi-monopoly the ongoing consensus represents has enabled the financial heights of the Triad (United States, Europe, Japan) to take control over the globalised financial market, dispossess the Finance Ministries and Central Banks from the functions of authorities which determine from their own decision interest rates. In the preceding phase of capitalism (the post war period), State policies, via the canal of Central Banks had set themselves the objective of maintenance of generally negative interest rates in real terms (lower than the inflation rate). The investment decision, largely liberated from the burden of the financial indebtedness, was managed differently and by other means: the expansion of the volume of activities and productions of a firm, self-financing, access to bank loans, often public, State assistances, etc. It is said today those means did not enable "optimal allocation" of capital. What people take care not saying is the system which has replaced it – control of the markets by the financial heights – does not guarantee any further that famous optimal allocation. In all cases, that concept in itself is a false concept, deduced from a doctrine (disguised in theory) which concerns the properties attributed to the "generalised market". The theory of that generalised market is the one of an imaginary capitalism substituted to the actually existing capitalism.

The strategy of the dominant high finance has then set itself the objective – which it has reached – of setting interest rates at a high (real) positive level. The aim is, through control of the financial market exercised by that oligopoly, to operate an important levy on the surplus (the value gain – roughly GDP less salaries and other labour remunerations) to the benefit of high finance. That levy does not the least guarantee optimal allocation of capital as conventional economics pretends. Moreover, it does not in any aspect guarantee maximal economic growth but, the entire contrary so; it is largely at the origin of the relative sluggishness of the productive economy. We know today's growth rates are at level which scarcely reach half the levels of what they were in the preceding phase of the Welfare State.

The ambitions of high finance are not restricted to the control of their national markets; it aims at establishing its domination at global scale. "Globalisation" 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, has been the product of decisions materialising enforcement of the oligopolies of the Triad's high finance. Reversely so, the expansion of the intervention of that high finance in the countries of the South has been imposed to more or less reluctant States by, among others, the WTO and the IMF as instruments of the Triad's collective imperialism. The debt, promises of opening up the markets of the North to the products of the South (promises rarely followed by effects), the opening of capital accounts and submission to the pseudo-floating foreign exchange markets were the means of that conquest. Interventions of high finance in those pseudo foreign exchange markets have practically annihilated the means of national States and enabled transnational finance to determine exchange rates which maximise their levies on the production of the countries of the South.

A few quantitative data we will borrow from the book of François Morin, we mentioned earlier, give an idea of the extent of that domination of the Triad's new financial plutocracy over the world economy.

Synthetic table (amounts in teradollars, that is thousands of billion, 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
Total	1155

Goods and services transactions (the world GDP) represent 3% of the monetary and financial transactions in 2002, transactions concerning international trade, hardly 2% of foreign exchange transactions, settlements of purchase and sales of shares and bonds on organised markets (operations considered as being constituants by excellence to capital markets) only 3.4% of monetary settlements! It is transactions of hedging products – designed to cover the operators' risks – which have "literally exploded". Morin – rightfully – draws our attention to that major fact.

3. "Financiarisation" of world economy described in the preceding section (taken from Morin) is not by itself neither the means of ensuring better allocation of resources, nor the one of encouraging growth as I have already said it. But, is it at least "viable" in the restricted sense that it would have the advantage of reducing risks of financial catastrophes?

F. Morin demonstrates that pretended 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 answered that need. That invention has stimulated financial flows which took the importance mentioned earlier. The ration between hedging operations and the ones from production and international trading is 28 to 1 in 2002. a disproportion which is regularly growing for about the last twenty years and which had never been witnessed in the entire history of capitalism. But risk reduction for the operators considered individually is materialised by an increase of the collective risk. The growth indicator of that risk is given by never ending bulging of the financial bubble, the volume of which has been multiplied by ten in the course of the 1993-2003 decade.

In spite of that growing risk which will probably lead to a world financial crisis of uncontrollable scale, the economic and social policies enforced by the States to serve the objective of domination of high finance are of a nature to transfer the risk from the capital to labour. Here again, the means are known: the reconstitution of and important reserve army of employed, job insecurity, reduction of workers' rights and social benefits, substitution of retirement indexation methods on the one of financial investments (in lieu and place of contribution pension plans). These means are accompanied by policies of construction of pseudo-solidarity among middle class layers, employers in general and high finance. Promotion of savings investments on the private shares and bonds market aims at creating that apparent solidarity. A theory of "patrimonial capitalism" the "owners" of which would somehow be everyone – has been constructed to give apparent credibility and legitimacy to the risk transfer on "small shareholders" and workers.

