The Crisis: a Conjunctural Problem or the Logic of Global Accumulation?

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Introduction

There is a risk when focusing on an event of not appreciating the situation in which it lies. Of course, there are enormous risks associated with seeking to understand the complex whole when working with a set of relations, which can be difficult to account for in a coherent manner. Perhaps an attempt to understand the complexity is worth the trouble in order to go beyond the basic analyses that relate the current crisis to just an irrational collapse concentrated in a single market (the North American mortgage market) and not the system as a whole, or to regulatory errors and panic that were able to bring the world to its knees, as if a butterfly beating its wings could cause a hurricane somewhere in the world.[1] There is a tendency to focus on the problem in order to quickly identify the culprits and to never look at the structural and historical factors that made it possible. There is nothing is better than imagining that the problem was born of simple causes, as then it can be quickly rectified.

Here we develop the hypothesis that the current crisis is the result of the way the global economy has been structured in the last 50 years. This does not just involve the problem of the financial liberalization that resulted from the dismantling of the Bretton Woods agreement in the 1970s, but the way this agreement structured the foundations for the globalization of capital after the war.[2] The current crisis is, to a great extent, the fruit of post-1970s financial liberalization,[3] but to consider this the only relevant factor would be to accept that the "financial side" of the economy is not related to the real productive side and that excess global liquidity is simply an accident and does not have anything to do with contradictions in the very process of capital accumulation. This is similar to regarding the crisis of the 1930s as an isolated event and ignoring the fact that it took place between two world wars and, at the same time, represented a turning point for the end of British hegemony.

The phenomena reveal themselves to be situated in a reality made up of a complex set of relationships that should not be isolated. Isolating them not only hinders the perception of complexity, but also prevents an understanding

of these phenomena and also of the crucial change that appears to be occurring in the reality being studied. Of course, it is much easier to follow the usual mainstream custom of transforming the problem into something specific and claim that nothing changes in a world where balance is taken as a given.

The aim of this article is to investigate what is happening with the world economy. It does not appear to be just a simple breakdown of an environment where everything was defined and where history no longer had a place. There seems to be an important transformation taking place that must be studied. We will not presume to predict where the world is heading nor the end of capitalism. The goal is only to raise questions. The process of transformation is large one, but to say anything beyond this would be an exercise in futurology, which, despite some scholars believing this to be their role, is not what is intended here.

The current world crisis is not just financial. It manifests as such, as has historically been the case with any crisis, but it is the result of the process of expanded global capital accumulation. It is a process that succeeds the movements of accumulation, concentration and centralization that Marx had already described in local economies and that are now taking shape on a global scale.

It is, therefore, the result of capital having reached limits in the accumulation process; new kinds of limits then materialize worldwide. This is not to say that previous crises have not been reflected on a global scale, but the cause of this crisis is linked to the overaccumulation of capital within nation states. This time, although it seems to be localized in the United States, after a consideration of post-war globalization of productive and financial capital, as well as the liberalization policies of the 1980s and 1990s, the crisis appears to take on new characteristics.

The Crisis of a Paradigm

It is interesting to think that the current global crisis was, in general, not expected by economists. For some it definitely was not, particularly the supporters of the fashionable (although mathematically impenetrable to the general public, lending it an air of "scientism") theoretical tradition of the 1980s and 1990s, which formed part of the neoclassical revival based on the work of Milton Friedman.[4] This author had spent many years on the sidelines of economic debate (his work is from the 1950s), which at that time was dominated by post-war Keynesian hegemony. As Stiglitz (2002) has commented, back then all economists claimed to be supporters of this tradition, although the majority were adherents of the so-called "neoclassical synthesis" utilized by Hicks in his IS-LM model of general macroeconomic equilibrium.

Aided by the growth of inflation in the 1970s and 1980s and a relentless search for ways to criticize state action in the economy – a practice that had come from Hayek (1990) – Friedman produced a fierce critique of the Keynesian model. This incorporated aspects of utilitarian microeconomics based on the

pre-Keynesian idea of human rationality in order to accuse market intervention of being a simple and irresponsible mechanism that accelerated inflation, without any real effect on production or employment. He thus constructed his theoretical argument (the theories of "permanent income" and "adaptive expectation", precursor to the "rational expectation" theory) so that liberal ideologists, after more than 50 years of Keynesian dominance, could breathe freely now the belief in the self-regulation of markets through their own Hayeckian intelligence had returned.

