

Inside Capitalism

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Alejandro Teitelbaum's assessment of capitalism is the result of decades of previous works, studying it carefully as a researcher as well as a social representative, committed to protecting the human rights of citizens through a binding regulatory framework of capital's activity. A regulation never achieved due to the concerted and systematic opposition of global business lobbies with the enthusiastic backing of the governments of the major powers. In this work Teitelbaum elaborates on the core aspects of capitalism and updates the wealth of evidence on its falsehoods and contradictions. Based on Marx's theory of the appropriation of labour's value, Teitelbaum shells out the main features of the capitalist system to display its contradictions and arrive at a well articulated conclusion. This is that capitalism is incompatible with true democracy from the moment that its supreme value is to protect the private ownership of the means of production, by which it appropriates the surplus value of labour, rather than seek the welfare of society, as it is in true democracy. Therefore, he argues, it is not possible to reform capitalism to make it compatible with democracy, but, rather that, it needs to be replaced by radically changing the essence of human labour as it exists in the capitalist system, in which the worker stands in the production cycle both at the beginning, alienated as a producer, and at the end, alienated as a consumer; from which it is inferred that a move towards true socialism is required. Yet, Teitelbaum asserts that, contrary to what happened in the Soviet Union and other societies, the transition towards socialism must take place in an environment of genuine and fully participatory democracy. That is, in an environment where the only purpose of societies is the welfare of each and every one of the ranks of society to create social wealth to meet the material and spiritual needs of the citizens, according to a social and democratic planning of production and distribution for the full realisation of the human being.

This implies that to live in a truly democratic ethos –and not in the mockery known as representative democracy– a hitherto unknown model must be built –in a superior stage of humanity– in which the citizens hold the initiative and are permanently involved in the public matter in such a way that the public agenda is set by the fully acquainted citizens so that decision making becomes the result of a direct and informed participation. This is so, says Teitelbaum, for “capitalism has reached a level of development and is such a cumulous of contradictions that it has in fact become on the verge of socialism, as a way of resolving those contradictions in a humanly superior stage”.

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❖ Part one

I endeavour to try to examine in brief how contemporary capitalism functions in its economic, social, political, cultural and ideological characteristics. It will be a condensed version, restructured and updated, from my book published in Argentina in 2003 under the title *The role of transnational corporations in the contemporary world*, (edition of the American Association of Jurists), which was the subject of two extended and updated editions published in Colombia in 2007 (*Outside of the law. Transnational Corporations and human rights*, an edition of the Corporación Colectivo de Abogados Jose Alvear Restrepo, of the Latin American Institute of Alternative Legal Services and the Social Observatory of Transnational Corporations) and in Spain in 2010 (*The Armour of Capitalism. The power of transnational corporations in the contemporary world*, Editorial Icaria, under the auspices of Peace with Dignity and the Observatory of Multinationals in Latin America).

I. Epistemológico intermission

To study how capitalism functions, like any other study of a social or natural phenomenon, it requires a theory, an adequate epistemological instrument or method of knowledge, to review the facts in order to abstract from the same their essential features, their regularities, until the rebuilding in our thinking of these "multiple determinations" into one unit, in the "concrete thinking", as Marx called it, is achieved. This is an ongoing process, for that "concrete thinking" requires a "feedback", a continuous feedback through verification of the facts through practice.

Marx wrote: *"The concrete is concrete because it is the summing up of many determinations, thus the unity of the manifold. Therefore, it appears in thought as a process of summing up, a result, and not the point of departure, although it is the real point of departure and thus also the point of departure of perception and conception. On the first road the rounded concept was dissolved into an abstract determination; on the second abstract determinations lead by way of thought to the reproduction of the concrete. Hegel accordingly succumbed to the illusion of conceiving the real as the result of the self concentration, self-immersion and self-generated self-movement of thought, whereas the method of ascending from the abstract to the concrete is simply the way in which thought appropriates the concrete, reproduces it as a concrete in the mind"* (Introduction to the Critique of Political Economy, 1857, Ch. III, the method).

The human brain is "equipped" to perform these operations (see, for example, Jean-Pierre Changeux, a neurobiologist, *The Man of Truth*, especially Chap. VII, *Scientific research in the search for truth*, last paragraph of points 2 and 3). It was not always this way. In interaction with nature, from hominid to homo sapiens sapiens, intelligence and brain size, which is its material base, were growing until they reached their volume and current capabilities, including self-consciousness. (One can look for it in Engels, *The Part Played by Labor in the Transition From Ape to Man* and in John Eccles *Evolution of the Brain: Creation of the Self*.) Although the latter ends his very instructive book with a profession of idealist faith: *"I maintain that the mystery of the human being is incredibly (and erroneously) decreased by scientific reductionism and its materialistic pretension to explain the world of the spirit in terms of simple neuronal activity"* (Afterword).

So to provide consistency in a global and objective vision of today's society to the data and information that I have been able to gather, I tried to use as the analytical tool the dialectical materialism method of Marx and the main theories he developed in studying the capitalist economy: value, use value and exchange value, capitalist concentration, crises, expanded reproduction as a necessity inherent to the system, the surplus value as a theory of capitalist exploitation, etc.

And to try to understand and, as much as possible, explain the behaviour of individuals and communities I have also referred to the explanation of Marx:

...*"The general conclusion at which I arrived and which, once reached, became the guiding principle of my studies can be summarised as follows. In the social production of their existence, men enter into definite, necessary relations, which are independent of their will, namely, relations of production corresponding to a determinate stage of development of their material forces of production. The totality of these relations of production constitutes the economic structure of society, the real foundation on which there arises a legal and political superstructure and to which there correspond definite forms of social consciousness. The mode of production of material life conditions the social, political and intellectual life-process in general. It is not the consciousness of men that determines their being, but on the contrary it is*

their social being that determines their consciousness." (Marx, Preface to the first page of the Introduction to the Critique of Political Economy, 1859).

Such explanation cannot be interpreted with the simplistic illustration of the consciousness of individuals automatically reflecting their status as workers or bourgeois. Because the "social being" that Marx referred to includes, among other things, the dominant role played by the ideology and culture of the capitalist system in the consciousness of human beings. The facts are not seen with a blank mind, without preconceptions. The perception of reality in all human beings is conditioned by previous concepts, by categories registered in the mind by the education received, by the dominant cultural and ideological milieu in which they live, etc. A manual or intellectual worker, for the mere fact of being so, is not always consciously aware of being an exploited one and that his commitment must be to struggle collectively to abolish exploitation. And, conversely, such automation does not work when an individual or group, whatever their social class, is able to surpass the spontaneous consciousness imposed by the hegemonic capitalist ideology and culture and succeeds in becoming aware of the inherent contradictions of the capitalist system and of its nefarious exploitative essence, not just of human beings but of their natural habitat. As examples we can cite Marx, Lenin and Che Guevara, who were not factory workers but had an extreme sensitivity to perceive the sufferings of the exploited and a great intelligence to investigate and find a rational explanation of its cause: the capitalist system. Yet an important qualification must be added. In the research method proposed by Marx the researcher who collects the empirical data selects among them, according to the research objectives, to move on to the abstraction phase.

Rolando Garcia, PhD in physics and an epistemologist, who worked with Jean Piaget for many years and who addresses this issue with much credence, gives the following example: *"A research project designed to answer the question 'how can you increase production of basic elements in region X?', 'will be quite different from the project designed to answer the question, 'why did malnutrition increase in certain parts of region X?'. In both cases these problems concern productivity and food sufficiency, yet from very different perspectives. Within the second question we also find the possibility of different research projects that will depend on the views of the researcher'... 'The questions do not arise from a 'neutral' researcher for they involve their views on the world and society (his Weltanschauung)', which we have called 'epistemic framework'."* (Rolando Garcia, *Knowledge in construction. From Jean Piaget's formulations to complex systems theory*, Editorial Gedisa, Spain, 2000, p. 71 and 72). And this is true, according to Rolando Garcia, not only for economic and social sciences, but for so-called "hard" sciences as well.

Garcia writes on page 62 of the same book:

"In any realm of reality (physical, biological, social) the interactions of the subject with the objects of knowledge give rise to cognitive processes that are built with the same mechanisms, regardless of the realm. Therefore, as long as this is about the assimilation of knowledge objects, there is no dichotomy, in the psychogenetic level, between physical world and social world phenomena. The subject of knowledge is developed from inception in a social context. The influence of the social environment (which begins with the family relationship) increases with the acquisition of language and then across multiple social institutions, including science itself. Its action is exerted by conditioning and modulating the instruments and mechanisms of assimilation of knowledge objects as well as of learning."

II. Suppression of capitalist exploitation and alienation: an indispensable condition for the liberation of the human being

Marx, in imagining the possibilities of human fulfilment in a society where capitalist exploitation does not prevail, wrote in the *Grundrisse* (1857 - 58) that technological progress, applied science and production automation **would finally liberate human beings from the need of physical work and of alienated work in general, which would allow their full realisation by making the amount of free time ("disposable time", Marx said) and not work time, the measure of value** (our emphasis). And he added that: *"The free development of individualities, and hence not the reduction of necessary labour time so as to posit surplus labour, but rather the general reduction of the necessary labour of society to a minimum, which then corresponds to the artistic, scientific etc. development of the individuals in the time set free, and with the means created, for all of them."* (Karl Marx, *Fundamentals for the critique of Political Economy (Grundrisse)*, Siglo XXI Editores, 12th Edition, 1989, Vol 2, p. 227 et subsequents. [Contradiction between the foundation of bourgeois production (value as measure) and its development. Machines etc.]). Marx foresaw 160 years ago the possibility, once a certain level of development of productive forces had been reached, to pass, as a measure of value, from the labour value to the value of leisure time in a society without exploiters nor exploited ones. That is, a society where work, life, health, education, food, the air we breathe, etc. cease to be a commodity.

Yet it is easy to see that albeit the progress reached by science and technology is amazing, even the minimum needs of much of the world's population remain unmet. And that in spite of automation and robotics, human beings are increasingly being psychologically and physically alienated through work with exhausting schedules and tensions, whatever their rank in the production system.

In the early nineteenth century (200 years ago) Hegel wrote: *"Man reduces work for the whole and not for individuals, for which, conversely, he increases it, for the more mechanical the work is, the less value it has and the more man has to work"...* *"The decrease of the value of work is proportional to the increase in labour productivity"...* *"factories and manufacturing base their existence on the misery of a class"* (GF Hegel, *Realphilosophie*, 1805 - 6).

This is the main contradiction inherent to the capitalist system. Its root lies on its system's essence, consisting of private appropriation, namely capitalist exploitation, hinders between social production and social consumption. In other words, the full realisation of human beings as it was anticipated by Marx in the *Grundrisse*, requires the abolition of capitalism and not to "improve it" or patch it up or disguise it with a liberal or populist discourse.

❖ Part Two

Capitalist exploitation (I)

In the first paragraphs of Capital (Book One, Section One, Chapter I, Merchandise, 1. The two factors of the commodity: use-value and value (the substance of value and the magnitude of value)), Marx writes: *"The wealth of those societies in which the capitalist mode of production prevails, presents itself as "an immense accumulation of commodities,"[1] its unit being a single commodity. Our investigation must therefore begin with the analysis of a commodity. A commodity is, in the first place, an object outside us, a thing that by its properties satisfies human wants of some sort or another. The nature of such wants, whether, for instance, they spring from the stomach or from fancy, makes no difference.[2] Neither are we here concerned to know how the object satisfies these wants, whether directly as means of subsistence, or indirectly as means of production."*

Every useful thing, Marx goes on to explain, it is for its qualities, which make it a use value for a particular purpose. Yet as a commodity to be sold it has another aspect: its exchange value and the problem of how to measure the exchange value arises, which requires finding the common denominator of all use values (objects, services) that are exchanged – are sold – as commodities. That common denominator of all commodities is simply the result of human labour, which can be defined as the expenditure of physical energy in nervous stress and the application by the worker (manual or intellectual) of his skill and knowledge (and sometimes also his ingenuity) in the act of production.

So the common denominator in all commodities that is used to establish their exchange value is the human labour that produces use-values. *"We have seen that when commodities are exchanged –Marx writes– their exchange value manifests itself as something totally independent of their use value. But if we abstract from their use value, there remains their value as defined above. Therefore, the common substance that manifests itself in the exchange value of commodities, whenever they are exchanged, is their value. **The progress of our investigation will show that exchange value is the only form in which the value of commodities can manifest itself or be expressed. For the present, however, we have to consider the nature of value independently of this, its form.***

*A use value, or useful article, therefore, has value only **because human labour in the abstract has been embodied or materialised in it.** How, then, is the magnitude of this value to be measured? Plainly, by the quantity of the value-creating substance, the labour, contained in the article. The quantity of labour, however, is measured by its duration, and labour time in its turn finds its standard in certain temporary fractions, such as weeks, days, and hours.*

*Some people might think that if the value of a commodity is determined by the quantity of labour spent on it, the more idle and unskilful the labourer, the more valuable would his commodity be, because more time would be required in its production. The labour, however, that forms the substance of value, is homogeneous human labour, expenditure of one uniform labour power. **The total labour power of society**, which is embodied in the sum total of the values of all commodities produced by that society, counts here as one homogeneous mass of human labour power, composed though it be of innumerable individual units. Each of these units is the same as any other, so far as it has the character of*

the average labour power of society, and takes effect as such; that is, so far as it requires for producing a commodity, no more time than is needed on an average, no more than is socially necessary. **The labour time socially necessary is that required to produce an article under the normal conditions of production, and with the average degree of skill and intensity prevalent at the time.**

Capitalist exploitation (II)

Yet, if, as Marx explains, the only source of value of the goods available in the market is human labour, how do the capitalists profit and the growing accumulation of enormous wealth in a few people take place? Namely, people who evidently have not produced through their own work –whether manual or intellectual, assuming they work– the enormous wealth they have.

To develop this aspect of the analysis of Marx we will "extensively" quote John Eaton (Political Economy: A Marxist Textbook, Edición Amorrortu Buenos Aires, 1966, pages 74 to 85, from original English edition: International Publishers, New York, 1949 and 1966). Eaton writes: ***"What is benefit? Capitalists use many subterfuges to feign that the amounts they receive in benefits are not high, but the facts indicate that there is indeed a huge sum received by the ownership class in terms of rent, interest and benefit In ancient slavery society, the source of the wealth of the slave owner was evident. The slaver owned what the slave had produced. Similarly, feudal exploitation was blatant and devoid of mystery, the servant knew, all too well, for whom he worked and to what extent. Both the slave and the serf could be legally bound by their masters to work. But capitalist exploitation is different. There is no legislation forcing the worker to work for the capitalist. Neither laws nor customs prescribe how much the capitalist and the worker should earn. To perceive the source of capitalist profit it is necessary to study political economy. The worker sells his labour power and the capitalist purchases it. The worker remains poor and the capitalist becomes rich and powerful. What is the secret of the capitalist's wealth and of the worker's poverty? What is the benefit and where does it come from?"***

Profit, engine power of capitalism

The process of capital circulation is represented by the formula $M-G-M'$. The capitalist starts with a sum of money (M) which makes goods (G), machinery, raw materials and labour power; then makes the labour power work with raw materials and sells the product for a higher amount of money, than what he originally first owned (M'). The additional amount of money that he obtains through the sale of the product is his profit.

The persistent and unrelenting aim of the capitalist is to achieve ever more greater profits. As capitalism develops, the true kind of capitalist also develops, the kind that with full determination seeks to accumulate ever more wealth. The driver to achieve this sole purpose is not the satisfaction of personal needs. A satisfaction that, to be sure, can both afford it a fortune as well as an immense fortune –and hence bears a limit if not a necessary condition of the economic system itself: competition. The economic theory that ignores this and argues that the sole purpose of the activities of the capitalists is the rational satisfaction of desires and tastes will lack any sense of realism. The very conditions of capitalist production and exchange inevitably create an insatiable appetite for more capital and, consequently, for greater profit. The failure to seize an opportunity to earn a profit means reducing the competitive strength against other investments and constitutes a step towards its elimination in the race between capitals. Repeatedly taking advantage of the opportunities to increase capital resources is the basic condition of survival in the capitalist competitive system.

