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"Paradigm lost: Reviving the political economy of macro policy"

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Paper presented at the Second Annual Conference of the *International Forum on the Comparative Political Economy of Globalization*, 1-3 September 2006, Renmin University of China, Beijing, China.

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"Work Process, Oil Revenue and Financial Restructuring in World Economy"

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"INTERNATIONAL FORUM ON COMPARATIVE POLITICAL ECONOMY OF GLOBALIZATION"

Late Development: China, East Asia, and the Developing World.

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"Work Process, Oil Revenue and Financial Restructuring in World Economy"

(Preliminary version)

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"For example, capital is nothing without wage-labour, without value, money, price, etc." (Marx, 1974), The Method of Political Economy

1. Crisis and capitalist reorganization

1.1 The fall of the rates of profit after the post World War II period and the new basis for the rate-recovery process

World economy has experienced deep transformations during the last three decades. These dramatic changes have resulted from three basic facts: 1) The profound economic crisis after de first oil price hike from 1973 to 1974, 2) The dissolution of real existing socialism in Eastern Europe and the former Soviet Union; 3) Global and generalized restructuring that followed these two events, whose definitive characteristics and immediate perspectives have to be unwound, for example, the predominance of a financial capital that has also undergone a profound restructuring. The dynamism that world finances have achieved shows the extremely condensed articulations resulting between monetary systems and national financing markets as a consequence of liberalization and deregulation measures applied initially by the United States and the United Kingdom between 1979 and 1982, as well as by the rest of the industrialized countries in subsequent years. Internal and external liberalization of national systems –closed and segmented until then– encouraged the emergence of a new financing world space where practically all national systems transit today.

During the course of this long transition process —and in spite of the huge technological changes, the growing capital liberalization, the modifications of work process, and, without a doubt, the generalized attack to workers' conditions— capital has not fully reinstated the growth shape and rhythm that characterized the large accumulation process of the post World War II period. Just the opposite, impacts of these changes in the production sphere (the real economy sector) and in the flow sphere (commerce and financing) have been considerably asymmetric. Furthermore, we can say that those asymmetries have become

more serious since 1998, because of the beginning of the end of the boom cycle experienced by the U.S. economy for almost ten years in which fuel and energy –among other things— were relatively cheap, when compared with the levels reached between 1974 and 1982.

The severe fall of oil and natural gas prices registered in 1998 did not help to achieve better conditions to control the crisis and to extend the boom cycle, mainly for the U.S. economy, but as well as for the European and for the Asia and Pacific region economies. Moreover, it seems that this fall has been the motive for a continuous price recovery —of oil, as well as of natural gas— that has been impossible to hold back and it has been translated in rising prices of all fuels and energy, essential productive goods. This unlimited raise in prices has been operating as the mechanism that has complicated even more capitalist restructuring and reorganization in order to start a new boom cycle.

This comprehensive view goes beyond a simple re-adjustment of direction. There are changes in multiple issues oriented not only to "minimize" the State and to over-exalt the private sector, but instead, to subordinate integration –violently in most of the cases— of all those activities having a higher relative income-yield capacity, such as oil international commercialization, without a doubt.

General objectives and characteristics revealed by these changes aim to reverse the general tendencies of capitalism registered since the 1930s. Not just a process—though incipient—developed within the context of a new form of industrial production that tends to prevail in the capitalism of our days has emerged, but a new financial order in the world as well. These transformations have repercussions not only in world and national economies, but in the diverse, multiple and differentiated social structures, and furthermore, in the uncertainty that has characterized the recent political life all over the world.

This new way of social wealth appropriation and this new scenario, though, could not be understood without analyzing the role played by natural resources (mainly energy) and new technologies, keeping in mind what Marx defines in his working process concepts as "undeveloped means of production not produced". These two means of production correspond to the peculiar type of wares that "has a use value without having a value", for which we have to pay, even if they are not themselves the result of a working process, because capitalist reproduction of wealth can continue only if profit includes that profit determined by a property based in violence and not in work, as well as that profit emerging from the unevenness of natural resources (fertility and location), and technical imbalance of the different spheres of the social division of work.

About this matter, we could state that there are just a few research works that try to study integrally this new way of capitalist articulation predominantly financial and its different ways of financing and appropriation, in the form of financial revenues, generated nationally (state debt) and internationally (money orders, pension funds) and their articulation with oil revenue as a profit obtained by a means of production not produced.

One of the essential elements we have to analyze is the role that the U.S. and world Economy have played and still play today (Dumenil Gérald and Lévy, 2004; Foley 2003; Grill, 2002; Itoh, 2000; Moseley, 2005; Shaik, 1999). In a recent work, Fred Moseley states that the main cause of the large recession period of the U.S. economy was the sharp decline in the rate of profit. Since 1950 to the mid-seventies, the rate of profit declined at least 50%, from around 22% to about 12%. It seems that this significant decline was part of the general world tendencies in this period, affecting all capitalist economies (see Figure 1),

generating high unemployment and a severe economic inflation, hence, salaries have remained low in the last decades. Many companies have recently adopted various strategies: wage cut, health insurance and pension fund benefits reduction, forcing many working people to continue to work and minimizing working opportunities for younger people (Moseley, 2005).