The system under consideration, globally taken, presents itself as a giant idol but, with feet of clay. It will certainly collapse. But, How? From the effect of which major causes? To the advantage of which alternative?

Financial collapse – always unexpected when it occurs – does not constitute, in my view, the main reason of the unsustainability of the system. The system is unsustainable for other reasons of social and political natures. The support policies which the domination of high finance necessitates lead to an indefinite growing inequality in the distribution of income. Beyond the strictly economic consequences of an evolution permanently in progress in that direction – i.e., the installation of the system into sluggishness from lack of solvent demand – a model of that type is not socially tolerable and will probably not be politically so. At global level, the system leads to an accentuated polarisation, permanent tutorship of the countries of the South said to be "emerging" (China, India, South-East Asia, Latin America) and the destruction (quasi genocide) of the countries said to be "marginalised" (Africa in particular), the peoples of which have become useless for the continuation of capital accumulation, and which only the natural resources (oil, minerals, wood, water) interest the dominant capital. There are all the reasons thinking that social conflicts and domestic policies, in all the regions of the world, North and South, and international conflicts (North against South) must lead to the termination of the current prevailing domination of high finance.

4. The current actually existing capitalism is no longer the one we knew just about thirty years ago. We have reached today a phase of centralisation of the capital by no standards comparable with the one which characterised historic capitalism during the five centuries of its development.

Monopolies have indeed always existed, from the origin in the mercantilist era (Charter Companies), in the XIXth century dominated by disseminated industrialisation (in the financial sector – the "200 families" in France), from the end of this century with the emergence of "monopolies" (Hobson, Hilferding, Lenin). But, however decisive their intervention in the economic field for the global evolution of the system had been – and it has always been so – capitalism as a whole, organised under the form of millions of medium size industrial and commercial companies and peasants – rich farmers, was regulated by a multitude of markets (which without being "pure and perfect" were nonetheless genuinely competitive markets) which largely escaped the interventions of monopolies, which operated in reserved sectors (the big mercantilist trade, financing the State, international trade of commodities, international loans, later in time, some important sectors of mass industrial production and the new commerce, banking and insurance). These reserved areas 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 occupy alone all the dominant heights on the national and global leadership. These are not strictly financial oligopolies but "groups" within which the production activities of the industry, agri-business, commerce, services and of course the financial activities (dominant in the sense that the system is globally "financiarised", i.e, dominated by financial logics) are closely associated. 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 globalisation which it has for that respects indeed shaped itself (not to say "constructed") to suit its sole strict interests. It has substituted to the ancient "international (unequal) division of labour" based on pretended "comparative advantages" (subject of Ricardo style theoretical thinking) – in fact, in my analysis produced by the centres/peripheries contrast – an "economic geography", i.e., an integration of the "territories" in their own strategy (to repeat the convincing phrase of Charles Michalet). That geography, which is the product of the strategies of the groups under consideration and not an external "reality" to it, shapes in turn what appears as "international trade" but becomes in reality and in growing proportions internal transfers of the concerned groups. Delocalisation analysed 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 alone the globalised financial markets, determines the interest rate which enables it to operate to its advantage massive levy on the value gain produced by social labour, as – largely so – exchange rates that suit its purpose (référence to F. Morin from whom the preceding developments were largely inspired).

In that context, millions of private companies said to be "medium size" (and even many "large" ones) and capitalist farmers do no longer benefit from true autonomy in their decisions. They are simply forced to permanently adjust to the strategies enforced by the plutocracy. That situation is new, qualitatively different of the one which has characterised historic capitalism in the anterior phases of its development. The market invoked by conventional economist no longer exists. It is a true farcical joke.

That analysis is not only my own; it is largely shared by all the critical analysts who refuse to align on the discourse of the dominant conventional economy. The question which in my opinion deserves being placed at the centre of our discussion is to know whether that transformation is "final" or, on the contrary, "unsustainable". The answer to that question certainly determines the positions of the ones and the others.

Some – many? – consider the transformation is final, even if it is "unpleasant". The only thing possible is to adjust, at best inflect its movement to give their place to a few social considerations, but nothing else. Dominance of the strategies of the groups under consideration, the withering away of States must be accepted. Such is – in bulk – the option of the social-democrats who changed into social-liberals. Some even see in that change a "positive" transformation, which in itself, heralds a better future. That capitalism is then said to constitute an impassable horizon (a conception which underlies the social-liberal option) or, that it will outlive itself through its own movement (we recognise Negri here) amounts to the same: there is no need acting against the transformation under consideration. Farewell socialism, an outdated XIXth century utopia. Farewell Marxism.