Marx wrote: "The repetition or renewal of the act of selling in order to buy, is kept within bounds by the very object it aims at, namely, consumption or the satisfaction of definite wants, an aim that lies altogether outside the sphere of circulation. But when we buy in order to sell, we, on the contrary, begin and end with the same thing, money, exchange-value; and thereby the movement becomes interminable. (...) The circulation of capital has therefore no limits. As the conscious representative of this movement, the possessor of money becomes a capitalist, and it is only in so far as the appropriation of ever more and more wealth in the abstract becomes the sole motive of his operations, that he functions as a capitalist, that is, as capital personified and endowed with consciousness and a will. Use-values must therefore never be looked upon as the real aim of the capitalist, neither must the profit on any single transaction. The restless never-ending process of profit-making alone is what he aims at." (Marx, Capital, Book I).

How the capitalist merchant achieved profit

The earliest form of capital –long before the evolution of capitalist production– was the merchant capital. In the pre-capitalist era the merchant made a profit in a very different manner of how the modern capitalist achieves it. And this

difference is quite instructive. In ancient and medieval times an important class of merchants lived, so to speak, in the gaps or pores between communities that depended on trade in a very small degree; communities which in most cases were self-sufficient. These merchants combined such transactions with piracy and they enriched themselves through looting and violence. In their trafficking they perceived profit in buying when there was plenty to buy and in selling when there was scarcity; they would buy cheaply and sell expensively. The markets they supplied were generally far apart from each other and the prevailing conditions in their own supply markets were not known in their selling markets. In this way, the merchants got rich at the expense of those with whom they plied their trade, which were beyond the productive activities of the communities with whom they had buying and selling transactions. They were not associated with the production of the surpluses that they appropriated.

The profit in modern capitalist society

In the modern capitalist society, to be sure, there is perceived profit in buying low and selling high, but the capitalist class as a whole does not obtain its gains in this way. In modern capitalism, trade is no longer an incidental link between communities that are generally self-sufficient for the entire production is devoted to trade; trade arises everywhere. "The wealth of those societies in which the capitalist mode of production prevails presents itself as" an immense accumulation of commodities", that is, of goods produced for sale in the market. The bulk of sales takes place between capitalists; the capitalist whose workers produce raw materials (such as iron ore) sell these to that whose workers produce semi-finished goods (such as steel pipes), who in turn sells them to another capitalist whose workers produce a finished product (for instance, bicycles), and that in turn sells them to a wholesaler who sells them to a retailer. Concurrently, there are a number of transactions with subcontractors that supply components (for instance, rings or brakes), with suppliers of machinery, fuel, etc. It is quite evident, therefore, that if they perceive a profit in buying below value and selling above it, the gain of a capitalist represents the loss of another, and the capitalist class as a whole is not in better conditions. The capitalist class as a whole cannot go beyond its strength. The great profits of the capitalists ... cannot, therefore, be explained in this way.

The transactions that do not take place between capitalists can occur in trade between capitalists and peasants and other capitalist producers. As an example, we can point out the trade between the big European and U.S. monopolies and the colonial or rural producers of raw materials. In this case, the powerful firms use their dominant position in order to earn extra profits for themselves at the expense of small producers. However, these special profits made outside of the capitalist society do not explain the source of profit as a whole, they merely account for just a portion of the benefits of a special group of capitalists. Usually, one gets an extra benefit of this sort only when a particular firm or group of firms acting together are capable of avoiding competition ensuing from other capitalists that could offer a greater amount of money.

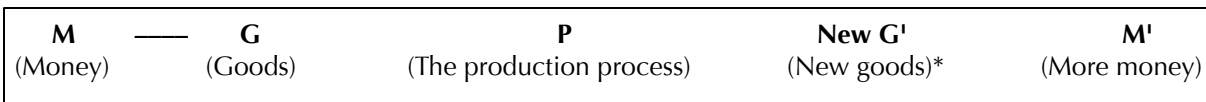
The only remaining transactions (leaving aside the labour market, which will be discussed later) are sales to final consumers. The bulk of consumers to whom the final products are sold are the workers. Is the exploitation of workers caused because they buy in more disadvantageous terms? Sometimes certainly, but this is not the main cause of exploitation in the capitalist society. Yet, this has truly been used as a subsidiary mean to exploit and defraud workers.The fact that market swindling is not the basis of capitalist exploitation is something that shows that capitalist exploitation goes on when workers buy in a market open equally to all. Generally speaking, the market does not discriminate—at least not under the conditions of a competitive capitalism—against any kind of special buyers, and capitalist profit, as a totality in a capitalist society, does not come about when buying cheaply and selling expensively.

The cycle of capitalist production

"Accompanied by Mr. Moneybags and by the possessor of labour-power, we therefore take leave for a time of this noisy sphere, where everything takes place on the surface and in view of all men, and follow them both into the hidden abode of production, on whose threshold there stares us in the face —No admittance except on business." (...) On leaving this sphere of simple circulation or of exchange of commodities, which furnishes the "Free-trader Vulgaris" with his views and ideas, and with the standard by which he judges a society based on capital and wages, we think we can perceive a change in the physiognomy of our dramatis personae. He, who before was the money-owner, now strides in front as capitalist; the possessor of labour-power follows as his labourer. The one with an air of importance, smirking, intent on business; the other, timid and holding back, like one who is bringing his own hide to market and has nothing to expect but — a hiding." (Capital, Book I).

The secret of capitalist profit is not to be found in the sphere of merchandise exchange and circulation. It must be sought in the sphere of production. A distinctive feature of the Marxist approach to economics, in line with classical economists, is that its analysis focuses on the productive relations, which in order to explain the relationships of the goods in the market it breaks with the sphere of circulation and departs from it.

When the capitalist starts up a production, the initial capital is a well-known form, that is money, which is used to acquire the means of production. The means needed to undertake a production typically include a factory in which to produce capital goods and tools to alter the raw materials and the raw materials themselves, together with ancillary inputs such as fuel and lubricating oils. However, this is just a preproduction. If production is the true intended purpose, the capitalist must get workers and put them to work. Thus, the capitalist purchases raw materials, hires labour, rents (or buys) a factory and machinery –in short, exchanges the money for a diversity of goods (MG), with the aim not simply to sell them (as merchants used to) but to use them in the production process. The workers are put to work in a factory, using the machinery to develop and transform the raw materials. At the end, the original goods have turned into different ones. The production process has been carried out and completed. The new goods produced are then sold, and the capitalist has money readily available once again, ergo capital, in the same initial form, albeit there is a considerably greater amount of money than what was first at hand –for conversely it would suffer a disappointment. This entire cycle, by which the capitalist has turned money into more money, can be expressed symbolically as follows:



* Those which have been transformed in the production process.

The problem to solve is: How do you convert M to M', how to convert the money into more money and where does the extra money, the profit, comes from?

Composition of the product's value

According to what generally happens, when the capitalist buys the raw materials from other capitalists..., their value – which was presumably acquired in line with their true value, constitutes a part of the value of the finished product. A second part of the value of the finished product is the value of the portion corresponding to the building, the plant and the machinery worn down during the production process. In truth, neither the bricks nor the machinery are worn out in a single production process to be sure; they gradually wear out over a period of years. Consequently, the capitalist adds to the other costs an item called "depreciation", based on the average lifetime of the buildings, plants and machinery used. This depreciation cost constitutes the acknowledgement of the fact that a portion of the value of these items is transferred to the product in the course of the production process. A third of the value of the finished product represents the "new" value "added" for the labour of the workers that transform the raw materials into finished products through the use of the plant, etc.. Yet, while the value of raw materials, plants, etc., used in the manufacturing of the product corresponds to the purchased value, and is passed on without change to the value of the finished product, the new value added by the labour of its workers is higher than the value for which they are paid. **In cash terms, they are paid less in wages than the value that their labour adds to the product.**

Wages

The capitalist regards wages as the price paid for the work. Price is value expressed in money. The question to be answered then is this: "What is the value of work?"—or so it seems at first sight. Nonetheless, with a bit of reflection one can see that this is a question that is lacking any sense. The value in itself depends on the work, and thus to inquire, "What is the value of work?" is like asking "what is the weight of the weight; how could we define, say, the value of a ten-hour work day? How much work does such a working day contain? Ten hours of work. To say that the value of a ten-hour working day is equivalent to ten hours, or to the amount of work it contains, would be a tautological expression, and further more, absurd "(Marx, " Wage, price and profit").

It is evidently necessary to study this issue further and try to find out what exactly the worker sells in exchange for the wage received. When a worker accepts a job, when he "rents himself" to a capitalist, **he is actually offering the capitalist**, for a specific period of time –an hour, a day or a week– his capacity for labour, that is, the aggregate of those mental and physical capabilities existing in a human being, which he exercises whenever he produces a use-value of any

description." (Marx, *Capital*). **The worker does not sell his labour** but his capacity for labour, his labour power, which he temporarily puts at the disposal of the capitalist. The latter makes the worker labour and can use his skills for better or worse, wasting them or using them economically. The worker does not sell the real contribution that he makes for the creation of products, he sells his labour power. **This distinction between labour –the real expenditures in human capabilities and energies (of which the value of goods depends on)– and labour power –the labour capability or power (that the worker sells in exchange for wages)– is of great importance.**

Wages are the price of labour power. Since price is the money expression of value, we must find out how to determine the value of labour power.

The value of labour power

As demonstrated, the value of goods depends on the labour time required for their production. It is actually as truthful for labour power as for other goods. "The value of labour-power is determined, as in the case of every other commodity, by the labour-time necessary for the production, and consequently also the reproduction, of this special article. So far as it has value, it represents no more than a definite quantity of the average labour of society incorporated in it." (*Capital*, Book I). The value of the labour power therefore depends on the amount of labour time to be surrendered so that the labourer may exist.

The labour power exists only in living men and women. To live, men must have means of livelihood, food, clothing, fuel, housing, etc.. So that the labour force may continue to exist, the labourers must reproduce and have children, therefore, they must have sufficient means of subsistence, not only for themselves but for their children. "The value of labour power is determined by the value of the items needed to produce, develop, maintain and perpetuate the work force" (Marx, "Wage, price and profit").

The amounts and nature of food, clothing, etc., required vary according to the nature of the work performed. Consequently, the value of the different types of labour power will vary. It will also vary because certain types of capabilities or skills need an education or special training that require a determined period during which the worker's living arrangement may incur on other expenses. These costs comprise the value of the labour power. Again, his natural wants, such as food, clothing, fuel, and housing, vary according to the climatic and other physical conditions of his country. On the other hand, the number and extent of his so-called necessary wants, as also the modes of satisfying them, are themselves the product of historical development (...), and depend therefore to a great extent on the degree of civilisation of a country, more particularly on the conditions under which, and consequently on the habits and degree of comfort in which, the class of free labourers has been formed. In contradistinction therefore to the case of other commodities, there enters into the determination of the value of labour-power a historical and moral element. Nevertheless, in a given country, at a given period, the average quantity of the means of subsistence necessary for the labourer is practically known." (Marx, *Capital*).

Today the distinction between "real wages and money wages" is particularly important since the value of money is capable of large-scale fluctuations. By "real wages" we mean those measured not in terms of money but in their purchasing power. The movements of real wages are normally measured by comparing the change in the cost of living index vis-à-vis the change in money wages. The existence of a mass of landless labourers, "free" to work or die of starvation, is a necessary condition for capitalist production. Whenever there are other workers at hand to replace them, the capitalist class may usually prevent the workers's wages to rise above the subsistence level (as defined above), thus wages do not normally exceed the value of labour power.

In brief, we see that the value of the labour force is resolved in a definite amount of forms of subsistence that depend on a) physical needs, b) requirements developed by history and customs; c) requirements to support the family, and d) education and training expenses."

It merits to add to what Eaton writes that the value of the labour power in the core countries tends to remain low or to decrease because workers in these countries cover some of their needs (clothes and other) with cheap goods from countries where wages are much lower, such as China, Pakistan, Indonesia, some North African countries, etc.. That is, the capitalists in core countries take indirect advantage of the exacerbated exploitation of workers in peripheral countries. Later (on page 89 of his book) Eaton writes:

"Everything revolves around the difference between the value of the worker's labour power the capitalist buys and the value created when the worker puts himself to work. The labour power is actually a commodity that carries the particular characteristic of creating, when in use, a greater value than what it in itself possesses"...

... "Once this is understood, the secret of profit is unraveled; the source of profit is the difference between the value of the worker's labour power and the value it produces. The value that the worker produces above the value of his labour power is called surplus value."

We will see further ahead that the appropriation of wealth produced by human labour in the production of tangible and intangible goods (an appropriation that is concentrated in the market through the sale of goods, including among them the labour power) materialises as well outside the sphere of production, not as a direct extraction of surplus value, but as the looting of individuals and peoples by means of the financial capital. You cannot state that capitalists earn an "honest" livelihood "providing jobs" in their companies because they also steal and cheat individuals and the peoples outside the sphere of production by way of the activity of speculative and parasitic financial capital. It is convenient to clarify that, contrary to the commonly used expression, those who actually "give" employment are not the employers but the workers, partly in exchange for a wage and partly gratuitously (the result of surplus labour –surplus value– appropriated by the capitalist). This idea that entrepreneurs are those who "give" work to workers, is part of the ideological arsenal of the ruling classes, which is discussed in Part Six of these deliveries. The message is that if it were not for the capitalists, workers would not work and starve.

Capitalist exploitation (III)

The theoretical work of Marx and other Marxist scholars has been to understand the essence and peculiarities of the capitalist system, the last stage of a period in history (actually of prehistory) that began with slavery, characterised by the appropriation by a minority of most of the product of the work of the vast majority, with periodic adjustments of stress or relaxation of exploitation depending on the balance of power between the contending classes.

Although the current crisis and "austerity cures" imposed by the ruling classes broadly confirm the Marxist thesis on the capitalist system, one could argue, as do their conservative ideologues or "reformers" and those who are "back" from socialism, that the current situation is temporary or, in the worst case, is not inherent to capitalism, but to the operation of "markets" according to them entrusted, for the moment, to "ultra-liberal" trends. It would be enough to "regulate" or to "humanise" the markets to solve the problem.

We want to add some elements that specifically exhibit capitalist exploitation in particular, which is currently in a period of high stress due to an unfavourable balance of power for the exploited. In the peripheral as well as in the core countries, the mobility of large companies (the ability to quickly change their operations from one country to another) limits the bargaining power of workers: the company threatens to withdraw from the operation site or to segment production in various places if it deems the demands of workers to be excessive, or companies simply "relocate" their plants to countries where wages are lower. And, hoping to avoid relocation and preserve their jobs, workers accept the degradation of working conditions in terms of wages, hours, stability, social security, etc. This is because the wage differences between "core" and "peripheral" countries in Asia, Africa, Iberian America and Eastern Europe are around 10 to 1, and sometimes they reach 20 to 1, with productivity levels tending to equalise.

Yet these relocation processes do not occur only from rich countries to poor countries but also within poor countries: firms relocate their plants from the countries where wages are very low to other countries where they are even lower (e.g. from China to Vietnam). Under other conditions (a balance of power favouring workers) increased labour productivity should logically be accompanied by a reduction of working time (daily, weekly and annual) as well as of its intensity. This was generally true until the 1920s, when the struggle of workers, magnified by the capitalist' fear by the example of the October Revolution in Russia, succeeded in gaining the 48-hour work week. Yet, with Fordism work intensity increased, as Chaplin keenly shows in the film *Modern Times*. Since then the working day remained stable, albeit the annual number of working days diminished as a result of longer vacations and, in some countries, of a reduced working week. Even so, in recent years, despite a sustained increase in productivity, the trend towards the reduction of work time was inverted as well as the intensity of labour, with labour flexibility becoming widespread, which is a way to have the worker always at the disposition of the employer, even if the worker is idle. The increase in working hours is in effect

accentuated due to the need of many people to work longer shifts (in the same job or in an additional one) to earn the minimum needed to survive.