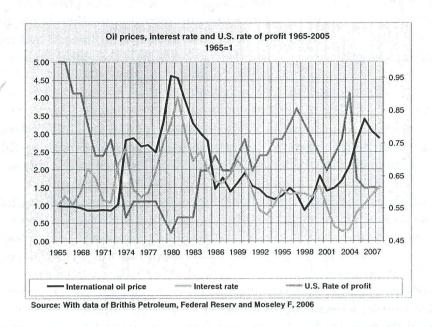


Figure 1.-

Globalization has constituted one of the strategies to promote the rate of profit recovery. Keynesian orientation of the International Monetary Fund (IMF), which emphasized market failures and the role of government in job creation and wages control, was replaced by the free market worshipping (mantra) in the 1980s as one of the issues of the so-called Washington Consensus –promulgated by the IMF, the World Bank and the U.S. Treasury Department– concerning the right policies for the so-called less developed countries, and by commercial trades, such as NAFTA (North American Free Trade Agreement, signed in 1992 by Mexico, the U.S. and Canada). Mexico entered then into globalization.

The Marxist theory outlines that the fundamental expression of capitalist accumulation is the tendency of the rate of profit to fall. In this sense, the main objective of these notes is

¹ "Since this law is of great importance to capitalist production, it may be said to be a mystery whose solution has been the goal of all political economy since Adam Smith, the difference between the various schools since Adam Smith having been in the divergent approaches to a solution. When we consider, on the other hand, that up to the present political economy has been running in circles round the distinction between constant and variable capital, but has never known how to define it accurately; that it has never separated surplus-value from profit, and never even considered profit in its pure form as distinct from its different, independent components, such as industrial profit, commercial profit, interest, and ground-rent; that it has never thoroughly analysed the differences in the organic composition of capital, and, for this reason, has never thought of analysing the formation of the general rate of profit –if we consider all this, the failure to solve this riddle is no longer surprising." (Marx, 1976) p. 272; the underlining is ours.

to structure our exposition around this fundamental expression of the capitalism development for the period 1997-2006, and, at the same time, explain its articulation with the appropriation of ground rent (oil, in this case) and financing and financial revenues, both aimed to renew the boom cycle and to reverse the fall of the profit rate. It would not be sufficient, though, if we leave out the changes that have taken place in the working world as the fundamental element for the rate of profit recovery, in other words, the capital cycle and the role of the rate of profit distribution (ground-rent, interest and technology revenues, and entrepreneurial earnings) and their articulation in the global economic cycle.

Objectives

Some of the characteristics registered in the restructuring period after 1998 of what seems to be five fundamental transformations suffered in world economy resulting from to the continuous rise in international oil prices will be described and analyzed in this work.

- 1) Relocation of the origin and destination tendencies of international capital flow in purchase options and future commodities (bonds, gold, oil and wares, among others) as well as in pension funds and shares, as mechanisms of participation in oil surplus, recovery and redistribution of the rate of profit. It is necessary to outline financing and the corresponding debt it has reached.
- 2) Modifications -by reaction- in the structure of the commodities relative prices present in the world market in order to redeem part of the transferred oil surplus.
- 3) Redefinition of the state support for national financing capital fractions in order to take part in the relative prices debate.
- 4) Characterization of the gradual transformation in working and production processes to recover –internally– transferred surplus derived from high oil prices.
- 5) The study of wage control and depression in order to recover internal profit rate.

Causes and effects on the attempts to recover the internal profit rate within the context of these fundamental transformations will be analyzed in three essential dimensions:

- 1) The specific weight represented by the quantitative evolution of the world oil bill after the dramatic fall of oil prices in the summer of 1998 and its continuous increase up to the present.
- 2) The modification of international financing circuits as an expression of restructuring or regrouping of the different fractions of international financing capital present in world markets.
- 3) The changes in ware production processes in different national areas, precisely implicated by the recent surplus transfers to oil producing countries.

1.2 World economy expansion in the 1990s

1.2.1 World finance reorganization and foreign debt expansion

The emerging world financial space of the 1980s spread in the 1990s. This new scenario did not involve the vanishing of national financing systems, but instead they were

integrated under certain conditions considering interests, development and contradictions of the most powerful economies. There are three particularities: First, the subordinate system: the financial system of the U.S. rules the other national financing systems because of the dollar position as a quasi world currency, as well as for the magnitude of American loan stock and stock exchange markets. The "imbalanced development" among countries and competition, whose instruments are money and finances, has not disappeared. Second, this partly explains why this "world wide" financial space lacks supervision and control regulators since the beginning, situation with which almost all financial specialists and learned academics agree. Third, the unity of international markets has been frequently associated to the development achieved by telecommunications and computer science. International integration of national financing markets springs from transactions that transform a technical virtuality into an economy fact thanks to the liberation of regulations and to its connection in real time (Chesnais, 1999).

This world financial system arranged hierarchically² under the hegemonic power of the dollar developed in the eighties when it leaded the agreements with the representatives of the capitalist States, such as the Louvre Agreements, and more significantly in the nineties, when complex economic and political mechanisms were applied in order to promote world currency handling, which include regulations and prudential interventions for the international bank system and financial markets practices. The Bank of International Settlements has played an important role as never before³, but the performance of the International Monetary Fund has been crucial because it has granted fund availability, influencing and designing the accumulation of entire countries. Nevertheless, a large number of successes have been difficult to achieve (Lapavistas, 2005).

Financial crisis that have accompanied the dollar growth as a quasi world currency from the second half of the last decade are linked with the expansion of loan capital flow that frequently eclipses ware international flow. Under the same currency, exchange instability has reached dimensions never seen before in history. Less developed countries —as well as the so-called countries with "emerging markets" and their national currency anchored with the dollar that had tried to keep a stability degree in their type of exchange rate under the shadow of the dollar, allowing at the same time the free flow of loan capital abroad—have been the motive of major crisis. Simultaneously, the dollar management mechanisms they have used have been successful because, except for Japan, the developed capitalist world was protected from monetary and financial crisis. The new cycle of expansion of oil prices is embedded in this context.