The idea of rational expectations takes the view that the agents act rationally and are completely familiar with the operation of the system, thus anticipating the impact of actions external to the model. It transforms the original radical uncertainty of Keynes (1982) into complete certainty and the contradictions of capitalism that Marx believed would lead to crisis into ramblings of a bearded communist. Following this logic in its most radical conception, not even the short run – when the existence of equilibrium cannot be empirically demonstrated[5] – should be controlled due to the certainty that perfect natural equilibrium will be achieved in the long run through the "intelligence" of the rational agents. In this way the long run, which, before, if nothing were done to stop catastrophe could end in mass extinction, is transformed into a hypothetical time, a horizon of perfect equilibrium. By this logic, the operation of the economy should be left to the intelligent forces of the market – which in reality are the forces of the capital – that, if disrespected, would ensnare us in brutal inflation.

This was the theoretical and ideological environment that saw the return of pre-Keynesian neoclassical logic – which he himself criticized – as the basis for neoliberal political action, which came back into force in the 1980s and invaded courses in Economics by means of the "modern" manuals. It provided the theoretical justification for total market deregulation and removal of the inefficient state (cf. Grossman, 1981, p.8). From then on, the neoclassical belief – an economic theory popular before the 1930s, which did not include a crisis hypothesis – dominated economic thinking. Of course these economists never could have imagined that after 15 years of this theoretical "enlightenment" brought by the "scientific" return to liberal logic, something could go wrong with the "natural rationality of the markets", that something other than the belief in perfect equilibrium could appear after the market had cast off the inflationary shackles caused by the lack of respect state populist policies had afforded to its natural laws.

The crisis shocked these economists, who were inebriated with the false beauty of their mathematical models of "equilibrium", still grounded in Newtonian Physics and a "naturalization" process of the functioning of the economy. This process was brought back into focus by Robert Lucas' idea of "rational expectations" and based once again on the rational representative agent, which in reality was just a redressing of the old "rational economic man",

the intelligent utilitarianist and maximizer of his satisfaction – factors which governed the markets perfectly. From these assumptions, the labor and goods markets would by their own accord find the "natural unemployment" rate and the "natural production" level in perfect harmony with the "potential GDP", eliminating "imbalances between supply and demand" and without inflationary pressures, as desired by Friedman. As Amin (2003, p.31) points out, "After eliminating Marx and Keynes from thought, the pure economics theorists substituted real world analysis with the theory of imaginary capitalism."

This way of thinking brainwashed people for years, but, with the crisis, is now coming to an end. Belluzzo (2009, p.B4) states: "among the victims of the financial earthquake that is shaking the planet can be found the *homo economicus*, the rational maximizing individual, central character of the so-called scientific theories [...]". The current crisis has done a huge favor to economic science by detaching it from the easy idea that there is no complexity in the real world, that everything has a precise and balanced way of being achieved through a process of automatic adjustment. It shows that the real world is full of contradictions and that the metaphysics of the models, in large part due to their unrealistic hypotheses, departed from reality a long time ago.

The natural contradictions of the capitalist reality – that Marx knew only too well and Keynes tried everything to solve – have been put to one side for the last 20 years. These are contradictions that were widely studied and debated, and that indicated capitalism's tendency towards crisis. The current crisis demonstrates the complexity of capitalism and that analysis of reality should not follow an ideological precept originating from the idea of natural market equilibrium. In fact, the market is where all the capital is found. Leaving it free is to liberate this capital.

In the logic of hegemonic thought, the crisis hypothesis does not exist. For this, crises are reduced to temporary deviations, caused simply by exogenous factors with no direct relation to the "real" balanced operation of the markets. They can be the result of speculative bubbles of unknown origin, or from other factors such as oil price shocks, wars, droughts etc. Modern macroeconomic manuals superficially approach the problem as "pathologies",[6] similar to illnesses caused by viruses. The "bubble" theories add weight to this idea, suggesting that good medicine can help to avoid them, when, in fact, saying that bubbles are the cause of crises is confusing the symptom with the disease.

Something very similar could be said with regard to deregulation, which, in a strict sense, seems to be the result of the actual pressure exerted by the capital for freedom – a sign that it is not finding profitability in the real accumulation process and, following microeconomic logic, imagines that this profitability can be found by freeing itself from the oppressive rules of the state. At any rate, it is difficult to separate the responsibility that deregulation has played in the crisis from the fall in profitability of international productive capital, which would have lead to deregulatory pressure. These are simultaneous processes that feed off each other.