Women and children are the first victims of labour exploitation worldwide. In February 2007 the International Trade Union Confederation (ITUC) released a report on the Internationally recognised core labour standards in the European Union, where the situation on the matter for each country was assessed. Among other things, the Report stated: *All EU Member states have ratified both ILO core conventions on forced labour. **Trafficking in persons, primarily women and girls, for the purposes of forced labour and sexual exploitation** is, however, a problem to some degree in virtually all countries... One can read in the conclusions of the Report: With regard to equality between men and women in the labour market, a wide gap between law and practice remains in all EU Member states. Women in Europe earn up to 40 percent less than their male counterparts, they face higher unemployment rates, and are underrepresented in senior positions. Economic discrimination against women is particularly severe in some of the Eastern European Member states, where wage differentials in the public sector are often even higher than in the private sector. However, the increasing concentration of women in part-time jobs and the services sector has also unfavourably changed the situation of women in some Western European countries.*

The increase in the load (physical, mental and nervous) has made work more strenuous in recent years and labour flexibility and the increase of the working shift leeches off or phagocytes the time away from work, namely the remaining free time. This is increasingly farther away from the promised post-industrial society of free time. Even employees and senior technicians endure that burden, victims of the stresses from the same job and of the anguish produced by the fear of losing it. Suicides are common in these categories of workers. The facts confirm that, as Marx pointed out in Chapter VI (so-called unpublished) of Book I of Capital, not just manual labour but also the wage labour producing intangible or insubstantial goods (such as the work of researchers, technicians, teachers, administrators, health workers, artists, etc..) is the object of exploitation for it creates value and is a source of profit (surplus) for the capitalists. The same is true in the case of those employed in services (transport, communications, banks, etc).

Even the employees and senior technicians suffer that burden, victims of work-related stress with the fear of losing their job standing prominently. Suicides are frequent among workers and highly-skilled technicians when they are fired, particularly when they are beyond the 45-50 age group, for the odds of getting a new job are very slim. Yet, suicides occur as well among current employees. For example, in the ultra-modern Renault Technocentre in Guyancourt, near Paris, where the suicide on 16 February 2007 was the third in four months. The three people who killed themselves were engineers working on projects to develop the new Renault car models, due to the enormous pressure put on them, for Renault was aspiring to recapture part of the market share it has lost. In reaction to these successive suicides the public attorney decided to open a criminal investigation on the working conditions at the site.

Also in France, there was a third suicide in six months in February 2007 at the Chinon nuclear power plant. Work-related stress is unbearable, especially among those responsible for the safety of the facility, because a mistake can cause a catastrophe. Furthermore, the scheme of work imposed by the company has sharply deteriorated human relations in recent years; thus, people hardly speak to each other or even say hello. Also in France, more than thirty employees of France Telecom took their own lives between 2008 and 2009. Suicides at the place of work are not an «exclusive» trait of the French to be sure. Workers at Chinese company Foxconn, the manufacturer of **Apple's** iphone, ipad and ipod, endure such a high level of stress that there were ten suicides within days in 2010.

An Appeals Court found Renault guilty, in May 2012, following the suicide of one of its employees, of "inexcusable" failure, pointing out that the company "did not take the necessary steps to protect its employee from the dangers inherent in the clearly harsh conditions of his work, which were continuously deteriorating. The Court asserted that "the company never tried to improve his working conditions or to control his schedules", estimated to be of 10 to 12 hours a day. In May 2011 the same Court had sentenced Renault for the suicide of another of its employees. Concurrent with the wave of suicides, France began proceedings in July 2012 against France Telecom and three of its leaders: the CEO, his deputy and the Director of Human Resources. They are accused of "moral bullying" and of "hindering the functioning of the Works and Health and Safety Councils."

In general, hygiene and safety at work tend to get worse: according to an ILO report for the XVI World Congress on Safety and Health at Work, held in Vienna in May 2002, each year two million workers die worldwide from accidents

and work-related diseases. The latter, among other things, as a result of the use of toxic agents in the workplace (agricultural and industrial). Big corporations evade their responsibility for health and safety by outsourcing the drudge and/or dangerous tasks, which made the worker's situation with subcontractors even worse, for they customarily violate labour laws and lack sound financial stability to meet their responsibilities.

Still, there is no lack of modern slave or semi-slave work use. In Myanmar (formerly Burma), three companies: American Union Oil of California (UNOCAL), Britain's Premier Oil and France's Total, have taken advantage of the "comparative advantages" offered by the dictatorial regime of that country, which uses modern slave work in the construction of the Yadana (UNOCAL and Total) and Yetagun (Premier Oil) pipelines. Transnational corporations take advantage of other practices that are close to modern slave work. For example, Disney has subcontractors in China that make their workers work 13 to 17 hours a day, seven days a week for a daily wage of a little over a dollar. Another form of semi-slave labour is done in prisons for private companies (often transnationals), practiced in China and in many rich countries such as the United States, France and Germany. As reported by the U.S. Department of Justice, 30 states have legalised the outsourcing of labour to prisons since 1990. Large multinationals such as Microsoft and Boeing take advantage of such badly-paid and semi-slave prison work. All of this despite ILO's Convention No. 29, from 1930, article one, proposing 82 years ago to abolish forced labour in the shortest term; a principle that was reiterated in ILO's Declaration of 1998 on the Fundamental Principles and Rights at Work; and despite article 2 paragraph c) of Convention No. 29, which prohibits any work or service, exacted as a consequence of a conviction, "to be placed at the disposal of private individuals, companies or associations". One could give many other examples of slave or semi-slave work, as that practiced in different plantations in Iberian America and other continents.

In short, the capitalist exploitation of the workforce is not only the appropriation –pay below its value– of the human being physical strength, often in appalling conditions, but also of its skills and knowledge, of its ability to imagine, create and invent.

In parallel with the degradation of working conditions one can substantiate a regression in the international labour standards of the International Labour Organisation. The regression in labour standards in the International Labour Organisation to conform them to "globalisation" began openly in 1998 with the Declaration of the Fundamental Principles and Rights at Work; it continued in 1999 with Convention No. 182 on the Prohibition of the **Worst** Forms of Child Labour (why the worst forms instead of reinforcing Convention No. 138 of 1973 to make it prone for the **abolishment** of child labour?); it followed in 2000 with Convention No. 183 on Maternity Protection, which amended regressively Convention No. 103 of 1952 and continued in 2001 with Convention No. 184 concerning safety and health in agriculture. This reflects a tendency to substitute binding labour standards with voluntary commitments by companies, of the kind of codes of conduct, whose application depends on the good will of companies. This is what is called "corporate social responsibility", a concept that is intended to become popular with the help of certain NGOs, companies and states. This "corporate social responsibility" cannot shroud reality: whole nations subjected to the plundering of transnational corporations and of transnational financial capitalism.

Why do we qualify as regressive the Declaration of the Fundamental Principles and Rights at Work adopted in June 1998? A quick glance at the Declaration will drive one to assume that it is an attempt to promote the core of workers' rights. Yet, in a more detailed assessment one can substantiate that:

- 1) it is about a declaration and not an agreement; that is, it is not binding;
- 2) the rights enumerated in the Declaration are already subjected to binding Conventions: forced labour (Conventions 29 and 105), freedom of association (Convention 87), Right to Organise and Collective Bargaining (Convention 98), equal remuneration for men and Women (Convention 100), non-discrimination (Convention 111) and minimum age, relative to the abolition of child labour (Convention 138);
- 3) the Declaration has omitted rights that are as much or more fundamental for workers (also considered in international agreements) than those included. The rights omitted **share that they are the subject of a generalised crackdown in the name of globalisation and competitiveness**, including:
 - a) Minimum wage (Convention 131),
 - b) Women's work (Conventions 45, 89 and 103)

- c) Maximum Working Day (Conventions 1, 30, 43, 47 of 1935 (over 40 hours), 49, 153 and Recommendation 116 of 1962 on the reduction of working hours,
- d) Health and safety at work (Conventions with general provisions Nos. 31, 97, 155, and 161 and several Conventions and Recommendations on specific hazards or industry sectors),
- e) Free time (Recommendation 21 of 1924 on the use of free time of workers) and
- f) Social security (Conventions with general standards Nos. 102, 118 and 157) and numerous agreements with specific rules.
- g) And, by the way, Conventions and Recommendations concerning the right to work have been omitted: Convention 122 of 1964 on Employment Policy, of 1982 and 158 on the termination of the employment relationship and recommendations on employment policy 122 and 169 of 1984 with complementary provisions on the same subject.

We have included in the preceding enumeration Recommendation 21 on free time and 116 on the reduction of working time without wage cuts, for today they must rigorously be included.

Without an overview of how the capitalist system really works, the result is the submission to any of the variants of the dominant ideology that attributes to the "unregulated" market all the ills of society, when the root of this wrongdoing is in the system itself, namely in the private ownership of the instruments and means of production and exchange. In other words, the "alternatives" that only propose reforms within the system and so-called intermediate "ways" that do not part from the perspective of the abolition of capitalism, inevitably lead to a dead end, to the growing deterioration of material and spiritual living conditions of human beings and to the ever increasing acceleration of ecological deterioration. This is also evident in the former socialist countries that have restored capitalism (state and private) –where social differences are now enormous and even life expectancy has diminished– and is also true when analysing the dominant trends in countries where there is talk about "modernising" socialism or about a "socialism for the XXI century", with heavy doses of a capitalistic market. But the choice is incontrovertible: capitalism inevitably generates the dictatorship of the market (or dictatorship of the bourgeoisie as Lenin called it) as is now clearly seen in the "great western democracies" that are imposing on their own peoples drastic austerity policies, and that demand that other countries (like Greece) get rid of their national public goods, and effectively have forbidden the organisation of referenda to petition the people.

❖ Part Three

Transnational corporations

The core of the capitalist system in its present stage is constituted by transnational corporations. On one side is the apologetic view of the role of transnational corporations ... *"They promote the growth and profit ... meet new stacks of funds, developing idle resources and providing new opportunities for the talented. The result has been to raise the standard of living, both in industrialised as well as in developing countries"* (Business Week, December 19, 1970, "Special Report: The Multinationals ride a rougher road", p. 57. Quoted by Christian Palloix in *L'Economie Mondiale Palloix capitaliste multinationales et les firm*, T. II, p. 95. François Maspero, editor. Paris, 1975). Then there's the fact-based analysis, for example, the work done thirty years ago by a group of French economists and the one written by Stephen Hymer in 1970, both as current today as ever.

Michalet, Delapierre, Madeuf and Ominami, wrote in *Nationalisations et Internationalisation ...* (Ed. La Découverte / Maspero, Paris, 1983, p. 147):

"The consolidation of private monopolist regulation on a worldwide scale will lead to a drastic restructuring, undoubtedly irreversible, of Nation-states. These will become amorphous territories whose economic functions will be determined from outside by international oligopolies. These territories will be both largely open and fragmented spaces. A dualistic structure, composed of a "modern" sector and a "traditional" one will be imposed. In the former, fully internationalized, the headquarters of large conglomerates, the high-tech industries, the major educational institutions, the leaders and best-trained engineers –themselves quite transient and speaking the same language– the laboratories and the whole set of international media will be concentrated. The "traditional" sector will concentrate the mass of the population with low pay and skills, dedicated to the tasks outsourced by the modern sector. In this ethos, conceivably a shorter working shift will be offset by a reduced coverage of social needs; yet workers will prefer this to unemployment, whose rate will be high."

Stephen Hymer wrote in 1970 ["The efficiency (Contradictions) of multinational corporations", *The American Economic Review*, May 1970 (No. 2, p.441)]:

"...we should note that the multinational corporation raises more questions than economic theory can answer. Multinational corporations are typically large firms operating in imperfect markets and the question of their efficiency is a question of the efficiency of oligopolistic decision making, an area where much of welfare economics breaks down, especially the proposition that competition allocates resources efficiently and that there is a harmony between private profit maximisation and the general interest. Moreover, multinational corporations bring into high definition such social and political problems as want creation, alienation, domination, and the relationship or interface between corporations and national states (including the question of imperialism), which cannot be analysed in purely "economic" terms."

Many insist on calling "neoliberal globalisation" to the currently dominant socioeconomic system, as if it were a temporary and curable disease of capitalism. So-called "neoliberal globalisation" is nothing other than the actual true capitalist system, whose core is a handful of large multinational corporations that spread their networks of domination across the planet. According to a recent study, published in September 2011, a group of researchers from the Swiss Federal Institute of Technology in Zurich, the bulk of global economic power converges in 737 large corporations, most of them banks and financial groups, which, through various networks and links, would control the assets of 80% of the large transnational corporations. Yet, according to the same study, a more cohesive group, called "super-entity", of just 147 corporations would control 40% of the assets. (*«The network of global corporate control»*, Stefania Vitali, James B. Glattfelder and Stefano Battiston, ETH Zurich, 19 september 2011, <http://www.scribd.com/doc/70706980/The-Network-of-Global-Corporate-Control-by-Stefania-Vitali-James-B-Glattfelder-and-Stefano-Battiston-2011>).

There is thus, not a sick capitalist neoliberal globalisation, characterised by periodic crises (that now happen almost without a pause to recover) of warmongering, racism, neo-fascist outbreaks and environmental degradation, and another "possible" capitalism, stable and efficient, that would work smoothly, free of crises, militarism and other calamities. In the converging pre-monopoly period of the capitalist system, there were three distinctive and relatively autonomous processes: a) the production process, b) the circulation process and c) the process of fulfilment of production, each governed by its own capital: industrial, commercial and banking capitals. Yet, with the rise of monopolist capitalism, which consolidates in the second half of the twentieth century with the so-called scientific revolution (electronics, computers, etc.) the relative autonomy of the three areas ceases to be (production, circulation and production). Financial capital plays a dominant role, and competition ceases to be a self-regulatory mechanism (or relatively self-regulating) of the market. Transnational corporations come to be the basic structures of the global economic and financial system and replace the market as the method of organising international trade. This does not preclude the continuance of competition between large oligopolies, customarily bloody and merciless.

In this way, when we actually hear talk about the market and that *"the functioning of the economy should be left up to free market forces"* it should be understood that the functioning of the economy (and society in general) must be submitted to the strategy decided by transnational monopolistic capital, whose basic objective is to maximise shareholder value, by appropriating the fruits of labour, savings and traditional and scientific knowledge of human society, through whatever means.

The first transnational corporations appeared in the late nineteenth century; first as large national enterprises that accumulated capital and power through all means, including extortion and crime, and began to spread overseas. For example, Standard Oil, founded by John D. Rockefeller in 1870 in Cleveland, Ohio (Harvey O'Connor, *The Empire of oil*, Editorial America Nueva, Mexico, 1956). For decades transnational corporations focused on productive activity: mining and commodity trading and manufacturing and trade of industrial products; then they added services, communications, electronics, computers, biotechnology, etc. Until after the first half of the twentieth century, the industrial and commercial activity of transnational corporations was perhaps the dominant but not the exclusive feature. For example, Harvey O'Connor, referring to the Standard Oil of New Jersey, heir to the Standard Oil founded by Rockefeller in 1870, writes: this ... *"only retains, thinks and plans. Retains control of 322 companies... already quite a task. When some of such entities... are classified among the major corporations in the world, thinking and planning becomes far more important than retaining."* The adoption of strategic decisions at a centre with that sole function and that is separated from industrial and commercial activity, which is entrusted to subcontractors or subsidiaries, is a prominent feature of the contemporary global economy, but it is a mode of organising the system that was not absent at the dawn of transnational monopolistic capitalism formation.

The process of formation of large transnational corporations is the result of the concentration and accumulation of capital, which led to the formation of large oligopolies and monopolies whose financial base consolidated from the late nineteenth and the early twentieth centuries with the merger of industrial and banking capital, a phenomenon that Rudolf Hilferding called financial capital (Hilferding, *Financial Capital*, 1910) to highlight what he considered the hegemonic role of banking capital in such merger. Large transnational monopolies also consolidated their financial base by becoming anonymous corporations (with limited liability), absorbing people's savings through the issuance of shares (capital and profit or loss sharing) and bonds (credit/debt security instruments producing interest).