1.2.2 New industrial production and changes in the productive process

One of the central issues to understand the globalization phenomenon lies in the knowledge about the current situation of industrial development in the world, whose changes have

² Integration has been the result of decisions and operations carried out by the most outstanding international portfolios; therefore, the latter are the financial operators who choose the financial spaces world wide and decide which countries will be "economic agents", as well as the transactions to be put into effect.

³ Centralizing information and regularly reinforcing the fulfillment of international bank practices in financial markets.

been of such magnitude and complexity, that they hamper comprehension. The huge space and economic differentiation across the levels of industrial development has increased extraordinarily, and it is expressed through structural factors that make it difficult to anticipate its modification, at least at short and at mid-term. The celerity and ferocity at which highly developed economies and transition economies have been opened to international enterprises (IE) –particularly those of less developed countries—contrast with the protectionism in favor of them practiced by the states of developed countries and international organizations.

In order to approach the capitalist restructuring process, it is necessary to characterize the current world productive system based on the influence of new international production networks, which replaced the power of large American corporations vertically integrated, in which the U.S. was based since the post World War II period. This new production system has become even more complex.

This process has not only evolved within the context of a new industrial production that tends to prevail in the capitalism of our days and the new world financial approach that has been established, but they determine it.

While in the post World War II period world economy lived its highest growth, its rate of profit gradually declined 50%; this compelled a recovery through a capitalist reorganization process known as globalization. The recovery started at the beginning of the eighties, when the U.S. economy had reached its lowest level at 10%. In the early nineties, 1991, world economy reached 14%, recovering up to 18% in 1997, but as a result of the Asian crisis, it has been declining again to reach 14% in the crisis of 2001, and in 2004, it recovered the levels registered in 1997 (see Figure 1), unlike the previous period, that was characterized by the growth of world economy as a whole. In the nineties, U.S. economy was the only developed economy that grew and recovered the levels previously mentioned. Two aspects will be discussed in this section: reorganization of large enterprises and inter-capitalist rivalry and the changes in the productive system.

1.2.2.1 Reorganization of large enterprises and inter-capitalist competition

One of the fundamental milestones of these deep transformations is the transnational enterprise (TNE) or multinational corporation (MNC) that constitutes the articulation core of integrated international production, according to the United Nations Organization definition. In the globalization environment, strategic associations between TNE, purchases and fusions encouraged by extensive privatization programs all over the world have been widely promoted. But the TNE restructuring has involved a new and broad technological integration (supported by the telecommunications and computer science revolution, among others) and organization, from which emerged the web organization that has given place to a new type of transnational corporation that articulates new world production networks. TNE transformation and its role in globalization would not be understood if speculative and non-speculative financial flows and the evolution and participation of the so-called emerging economies, where transnational enterprises are articulated and the large private national enterprises are internationalized, supported by the national State, in order to build

together the most dynamic international reinsertion core of those countries, are not considered.

Industrialized countries monopolize the sudden technological change⁴. About three quarters of research and development activities are in hands of high-tech and medium technology industries that have introduced new state of the art electronics, aerospace and products, precision instruments and pharmaceuticals (Lall, 2000 p. 337). The result is that production and exports of high-tech density have become the most dynamic activities in the last two decades, representing two thirds of the most active exports worldwide, within a context where TNE have caused and are exposed to an accelerated rivalry rarely seen in capitalism. Information technologies have modified innovation combining different production systems with non-related previous technologies and they have modified the geography and space of industrial production, transforming industrial organization and structure. This has influenced the organization and management of world productive systems that allow transnational enterprises to cut inventories, reduce costs and grant acquisitions and distribution.⁵

The efforts to promote the rate of profit recovery do not ignore the challenge that means to face the world rivalry and the growing complexity and price volatility that has forced large enterprises to cooperate. Innovation must take two alternatives: the first, with enterprises of the same chain value, such as automotive, in which the main producers have first-tier suppliers in developing new models, expecting them to design and develop new components and sub-assemblies. In spite of the tight links of governing enterprises with first-tier suppliers, competition of the market control keeps first-tier suppliers in a permanent threat of exclusion.

The second way enterprises share innovation is between domestic competitors and across countries by means of strategic alliances and research consortiums. This way includes technological development boosted and controlled by the TNE that has created strong links between industry and science where local, regional and global innovation systems are articulated, though the tendency of the TNE to concentrate research and development (R&D) is its own particularity. In 1995 the top 100 TNE of the United States accounted for about two thirds of research; in 1997 the first twenty developed one third, and for the same

⁵ "Cisco Systems, the world's largest supplier of routs for Internet traffic, has moved 70% of its customer support online, eliminating 250,000 telephone calls a month and saving more than \$500 million dollars, about 17% of its operating costs" (UNIDO, 2002 p. 18).

⁴ "In 1930 a one-minute telephone call from New York to London cost about \$300 dollars in today's prices; today it costs a few cents. The cost of 1 megahertz of processing power fell from \$7,600 in 1970 to 17 cents in 1999 [...] the cost of sending 1 trillion bits fell from \$150,000 dollars to 12 cents" (UNIDO, 2002 p. 13).