Seemingly, the current crisis is the result of a broad structural process of capitalism, which must be analyzed with more care. Various authors have been making these analyses over the past 10 years, pointing out the weaknesses exposed by productive and financial globalization (cf. Moffitt, 1984; Michalet, 1984, 2002, 2007; Chesnais, 1995, 1996; Belluzzo, 1995; Aglietta & Barrebi, 2007) and noticing widening structural problems. These were hardly read because the mainstream managed to close ranks, fueled by the "exuberance" of the markets. The words of the "negative critics" of the system fell on deaf ears.

Thus, analyzing the causes in the inner-workings of capitalism that are responsible for the current crisis is a challenge for all those who wish to seriously rethink economic science. Capitalism, like a story with no end, is constantly changing. To be understood, one cannot assume or embrace simple models dressed in econometric and ahistorical finery, as has been the wish in recent years. We must analyze it in its complexity.

The Crisis as a Result of the Accumulation of Global Capital

The current crisis is the result of the way in which the process of capital accumulation takes place. But, despite being true, this is a general statement, since the accumulation of capital is a process that undergoes structural changes over time. It is essential to understand its historical forms as well as the new forms it is taking. We must know how it moves, how it changes, which elements are repeated and which are new results of other combinations of old relations.

In this way, we can see there are elements that have remained a central feature. One of these is the fact that capital needs to accumulate in an increasing and constant manner. Surplus value is always created through productive work and must be continuously put back into the accumulation as reinvestment in order to guarantee its valorization and avoid crisis. This feature, demonstrated in detail by Marx and accepted by Keynes, affords it the name of capitalism.[7] Large companies, the agents of capital, have always acted in this way and thus continuously expand their activity in order to exist as capital; if they did not, they would perish.

The central problem is in the process of continuous expansion, or simply "expanded accumulation", which involves the concentration (each individual capital grows on itself) and centralization of capital (it occupies the space of others).[8] The capital must search out, almost schizophrenically (it cannot stop), space to continue accumulating. If this is not found, the money loaded with the surplus value obtained once again in the valorization process is not put back, preventing the created value from being realized in the dynamic macroeconomic flow. This results in problems such as overproduction (goods that are not sold) and overaccumulation (the existence of excess capital in operation).

The issue of overproduction was central to Keynes (1982), which identified crisis as being partly the result of capital not making the necessary investment to maintain the flow of continuous dynamic accumulation. He believed that if

businesses kept increasing their investments, crisis would not occur. It was clear to him that this is not an automatic process and, moreover, is subject to cyclical swings that can break the relationship between production and consumption, creating uncertainty and crises, and disrupting the flow. He believed that these cyclical movements can and should be controlled (Keynes, 1978) in order to guarantee the continuation of the accumulation process.

Marx, taking conjunctural crises of realization as being linked to the idea of overproduction, also considered the decision to transform money into capital, that is, the decision to invest – the key element of capital accumulation. This is a major contradiction, since it is based on extracting surplus value, or profit, from labor, which leads to inevitable crises of realization, given the decline in labor's share of the created wealth. In any event, for Marx, this contradiction is more conjunctural than structural.

The major problem that exceeds that of realization is the result of the essential need for the continued expansion of capital accumulation, the requirement imposed on each individual capital to put back the growing mass of surplus value created in the valorization process in order to expand unconditionally. This is no longer only a realization of the created value, but the application of the value obtained from new valorization. The result of this process leads to the concentration and centralization of capital.[2] Realization remains part of the issue, but the problem lies in the fact that capital is obliged to valorize independently of the market itself. In order to be preserved and expanded, money must be productively reinvested, a process that cannot cease. This contradiction results in overaccumulation of capital, something that differs from overproduction. Overproduction and overaccumulation are two movements that are not unconnected, but, if confused, prevent the problem from being recognized as more than simply the lack of market for realization of the created value.

The harbinger of crisis is when, as a result of these contradictions, the capital can no longer find ways to continue the valorization process in the real productive sphere. Therefore fictitious valorization mechanisms are created, laying the groundwork for financial crises such as that which can be seen today. From all indications, the financial crisis is the result of the capital having found these limits, that is, limits to its real accumulation, this time on a global scale.