Paul Sweezy (Theory of Capitalist Development, Chap.XIV, Item 5, Edit. Fondo de Cultura Económica, Mexico, 1945) makes a critique of Hilferding's approach, who described "the tendency of capitalism as if implying the growing subjection of all aspects of economic life to an increasingly narrow circle of big banks", and Sweezy adds that "this view is fundamentally misleading. Hilferding confuses a transitional phase of capitalist development with a lasting trend" and emphasises the self-financing capacity of large corporations without prejudice against the role of banks. He coincides with the analysis of Lenin in *Imperialism, the Highest Stage of Capitalism* (1916), in that what characterises modern capitalism **is the concentration of production and capital accumulation, the formation of monopolies and oligopolies and the merging or fusion of banking and industrial capital**, which he prefers to call "monopoly capital" and not "financial capital". Yet against the background of a lasting trend, and at an ever more accelerating pace of capital concentration and accumulation (industrial, commercial, service and financial) worldwide, the preeminence of financial capital in monopolistic capital, which Sweezy called "transitory phase of capitalist development", is undoubtedly now the dominant feature of the system.

Another feature of big transnational capital is that it can act simultaneously or successively in the real economy and in financial speculation, in production, trade and services. Also, for various reasons, large transnational corporations that constitute its main structure often change geographical location and name. The current hegemony of financial capital is the result of a profound change in the global economy from the 1970s, facilitated by the deregulation of the financial system and the free movement of capital. It is the time that marks the end of the Welfare State, characterised by mass production and mass consumption, the latter driven by rising real wages and the generalisation of social security and other benefits. This is what economists call the "Fordist" model of Keynesian inspiration, typified by production-line work (Taylorism), launched in the U.S. and then spread to Europe especially after World War II.

The depletion of the Welfare State model was due to several factors among which two stand out: the post-war reconstruction, which was the engine for economic expansion, came to an end and mass consumption tended to stagnate or decline as well as employer profits. The oil "shock" in the early 70's also had an effect. To give new impetus to the capitalist economy and reverse the downward trend in the rate of profit, it became necessary to incorporate new technology (robotics, electronics, information technology) to industry and services, which required large capital investments. Someone had to pay the bill. Thus the era of austerity and sacrifices (wage freezes, deteriorating working conditions and higher unemployment) accompanying industrial conversion begins. At the same time, the technology revolution in developed countries drove growth in the service sector and led to the displacement of part of traditional industries to peripheral countries, where wages were –and are– much lower. "Comparative advantages" of states became "comparative advantages" of transnational corporations with a diversity of territorial implementations.

Under these conditions "neoliberal globalisation" takes shape: the transition from a system of national economies to an economy dominated by four global centres: United States, Europe, Japan and a group formed in a first stage by the "four Asian tigers": South Korea, Taiwan, Hong Kong and Singapore. More recently this picture has changed substantially with the emergence of new economic powers, four in particular: China, India, Russia (which is recovered from the dislocation of "real socialism") and Brazil. It is the group called BRIC, renamed BRICS after the recent addition of South Africa. Of the four sites three clearly stand out for the concentration of financial capital and because that is where most large transnational corporations are based. In order of importance: United States, China and Europe. Yet the order may change in a few years: China overtaking the U.S. and the BRICS overtaking Europe.

With the addition of new technologies productivity greatly increased, namely, production became much greater with the same human labour. Thus, two possibilities opened: encourage mass consumption of traditional and new goods on a global scale with an expansive wage policy, a Welfare State style social policy, a reduction of the working day in line with an increase in productivity, to tend towards full employment, and the recognition of equitable international prices

for commodities and the products of poor countries; or tend to maintain and increase profit margins by keeping wages, employment levels and prices of Third World countries low. The first option would have been feasible in a system of national economies in which production and consumption takes place primarily within the territory, for then the social contract is materially possible between capitalists and wage earners as consumers. Yet in the new "globalised" system production is intended for a global market of "creditworthy customers", and the purchasing power of the population of the place of production is of little or no interest. Under conditions of accelerated globalisation, the owners of global economic and political power, with their vision of "global economy" and "global market" bet on the second alternative (low wages, low levels of occupation, liquidation of social security, low prices for raw materials, etc.) to maintain and even increase their rate of return. The consequences of this option were the escalation of social inequalities within each country and at the international level, thereby engendering a clear differentiation in the supply and demand for goods and services. The production and supply of goods is oriented not to people broadly but to the so-called "credit-worthy customers". That was how the supply of luxury goods increased dramatically and the supply of new products such as computers and mobile phones found a large mass of customers in rich countries and many customers in the not too poor first periphery. Meanwhile, goods essential for survival (food, health services, medications, housing worthy of the name, etc.) were put beyond the reach of the vast majority of the poorest sector of the world: the three billion human beings living on less than \$2,50 per day. The idea of public service (health, education, etc. for all) and of an irrevocable right to the goods essential for living with a modicum of dignity, was replaced by the assertion that everything must be subjected to market laws.

In this way, low economic growth rates prevailed particularly in the U.S. and Europe, due to the imposition of limits on production by a relatively restrained market (a virtual freeze in real wages and deteriorating social benefits) and the emergence of the great masses of the idle capital phenomenon (including petrodollars), which could not be invested productively. Yet, for owners of these funds (individual investors, banks, financial institutions) it was not conceivable to leave them idle. Hence, the role of finance at the service of the economy, intervening in the process of production and consumption (with credits, loans, etc.) was relegated by **the new role of financial capital: to produce profit without participating in the production process.**

The latter materialises in two basic ways. One consists in the institutional investors managing pension funds, insurance companies, mutual funds and capital investments buying shares of industrial, commercial and service sectors. Investment funds collect money from pension funds, corporations, insurance companies, individuals, etc., and use them to buy industrial, commercial or service companies. If they are very profitable or strategic they retain them, or if they lose money or are not sufficiently profitable, they "sanitise" them, laying off staff to then sell them at a substantial profit margin. This is how financial groups intervene in corporate policy decisions with the goal of making their investments produce the high rate of return expected by imposing short-term strategies. The other way in which the role of speculative financial capital grows is when financial groups (investment funds, etc.) invest in sheer speculation (e.g. the so-called financial derivative products). The same is true when industrial, commercial and service companies invest part of their benefits in such instruments, rather than in productive investments.

This is how the practice of obtaining profits by creating financial products or acquiring existing ones and using them for speculative investments became widespread. Besides traditional financial products (stocks and bonds) many others have been created; among them: financial derivatives, instruments whose value depends on or "derives" from an underlying asset, and that are listed with the intent to speculate in the financial markets. The underlying assets can be a good (food staples or other commodities: petroleum, copper, corn, soy, etc.), a financial asset (a currency) or even a basket of financial assets. Thus the prices of raw materials and essential foods no longer depend only on supply and demand but on the price of those speculative instruments and, consequently, foods may increase (and they do increase) with no considerations in detriment of the population and for the benefit of speculators. For example, if there is an announcement that biofuels will be produced, speculators "anticipate" that the price of agricultural products (traditionally used as food staples) will increase, and thus the price of the financial instruments (derivatives) that represent these staples will quote at a higher rate, resulting consequently in actual higher prices to be paid by consumers for such staples.

Investment in financial products involves different levels of risk. In hoping to cover these risks, a series of complex financial products that inflate the bubble increasingly more and put it further away from the real economy has been invented.

Chesnais writes: ... *"Financial investors, as well as central banks finally believed in having a miraculous technique that guaranteed protecting the banking system against risk: widespread securitisation. What is this securitisation (in French "titrisation" albeit the original English expression is "securitisation")? Well it is about "transforming debt held by credit institutions, financial companies, insurance companies or trading companies (client-accounts) into trading securities." These titles have quirky names but they must be mentioned. Standing out first are the RMBS (Residential Mortgage-Backed Securities), attached to the loans. Then there are the CDS (credit default swaps), credit derivatives involving the transfer of the risk associated with ownership of corporate bonds and that carry high fees and interest (these CDS were hedging instruments, but they became instruments of speculative investment). Finally, there are the CDOs (Collateralised Debt Obligations), which are "security derivatives from securities" involving two successive securitisation operations with complete opacity on the composition of the "condensed product" (François Chesnais, *The End of a cycle. Scope and direction of the financial crisis*. Published in Spanish in Herramienta N° 39, Buenos Aires, October 2008 and in French in Inprecor No. 541-542, Paris, September / October 2008).*

Michel Drouin, meanwhile, writes: *"The development of international capital flows, driven by deregulation and the almost universal decompartmentalisation of financial markets, made the 80s the decade of financial globalisation... The financial transactions whose quantity was already disconnected from the volume of transactions in goods and services became autonomous, namely not driven by the logic of regular transactions, but by that of the movements of capital. The financial sphere based its development on itself in pursuit of a profit arising from the variation in the prices of their own instruments. The speculative nature of this logic of growth allows us to speak of the emergence of an international economy of speculation" (Michel Drouin, *Le système international financier*, Edit. Armand Colin, Paris, January 2001).*

With this "international economy of speculation," the accumulation of large amounts of capital in a few hands accelerated mainly at the expense of workers, pensioners and small savers. In the case of investments of financial capitals (pension funds, insurance companies, investment funds, banks, etc..) in industrial and service sectors, the high return demanded and obtained by the owners of these funds is based on the degradation of the working conditions in these industries and services. It is a well-known phenomenon that when a company announces layoffs their stocks rise. These was the way in which transnational capital kept and maintained a high rate of return and an accelerated rate of accumulation and concentration despite slow economic growth and the existence of a restrained market.

Despite the dominant role currently played by financial capital, it is clear that the permanent basis of the capitalist economy is productive capital, without which financial capital (whether hegemonic or not) could not exist. For that reason, large transnational capital not only performs the lead role in the financial system but performs productive activities in the most varied fields: from the extraction of raw materials to providing all kinds of services (banks, insurance, healthcare, communications, information, pension funds, etc.) as well as the production of a variety of goods: non-durable goods such as food, durable goods such as cars, etc.. and also in the sphere of all areas of research, especially in cutting-edge technologies: electronics, genetic engineering, etcetera.

Until a few decades ago there was a clear separation in the powers conferred to the different institutions involved in financial services. Yet since the early 80s a broad movement of deregulation takes place. The difference between money and financial assets is eliminated, the boundaries between different market segments: money markets, mid-term credit markets, financial markets, etc. disappear. The dividing line between commercial banks, whose main function is to receive deposits and grant loans and investment banks, who devote themselves to taking companies to stock markets, designing and implementing IPOs, handling mergers and acquisitions, selling entire divisions between companies, issuing bonds, managing high-volume trading operations in financial markets, etc. becomes increasingly more diffuse if it does not disappear at all. The traditional separation between exchange agents and financial intermediaries disappears, and traditional banking intermediation to obtain capital loans dwindles, as these can be obtained by issuing different types of securities that are placed directly on the market. This leads to a true hypertrophy, totally uncontrolled, of the financial sphere, and a huge **fictitious capital** is created, as Marx already called it and described it in *Capital* (Volume III, Chapter XXV - Credit and fictitious capital).

❖ Part Four

Crises

In a few years, the financial derivatives (futures, options, forwards, swaps, etc.) of a speculative nature or allegedly designed to cover risks multiplied exponentially and their amount became astronomical and completely detached from the real economy. All these financial products circulate in practice as currency, in such a way that the role of a currency to embody the values created in the production process has been totally distorted, for the relationship between the actual values created in the production process and the fictitious values circulating in the financial market is between a 10 to 1 ratio and a 20 to 1 ratio, depending on different estimates. There is a sense of economic euphoria with slogans buzzing around such as "what are you waiting for to get rich?" until, inevitably, the crisis explodes. It is in this context that financial crises occur, such as the one that started in 2007 and exploded globally in 2008, which differ from the classical cyclical crises of capitalism in which, after a relative long period of economic growth, production exceeds market potential (overproduction).

This special form of fundamentally financial crises is not of overproduction but produces serious "side effects" on industry and trade. These crises have as their centre of gravity money-capital and thus gravitate within the orbit of banks, stock exchanges and finance. Yet, the consequences are similar: companies fail, layoffs are widespread, unemployment increases and monopolistic concentration intensifies until the economy is recomposed over the debris of the crisis, leaving a trail of casualties among workers and employers.

The current financial shocks, Chesnais says (*La mondialisation financière*, François Chesnais, editor, ed. Syros, Paris, 1996, ch. 8) are the result of a specific configuration of capitalism in its present stage. They are not the result, as in the "classic" capitalistic crises of up to the mid-twentieth century, of a brutal drop in production and trade. This would witness, Chesnais continues, a particular interaction between the sphere of production and the sphere of finance. On the one hand there is a steady decline over a long period of the rate of growth in most industrialised countries, which can be described as chronic overproduction, which the large oligopolistic groups generally succeed in controlling by taking steps in the sphere of production and by **hypertrophying the financial sphere**.

Put another way: if production does not increase at a rapid pace and unemployment increases, the rate of profit earned by capitalists in the sphere of production tends to stagnate or decline and if people are impoverished (unemployment and stagnant wages) they consume less; that is, that the market where the capitalists make profit, becomes smaller.

The capitalist "solution" to the two problems (falling rates of profit and a crisis of overproduction threatened by a shrinking consumer market) is the hypertrophy and deregulation of the financial system that allows, first, to strip down workers and small investors in the financial sphere to compensate for the falling rate of profit in the productive sphere, and, on the other hand, to greatly expand credit in order to create an artificial purchasing power in the lower classes, who live in debt and progressively become more indebted, until they become unable to service their debts. At which point the capitalist "solutions" for the contradictions inherent to the system stop working and thus financial crises emerge. This is so for the true system, namely, the sphere of production and exchange and its fundamental contradiction (private appropriation in the form of surplus value that gets in between social production and social consumption) resurfaces: the mirage of prosperity ceases and the poor are poorer than before.

To all this, the meetings of the "world leaders" follow, with the stated objective of providing solutions to overcome the crisis, but in truth with the dual purpose of distracting public world opinion with a demagoguery show, whilst they agree on some measures to preserve the system and, within it, the hegemony of parasitic financial capital, and to relaunch the great farce of alleged control of tax havens.

As for the control of tax havens, the famous "black list" (now in different shades) of tax havens developed by the OECD ten years ago was to no avail whatsoever. The reason is quite simple: a good part of the tax havens (not included in the lists) are in the territories of the great economic powers or are controlled by them: the City of London, the Isle of Jersey, the Isle of Man, the State of Delaware in the United States, Monaco, Macao, Hong Kong, the Cayman Islands, etc., etc. And those who benefit from tax havens are the large transnational corporations, the big banks and their clients and the institutional investment groups, who are untouched and untouchable. Moreover, the "black or gray list" is like a revolving

door. As easily as you get in you get out. According to Professor Michael Krätke (Tax havens. Published by Sin Permiso <http://www.sinpermiso.info/textos/index.php?id=1716>. 2 March 2008) about 30% of the wealth of the richest is placed in offshore financial centres. **More than a fifth (23%) of all bank deposits in the world is in tax havens, at least \$ 3 trillion according to conservative estimates. Almost 50% of global cross-border financial transactions go through them.** Krätke asserts that, according to careful analysis of the Tax Justice Network, the capital hidden in tax havens evades taxes amounting to between 250 and 300 billion dollars each year. This is a good part of the money necessary to revive the economy, increase purchasing power of the poorest and, generally, improve the situation of the 3 billion people worldwide living on less than \$ 2,5 per day.

As Eva Joly recently noted, more than controlling tax havens, the finances of large companies, investment groups and banks would need to be directly controlled. Eva Joly, until 2002 a magistrate in France in charge of investigating the grand "affaires" and who resigned due to the political pressure exerted to block her actions, wrote: "...I thought we were facing a superficial criminality, marginal, accidental, a kind of lack of individual morality. **Today I am certain that financial crime is embedded in the economy and shadows our future**" (emphasis added) (Eva Joly, Notre affaire à tous, Ed Les Arenes, Paris, June 2000, p. 183).