^{6 &}quot;Some 5,100 strategic alliances were formed between 1990 and 1998, mainly by enterprises from the United States, which are part of 80% of known agreements (half with a partner outside the United States. Enterprises in Europe participated in 42% of the alliances, and those in Japan in 15%, along with enterprises from elsewhere. Governments that would otherwise oppose such collaboration on antitrust grounds now often permit or support it, even when they maintain stringent antitrust measures". (OCDE, 2000) p. 33, quoted by (UNIDO, 2002 p. 16). "In Europe the most active participants were enterprises from the United Kingdom (1,036 alliances), Germany (994), France (715) and the Netherlands (680). Other participants included enterprises from the Republic of Korea (119), former Soviet Union (90), China (86), Australia (63), Israel (51) and Taiwan province of China (48). Data are from (NSF, 2000 pp. 2-57) quoted by (UNIDO, 2002 p. 28).

year, of a total 35,000 enterprises doing R&D, just 1% performed nearly 70% of the total yield (UNIDO, 2002 p. 16).

Integrated international production systems or global production systems and new transnational corporations (UNIDO, 2002), transnational production systems (Sproll, 2003), production systems internationally integrated (Alvater Elmar, 2002) refer to the tight links among the markets that influence industrial activity, that is, final products and "inputs: raw materials, intermediate goods, machinery, finance, technology and, in many cases, high-level skills" (UNIDO, 2002 P. 19). The approach that adopts new international production by world chain value is diverse: licensing, joint group investments, alliances, systems and sub-contracting, led by TNE of industrialized countries.

Perhaps the most important phenomenon originated from this new chain value productive process in high-tech is the development of electronic transnational enterprises, which are separated from any productive process regarding ownership of means of production, preserving control and/or independence by promoting manufacture contracts and monopolizing research and development, commercialization and services derived from this new process. The most significant issue, though, according to some authors, perhaps is that it alters the conditions and the ways of competition among enterprises and territories (Gereffi, 2002 p. 137). The origin is the disintegration of traditional structures of the electronics sector and the emergence of vertical integration (Sproll 2003). In regard to this, an important volume of academic research has been focused on the discussion of the "new economy", leaving out the important role of manufacturing industry. New chain values of the computer technology industry have two new sectors emerged from electronics traditional structures: manufacture by contract, almost unknown a decade ago, whose main characteristic is that it has no product of its own (without brand).

At the beginning of the eighties –and in a sudden way at the end of the nineties– these enterprises adopted as a central strategy to outsource manufactures in order to avoid bankruptcy, face competence, reduce inventories and their high manufacturing costs, while brand enterprises concentrated their funds more intensively in design and new products engineering in highly specialized segments and in sales. This induced most of the actives to be manufactured by outsourcing companies: manufacturers by contract. They sold most of

⁷ Industrial revenue of world industrial development is measured by the capacity of countries to manufacture and export goods in a competitive way according to the competitive industrial revenue index (RIC) by four indicators: manufacture aggregated value per capita, manufactured exports per capita and proportion of medium and high technology in manufactured aggregated value in manufactured exports. The first ones concern industrial capacity and the rest express the technological complexity and industrial improvement.

⁸ Firms that outsource a large share of their manufacturing no longer have to carry the financial, administrative and technical burdens of fixed capital for production, allowing them to focus on product innovation and become more organizationally and geographically flexible. Product innovation, in the modular system, has been freed from the shackles of large-scale investment in fixed capital for the manufacturing of those products, allowing the lead firm's resources to be more tightly focused on the ongoing process of new product development (Sturgeon, 2002 p. 465). The key organizational innovation embodied by the modular production network is that it divorces the size of the firm developing new products from manufacturing scale economies (Sturgeon, 2002 p. 476). By tapping production networks, lead firms are finding new ways to exert substantial market power without the fixed costs and risk of building and supporting a gigantic corporative organization (Sturgeon, 2002 p. 485); script marks are ours.

⁹ Such as Solectron, Flexitronics, Sanmina-SCI, Celéstica and Jabil Circuit, and brand enterprises, such as IBM, Nortel, Apple, 3Com, Hewlett Packard, Compaq, Dell, Maxtor, Lucent, Siemmens, Ericsson, Nokia, Alcatel, NEC and Sony.

their avant-guard premises for production in their own country, and contracted offshore larger manufacturers by contract, who developed multiple productive functions taking administration of component supplies in chain, final assembly, integration and testing for a wide range of market products, logistics and distribution, as well as maintenance services in many cases, different from traditional and modern subcontractors, as the Original Design Manufacturing ODM (Sturgeon, 2002); (Sproll, 2003).

The sale of their premises allowed them to alter their production volume, increasing or decreasing it in a short time, without the need for factories and equipment, therefore, with null idle capacity. Their interest was focused in improving the upside flexibility -ability to increase or decrease quickly production volumes in order to respond to rises in demandsupplied by manufacturing by contract (Sturgeon, 2002). The result of this process is the Wintelism, 10 mechanism for competitivity and market control, and contracts for manufacture, broadly complementary. Outsourcing enterprises organize production, control parts and components supply world wide supported by computer science11. Therefore, life control of these new state of the art and their products is the central issue for industrial organization. The particularity of the new structure of the electronics sector is that manufacturing enterprises are not in control of the market any more, but instead, brand companies that define the products following the Wintelism formula, which has incorporated outsourcing. This model, in spite of what some authors outline (Sturgeon, among others), has created and accelerated overproduction in this sector making unstable the chain value, such as in telecommunications; since 1997, traffic doubled annually, though many large firms estimated that it could be doubled every 100 days. As a consequence, in 1998 many enterprises made strong investments in new technology of fibber optics in de U.S., Europe and Asia, using debt; the expected demand never arrived and this situation created over-capacity.