Accumulation on a Global Scale - the Internationalization of Capital

The current crisis appears to be the result of contradictions created by the logic of the process of global accumulation that was established in the postwar period (cf. Belluzzo, 1995). It is the result of the exhaustion of an impressive run of economic growth that began to erode in the late 1970s. The harbinger of its demise was the enormous pressure exerted by the capital for the adoption of neo-liberal policies that ultimately sowed the seed for the contradictions of the global

accumulation process itself. When the capital called for freedom in the 1980s, it was in search of productive and financial restructuring so as not to succumb to disaster. China entered as factor that delayed the process, but also weakened it at the same time (cf. Aglietta & Barrebi, 2007).

The political and economic structure formed after the war enabled the accumulation process to be successfully resumed on new terms. Worldwide growth, on one hand, has been the result of the internationalization of productive and financial capital among the central countries themselves and towards those on the periphery, creating new spaces in which to put back surplus value in search of valorization. The institutionalization of a reliable international currency centered on the dollar at Bretton Woods was the prerequisite for this movement of capital. On the other hand, the growth cycle was also a result of the creation of social welfare states in the central countries as a way to guarantee the realization of value.

The postwar growth was the result of an effective combination of factors that accelerated the accumulation process and even brought certain benefits to social welfare, particularly in the center of the system. Mechanisms were established which, after the crisis of the 1930s and two world wars, marked a new era of international relations. The predominant mechanisms before the crisis of the 1930s, based on the imperialist expansion of capital described by Lenin (1987) and Rosa Luxemburg (1983), still with traces of colonialism and which had lead to war on a global scale, were clearly no longer possible.[10] This is still the defining moment of a phase of global accumulation in which capital was looking elsewhere for the realization of surplus value produced in the centre. After the war, the process of capital accumulation was structured differently, allowing a new wave of expansion, perhaps still tinged with elements of imperialism, but which would now bring about the industrialization of the periphery. The foundations were laid for globalization, which did not simply aim for realization – even though this was the case, but now as a result of overaccumulation in the center. The capital looked for space for direct investment, to install production structures, to put back surplus value. According to Michalet (2007, p.10):

> Within a Marxist perspective, the dynamic of globalization is one way of expanding the capitalist mode of production. It follows a law: place the capital into a process of valorization in all forms and in an area greater than that of the nation states.

Thus, the postwar agreements and new forms of organization re-established the process of expanded accumulation on a new basis, allowing the capital to resume its path of accumulation. The institutionalization of the social welfare state ensured that part of the surplus value created by the labor itself was, to a certain extent, "diverted" from the expanded capital accumulation, reducing the impact of the contradiction identified earlier and converting it into income for the workers so as to ensure realization (the sale of goods). Similarly, organized

social forces such as unions, etc. helped to guarantee that wages accounted for a certain proportion of income.

The form capitalism took after the war was responsible for founding the globalization of capital on two central principles: productive and financial internationalization with the establishment of the dollar as international currency. These two principles led to the growth of the postwar period, but at the same time created the contradictions that have culminated in the current crisis. It was with the dollar as a hegemonic currency that, on one hand, the international financial system was established (cf. Eichengreen, 2000, Moffitt, 1984) and, on the other, the foundations were laid for a new wave of productive capital expansion in the world.

Economists who have studied the history of the establishment of the postwar international financial system in conjunction with the process of the internationalization of capital noticed a long time ago the exacerbation of the contradictions that were born along with it.[11] They would not be capable of understanding this complexity if they took as a starting point abstract neoclassical growth models of capitalism, which stem from theories of comparative advantages that consider countries as isolated elements, each one with its own industry and exporting only the surplus not consumed within the internal market. The processes that took place after the war established a capitalism composed of large corporations which were the result of the processes of concentration and centralization of capital in the center. These corporations have now gone global and have begun to dominate worldwide trade through dealings between their subsidiaries, [12] moving freely around the world, supported and in conjunction with an international financial system based on a market of dollars outside the issuing country. These are new relationships that are directly related to the current crisis.

It seems clear that, as a result of this process, capital has changed the way it acts in the world, although its central operating logic remains unchanged after this process of internationalization through the opening of subsidiaries around the world. It has gained more freedom, extricating itself from the bothersome constraints imposed by nation states. It has even gained the strength to co-opt them into assisting with its quest for freedom. Its continued existence depends on its constant increase in value in the accumulation process, with its contradictions, both old and new. What is changing is the way in which this process occurs and how these contradictions are manifested in the global economy. In essence, this is clearly capitalism. The capital continues with its overriding need to accumulate in order to remain as such.