Other ways that allow financial capital to appropriate in a parasitic way the product of the work of those employed, namely without participating in the productive process, are the privatisation of social security through private pension funds, the substitution of part of the salary or other compensation accruing to employees of large companies for shares or stock options of the same company, which are different ways of stealing or embezzlement, as economists Labarde and Maris assert (*La bourse ou la vie, la grand manipulation des petits actionnaires*, edit. Albin Michel, Paris, May 2000). In addition to these "legal" mechanisms designed to get an increasingly greater slice of the values created in the productive sphere, financial capital directly appropriates the assets of workers, pensioners and small savers, committing true scams. For example in the U.S., the giant energy transnational Enron filed for bankruptcy acknowledging a debt of 40 billion dollars and put on the street its entire staff (12000 people), whom, moreover, was stripped of its equity in its retirement plan invested in company shares. In other bankruptcies of large banks and transnational financial groups, thousands of small savers have seen the fruit of many years of effort and even of hardships evaporate. After Enron, similar cases followed, such as WorldCom, where two of the largest U.S. banks: Citigroup and JP Morgan Chase were involved. In the case of WorldCom, a small saver who bought \$10,000 in shares in March 2000 found himself with a net worth of these shares of only \$200 (AFP Dispatch 21/7/02). A similar situation also took place in some transnationals based in other countries, such as Vivendi and others in France. Vivendi's shares were quoted at 141.60 € on 10 March 2000 and were worth only 9.30 € on 16 August 2002. In short, transnational financial capital is operating as a suctioning pump of the wealth produced by labour globally (in the sphere of production of goods and services). Thus, wealth concentrates in a few hands and in certain regions of the planet.

In this way, the appropriation performed by speculative financial capital without participating in the production process has been added to the traditional appropriation of the fruits of labour practiced by capital in the sphere of production (the extraction of the surplus value).

The payment of foreign debt (real or perceived) by many countries, which are not all "peripheral" as it used to be until recently - contributes in no small part to feed the coffers of transnational financial capital. It merits to say that the loans to states and/or purchase of public debt are safe and very successful investments for financial capital, often with rather high interest rates. If foreign debt was initially a vehicle for colonisation and subsequently a tool put forward for the recolonization of the Southern countries, it is now a tool in the hands of financial capital to blackmail and subdue the governments of the Northern countries, as evidenced by the situation in the countries of the European Union. To grasp the mechanisms of debt see **"Let's Launch an Enquiry into the Debt! A Manual on How to Organise Audits on Third World Debts"** Co-edited by CETIM and CADTM. Geneva, October 2006.

Financial crises are not a curable disease of capitalism, due to the irresponsibility of financial managers (although risky operations of the "traders" and their employers contribute to their aggravation); they are a structural part of capitalism in its present stage, globalised and fully privatised in the spheres of production and finance, with the ruling classes and governments fully at their service. In reality, political and business leaders are interchangeable and sometimes are the same, especially in the U.S.: they pass from the boards of large corporations to governmental functions and vice versa.

Political leaders have no interest nor the possibility to restore the (quite limited) economic regulatory forms that existed in the immediate postwar period. Although now they do not cease to revile against financial deregulation (which they themselves promoted and consented) and advocate and practice State intervention, as in the case of the partial (and temporary) nationalisation of General Motors, their involvement lasts until the financial waters recede to then reprivatise everything for the greater glory and profit of monopolistic capital.

The role of political leaders is limited essentially to cheating and to trying to calm the public and put all the resources of the State (i.e. the wealth created by human labour) at the service of financial capital and of the preservation of the system. As Galbraith wrote, referring to the crisis of 29: *"Then as now, intervention to support such institutions (banks and other financial institutions) was acceptable. Unlike welfare support to the poor, it was not thought a burden."* (Galbraith, John K., *A Journey Through Economic Time*, Houghton Mifflin, New York, 1994, Chap.8 (The Great Depression)).

Goldman Sachs, who in 2008 sought and received assistance from the U.S. government for 10 billion dollars (already paid off) announced on 14 July 2009 a net profit of 3,44 billion dollars for the second quarter of the year, an increase of 65% over the same period of last year and the best quarter in its 140-year history. Moreover, it put together a provision of \$ 6 billion for staff premiums and "bonuses". In the first quarter of 2011 it made a profit of "just" 2,74 billion dollars. Goldman Sachs benefited from the bankruptcy of competitor Lehman Brothers, which Bush and his Treasury Secretary Paulson (former Chairman and CEO of Goldman Sachs) would not help. Goldman Sachs was directly represented in the Federal Reserve Board of New York (an important part of the 12-banking conglomerates that make up the U.S. Federal Reserve) by Stephen Friedman until his resignation in May 2009. Yet the financial holding company is not at risk of losing the preferential treatment enjoyed in the Federal Reserve and be left unprotected. William Dudley, who in January 2009 succeeded Timothy Geithner (now Treasury Secretary for President Obama) as President of the Federal Reserve of New York, worked for Goldman Sachs until 2007.

This "rotation" between high finance and high-level political appointments has now reached almost grotesque characteristics in Europe: Mario Draghi, the new President of the European Central Bank, was Vice President for Europe at Goldman Sachs International and as such he worked to hide a portion of Greece's sovereign debt; Lucas Papademos, Prime Minister of Greece until May 2012, participated in concealing Greek debt as chairman of the Greek Central Bank, with Mario Draghi's advice; the Minister of Finance of the new rightwing government of Antonis Samaras (supported by "socialist" party PASOK) is banker Vassilis Rapanos; Mario Monti, Italy's new Prime Minister was international advisor to Goldman Sachs, and Luis de Guindos, the new Minister of Economy of Spain, was formerly with Lehman Brothers. In spite of Goldman Sachs' huge responsibility for the «subprimes'» crisis and for disguising the Greek debt, the U.S. Department of Justice announced, on 10 August 2012, that there is no solid base to initiate criminal proceedings against Goldman Sachs or against its employees. The same day, the Security and Exchange Commission (SEC) decided to close the investigation on the activities of Goldman Sachs that substantially contributed to the explosion of the crisis in 2007.

The financial crisis in the European Union

The so-called "*troika*" (IMF, European Union and European Central Bank) is acting in the crises of several European countries to advance the interests of transnational financial capital to the detriment of national interest and the livelihoods of their peoples. It should be noted that in accordance with Europe's Treaty of Lisbon, the European Central Bank CANNOT lend to states, but it can (and it does so at length: 500 million euros most recently) to banks, which give as collateral to the ECB debt securities of the states, in many cases quite poorly priced.

Massive debt accumulated in Greece due to bad management practices, to the payment of rather high interest rates and to the disproportionate purchase of arms. Greece ranked fifth in the world in conventional armament purchases in the 2005-2009 period. Thirty-one percent of these weapons were purchased in Germany, 24% in the U.S. and another 24% in France, now its main creditors. The "*troika*" imposes "conditionalities" to Greece consisting of the privatisation of the national patrimony to raise 50 billion euros to pay creditors; it also demands freezing and in many cases lowering wages and pensions and significantly reducing overall social spending. And to ensure that Greece meets such drastic austerity measures, Germany wants to impose a kind of European protectorate.

When investors buy Greek debt securities (or from any other country) they can insure against the risk of not being repaid with a CDS (credit default swap), a "derivative" (with which investors, in turn, can bet on a rise in the CDS market, which

operates autonomously) if risk is considered to be significant. Banks are not forced to accept reductions on the principal nor to extend maturity periods. And if at the end banks cannot recover their loans, the State (taxpayers) will bail them out. Consequently, the only winner is always the financial transnational capital.

On 30 January 2012 Germany succeeded in having 25 out of 27 European states (Britain and the Czech Republic did not sign) subscribe to a budgetary restraint "contract", which requires its ratification by only 12 states to take effect, with automatic penalties applying on those who do not comply. This is not a Treaty within the European institutional system but a step towards privatisation of regional law, which excludes the European Parliament and assigns a key role to the European Commission, the transmission belt of economic power in the European institutions. Its intent is to strengthen the antisocial and pro-financial capital policies of austerity and recession applied until now and making them binding on the signatory states. It is the «Treaty on stability, coordination and «governance» of the economic and monetary Union», which will take effect with no real public debate nor with popular participation. This is the case of France where the Constitutional Court stated on 9 August 2012 that it may be approved by the Parliament with a simple majority. That is, there is no need for a special majority or a referendum. Meanwhile, the French «socialist» government buried its pre-election promise to renegotiate the treaty. On 29 April 2010 Eric Woerth, a Minister of the French Government, explained with sheer cynicism on France Inter: *"By helping Greece we help ourselves. The 6 billion [euros provided by France to Greece] do not come from the State coffers. They are borrowed [financial markets] at an interest rate of 1,4 or 1,5% and are lent to the Greeks at approximately 5%. So we gain in the operation. This is good for the country, it is good for Greece and it is especially good for the euro area. **We have to calm down the markets. It is always the case, we have to calm down the markets** [...] we ought to lay out a public security network"* (our emphasis).

Finally, in early March of this year, 85,5% of private creditors agreed to participate in the restructuring of Greece's debt. This was portrayed by European leaders as the "rescue" of Greece. In fact, the operation has consisted on the rescue of financial capital at the expense in the first place of the Greek people and will also affect the other European peoples. Private creditors holding 206 billion euros of Greek bonds accept to cancel about one hundred billion under the following conditions: they will receive new notes with a nominal value 53,5% lower than the old bonds. This may look as a "sacrifice" from their part, but it is not. First, they exchange almost worthless old notes for far safer ones. Second, they receive at the time of the exchange the equivalent of 15% of their entire credits in fresh cash. They will receive the remaining 31,5% in new bonds issued under British law to prevent any future Greek government "falling into the temptation" of challenging the debt. These securities are guaranteed by the European Financial Stability Fund and by the European states. Furthermore, Greece's creditors holding CDS (credit default swaps, insurance for bad debt) will also be covered by them. After having pillaged Greece for years the financial private sector comes out in great shape for in effect it transfers the risk to the public sector (namely the peoples of Europe).

What does Greece get from all this? European states have pledged to provide 130 billion to Greece. Thirty billion will go directly to private creditors (the 15% in fresh cash mentioned above). Another 35 billion will have to be spared by the Greek government to re-purchase another part of the debt before being cancelled. Another 25 billion will be used to re-capitalise the Greek banks. So 90 out of the 130 billion is allocated to financial capital. There is virtually nothing left to help the Greek economy move out from recession. Furthermore, the 130 billion is not a gift but a loan. So that, according to the estimates of some experts, Greek public debt will move from 161% of GDP to "only" 159% after the entire "rescue" operation. Additionally, Greece is placed under the tutelage of the *Troika* (EU, IMF and European Central Bank) that will monitor Greece's compliance with the agreement. (Information taken from Martine Orange article *Grèce: les banques se sauvent, le désastre est toujours là*. Published in Mediapart, France on 9 March 2012)

The quality of being inherent in human society has long been attributed to the capitalist market, just as physiological phenomena are inherent in living beings, and not as part of a specific period in history characterised by the private ownership of the means of production and exchange. A period that nothing allows us to assume (but quite the contrary) that it will last indefinitely. Yet for some years already the market has been deemed to have anthropomorphic characteristics, so it is said to be "restless", "nervous", "quiet", etc. Hence, when the markets "get nervous" they have to be "calmed down" by guaranteeing the capitalist profits and, if necessary, by using a "public safety net" (aimed at saving the banks and other financial institutions with state funds, namely the taxpayers' money).

However, when it is the peoples (of the world) who get nervous due to the austerity policies imposed on them, they first try to calm them down by telling them the story that "there is no alternative" (the famous Thatcher's TINA: "There Is No

Alternative ") and if they go out on the streets to protest they are "appeased" with different forms of repression and with the criminalisation of those citizens who defend their most basic rights.

The rating agencies

Rating agencies are the shock troops of financial capital. The top three are Standard and Poor's, Moody's and Fitch. They are private institutions concerned with rating companies and states – ranging from low risk (AAA) to the maximum risk (CCC)– for financial investors that lend to companies and states. They have been in existence for some time and they began by rating companies and banks but they later extended their sphere of activity to states. A low rating (high risk) has as an automatic consequence that the company or the State receiving a loan will pay a higher interest rate. These agencies have no independence whatsoever for they belong to large private capitals: 13% of Moody's is owned by billionaire Warren Buffett (Berkshire Hathaway); Fitch is majority owned by French finance company Fimalac and 20% belongs to Hearst, and Standard and Poor's belongs to the U.S. McGraw-Hill Companies group. They charge for their services to companies that want to be rated and those using the ratings.

In this way, private groups closely linked to financial capital cast by decree the rain or the good weather for states in need of loans from transnational financial capital. If the rating is high (low risk) the State will pay a low interest for the loans. If the rating is low (high risk) the State will pay a high interest rate, thus entering a vicious circle of endless borrowing and of increasingly higher interest rates. And they must apply the adjustments demanded by creditors, which translate into recession, more redundancy, wage freezes, privatisation of public services, cuts in social spending, etc..

The ratings are not at all objective, but do respond to the strategy of provoking a massive and permanent transfer of resources from the masses to transnational financial capital. A few days ago there was talk of the possibility of the European Union slashing the powers of the rating agencies, particularly their outlandish empowerment to rate the States –which they meekly accept– disregarding all institutions of national or international public law. Yet all was "watered down" as they say. By the way, the crisis will not affect these agencies; the latest data of their profits: Fitch 525 million euros in fiscal October 2010 to September 2011; S&P 442 million in the first nine months of 2011 and Moody's 367 million for the same period. Furthermore, these agencies do not appear to have a clean slate: on January 2012 the Italian Guardia di Finanza (Financial Prosecutors Office) raided the offices of Standard & Poor's in Milan in the course of an investigation conducted by Trani's (Italy) Financial Prosecutor Office on this agency and on Moody's for alleged crimes of abusive speculation, market manipulation and illicit use of inside information. It would not be too daring to assume that these agencies work against the euro to favour the dollar, as Antonio Tajani, Vice-President of the European Commission and Commissioner for Industry, Tourism and Space said (El País, Spain, 23/01/12, page 20) .

❖ Part Five

I. The legal and political framework

In all countries –with different and varying degrees of intensity– are close links between political and economic power. A change in the political actors may also cause a change in certain economic sectors for other actors in the first line of the benefits of controlling the state administration, but nothing more. It may even happen that large parties with seemingly different programs that usually alternate in government in line with elections and with the pendular discontent of the population, agree to govern jointly, thereby demonstrating that beyond appearances they have in common an essential matter: managing the interests of big capital.

This was the case in Germany, where the seemingly irreconcilable rivalry between the Social Democrats (SPD) and the coalition of the Christian Democratic Union (CDU) and the Bavarian Christian Social Union (CSU), ruled together in a "grand coalition" from 2005 to 2009, leading to an openly antisocial policy. Only when elections approach alleged or simply tactical "differences" resurface. In Berlin, on November 2011, the SPD majority, after ruling with The Left (*Die Linke*) for ten years, preferred to join with the CDU instead of joining with the "Greens" and *Die Linke*.

High political offices and posts in large companies are interchangeable: the same people practice a kind of rotation in the exercise of both activities. A paradigmatic case was the George W. Bush government, in which, more than talking about a relationship between political and economic powers, it was about their merger. The Obama administration retains the substance of such characteristics, for his economic team comes from the guts of Wall Street and "inherited"

from Bush the Secretary of Defence, Robert Gates, the Pentagon's boss and the governmental face of the military industrial complex.

II. Economic power and the United Nations

In 1978 the NGO "Berne Declaration", issued a pamphlet entitled *L'infiltration des firmes multinationales dans les organisations des Nations Unies*. It explained in a very documented manner the activities undertaken by large multinational corporations (Brown Boveri, Nestle, Sulzer, Ciba Geigy, Hoffmann La Roche, Sandoz, Massey Ferguson, etc..) to influence the decisions of various agencies of the United Nations. This is no longer about an "infiltration" but about the wide opening of the gates of the UN to transnational corporations, who are called "social stakeholders", following the general global trend to cede the power of decision making to the economic and financial conglomerates in detriment of states and governments, who are reduced to the role of managers of the dominant system.