1.2.2.2 Changes in the productive process and in the nature of work

One of the most complex issues about the so-called globalization is the peculiarity of technical changes in each capitalist period, labour-saving, and capital-using associated with the tendency of the profit of rate. In fact, the periods of the capitalist development have been dramatically different. The most persistent and important singularity of the capitalist development has been the tendency of the continuous growth of labour productivity at a significant rate (Foley, 2003) (See Figure 2)



The new structure of the sector shows horizontal segments slightly linked. Each one has a leader that names it. Wintelism is the term for this new paradigm (Sturgeon, 2002 p. 21). Intel x86 microprocessor is known in the industry as "WINTEL" (sturgeon, 2002 p. 457)

Electronic, active (semiconductors) integrated circuits, microprocessors) and passive components (bias resistors, capacitors, awitches, wires and cable connectors, etc.) form the parts and components production in manufacturing electronics consumption (relevision sets, racio-receptors, video sets, audio recorders, high fidelity sound equipment, pocket calculators, electronic games) and electronic equipment (computers and devices, telecommunical tasks entirphieses, industrial control systems, measurement and test equipment, office equipment, aerospace and military equipment, delicity incorporated as electronic appliances), depending on the final product performance (Dicken, 1998) in (Contreras, 2003).

Figure 2.-

Now then, it is relevant to remember that Adam Smith and David Ricardo identified a descending tendency on the rate of profit linked to the accumulation of capital. "Marx associated this tendency with a more fundamental bias in the technical change patterns of capitalist economies towards labour-saving and capital-using techniques, a pattern that we have labelled technical change (Marx-biased)¹² (Duncan K. Foley and Adalmir Marquetti, 2000, p. 45). "Marx summarized this vision of long-term development by means of capitalist production in his relative surplus value theories and its descending rates". If Marx's ideas could be expressed in terms of what we could state as modern -Foley says- it is possible to say that "Marx presented a systematic bias towards the labour-saving and capital-using technical change as the typical pattern of capitalist development [...] From this viewpoint, the rate of profit in a capitalist economy is determined by two factors: the pattern of technological change and the evolution of wages in national income" (ibid, pp. 52-54). We do not examine the evidence about the technical change or the participation of wages in the national income. This process is conceived by Marx as the engine of the technical revolution in capitalist production. Simultaneous to this process, another important strategy oriented to the reduction of labour costs has been the transference or shift of different production processes to other countries for lower wages. Perhaps this has been the most important force behind the so called "globalization" in recent decades. This is the essence of globalization (Moseley, 2005, p. 4). This has allowed, for example the lowering of wage pressures in the U.S. In this sense, the North American Free Trade Agreement (NAFTA) and the Central America Free Trade Agreement (CAFTA) are part of this important strategy.

"But from the Classical point of view the rise in wages poses an intriguing puzzle. Why should workers, relatively disorganized, easily divided, and constantly threatened by an influx of competition from various reserves of labour, be able to secure a rise in real wages in bargaining with a prosperous, politically unified capitalistic class, even in a context of rising labour productivity?" (Foley, 2005, p. 22-23). Foley says that "we are still far from understanding the complexities of the capitalistic labour market, though some features of it have become clearer over the years. The labour market is highly segmented, so that the

¹² In this work Foley presents empirical evidence with four figures based on Dumenil's statistics. Two of them are used to compare the efficiency curve of the U.S. along 15 years. His comparative analysis allows him assert that Marx's biased pattern was predominant between the periods 1869-1919 and 1949-1989, with a neutral intermediate period. This comparative analysis allows him to assert that, labour productivity as well as capital substantially increased in both periods. Nevertheless, while labour productivity multiplied almost by ten, capital productivity increased 25% within that century (ibid p. 45).

competitive pressure of reserves exerts itself only fitfully and gradually on specific wage bargains. The acquisition of skills, licensing and unions, the costs and risks of migration, linguistic and cultural differences, all present barriers to competition in the labour market. The rise in average wages that has taken place over the course of capitalist economic development has been extremely uneven. Both on the national and world scale disparities in workers' income are just as notable as the increase in the average level of the wage".

One of the most severe and complex aspects about the so-called globalization is unemployment. Statistics presenting cold results of this restructuring process, where half of the world population -3,000 million people—live with less than two dollars a day, and about 1,200 million people get less than a dollar a day (ONUDI, 2002 p. 10), are well known. This problem outlines severe first-rate political controversies in the dawn of this century.

Although unemployment has increased in the U.S. economy in the last decades, it is also true that during the growth period of the U.S. economy in the nineties unemployment decreased and, though at the beginning of this century it increased again, since 2003 up to the present it has decreased again. How to begin to explain this event? (See section 3.1 and figure 3.-)

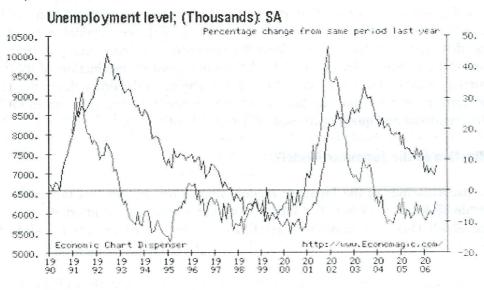


Figure 3.-

One thing is the emerging of new working positions, the reactivation of the construction sector or the exports re-launching and consumption, and another the modification of the *nature* of work and the derived social rights occurred during and after the recession (Marazzi, 2003 p. 9).