My analysis draws distance from that view. The current transformation testifies to the obsolete ("senile") stage capitalism has reached; not only because it has become the enemy of the entire 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. It is not in that particular sense that regulations imposed by the groups' plutocracy do not reduce the "risk' of a financial collapse but, on the contrary, aggravate it. It is not in the more general and political sense that, that 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 come back of the State and affirmation of its role must not be excluded.

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 in place and the fundamental principles of democracy. In fact, the new plutocratic capitalism of the financiarised oligopolies is the enemy of democracy – were it bourgeois –, which it deprives of all contents. That current deconstruction of the bourgeois democracy is pursued in a perfectly systematic way by the leading political class, in particular in Europe of which the "project" was thought of for that purpose by its founders, the first of whom Monnet. The discourse on the "individual now the subject of history" is mere window-dressing and legitimisation of the anti democratic practise. In another respect, it should have appeared evident that structures managed by the groups appropriated by the plutocracy constitute "collective property", i.e., they should be the "property of the nation", managed by the latter. In lieu and place, our democrats join their private management; respect of the sacro-sanct property? Illusion that management of these structures could be assumed by the collective of small shareholders? Belief of the superior efficacy of private management and the fatally bureaucratic destiny of the State? Reality should open the eyes of those naïve democrats. Can laudation of the great innovators (Rockerfeller in the past, Bill Gates today) make them forget the majority of the plutocrats are heirs, whom we do not see well the reasons for which they should dispose of so exorbitant powers; there exists a "private bureaucracy" which is not necessarily less sclerotic than the one of the State, and the State has also had its great innovators (Colbert in the past, the engineers who have placed the publicly owned SNCF at the vanguards of railway companies in the entire world).

Democrats should then end up understanding the degree of modern time centralisation of the capital called for its socialisation. Whether its formulas, associating the workers to the national community in that management remains to be invented, so be it. Whether that socialisation "outside the market" (through democracy) does not exclude (for yet long) initiative and ownership for millions of small and medium size business organisations, so be it again. Besides, socialisation of the dominant heights would create the conditions of a true market for the SME's under discussion. Furthermore, formulas of their management should be imagined diverse: private ownership, but also workers' cooperatives (Lip in France had demonstrated efficacy, and its "failure" has been wanton and planned assassination by the State of that "seditious" model), thus initiating emergence of socialisation elements beyond the capitalist market.

The obstacle to the possible and necessary future is fully situated in the dominant political culture, underway of Americanisation in Europe. Critical analyses of that drift of ideology and politics which have focused on the many facets of that degradation, which in turn, prepares an "other world", yet worst than the one we know, are not lacking. Negri ignore those analyses. His "optimism" by order to justify inaction recommends it.

Because in the multiplicity of the conflicts, continuation of the dictatorship of the financial capital in place, the ones opposing the peoples and the States of the South to the logic of globalised plutocratic governance are bound to aggravate at a fast speed – in the foreseeable future – no doubt faster than the ones which oppose the people of the centres to the imperialist Triad and their leadership, I imagine the first crackles will depart from the South; in diverse forms as we can see already them looming in Latin American on the one hand, in Asia on the other.

This last observation is not the one of a “Third Worldist militant” but the one of an internationalist calling for solidarity among all the workers of the Planet. The more it will find its way forward, the better will be the chances offered to revolutionary advances in the South and in the North.

A political conclusion for the debate on the « transition »

The dominant discourse ignores actually existing oligopolies’ capitalism, and substitutes to the real necessary debate (private oligopolies or the socialization of their property) a false debate (market or not market?).

Abolishing the private property of oligopolies should be the target of any significant breakthrough (call it “revolutionary advance”) towards “another world”, without which this “another world” will continue to be basically similar to the present one, i.e. based on exploitation and oppression.

The first step cannot be but the nationalization of these oligopolies by State decision. But this is not the end of the road, only the first step towards establishing their authentic socialization. Time must be allowed for popular struggles and the deepening practice of democracy to invent the adequate forms for that socialization.

Since these oligopolies are based in the imperialist centers of the system their nationalization should start from here. But that will probably not be on the agenda as long the so called “left” has moved from social democracy (which itself did not imagine beyond regulation of the “market”) towards social liberalism (the US type of consensus on “capitalism forever”).

Therefore it is to be expected that the move could start from the peripheries. Here the free rule of these oligopolies is not easily accepted not only by the working classes, but also by the nations and even the states (especially when the government has been the result of some “revolutionary advances”).