The idea of incorporating economic power at the top of the UN officially materialised with the launch of the Global Compact, on 25 July 2000, at the seat of UN in New York with the participation of 44 large multinational corporations and some other "representatives of civil society." Among the companies participating in the launching of the Global Compact were British Petroleum, Nike, Shell, Rio Tinto and Novartis, with a dense "curricula" of violations of human and labour rights or of environmental damage, and the Lyonnaise des Eaux (Suez Group), whose activities in the corruption of public officials to gain a monopoly in drinking water are well known in Argentina and France and more recently in Chile. Five employer associations and nine NGOs also participated in the inauguration of the Global Compact. This was announced in 1998 by the Secretary General of the UN in a report to the General Assembly entitled "Entrepreneurship and privatisation (emphasis added) as a means of promoting economic growth and sustainable development". The Secretary General said in this report that... *«deregulation... has become the watchword for governmental reforms in all countries, both developed and developing countries»* (paragraph 50 of report) and advocated the sale of public enterprises entrusting... *«the ownership and management to investors with the experience and skills to improve performance, even if this would sometimes entail selling the assets to foreign buyers»* (paragraph 29). Ban Ki-moon, persisting on the same orientation as his predecessor, said on 29 January 2009 at the World Economic Forum in Davos: *"The enlightened self-interest is the essence of corporate responsibility and the key to a better world"*.

The implementation of the strategy of giving an increasingly greater share of power to transnational corporations at the seat of the United Nations began in 1993 with the dismantling of United Nations organisms that embodied, at the time, an attempt to establish a social control over the activities of these companies: the Commission and the Centre on Transnational Corporations, created by ECOSOC in 1974. The Commission was composed of 48 Member States and gave itself as priority tasks, among others, to investigate the activities of transnational corporations and develop a code of conduct for them, that never saw the light because of staunch opposition by the great powers and the economic power. In 1998 the question of establishing international standards for regulating the activities of transnational corporations was once again brought up at the seat of the United Nations, and the Sub-commission on Human Rights prepared a draft that was buried in 2003 at the explicit demand of large enterprises.

In 2005, the Secretary-General Kofi Annan appointed a special representative to study the issue of transnational corporations, Mr. John Ruggie, his senior advisor in the Global Compact. In 2011 the Human Rights Council approved by consensus the principles produced by Ruggie, which do not contain any mandatory standard for companies whatsoever, in faithful response to the demand repeatedly made by the economic power. At various specialised agencies of the United Nations system (the World Health Organisation (WHO), the United Nations Food and Agriculture Organisation (FAO), United Nations Conference on Trade and Development (UNCTAD), the United Nations Educational, Scientific and Cultural Organisation (UNESCO), the United Nations Children's Fund (UNICEF), the International Labour Organisation (ILO), etc..) it becomes apparent in a diversity of ways this fairly conspicuous shift towards neoliberal positions, motivated, among other things, by their penurious budgets. Sometimes their coyness allows them to obtain funds from states or private sources, if not for their general budgets at least **for certain programs that are of the donors' interest.**

On 20 November 2002, the thirteenth anniversary of the International Convention on the Rights of the Child was celebrated as the "McDonald's World Children's Day". It was the result of an agreement concluded in July that year by Carol Bellamy, UNICEF's Executive Director at the time, acting with the support of Kofi Annan and the transnational McDonald's. Complaints by various organisations, child health specialists and nutritionists, who argued that UNICEF

could not appear associated with the symbol of child malnutrition, failed to persuade Mrs. Bellamy to cancel the agreement with McDonald's. That's how UNICEF sold its image to McDonald's for a few dollars. The hope of obtaining funds from the World Bank (usually frustrated) leads to the specialised agencies of the UN to carry out joint activities with the international financial institution. This can be seen, for example, when World Bank representatives engage in discussions on education issues at meetings convened by UNESCO. Meetings are held on the most diverse issues where the central theme is the participation of the private sector with businesses acting as the guests of honour: Seminar on indigenous peoples and private enterprises (Geneva, 5 to 7 December 2001); general discussion in the Committee on the Rights of the Child on the involvement of the private sector in the attainment of child rights (Geneva, 20 September 2002), etcetera.

Also the global "summits" increasingly fall under the influence of large transnational corporations, such as the Johannesburg Summit for Sustainable Development in August-September 2002, whose agenda was "hijacked" by big business, as stated in an article in London's "The Guardian", from 9 August 2002, citing Christian Aid. The latter begins its paper by stating: "Transnational corporations have hijacked the agenda of the Summit..., whilst measures to benefit the poor have been watered down." The same happened with the World Summit on the Information Society. The latter was developed in two phases: in Geneva 2003 and Tunisia in 2005. In the preparatory Committee held in August 2002 in Geneva, the private corporate sector was represented in two ways. In addition to having direct representatives of the companies (including Sony, Alcatel, Deutsche Telecom, Japan Telecom, Swisscom) and of international business associations such as the World Economic Forum (which brings together the 1000 largest corporations in the world), the International Chamber of Commerce, the International Association of Broadcasting, etc., they registered dozens of delegates under the name of "NGOs and civil society" (Eduardo Tamayo, ALAI Agency).

Today we can say without hesitation that the entire UN system is contaminated by the influence that transnational economic power has on the decisions of its agencies. All this machinery where the peoples have no role whatsoever, in contravention of the Preamble of the United Nations Charter, is in effect headed de facto by the Security Council; in practice the world dictatorship of the great powers that mainstream media called the "international community", whose role is to provide a false legitimacy to imperialist aggressions.

III. The IMF, World Bank, WTO, free trade treaties and ICSID

There is also a full international institutional and legal framework designed to consolidate and reinforce the dominance of transnational economic power on the states and peoples and, in return, to discredit the claim of the rights of peoples to the sovereignty of their wealth and resources. The role performed in this regard by the International Monetary Fund and the World Bank is well known. There are also the World Trade Organisation, the regional, subregional and bilateral free trade agreements, the ICSID, etc. It greatly exceeds the space foreseen for this review to make a detailed reference of these institutions and treaties, which we discussed in our book "The armour of Capitalism. The power of transnational corporations in the contemporary world", Editorial Icaria, Spain 2010. So we limit ourselves to an abridged review.

1. The decisions of the World Trade Organisation are binding and states that do not comply are subject to sanctions. The consequences of these decisions can be dramatic for the fundamental rights of peoples. The main agreements reached at the World Trade Organisation are: the Agreement on Trade-Related Aspects of Intellectual Property Rights, the Agreement on Textiles and Clothing, the Agreement on Trade Related Investment Measures, the General Agreement on Trade in Services. In the context of the globalisation of the economy (globalisation of production, trade, finance, communications, etc.), the WTO goes far beyond the regulation of cross border trade and is an institutional mechanism for the global imposition of the deregulatory neoliberal model. This seriously erodes the functions of government within each state, its external bargaining power and the right to the self-determination of peoples and states.

2. **Regional, subregional and bilateral free trade treaties.** There is a dense network of economic and financial international, regional, subregional and bilateral agreements and treaties that have subordinated or supplanted the basic instruments of international and regional law, the national constitutions, the economic legislation aimed at national development and labour and social laws in force.

This framework, a result of the implementation of the provisions of "most favourable treatment" of "national treatment" and of "most favoured nation" contained in almost all treaties, works as a system of communicating vessels that allow

neoliberal policies to circulate freely on a global scale and penetrate states, where they fragment the national economies and generate serious social harm.

All this involves the preeminence of the rights of capital over the democratic and human rights of peoples. They consolidate –as a juridical scheme of mandatory compliance– the policies of liberalisation and privatisation. They seek, through international agreements, **to make these policies irrevocable**. It is a corporate or neo-feudal law, for it works in the exclusive interests of transnational capital and rich states to the detriment of the fundamental rights of the so-called peripheral states and of their peoples; with the aggravating circumstance that corporate law is accompanied by a strong coercive system to ensure its implementation: fines, sanctions and economic, diplomatic and military pressures, etc.

Bilateral treaties (2000 approximately in force around the world) are not very visible and many have been concealed from public opinion, **and are even more damaging to the rights of peoples than international or regional treaties in force or projected**. Bilateral treaties comprise mainly the promotion and protection of foreign investments (TPPI), free trade (FTA), intellectual property rights, cooperation and science and technology. And for the settlement of disputes between the signatories of bilateral treaties, "arbitration tribunals" outside the judicial system of national and international public law, including most notably those who are within the ICSID, have been created.

3. The International Centre for Settlement of Investment Disputes (ICSID). The neo-feudal or corporate law at the service of transnational corporations, made up of, among others, bilateral free trade, promotion and protection of foreign investment and intellectual property treaties, is rounded off with specific jurisdictions, international arbitration tribunals, foremost those that constitute the ICSID.

ICSID is a member of the World Bank Group and is chaired by the Chairperson of the World Bank, as required by the ICSID statutes. The ICSID, with the lack of objectivity and impartiality inherent to the World Bank, helps to establish international tribunals to determine disputes between transnational corporations and states (146 states are part of ICSID), who agree to submit to the procedure. **States, by accepting this jurisdiction to settle disputes under inferior conditions with private companies, abjure to a fundamental prerogative of sovereignty: the territorial jurisdiction of its courts. We say that it is under inferior conditions because, as the general rule emerging from the bilateral free trade treaties, only a company can sue the State for non-compliance but the latter cannot sue the former for failing to comply.**

The Convention of 18 March 1965 (Washington Convention), which created the ICSID, was prepared by the World Bank. During its discussion, Iberian American states, at the time adhered to the Calvo Doctrine, **unanimously** opposed to the creation of an international arbitration tribunal to settle disputes between states and foreign investors. Afterwards, the "neoliberal" winds blew and today some twenty Iberian American states form part of ICSID, with most joining in the 1990s. Brazil, Cuba, Haiti, Mexico and the Dominican Republic are not part of the ICSID. In May 2007, Bolivia, Nicaragua and Venezuela announced their withdrawal from ICSID. Bolivia communicated its withdrawal from ICSID in the same month of May 2007. Venezuela, after serving notice, accepted ICSID's jurisdiction in the dispute with Exxon Mobil, and in January 2012 it again announced its withdrawal from the ICSID. Nicaragua continues adhered to it. Ecuador abandoned the ICSID in 2009.

It should be noted that ratifying the ICSID Convention does not require State Parties to submit to international arbitration tribunals disputes with foreign investors. Indeed, the last paragraph of the Preamble of the Convention states: Declaring that no Contracting State shall by the mere fact of its ratification, acceptance or approval of this Convention and without its consent be deemed to be under any obligation to submit any particular dispute to conciliation or arbitration, unless where there is consent of such State. Subjecting disputes between States and foreign investors to arbitration is part of the obligations under the Treaties for the Protection and Promotion of Foreign Investments (TPPI) in free trade agreements and the like.

This juridical and political framework of the economic power, called Western Democracy in the dominant terminology, could be called the dictatorship of big capital, which is clearly showing its true nature in these times of crisis and making it popular to call it the "dictatorship of the markets." Yet in politically incorrect terms; that is, that they do not belong to the dominant terminology, it is the dictatorship of the bourgeoisie, as called by Lenin in State and Revolution (1917). Such terminology has not just legal and political components but repressive, cultural and ideological as well. We will refer to the latter ones in the next section.

❖ Part Six

The ideological and cultural hegemony in the capitalist system

The ideology and culture of capitalism forge and maintain their hegemony through what Gramsci, following Hegel and Marx, called "civil society": big capital, the media controlled by it, the part of the intelligentsia and of different social organisations that serve the dominant system, operating with the State but outside of it as mechanisms of economic, ideological hegemony and social control. Hegel sometimes referred to it as civil society and others called it more clearly, bourgeois society (*bürgerliche Gesellschaft*). This dominant ideology and culture act as a screen that blurs and distorts the perception of reality of the vast majority of people and together they provide the content for their spontaneous awareness.

I. Oligopolistic control of information

For people to inform themselves beyond their immediate environment, to learn what is taking place in the world, they have to rely on the information providers, namely the media. In the transmission of information through the media there are at least two levels of subjectivity. The first is the selection and ranking of the information: the communicator first decides what news and events should be reported, then which are important and which are not, namely, the place or time awarded to each story in the vehicle of communication. The second level of subjectivity is the interpretation of each story: the communicator permeates the fact with his/her version. Hence the right to be informed is mediated by the subjectivity (or more precisely by the ideology) of the communicator. Additionally, as a rule of thumb, the communicator is subordinated to the interests of those with economic and/or political control, directly or indirectly, of the medium. Ownership of the media has been subjected for some time to a process of concentration that has grown in recent decades.

With the development of communication technologies large transnational conglomerates have come into being, covering the production and use of all media tools: book publishers, newspapers, radio and TV broadcasters, films, video, satellite, electronic media, etc., that also control the marketing and distribution networks. It is true that in most countries any citizen or group of citizens has the theoretical right to create an information medium. Yet if such medium shall come to exist, its reach is limited and finally disappears or is absorbed by the large oligopolies. At any rate, they cannot compete with transnational conglomerates, who reach with their products (informational and others) hundreds of millions of people and who are the true shapers (rather distorters) of public opinion.

Currently, the oligopolistic concentration of mass media (including electronic communications) and of mass entertainment products (TV series, pop music, amusement parks, video games, films, etc..) is at its climax. Large companies have global control of almost all of these products, including General Electric (NBC-Vivendi Universal), AOL-Time Warner, AT&T Corp., Viacom Inc., Walt Disney, News Corp, Bertelsmann, Sony and Liberty Media Corp. They dictate to humans beings how they should think, what they should consume, how they should use their leisure time, what their aspirations should be, and so on. They standardise on a global scale the reflexes and behaviours of human beings, sedating the spirit of critical thinking in people and destroying the originality and the richness of the culture of each peoples. They are the vectors of the ideology of the dominant system, which filter out and permeate the information already filtered out with the same ideology depending on their particular interests, as we shall see.

At the same time, these transnational corporations are active in quite diverse activities, from manufacturing of electronic equipment for military use to the treatment and distribution of drinking water and garbage collection. In other words, there has been a motion from the community of interests between the major mass media and big capital, through financial capital and advertising budgets, to a particular community of interest through the merger of industrial conglomerates of diverse natures, including mass communication media. It is also quite common for such conglomerates to include the military industry.

For example, General Electric, that among other things produces parts for the defence industry is co-owner of the the National Broadcasting Company and television stations. In early September 2003 General Electric bought the assets of Vivendi Universal in the U.S. media industry to then control 80 percent of the media group. The new group was led by the vice president of General Electric and CEO of NBC. This is how it could be that when a TV channel is showing the

alleged "surgical" precision of an air raid, it is in effect advertising an electronic military product manufactured by the same conglomerate that the television entity belongs to (e.g. the National Broadcasting Company and General Electric).

Matra Group is actually the French Lagardère Group, which includes Matra (aerospace and military) and Hachette (publishing industry: Fayard, Grasset, Stock, Calman Levy, Livre de Poche, etc.). It acquired in late 2002 the publishing group Vivendi Universal Publishing -VUP-(Larousse, Robert, Nathan, Colin, Bordas, Plon-Perrin, Laffont, 10/18, Pocket ...) and includes television channels, magazines, etc. Military aircraft manufacturer Serge Dassault became in July 2004 the first owner of newspapers in France to take control of 82 percent of Socpresse. More recently, Dassault took control of 100% of Socpresse, bringing together more than 70 titles, including *Le Figaro*, *L'Express*, *L'Expansion*, *L'Etudiant* and several regional newspapers. Socpresse (Dassault) and Matra - Hachette (Lagardère), which control most of the French press, are simultaneously **the two largest arms manufacturers in France**. It is quite unlikely for media controlled by a weapons manufacturer to criticise a war that is bringing in huge profits. The French Government, for its part, stated its opinion through its Minister of Culture and Communications to the National Assembly on 30 June 2004: **"for the government... the alliance of freedom of expression and economic and financial reality contribute to pluralism."**

The European Commission, confirming once again its status as the faithful representative of the interests of large transnational corporations, argued in 2007 that the trend towards concentration in media ownership that became patent in the European Union for the last ten years and the entry of large international groups in the community's market does not necessarily imply a reduction in information pluralism. This is the answer provided by the European Commission to the concern expressed on several occasions by the European Parliament and by some NGOs, that the concentration of media ownership in some EU countries leads to an "enormous power to create public opinion" and excludes alternative views. The European Publishers Council, an organisation that brings together key groups, including Bertelsmann, RTL, Reuters, Vocento and PRISA (publisher of El País), welcomed the report.