Behind the dismissals without precedent occurred in recent years, even in countries like Switzerland, there is a purpose called lean production and the so-called outsourcing; there is talk about just-in-time production, a process established by Japan, and American production methods, Taylorism and Fordism, as well as Japanese production systems whose core is the new Japanese school based on the Toyota Production System (JIT) or

"ohnism" 13 in the fifties. We can find the root in the financial crisis of Toyota in 1949. The 1950, 1952 and 1953 strikes, and the Korean war (1953) represented the last resistance attempt of the working class, a necessary defeat required to introduce Ohno's new methods of production (Ohno is Taylor's analogous and the engineer who created the flexible production techniques). The influence of toyotism from Japan to eastern economies came about as a result from the overproduction crisis and mass consumption that lead to the recession of 1974-1975 (first oil shock, the main reason for the first austerity policies) that was extended to the eighties resulting from the application of Neoliberal policies (Idem, pp. 15-17).

The Toyota system "is a set of organization innovations whose importance is comparable to what taylorism and fordism contributed for organization innovations in their time" (Coriat, 1992). Ohno said that "work transformation and organization in Japanese enterprises cannot be understood if we devote ourselves to 'think in the opposite way' according to the Eastern heritage". The essence of the system is determined by its basic intention, which consists in conceiving a system adapted to the production of limited volumes of differentiated and varied products. In other words: "To search for the origins and nature of unprecedented productivity profits that are not involved with the resources of an economy of scale and the Taylor and Ford standards", (Idem, p. 22). The central issue in these changes is that they are based on "internal" flexibility of work and, in that sense, productivity and flexibility "harmonize" [...] "making possible production of varied and differentiated products at a large scale.14[...] "to Taylor and Ford belong the type of enterprises corresponding to the capitalism in times of serial production, and to Ohno the times of differentiated and quality production" (Ibid, pp. 142-144).

Universalization of the Japanese model?

Successful particularities of the Japanese model induced the imitation of this model world wide since de eighties. Why was the Japanese model reproduced at international scale in the last decades? There are multiple reasons. We share one of the central ideas Coriat emphasizes¹⁵:

"...because they correspond to the current stage of a capitalism characterized by competence, differentiation and quality, original condition, as we recall, from the structure of the ohnian method, according to which, because of this reason, Japanese theorists on production management have an advantage. If this method should be imposed everywhere, it is because its principle is bearer of the extraction method for production profit corresponding to current rules of competence and

¹⁴ Coriat in Taller industrial and the robot outlines that Japanese enterprises have mastered the combination of scale economies and varied economies through the use of new technologies.

¹³ Ohno, T. (1978) Toyota seisan koshiki, Tokyo, Diamond Sha. (the spirit of Toyota); Taylor, F. W. (1972), Principles of Scientific Management, Greenwood Press Publishers, Connecticut, Westport. Taylor, Direction scientifique des enterprises; Ford, H. (1930), Today and t morrow, London, William Heinman LTD.

¹⁵ The author emphasizes three main ideas, but we do not agree with all of them, particularly with the third, which refers to the achievement of democracy within working relations and thereof combining efficiency and equity, because of theoretical-political, historical and methodological considerations, based on political economy criticism. The purpose of these notes is not to clear this crucial element that requires an attentive and rigorous analysis.

competition among enterprises [...] When we talk about "universal" contribution of the Japanese school, innovations in the organization as a "relationship" refer to the particularity that enables the combination among economies of scale and economies of variety, productivity and flexibility", (Idem, pp. 145-149).

Other common strategies adopted have been the journey speed-up ¹⁶ and productivity evaluation; ¹⁷ and more recently, the bankruptcy strategy, where, besides allowing debt renegotiation of the enterprise, the most relevant fact has been the cancellation of contracted union contracts. There are many examples, since the pioneer steel industry to airlines, automobile and auto-parts industries.

2. Deceleration and crisis 1997-2001

2.1 The so-called Asian financial crisis and the U.S. crisis

The Mexican financial and stock exchange crisis of 1995, as well as the South Asian crisis (Thailand, Indonesia, Malaysia and the Philippines) between 1997 and 1998, starting with Thailand, developed similarly: they started with the devaluation of local currency as a result of elevated commercial deficit, accentuated by their anchorage with the dollar. Devaluation causes the fall of the type of exchange, short-term capital flight and the plunge of weak financial markets. Although different specialists have emphasized the stock exchange crack, they did not take into account the strong credit contraction that would lead to a fall in production. Devaluation of national currency involved the severe increase of the cost of private foreign debt (banks and enterprises). Simultaneously, foreign and domestic short-term investments withdrawn; local banking became insolvent, credit disappeared and bankruptcy of enterprises and banks appeared.

Unlike the Asian crisis, the Mexican financial crisis —and not its immediate spread, known as the "tequila effect"— was controlled. There are many explanations. In the first place, the influence of the U.S economy dynamism, unlike the Japanese, which could not support the affected countries, and furthermore, Japan itself fell into recession. Secondly, most of the private capital flow invested in Mexico came from de U.S.; that is why Clinton's government supported immediately Mexico (Morera, 1998, Morera, 2000). Thirdly, commercial interconnection with Mexico is essential for the U.S., unlike the commercial interconnections existing among the Asian economies affected. Finally, private and fragmented debt made difficult negotiations. On the other hand, we must not forget that spreading mechanisms in the Asian region find their domain in commercial and productive levels, because the strategy with which those economies were built since the sixties was aimed to foreign markets. In Thailand, Indonesia, Malaysia and the Philippines, as well as

¹⁶ Journey speed-up states that "with a constant technology, the same number of workers produce in the same time a larger amount of products-wares [as a result] of the reduction of 'pores' and wasted time" (Coriat, 1982, note 26, p. 36).