The cycle of international expansion of productive capital that began in the postwar period took place, at first, between the central countries, with the funding of European reconstruction through US investment. Once this space had been occupied, it made its way towards the periphery in the 1950s and 1960s. This first stage was the result of the need of the excess North American capital that had

accumulated during the wars to continue valorizing. Similarly, the second stage, after the reconstruction, resulted from excess capital, this time as much North American as European and Japanese, departing in search of new spaces for a second wave of direct investment. These processes were the result of the concentration, or overaccumulation, of capital in the centers of capitalism. Productive and financial internationalization occurred in tandem (cf Chesnais, 1995). The dollar became the hegemonic international currency. The result was the industrialization of the periphery in question, Latin America, through the opening of multinational divisions and subsidiaries.[13] The capital "spilled over" in the form of large direct investments – a mechanism that ensured its expanded accumulation.

The international currency market grew, accompanying events in the real economy, at the same time as it financed this movement. The first signs of contradictions would appear in the 1970s, with a weakening of the long-standing ties between US monetary policy and the money flowing through various countries worldwide in the so-called "Eurodollar" market (Chesnais, 2004, p.38), despite that fact it was still North American currency issued by the United States. It is worth remembering that this currency, which had acquired worldwide status, was responsible for financing the expansion of productive capital as much in the phase of reconstruction as in the phase of peripheral industrialization.

Indications of contradictions in this process of expanded capital accumulation were first seen in the mid 1970s with the increasing debt of the periphery of the system, as if this were a problem concerning the periphery itself and not the way in which the process of capital accumulation had occurred after the war. Once Europe had been rebuilt and the periphery industrialized, the surplus money capital created in the process of expanded capital reproduction, which was now globalized, became idle as it searched for new assets in order to continue valorizing. Interestingly, exactly at this point a brutal increase in oil prices was seen, further flooding the financial markets with inactive money in search of valorization. The excess money capital had flooded the periphery of the system.

It is no coincidence that several authors identify 1971 (cf. Aglietta & Barrebi, 2007; Michalet, 2007, p.81) as the year in which the first signs appeared of the changes in the global financial environment that would culminate in the current crisis. This was when the gold standard was officially abandoned by the North American Central Bank. The dollar had long lost its relation to gold, but this decision marked the liberalization of the global dollar market and the establishment of the Eurodollar market, where money floated around the world in search of valorization, flowing between countries and destabilizing their exchange rates (cf. Eichengreen, 2000).

The Centralization of Global Capital and China

Starting in the 1970s, the economy passed through many bitter years of low growth coupled with inflation. It was time for the liberal theorists to stand up and dominate the political debate. By this line of reasoning, the crisis had

nothing to do with contradictions in the capital accumulation process itself, but was merely related to mistakes made by governments intervening in the natural logic of the markets. Pressures were initiated to dismantle the institutional structure that had promoted the globalization, and internationalization, of productive capital. The capacity of this apparatus to continue the accumulation process had been exhausted. It was no longer of interest to the great multinational capital that had already occupied the important spaces around the world. One must remember that China became an alternative only in the 1980s.

The capital, now globalized and with nowhere new to occupy, sought out spaces filled by other capital, promoting widespread global restructuring of production. This was a process that was already occurring on a local scale in order to reconstitute the accumulation bases by eliminating superfluous capital, a mechanism that ultimately strengthened and gave new life to the expanded accumulation process of the capital that managed to survive. Marx referred to this process of elimination of superfluous capital by capital itself as centralization of capital.[14]

The capital was now no longer confined to one nation state, and action to enable this adjustment of production structure would need to be taken on a global scale. The capital needed freedom in order to restructure through mergers, acquisitions and relocation of production plants, concrete ways to remove the surplus capital and provide a new wave of accumulation. At the same time it was necessary to give financial capital the freedom to finance these processes, but also, in the slowdown, the freedom to seek out new forms of valorization, whatever they may be. The need for production restructuring clearly shows that, at that point in time, the world was displaying signs of overaccumulation – the existence of superfluous capital that needed to be removed. The only way for businesses to survive was through restructuring of production. On the other hand, the only way for the idle money to valorize was by searching for new non-productive assets.

> The crisis is manifested in the fact that profits from exploitation could not find sufficient outlet in profitable investment in order to develop production capacity. The management of the crisis consisted of finding other outlets for the surplus of free capital to avoid large-scale rapid devalorization. (Amin, 2003, p.31)

Pressures were now building worldwide for the creation of an environment that would favor global centralization of capital. For this, the capital needed complete freedom of movement. How can production of one type of part be concentrated in just one country without free trade? How can this restructuring be financed without financial capital being allowed to flow freely? It was necessary to remove the nation states from obstructing the path, especially those on the periphery, and dismantle the international apparatus that hindered this international movement. Inconsistently, the plan was to use the state, particularly the central hegemonic states, to press for liberalization (cf. Chesnais, 1995,

p.2-3). The material foundation for global liberal propaganda was in place. The economic theories to support it were taken from the shelves and dusted off.