Although the European Commission's position is clearly favourable to the concentration of media and, therefore, contrarian to pluralism, the newspaper Clarín in Buenos Aires (1/19/07) titled an article: The European Union is in favour of pluralism in the media, albeit the body of the story is a bit more objective. The daily El País in Spain (17/01/07) also titled: Brussels defends pluralism in the media. This is a clear example of what we said earlier: "the communicator permeates the facts with its own version of them." In this case both El Clarín and El País articles, are exactly the opposite of an objective version of the event. With the added fact that El Clarín involves the European Union, that is, it involves all European institutions, including the Parliament, when in fact it is only the European Commission's position that favours transnational oligopolies.

Sometimes mass media put aside the smallest deontology of information and actively engage in projects that seek the violent overthrow of certain governments that annoy the transnational economic power. This is the case of the large private media in Venezuela: ... "after the victory of Hugo Chavez in December 1998, the collapse of the traditional parties quickly led the media to fill the void and embody an increasingly more virulent opposition" (*Le Monde*, 16 April 2002, page 5). Finally, private media openly incited the coup d'état and failed to report when the situation began to turn favourable for the return of Chavez to the Government. TV channel Globovision, 13 April 2002 at noon, justified this censorship as "the decision not to provide information that could disturb the harmony of Venezuelan society" (the same source). It is quite conspicuous the parallel with part of the Chilean press that actively contributed to the overthrow of President Salvador Allende in 1973, particularly the daily "El Mercurio", which back then was generously subsidised by the U.S. Central Intelligence Agency.

The other side of the private oligopoly of media, which is equally disastrous for the right to information and to freedom of communication, is the official and bureaucratic monopoly or near monopoly of the media. Such set up is contrarian to the provisions of paragraph 3 of Article 13 of the American Convention on Human Rights: "The right of expression may not be restricted by indirect methods or means, such as the abuse of government or private controls over newsprint, radio broadcasting frequencies, or equipment used in the dissemination of information, or by any other means tending to impede the communication and circulation of ideas and opinions."

The full exercise of the rights to be informed truthfully, to express an opinion and participate in decision-making requires a plurality of sources, a plurality of information media and their democratic and transparent management; basic

requirements that are not fulfilled with the monopolistic or oligopolistic concentration of the communication media described above.

II. The dominant ideology and culture

The mass media or **mass mental-poisoning media** (including entertainment broadcasting) is the visible instrument designed to maintain and consolidate the hegemony of the ideology and culture of the capitalist system and constitute powerful vectors for the neutralisation of critical thinking, for the domestication and intellectual, ethical and aesthetical degradation of the human being. They are the privileged platform of obsequious journalists, political scientists, sociologists, economists, media philosophers, and other "opinion makers" who justify the system and the TINA ("There Is No Alternative"). In short, they are the distinguished representatives of the "prestigious stupidity," as John Kenneth Galbraith said. And given the need to keep up appearances, quite occasionally and briefly the media grants access to people of intellectual soundness, a drop in an ocean of mediocrity.

A very important ideological and cultural vehicle of domination is the language. There have always been a number of expressions with precise ideological content that provide comfort to the established order. Politicians, economists, journalists and others create and popularise other expressions or change the usual meaning of others in line with the need of the dominant system to mask reality and keep a majority consensus. (On this respect see: Eric Hazan - LQR, *La propagande au Quotidien*, Editions d'Agir Raisons, Paris, 2006 and Victor Klemperer, *El lenguaje del Tercer Reich*, editorial Minúscula, 2001). It has been rightly said that each language or language group has its own structure of thought. There is no doubt that today English is the language used worldwide, driven in recent decades by communications and computer games and used predominantly in all media: artistic, political, cultural, scientific, etc. This produces a double effect. On one hand it imposes ideological contents of many commonly used expressions in English with their own linguistic mental structures; on the other the ideological and structural diversity of other languages is lost for lack of use. Moreover, taking into account the dialectical interrelation between language and thought, the predominance of English as the "lingua franca" leads to a sort of worldwide unique thought, as the French linguist Claude Hagège asserts (*Contre la pensée unique*, Edit. Odile Jacob, January 2012). It merits to add that the "twitterización" of the language, namely its extreme degradation, leads inevitably to the impoverishment of thought.

This ideological and cultural hegemony is also maintained and consolidated in a more subtle and less visible manner through all the human, social, cultural, ideological and even scientific activities, "formatting" the conscience of the vast majority of humans. In the cultural, ideological, political and scientific media, there is a sort of selection or spontaneous hierarchisation –in between spontaneous and induced– of the prestige or reputation of certain individuals, where those who usually occupy the top echelons (to put it very schematically) share some of the following ideas: not to question the private ownership of the means of production and exchange; attribute to the capitalist market the quality of being inherent to human society; not to question the existing political-social elitist system (the so-called "Western democracy"); the ejection (explicit or not) of dialectical materialism as a research method in social sciences and in so-called "hard" sciences. Galbraith, who was not "honoured" with the Nobel Prize in economics, described in his book *A Journey through economic time "the tendency of the economy and other social sciences, to suit the needs and mentality of the wealthy members of the community ... "*

In other sciences like biology and physics such refusal is based on the repugnance to recognise –for reasons of personal interest (access to appointments, grants, awards, fame, vanity) and/or purely ideological– that there are no scientific absolute and definitive truths, that in the endless process of knowledge the subject and object of knowledge interact and permanently evolve. There is no accumulation of definitive knowledge in "layers", but successive reorganisations of knowledge in new layers, where new theories and discoveries are incorporated and where old theories that may have been –or are– valid in another level are discarded or their relative insufficiencies are acknowledged (the case of Newton's universal gravitation and Einstein's relativity). This is true even if it goes against the attitude of some scientists who claim, with each new discovery or new theory, to have reached the absolute knowledge of the object of research.

This applies, for example, to Jacques Monod, a Nobel laureate in biology who made important contributions to the study of molecular biology. However, in the course of his research, following Francis Crick, and in his book *Chance and Necessity* (a "best seller"), he made peremptory and pretentiously definitive assertions on the interaction between DNA and RNA (the alleged irreversibility of the transmission of information, that Crick called in 1958, in sheer haughtiness, "Central dogma of molecular biology"), but that proved to be wrong almost simultaneously with its formulation by

Monod in 1970 (work by Beljanski, Temin and Baltimore on reverse transcriptase). See du Seuil's edition, 1970, pages 145 to 148, where we wish to emphasise on page 145 the phrase "As seen, this system, for its properties, by the microscopic clockwork function that establishes between DNA and protein, as between organism and medium, an entirely one-way relationship, this system obviously defies any "dialectical" description." It is not Hegelian at all, but thoroughly Cartesian: the cell is indeed a machine." In the same book (pages 51 to 59 of the same edition) Monod devotes himself to criticise Marx, dialectical materialism and particularly Engels' *Dialectics of Nature*. Perhaps if he had made a better and unbiased assessment of Marx and Engels he could have avoided certain dogmas and errors in his research on molecular biology.

On the other hand, some science philosophers postulate a kind of scientific relativism or agnosticism. This is the case of Karl Popper (revered by not a few scientists and scholars in the humanities) and his epistemological model of "falsifiability" (where, accordingly, a theory that is impossible to be proven to be false is not scientific). This would be the case of the Marxist method, according to Popper. He writes: "In spite of his merits, Marx was, I believe, a false prophet." And a few lines later: "... he misled scores of intelligent people into believing that historical prophecy is the scientific way of approaching social problems." (The Open Society and its Enemies, Volume 2, Hegel and Marx, Princeton University Press (February 1971)). The repeated verification in practice and for a long time of a theory would not assure its scientific character. To devalue the Marxist method, Popper invented the epistemological metaphysical category of "falsifiability" (it merits to ask: how and who may know whether a theory is "falsifiable" or not?) Recently, the existence of the Higgs Boson has been proven (on the assumption that it has indeed been proven). Prior to such experimental corroboration, how could the scientific nature of Higgs's theory be asserted on the basis of its "falsifiability"? In other words, how could the possibility of demonstrating that the Higgs Boson does not exist be upheld? Popper relegated the scientific method of formulating new theories and hypotheses parting from previous knowledge, which are repeatedly subjected to the test of experimentation and verification of the facts. (See what we wrote in the first part of this work [epistemological Intermission]). It is with experimentation and verification of the facts that you can verify if a hypothesis is scientifically correct or false, not with Popper's "falsifiability" decreed a priori.

Popper's "falsifiability" is purely ideological (unscientific) and leads to an epistemological impasse. We deem Popper's "falsifiability" to be useless when quantum physicists discuss between them –sometimes bitterly, as John Gribbin, PH.D in astrophysics and professor at Cambridge, comments in his book *"In Search of Schrödinger's Cat: Quantum Physics and Reality"*. Bantam Books, 1984). In 1950 Schrödinger declared his total disagreement with Max Born (The interpretation of quantum mechanics: Dublin Seminars (1949-1955) and other unpublished essays, Woodbridge, Ox Bow Press, 1995), quoted by Robert Laughlin, physics professor at Stanford University. (*What is Life?: The Intellectual Pertinence of Erwin Schrodinger*, several authors, Stanford University Press (Mar 2011)). It is well known that Schrödinger disagreed with Copenhagen's interpretation on the principle of indeterminacy (or uncertainty) that, apparently, are two words that can express different conceptions of quantum physics: 1) certain aspects of matter are objectively indeterminate (indeterminacy) and 2) the observer cannot get to KNOW certain aspects of the subject (uncertainty). (See Schrödinger's criticisms to Bohr and Heisenberg in his book *"Physique et Quantique représentation du monde"*, edit. Du Seuil, 1992, p. 68 and subsequents).

The relevance of the methodological approach of dialectical materialism has been proven in practice time and time again by the best and intellectually honest researchers in biology, neurobiology, quantum physics and other sciences, "hard" or "soft", whether or not they have explicitly spoken in favour of this methodology. This does not hinder economists, philosophers, biologists, physicists, etc., from expressing their opposition to the dialectical materialism method, sometimes keeping academic forms and others with an almost propagandistic style. Usually, their writings are evidence of a superficial, partial and/or biased reading of Marx's works (these are the cases of Monod and Popper, already quoted as examples) and have a distorted version of the same, which makes it easy to "refute" in a scholarly manner. These authors are well known for they are regularly quoted in specialised or in sordid commercial media. The question remains of whether their popularity is based on the quality of their intellectual production or in the media coverage they enjoy.

Needless to say that in the philosophy of law and in juridical sciences, the diverse schools and trends (positivists, jusnaturalists, normativists, etc.) that enjoy the privilege of university and academic recognition conclude one way or another in the naturalisation of Law and of the modern Rule of Law (in the sense of being autonomous before the existing relations of production), denying their capitalist essence, bourgeoisie and coercive and as warrantors of the private

ownership of the instruments and means of production (all are equal before the law but not before private property). (See: Umberto Cerroni, *Marx y el Derecho moderno*, Grijalbo, México, 1975 y *Marx, el Derecho y el Estado* (Umberto Cerroni, Nicos Poulantzas, Ralph Miliband, Ljubomir Tadic) Editorial Oikos-Tau, 1979).

This is how the principle of authority of the most visible and prestigious characters in each domain works, as a result of the hierarchisation process mentioned earlier, raising the adherence to their ideas of most of the other actors in their field and, depending on how much media coverage they get, of general public opinion. Sometimes they organise academic groups in universities, in trend schools, in "study" groups and so on. And they are often generously funded by states or foundations.

The reason for the rejection of dialectical materialism in the study of economics and other social sciences is obvious: not wanting to admit that capitalism and the market are not eternal and are just one stage in the history of humanity. Marx had already referred to this rejection of dialectical materialism in the Afterword to the Second German edition of *Capital* (London, 24 January 1873):

In its mystified form, [Hegelian] dialectic became the fashion in Germany, because it seemed to transfigure and to glorify the existing state of things. In its rational form [the dialectic] it is a scandal and abomination to bourgeoisdom and its doctrinaire professors, because it includes in its comprehension and affirmative recognition of the existing state of things, at the same time also, the recognition of the negation of that state, of its inevitable breaking up; because it regards every historically developed social form as in fluid movement, and therefore takes into account its transient nature not less than its momentary existence; because it lets nothing impose upon it, and is in its essence critical and revolutionary.

In the field of economic doctrines, when the postwar economic situation became unfavourable and began to break down the economic foundations of the Welfare State and the Keynesian theories began to show their limits, orthodox economists who were preparing to counterattack from quite some time went on the offensive. In April 1947 a meeting promoted by Friedrich von Hayek was held at a hotel near Montreux, Switzerland, on Mont-Pelerin. There he founded the Mont Pelerin Society to promote and propagate neoliberal ideas against Keynesianism and State intervention. In an interview with the newspaper "El Mercurio", Chile, in April 1981 (in the middle of Pinochet's dictatorship), Friedrich Hayek said ... "A free society requires certain morals that ultimately are reduced to the maintenance of life, not to the maintenance of all life because it may be necessary to sacrifice individual lives to preserve a greater number of other lives. Therefore, the only moral rules are those that carry the "calculus of life": property and contract"... "When a government is in bankruptcy and there are no known rules, it is necessary to create the rules to say what can and what cannot be done. And in these circumstances it is almost inevitable for someone to carry absolute power; something that should be used precisely to prevent and limit any absolute power in the future. "

Eight adherents of the Mont Pelerin Society have received the Nobel Prize in Economics (one way, among others, to give prestige to pro-system thinking): Hayek himself, Maurice Allais, Milton Friedman, George Stigler, James M. Buchanan, Ronald Coase and Gary Becker. Many of them assert that everything about human life and human activities: work, health, education, culture, scientific research, artistic creation, law, family relationships, etc., is determined by economic cost-benefit calculus (profitability calculus). An eminent figure of the cost-benefit theory applicable to all human activities (including marriage, fertility, education and training) is Gary Becker, a member of the Mont Pelerin Society and Nobel Laureate in economics in 1992. The common feature of these "nobelised" economists is that they are never right in their forecasts. They are never correct when they predict the end of the crisis (never manage to foresee them) nor when they promise "a brave new world" in global capitalism.

In truth the Nobel Prize for economics is not so. It is the fruit of an agreement between the Nobel Foundation and the Bank of Sweden for which the latter (not the Swedish Academy) awards grants since 1968 almost invariably to neoliberal economists and/or those who have excelled in studies of interest to economic power. For example, why people buy one thing and not another (decisions under conditions of uncertainty or the choice theory). That is, the studies used in marketing operations to promote consumerism. They are an update of subjectivist guidelines in economics (marginal usefulness) with a "neurobiological" (neuro-economics and neuro-marketing) aggregate. This is how psychologist Daniel Kahneman was awarded the "Nobel" in economics in 2002 for his work in "prospect theory", the basis of "behavioural finance" and for his work on the "economics of happiness". "Choice theory" was stripped down quite well by North

American poet Langston Hughes in one of his poems (Advertisement for The Waldorf-Astoria), which tells the hungry who sleep on the street why they will not go to eat at the Waldorf Astoria, where they can choose among a variety of delicious menus and later spend the night in one of its magnificent rooms.

Another example of a "think tank" is the "Bilderberg Conference" in existence since 1954, an annual meeting attended by the cream of ultra-liberal thinking, officials of the European Union and other international officials, political leaders, etc. Yet that will not end the circles of "thinkers" that are functional to the ideology of the ruling classes, complemented with media icons who criticise the current devastating effects of the market economy, or who declare themselves to be builders of another world, or to be fighting against poverty, against the "empire", or suggest, bizarrely, to change the world without taking power. Their role is to neutralise a real take of awareness of the true nature of capitalism by those who are sincerely indignant, who take a stand, organise and fight against the deep social injustices; a take of consciousness that leads them to understand that there is no other way to end this injustice but to wrest power from the ruling elites and establish a truly democratic and popular power that has as its mission to abolish capitalism.