¹⁷ Productivity is increased "when, at the same working rhythm, the same amount of workers produce a larger amount of products-wares [that] have to be attributed to [...] progresses related to a higher technical efficiency of the means of production" (Idem).

in China in 1997, about 50% of commerce was regional, and about the same amount of that regional commerce was carried out with Japan. The other economy severely affected was that of Korea, which also fell into recession (Chesnais 1999).

At the mid-eighties Russia was in foreign bankruptcy, and latter Brazil (WIR1999). The U.S. interest rate that had slightly decreased since 1995 had a slight rise, precisely at the middle of 1997, but it fell again in 1999 to start its rise till 2000; in 2001 it plunged almost 6 points, until 2004, when it began to rise again up to the present.

2.2 Foreign investment, fusions and acquisitions

The new financial structure contains a complex process involving subjects and instruments of distinct nature, because of its origin, as well as for its operation: large societies and investment banks specialized in securities emission and allocation, mutual funds (small and medium investors), reserve funds (enterprises specialized in short-term speculative operations), pension funds (retirement savings for workers), insurance companies and transnational enterprises treasuries. This process had a contradictory development. On one hand, it lowered the credit, but, on the other hand, it created new elements of instability, such as a higher dispersion, volatility and capital speculation. At first, it lowered the credit in emerging markets, but it raised the price of credit latter on. Globalization of financial markets caused an extraordinary transnationalization of negotiable instruments ownership. Foreign investment became the predominant form of transaction of capital at international scale as a result of this process. However, the relationship between foreign direct investment (FDI) and portfolio has changed in the last 25 years. (See figure 4.-)

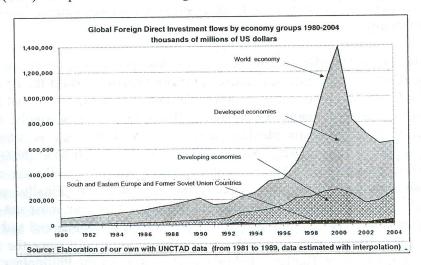


Figure 4.-

While in 1981 annual private investment flow was 19%, the nineties were characterized by the increase of capital flows towards developing economies, in which speculative investment was prevalent, influencing significantly in the volatility of those economies through institutional investors. Foreign direct investment of transnational enterprises (TNE) simultaneously increased and –as the 1994 crisis in Mexico and in the Middle East in 1997

burst raising credit price- in the second half of the last decade foreign direct investment was established as the predominant form of transaction by fusions, strategic alliances and privatizations through TNE and international finance corporations.¹⁸ In 1993-1998 from the total foreign investment the so-called developing economies received 35.3%, the highest percentage received in the last decades (UNCTAD, 2002 p. 7). It is more significant if we consider that the world flow of FDI for the period 1990-1995 maintained an annual mean of 225,321 millions of US dollars (md), in 1996 it reached 386,140 md and in 1997 478,082 md (Sturgeon, 2002; UNCTAD, 2002 P. 303 and 337). In 1995-1998 developed countries destined 50% of capital flow to fusions and acquisitions and developing countries 31%; in this period capital flow doubled in relation to the first half of the same decade (UNICAD, 2002 pp. 33, 306 and 337). However, from the capital flows destined to fusion and acquisition processes for economies of developing countries, Latin America was the most important destination, not just for the mentioned period, but for the first half of the nineties; the mean average for all this period was 57%. The total amount for fusions and acquisitions was 196,813 md, though the highest volume for fusions and acquisitions, 12,534 md, took place between 1996 and 1998 in Brazil, Argentina and Mexico. In this period, South (India) and East Asia (China, Hong Kong, Taiwan), as well as South East Asia (Indonesia, the Republic of Korea, the Philippines, Singapore, Thailand and Malaysia) were the regions where more fusions and acquisitions took place for an amount of 44,173 md; the most considerable amounts were for China, Hong Kong and Korea. In spite of the large amount invested in this region in this period, the largest volume of FDI, regarding fusions and acquisitions, was registered in 1999-2001 when investment was doubled; it reached 82,650 md¹⁹.

The conjunction of the above mentioned financial, productive, technological and organizational elements give a new profile to transnational corporations and it places TNE with the highest power in the history of world economy: its participation on the national income (NI) of the world increased from 17% at the mid-sixties to 24% in 1982 and raised to more than 30% in 1995. There were 39,000 transnational enterprises in 1995 that determined the rhythm of world economy (including 4,148 developing countries) with 270 affiliated companies (from which 119,000 operate in developing countries). They currently add up to 60,000, with 800,000 affiliated companies world wide. In spite of this, the capital concentration and centralization grade is bigger if we consider that the top 100 TNE (without including banks and financing institutions) controlled one third of the FDI, and that between 1988 and 1995 the value of fusions and acquisitions of every type doubled,

^{18 &}quot;Foreign Direct Investment (FDI) is defined as an investment involving a long term relationship and reflecting a lasting interest and control by a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of foreign direct investor (FDI enterprise or affiliate enterprise or foreign affiliate). FDI implies that the investor exerts a significant degree of influence on the management of the enterprise resident in the other economy [...] FDI may be undertaken by individuals as well as business entities. [...] FDI has three components: equity capital, reinvested earnings and intra-company loans. [...] Reinvested earnings comprise the direct investor's share (in proportion to direct equity participation) of earnings not distributed as dividends by affiliates, or earnings not remitted to the direct investor. Such retained profits by affiliates are reinvested. Intra-company loans or intra-company debt transactions refer to short or long borrowing and lending of funds between direct investors (parent enterprises) and affiliate enterprises."

using 72% of the FDE flows, which together with strategic alliances were, according to UNCTAD, the international transactions that grew more quickly.