Complete economic deregulation (cf. Chesnais, 1995; Barrebi & Aglietta, 2007; Michalet, 2007, p.81; Belluzzo, 1999) under the control of the central hegemonic states, politically defended and praised in the "Washington Consensus", gave the nation states reason to restructure capital. This took shape internationally in the 1980s and 1990s. In its wake came pressures for the abolition of state social welfare policies, an additional way for companies to reduce their costs in order to increase profits. In addition, the dismantling process undertaken by the nation states plunged the world into a wave of privatizations that also ended up providing additional spaces for private accumulation in new sectors, guaranteeing new space for the idle capital.

It is important to note that the process of capital centralization released even more idle financial capital, since restructuring of production reduced the existing real bases of accumulation. Moreover, the remaining production companies increased their profits by eliminating other smaller capital and through reengineering and production optimization. An increase was seen in the volume of idle financial capital in the system seeking valorization, but which could not find it in the area of real production. Thus, there was an increase in the amount of excess capital seeking valorization, wandering the world in search of profitable assets.

Anti-inflationary policies based on high interest rates of the 1970s and 1980s and the issuing of public debt contributed to the profitability of the superfluous capital that mounted up during the restructuring process. The outbreak of the so-called stagflation crisis marked a situation that was only possible due to the degree of worldwide oligopoly that dominated the economy after the internationalization of production. It had no relation to traditional demand inflation. Be that as it may, through the contractionary policies of the central banks it generated public financial assets with sufficient yield to allow some valorization of the idle money capital.

The deregulation of the financial market that accompanied the process freed, to a certain extent, the idle capital to finance the restructuring of production,[15] but, mainly, it created mechanisms for fictitious profitability outside the area of production. A large portion of the profits of production enterprises could be realized in the financial market and not by production itself. In addition, this profitability began to influence the actual management strategy of these enterprises. Financial performance is what counts for shareholders. This mechanism greatly accelerated the wave of speculation that was created, generating fictitious profits for the companies themselves. These problems only got worse and would become the catalysts of the financial crisis.

The emergence of the investment space represented by China in the midst of this process, an unexpected variable, brought new elements to the scene. It presented itself at a late stage of the globalization process as an important expansion space for productive capital. According to Aglietta & Barrebi (2007),

it was a space that, at the same time as helping to delay the crisis, heightened the contradictions. It was not a space created as a result of the liberalization defended in the Washington Consensus, as was the case in Russia, resulting in its almost total collapse. China, making use of a strong State regulatory apparatus devoid of liberalist ideology, constructed an innovative strategy for insertion into the global economy. It attracted the multinational capital that was seeking space for valorization to within its borders and under its strict control[16] (always as a joint-venture with a guarantee of technology transfer), with profitability assured due to political control of the markets and cheap labor. Massive investment was received throughout the 1990s. An industrial structure was created that inundated Europe and the United States with products manufactured at very low cost, produced in part by multinational groups from these countries and their Asian neighbors.

China provided a new space for accumulation of world capital at the same as it created enormous contradictions. As Aglietta & Barrebi (2007) point out, it accelerated and imposed structural changes in labor markets worldwide. To compete, Europe and the United States were forced by their capital (under the threat of delocalization/deindustrialization) to cut wages, deregulate the labor market and eliminate benefits.[17]

If on one hand, this pressure for low wages contributed to raising the profits of Western companies and made them more competitive, on the other, it increased the risk of underconsumption side by side with that of excess production from the Chinese products flooding the world, creating and heightening the contradictions that were already threatening capitalism. The underconsumption did not manifest itself straight away due to the rise in household debt, made possible in part by the excess of financial capital eager to act as loan capital. The result of the preservation of a certain level of consumption prevented the system from noticing the growing contradictions, obscuring the overproduction from view (cf. ibid.).