Let us look at some of the expressions used and the ideas exposed by some of the most celebrated characters cited by some organisations and popular movements and by the "progressive" intellectual middle classes. We refer to the expressions used, for it is not only the ideas but also the language—as we have already seen—that play a role as bearers of an ideology designed to conceal the true nature of capitalism. For example "neoliberal globalisation", "world economy" or "Empire."

The so-called neoliberal globalisation is nothing more than the current real capitalist system; namely the result of the evolution of capitalism up to its current imperialist and warmongering stage, and whose utmost and most brutal expression is concentrated in the economic and political power of the United States, under an evident crisis, but still dominant worldwide. When we say "capitalist system" we refer not only to its economic-financial angles, but to an entire system of domination, with its economic-financial components but also political, military, social, ideological, cultural, communicational and «informational». The current prevailing system is not simply an undifferentiated stage of a "modern world-system" that has existed for 500 years (Immanuel Wallerstein). It is the contemporary expression, qualitatively different, of capitalism. Wallerstein's idea (La Jornada, Mexico, 1 June 2003) that Bush was a "militaristic macho" accident and that big capital (at least that represented by people like Bill Gates and Soros) wants a stable capitalist system that Bush did not offer them; a system that can exercise its hegemony with economic efficiency and is capable of creating a world order that guarantees a "world-system" that would work smoothly, if only to allow a disproportionate share of capital accumulation is a fallacy.

There is not a sick capitalism of neoliberal globalisation and warmongering and another "possible" or utopian, stable and efficient capitalism that would work smoothly, free of crises, of militarism and war and of neo-fascist outbreaks. It is worth quoting the opinion on Wallerstein of renowned Barcelona historian and professor Josep Fontana. «Wallerstein's books are useful as a bibliographical guide, but this collection is, as usual in structuralism, passive, without any personal contribution: the contact with reality is always mediated by the work of other researchers whose results are fitted into the prefabricated theoretical scheme. For many reasons Wallerstein's place should not be in a chapter on Marxism, not even in a degraded Marxism, but close to the social history or academic eclecticism of the Annales School» (J. Fontana: Historia. Análisis del pasado y proyecto social, Ed. Crítica, Barcelona). The Annales School mentioned by Fontana refers to the activity of a group of French intellectuals around the Annales Journal founded by historians Marc Bloch and Lucien Favre in 1929, and where Fernand Braudel played a defining role between the fifties and seventies. In 1979 Braudel published his "Material civilisation, economics and capitalism" in part influenced by Wallerstein's theories. Reading Wallerstein one cannot but confirm the accuracy of Fontana's opinion. Wallerstein writes that "anti-systemic" movements, whether socialist or nationalist, adopted in the last third of the nineteenth century a two-stage strategy: first to reach State power to then transform the world. And during the "glorious thirties" the first objective, namely the seizure of State power (by the "anti-systemic" movements, would social democracy be anti-systemic?) was achieved in most countries. One cannot ask for something more ambiguous, imprecise and basically foreign to the true facts.

After considering the 1968 riots as a "revolution", where he admits that they were extinguished as a "straw fire", he claims that the "new left" is what works better: the feminist movement, the minority ethno-identity movements, the greens, the movements for freedom of sexual choice, from which slowly emerges another movement that attempts to combine their efforts against the true enemy: neoliberalism that is ravaging the political world. The new movement tries to work jointly

with no centralised structure in the local, national or global levels. You could name it, he says, the spirit of Porto Alegre. Then he explains that there is no major difference between the capitalism of 400 years ago and the current one, which he calls "world economy". (Wallerstein, *Historical Capitalism*, afterword to the 2nd. Edition, globalisation is not new).

In another publication he writes that when the capitalist wants to reduce the price of labour in the production costs he relocates his company, and adds "just as he did 500 years ago". True, Columbus took Repsol to Iberian America and Solis the Spanish Telefonica to Buenos Aires. Wallerstein predicts that at the global level there will be an effective rise in the real wages of workers at the expense of the rate of profit, a long term trend that now reaches its pinnacle after 500 years of development (Wallerstein, *The current dilemmas of capitalists*, 1999). The workers have been informed that soon they will draw the capitalist lottery.

The idea of a 500 year old world promoted by Wallerstein is an abstract and general vision that seems to coincide with the theme of capitalist globalisation, but ignores the different peculiarities of the system, both the historical and the current ones. Wallerstein writes: "I do not think that the world market "engenders" versions of capitalism nor I think that there are multiple "versions of capitalism". What I do believe is that there is only one kind of capitalism, the only one that has existed historically. It is this entity, unique and eminently empirical, that I want to describe and analyse "(Comments on Stern's critical tests", *Mexican Journal of Sociology*, Vol. 3, July-September 1989, Mexico, p. 341). The modern world-system was born –according to Wallerstein – in the early sixteenth century when Europe resolved the crisis of feudalism by creating the capitalist economic system in the world. Maurice Dobb appears to refer to Wallerstein when in the preface to "The transition from feudalism to capitalism" (a debate between Dobb, Sweezy and others - serious- researchers on the issue) wrote in 1954: "Yet what matters ultimately is the self historical reality and the details of the debate should show with pristine evidence that it is not about accumulating data on a bed, like Procrustes, of tailor-made formulae. "

In short, Wallerstein seems to ignore the dialectics of the abstract and the concrete, of the particular and the general and the role of the degree of development of the productive forces in historical processes. This is how he can assert that, in the sixteenth century, Europe gave birth to world capitalism as we know it today. Wallerstein's analysts say he is "circulationist". That is, that in his interpretations of the historical processes, he favours the role of the market over the sphere of production. The market played an important role in the slave and feudal societies and constituted a necessary condition for the development of capitalism. Yet its contribution to the development of capitalism does not suffice, for there must be technical advances that enable new methods of production and the emergence of two new classes, capitalist and proletarian, as John Eaton notes in *Political Economy. A Marxist Textbook* (International Publishers, 1949 and 1966).

Another theorist who inspired not few "alter-globalisationists" is Antonio Negri, who wrote with Hardt "Empire". The book explains that with globalisation and the crisis of the Nation-State, the Empire has emerged, without a core (which obviously replaces the notion of imperialism, which indeed has a centre represented by the major powers and their economic, political and military clout), and the "multitude" as the leading revolutionary character, which the authors do not care to define. The proletariat, the peasantry and the oppressed and exploited classes disappear from the scene as the leading characters of a revolutionary change.

Finally, to complete the trio, is John Holloway and his book "Change the world without taking power" whose title is already a whole program that runs counter to historical and current events. Wallerstein, Negri and Holloway (and others authors with similar tendencies) have, to varying degrees, several features in common. They obviate the antagonisms that emerge primarily in the sphere of production; namely the capitalist exploitation of human labour, ignoring the existence of imperialism as a system of centre-periphery domination and ignoring the inter-imperialist contradictions (Wallerstein with his "world-system" and Negri with his nebulous "Empire"). Of which we can conclude, as does Holloway, that the world can be changed without taking power, as a result of the workings of Negri's "multitude" that, as Wallerstein says, "tries to jointly work without a centralised structure, neither at local, national or global levels".

Another "*maître à penser*" of the progressive intellectual elites is Michel Foucault, who did an analysis of society with psychoanalytic methods. If psychoanalysis has generally lost preeminence vis-à-vis the advancement of neuroscience, it has even less in the analysis of social phenomena. In other words, Foucault avoids the core question of the material bases of power, such as Marx suggested, confining himself to an evidently insufficient psychoanalytic approach. In Chapter VI

of his book "*Order of Things* (Routledge, 2001)", Foucault addresses issues such as the analysis of wealth, money and prices, mercantilism, the formation of value, profit, etc. The author quotes many economists, **but he never once mentions Marx**, with whom one may or may not share any ideas but one cannot ignore him, particularly concerning the issues that Foucault discusses in that chapter of his book. Given such approaches it is not surprising that, relative to politics, Foucault begins with Maoism (in fashion in the sixties) and finishes with liberalism.

You can add, among the most frequently cited by not a few "progressives", the names of neo-Keynesians Joseph Stiglitz, former World Bank chief economist and Paul Krugman (opinion maker who spreads his ideas since 2000 in his biweekly column in the "New Yor Times"), and Amartya Sen, "the most inspirational and compelling spokesman for the poor of the world", according to Kofi Annan. All three have received the «Nobel» prize in economics.

Amartya Sen, praised and invoked by both neoliberals and anti-neoliberals, is also a "flagship" of the fight against poverty. In his book "*Development as Freedom*", he places individual freedom at the core of his reflections and the conditions that must exist so that the individual can freely choose what he considers is best for himself. Sen forgets the basically social and historical character of economic systems and of the corresponding economic relations. For instance, Sen considers the market as inherent to human nature (he compares the exchange in the market with the dialogue between human beings) and he places at the core of his reflection the individual freedoms in the context of the full enjoyment of democratic freedoms. He seems to ignore how the contemporary market really works, dominated by the big monopolies and oligopolies, and the fact that economic power is seizing the power of decision in all spheres (relative to what is produced, what is consumed, how one works [if one gets a job], what is read, what information is disseminated and how it is conveyed, what one thinks, how leisure time is used, etc.). Sen's individualistic and neoliberal fervour makes him say that freedom allows individuals to decide what to produce, forgetting that centuries ago production became a social and not an individual activity. In any case, if there are individuals who decide what is produced, these are the heads of companies, particularly of large corporations, and not the ordinary citizens. As for his commentary that individuals in a democratic system can decide what they will consume, it is necessary to note that the options of the poor (not just the options but the very possibility of consuming the bare minimum) are limited precisely by their low income.

It merits to include among the «left's communicators» who are functional to the system those who, to justify and/or conceal the abandonment of a socialist project for the transformation of society, falsely invoke Marx bastardising his ideas and actions. They present Marx as a reformer for whom the transition to socialism would be a slow process of gradual transformations, completely determined and conditioned by the laws of evolution of the economy and history and not as a qualitative revolutionary change provoked, given certain objective conditions, by the conscious and organised action of the masses. This discourse, lacking scientific rigour and oblivious to the reality of the facts and to the historical and everyday experience of the peoples, penetrates, nonetheless, the minds of not a few people. Through its flashy neologisms, phrases and slogans it seems to carry new approaches, especially among those who do not want to repeat the experience of the failure of real socialism. Yet this is not about throwing away the historical and dialectical materialism and the experiences of the popular struggles of all times along with the dogmatic stereotype of Marxism engendered by the intellectual and political bureaucracy. To do so is tantamount to depriving people of the conceptual tools necessary to understand the world surrounding them, to learn to distinguish the truly dominant trends in the socio-political processes so that they can take a stand and adopt informed individual and collective decisions.

All these variants of the dominant ideology and culture leave the popular classes unarmed before the system. This is clearly seen in electoral junctures where, as a rule of thumb, the majority chooses, alternatively, once a centre-left party and once a centre-right party; but rather than choosing based on a positive conviction they do it anchored on a succession of rejections emanating from adverse experiences, with a still minor but growing tendency to lean towards the extreme right. The result is the absence of a rigorous analysis of the material bases and of the dynamics and trends of socio-political processes, including the correlation of power of the present classes.

With such ideological baggage, people let themselves get lured by the discourse (true or fallacious) about the dictators of small countries and –previously softened by the propaganda of the media and of some NGOs– usually accept without questions the imperialist aggressions aimed at "restoring democracy" and, incidentally, keeping the oil and other natural resources of the country under attack (Libya is the most recent and blatant neglect of the fact that the main enemy of humanity is capitalism in its imperialist dimension). This discourse labels as revolutions relatively inorganic popular

revolts that only occasionally produce formal changes (the Arab "spring"); it gives much importance to the protests of the "outraged" (indignados) who are nothing more than straw fires; judges political leaders more for the words, symbols and myths than by actual facts, and so on; for example, the "Obamania" that led to Obama's election, and the failure to recognise the narrow limits of the progressivism of some Iberian American governments, when it is only a progressive facade. And now some believe that with Hollande's election, France and even the whole of Europe will change course getting rid of the dictatorship of financial capital.

The ideological confusion leads many "progressives" and self-proclaimed "anti-capitalists" to be functional to the global strategy of the imperialist powers that act as bearers of the "human rights" and "democracy" banners. Two current examples are the support for the "revolution" in Syria (powered by the Western powers-Israel-Gulf oil monarchies axis, and in which Syria's most virulent religious fundamentalists play the leading role), and their silence regarding the preparation of public opinion to accept the aggression against Iran. All of this contributes as well to the near absence of a reasoned and coherent response to the neocolonial, racist and xenophobic discourse that pretends to "explain" the serious socioeconomic problems (unemployment, etc..). This also contributes to such discourse finding a sizeable audience in the popular classes and becoming increasingly adopted by the traditional right, as can be confirmed in the election results of several European countries, albeit electoral majorities finally choose between "the frying pan and the actual fire" (the traditional right or social democracy).

❖ In Conclusion

Human society is currently organised in an irrational manner as the capitalist market (the result of the private ownership of the means of production). A market that produces and sells goods with the main goal of generating the capitalist profit and incidentally meeting the needs of people (which are satisfied only if the people have sufficient purchasing power) if not when the needs are made up to sell more (to those who can buy them, even if they get indebted) as a function of the central goal: capitalist profit.

To overcome the ravages of capitalism, there is the need for a rational organisation of society, consisting of the removal of the private ownership of the means of production and, consequently, of the capitalist profit and the establishment of the social ownership of the means of production with the end of serving to create a social wealth (goods of use –not merchant goods– in a broad sense: those catered to final consumers to fulfil their material and spiritual needs and those destined to create and refine new tools and means of production). All this organised not by the market that is inherent to capitalism, but according to a social and democratic planning of production and distribution. Without capitalism there is no need for surplus labour for the capitalist profit and therefore everything that has been gained and is gained in productivity is unequivocally gained in social wealth and in leisure, social and individual time for the full realisation of the human being. This is what Marx means when he writes in the "*Grundrisse*" that, given these conditions, the value as the amount of work disappears to leave a place for value as the quantity of free time, which comes to be the true source of social wealth. Free time to learn, develop new centres of interest, learn, invent, create... This entails to radically change the essence of human labour as it exists in the capitalist system, in which the worker stands in the production cycle both at the beginning, alienated as a producer, and at the end, alienated as a consumer.

This does not ascribe to human history an inevitable determinism (the historical determinism that some critics attribute to Marxism). Simply, capitalism has reached a level of development and is such a cumulus of contradictions that it has in fact become on the verge of socialism, as a way of resolving those contradictions in a humanly superior stage. Apropos of the transition from capitalism to socialism, this is not a physical law, as universal gravitation is. To defend their privilege the ruling classes have erected a whole series of walls: ideological, cultural, political, economic, social and repressive. There cannot be a transition to socialism if the people do not tear down those walls with all the resources at their disposal, including, if necessary, with the degree of violence required by the level and type of resistance opposed by the ruling classes. For there are circumstances in which, as the respectable (but never respected) Preamble to the Universal Declaration of Human Rights states, the human being can be ... "compelled to have recourse, as a last resort, to rebellion against tyranny and oppression."

The alternative is then the abolition of capitalism to establish a socialist system. Yet as the experience of decay and finally of failure of the experiences in the Soviet Union and other countries have shown, there can be no true socialism without a genuine participatory democracy. Participatory democracy means an until now unprecedented political model in the

world, consisting of the active and informed participation of individuals and communities in the adoption of decisions at all levels and in all stages, from the establishment of the objectives and the means to attain them to the implementation of the decisions and the assessment of results. Something that requires the population to be completely and permanently informed about the state of the country and of its administration and of the particular situations, and also requires the existence of an absolute freedom of expression and of plurality of the means to convey it.

❖ Useful links:

- <http://www.jussemper.org>

❖ **About Jus Semper:** The Living Wages North and South Initiative ([TLWNSI](#)) constitutes the sole program of The Jus Semper Global Alliance (TJSGA). TLWNSI is a long-term program developed to contribute to social justice in the world by achieving fair labour endowments for the workers of all the countries immersed in the global market system. It is applied through its program of Corporate Social Responsibility (CSR) and it focuses on gradual wage equalisation, for real democracy, the rule of law and living wages are the three fundamental elements in a community's quest for social justice.

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