Falling interest rates in the 1990s reinforced this process, being not only the result of excess liquidity of financial capital in the world, but particularly the result of policies adopted by the central banks in the face of lower inflation, reversing the situation of the 1980s. The growth in Chinese manufactured exports applied downward pressure on prices of industrialized products around the world. Not even the brutal increase in the prices of commodities and other raw materials that began to occur managed to exert inflationary pressure. The Chinese pressure on global prices was strong enough to break the power of the North American and European oligopolies, who were, on one hand, weakened at the core and, on the other, co-opted into moving production to China itself. Therefore, as there was no inflationary pressure, the central banks, focused only on "inflation targets", saw no reason to increase interest rates (ibid.). Thus, the indebtedness of individuals and businesses opened the door for the creation of a market that enabled realization of the excess production there was in the world, at least for a while.

In addition, the Chinese economy's entry into the markets created yet another unsustainable situation due to the huge trade surpluses that it began to have with the North American economy (cf. Rodrik, 2009). Apart from this problem itself, excesses of Chinese dollar reserves flooded the European and North American financial market with idle money seeking valorization, adding to the already elevated sums that were in circulation around the world as a result of the very contradictions mentioned before.

If, in part, the overaccumlation of capital of the 1970s and 1980s had, to some extent, found a solution (although partial and temporary) in the reengineering and global centralization of capital that took shape primarily in the 1990s, the destructuring of production of the nation states through privatization, the deregulation of the financial market as well as the advent of China as a new space for accumulation, new even more radical contradictions would establish themselves in the world economy in the years following the turn of the millennium.

The idea that these contradictions could carry on growing was unimaginable. As Samir Amin points out (2003, p.24):

> The period, which still has not come to an end, is not therefore the introduction of a new world order, as all too often some are content to say, but one of chaos that we are far from overcoming. The policies applied in these conditions are not the response of a positive strategy of capital expansion: they just seek to manage the crisis. And they will not succeed because the spontaneous plan produced by the immediate domination of capital, in the absence of boundaries imposed by forces of society through coherent and effective responses, is still a utopia, the utopia that the so-called market, that is, the immediate short term interests of the dominant forces of capital, can carry on managing the world.

The Crisis

Our aim was to demonstrate that regarding the current crisis as an element external to the logic of the global capital accumulation process, as a problem related to the panic that can sometimes attack markets or as a question of bubbles – interestingly irrational – does not allow us to reach the core of the issue, which is not readily apparent. Bubbles or panic are manifestations of the crisis, manifestations of a process that has run dry and, since at least 1970, has been building up (and falling down) faced with the impossibility of the capital continuing its process of expanded worldwide accumulation in the way it was structured after the war.

The idea that deregulation of the financial system was one of the causes of the crisis that materialized in panic is true; however, as we sought to show, it is necessary to examine the specific elements of reality that lead to the enormous pressure for market deregulation, which accompanied the rise of the dollar as an

international currency, practically removing it from traditional national controls. Even this phenomenon, in part a cause of the current crisis, was a historical phenomenon that fulfilled a certain role for the capital for a certain set of reasons, and that, incidentally, paved the way for the productive restructuring of capital that possibly averted earlier crisis.

The crisis is the result of the establishment of a world economy dominated by big business and big financial players that have become globalized.

> In the development of new finance, the dominance and control of big business over the markets encounters a favorable environment... At the same time, the globalized nature of the markets grants companies access to mechanisms for hedging and for protection against exchange rate fluctuations and changes in credit conditions of different countries. (Belluzzo, 1995, p.18)

None of this is caused by panic, but it ultimately causes it when the players realize they are valuing their wealth on something completely fictitious: securities that have become disconnected from their real basis.

The crisis, therefore, is not exclusively a financial phenomenon resulting from a lack of regulation or from panic among the players. There is the problematic lack of regulation and there is panic, but these are just manifestations of the crisis, the result of contradictions in the very heart of the accumulation process itself, a process that acts on a global scale much more now than in the 1930s.

The free movement of capital throughout the 1990s, which characterized a broad process of capital centralization, was the harbinger of the crisis, a manifestation of the overaccumulation of global capital. The accelerated industrialization of China that took place in conjunction with the phenomenon of global capital restructuring delayed the crisis and, at the same time, increased its extent and severity. Once each individual capital had been restructured and the process of Chinese industrialization through the movement of transnational capital to within its borders was complete – both drivers of economic growth in recent years – the contradictions became more drastic. Born from within, the crisis is the result of the accumulation process itself. It merely manifests itself as a financial crisis.

With space used up and the pace of new investment coming to a halt, idle surplus capital materializes, seeking valorization that can no longer be done productively. It searches out other ways to valorize, buying existing assets that represent existing wealth – securities. This process valorizes these assets, regardless of their original real basis. Financial innovations help to further detach these assets from their real bases, providing an apparent reduction in the associated risk, which is made imperceptible to the markets, exacerbating the fictitious nature of this wealth.

The resultant contradictions of the accumulation process drive the capital, as money that does not return to the form of productive-capital, to create new

assets to represent it. It is as if the actual money in the form of financial assets, social rights to wealth, were themselves real wealth. However, as derivatives, they were already very distant from their original real bases and so were valorized with no tangible relation to them. This is a typical mechanism of capitalism. The difference today is perhaps due to the creativity of the financial markets and in the fact that, throughout history, they have become increasingly detached from the national scale as well from the control of nation states.

It seems that there was, as there has been at other times, excess liquidity in the financial system seeking profitable applications. This is very clear from the fact that the theoretically North American banks were issuing mortgage debt and managing to easily resell it to other banks around the world, particularly in Europe. The contamination of the entire financial system of the central countries by these securities derived from mortgages and others, derivatives of derivatives, clearly shows that there was an excess of money in the world searching for profitable applications that could not be realized through productive capital. This was partly due to excessive accumulation of productive capital and partly because the promised return of the fictitious capital was impracticable for any productive capital, unless this, instead of being used for actual production, was used to feed the circuit of fictitious capital. This did in fact happen, as was shown by the amount of production enterprises that were overly dependent on speculative assets. The crisis was manifest.

By all appearances, the capitalist crisis is one of the most irrational phenomena that exist. It is no wonder that liberal neoclassical economists have great difficulty in comprehending it. Means of production are no longer used, people able and willing to work are left idle, an enormous number of needs are not being satisfied, and even then, nobody moves, nobody produces anything. To neoclassical microeconomic logic this makes no sense. For them, full natural employment is given by the ability of every individual to produce goods to satisfy their needs; there is no logical reason not to do so in a world where freedom is guaranteed and they are driven by necessity. What they are unable to realize is that this freedom would, in fact, be possible only if there were no monopoly over productive resources. To have idle resources, on one hand, and unsatisfied social needs, on the other, is only possible under capitalism. This occurs because the aim of production has very little, if anything, to do with the satisfaction of human needs. Its focus is ultimately to add value to money. If this does not happen, there will be no production and crisis will ensue. In capitalism, the goal is to earn more and more money[18] in a limitless process (cf. Marx, 1980, Book I, Ch. II and III, 2004).

Notes

1 In reference to Gleick's theory of chaos (1990).

2 This view is shared by Korten (1996).

3 Einchengreen (2000) details the entire history of the international financial system since Bretton Woods.

4 See Friedman's interesting 1970 debate, published in Friedman (2008).

5 See Lucas & Sargent (1979) and Ferreira's (2003) analysis of the idea of these actors.

6 Chapter name from Olivier Blanchard's (2007) well-known and widely-adopted manual of macroeconomics.

7 Oliveira Lima (1997) and Fernado Cadim (1989) reestablish Keynes' relation to Marx.

8 An analysis of this movement described by Marx is made in Sawaya (2006, Ch.1)

9 The argument is from Marx (1980), but was analyzed in Sawaya (2006).

10 However, they did not dissappear.

11 Palloix (1971), Michalet (1984, 2002, 2007) and Chesnais (1995) are important references to understand these processes of of internationalization of capital.

12 It is estimated that 40% of the world market takes places between subsidiaries and headquarters of the same company (Michalet, 2007, p.7)

13 This process is not yet characterized as delocalization, a phenomenon of the 1990s.

14 This process is analyzed in Sawaya (2006).

15 The debate on eliminating "financial repression" through financial liberalization can be found in Fry (1988).

16 The Chinese strategy was analyzed in Sawaya (2008).

17 According to Krugmann (2008), the significant contribution of wages to US GDP has fallen in recent years.

18 It is worth remarking that the concept of money is not just currency, paper money, but a means of payment that involves all rights to social wealth, that is to say, it involves payment in the form of securities.

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Abstract – In this paper, we explore the idea that the current financial crisis is a manifestation of the exhaustion of the global capital accumulation process, a process that was established after the war and based on the principle of globalization. The first signs of this exhaustion appeared in the 1970s. The liberalizing solutions the capital itself has imposed since then in order to maintain profitability have permitted, on one hand, a certain amount of global productive restructuring, but, on the other, have created many opportunities for the fictitious valorization of capital that is now erupting in crisis.

Keywords: Current financial crisis, global capital accumulation process, globalization.

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