The tendency to concentration via fusions and acquisitions by FDE capital flows in developed and developing countries continued for the last five years of the nineties, reaching in 2000 an amount of 1.14 trillion dollars, which mostly (more than a trillion) corresponded to developed countries (Sturgeon, 2002; UNCTAD, 2003 P. 293). The highest amount in the last 25 years corresponded to the period 1998-2000, and in 2001 as well as in 2002 (593,960 and 369,789 md, respectively) capital flows plunged. In spite of this, the magnitude of operations during the boom period expresses the brutal and severe process of reorganization of TNE in the manufacture industry as well as in the tertiary sector. The extraordinary amounts reached in 1999 and 2000 are merely an expression of this process, particularly in finance and business services.

2.3 U.S. financial crisis, external debt expansion and crisis of economy

When the crisis burst the articulation of complex credit chains and bank debt granted by international banking to South East Asia for private and public sectors included credit refinancing facilities agreed with national banks of those countries. In that sense, debt did not conclude but increased and the crisis showed unmanageable situations at all levels, since production, commerce and employment fall. Besides, liberalization and de-regulation of financial capital and permanent financial innovations enabled a boom without precedent and simultaneously prevented a follow-up and evaluation of monetary authorities (NYT, 2002). Nevertheless, they express at the same time the powerful development of bank and non-bank financing institutions, the practice of the so-called "out of balance" and their tight articulation with the world financial center lets us understand why the "momentary" bankruptcy, important debtors, as well as the emerging markets are translated not just into a debt increase in international banking, but as they are articulated, they signed the evolution of the world crisis growth in 1998.

Now then, Asia represents a third of world commerce and in the last decade it was the only region with sustained industrial growth, together with the U.S. and precisely, it is to that region where most of industrial exports of the U.S. economy are sent, and it was precisely in 1998 when production and commerce contractions were articulated with the U.S. economy propagating to raw materials –including oil– exporting countries, though momentarily, because it was at the end of that year when oil prices increased, and their flows, as well as those of emerging economies went to developed countries, particularly the U.S. (BIS 2003, 2005 AND WIR 2005) (See section 2).

Finally, the role of the stock exchange sector in the crisis of 1997 as a spreading mechanism perhaps is the most sensitive within the financial gear. It is the heart of the

²⁰ "Compromises in 'derived products' markets (the ones that led Barings into bankruptcy) are part of this, as well as all high risk loans that banks do not show but that burden their liabilities since the moment they prove not to be collectable. These loans are not of the sort granted to Indonesians or Russians, but to the ones granted to the most powerful in media and the scrupulous specialized in speculative funds (hedge funds), such as LTCM (Long Term Capital Management). We must remember that their compromises have reached 200,000 US million dollars, that is, the equivalent to the joint external debt of Thailand, Indonesia, the Republic of Korea, the Philippines and Malaysia" (Chesnais 1999).

value of the fictitious capital possessed as financial assets, particularly in stocks and bonds. The transmission speed is almost immediate, and that is why it is so complex to anticipate its evolution. Generally, cracks occur after the slack time and recovery stages. They may be local, regional, as in the Asian crisis of 1997, or world wide, and their epicenter is the U.S. stock exchange markets. In 1997 the crack of Wall Street was prevented thanks to the stock repurchase of the large U.S. groups. But the crisis of 1997-1998 reveals the consequences, limits and contradictions of the financial liberalization and deregulation controlled by the large investment funds (pension funds and mutual funds), the large transnational societies and international banking. The fact that one of the main milestones of this international economy of valorization of capital-money is the market of secondary money of open securities provides high and increasing volatility and instability. It is in this market where the origin and composition of fictitious capital is located, given the fictitious nature involved in securities, in the structure of all those large stock societies and the immense accumulation of financial assets that represents.

Changes in property rights have always accompanied capitalism development along its course.²¹

Dynamism of U.S. economy was praised during the nineties. It promoted innovation firms, particularly in "new" ambits, involving information technologies (IT) and biotechnology. But the NASDAQ bubble burst and the group of ruined firms collapsed the stock exchange market.²²

Another element we have to consider is the stock market collapse in 2001 after nearly a decade of a dynamism whose peak exceeded the NASDAQ index for 5000 points (see Figure 5) when compared to the 400 level at the beginning of the nineties.

²¹ "production is always appropriation of nature by an individual within and with the help of a definite social organisation. In this context it is tautological to say that property (appropriation) is a condition of production. But it is quite ridiculous to make a leap from this to a distinct form of property, e.g., private property [...] safeguarding of what has been acquired, etc. If these trivialities are reduced to their real content, they say more than their authors realise, namely that each mode of production produces its specific legal relations, political forms, etc. It is a sign of crudity and lack of comprehension that organically coherent factors are brought into haphazard relation with one another, i.e., into a simple reflex connection. The bourgeois economists have merely in view that production proceeds more smoothly with modern police than, e.g., under club-law. They forget, however, that club-law too is law, and that the law of the stronger, only in a different form, still survives even in their 'constitutional State'" (Marx, 1974, p. 44).

The transformation of knowledge in wares (under the type of marketable DIP and as a grant for future rents, displacing the boundary between "invention and knowledge"). NASDAQ (National Association of Securities Dealers) is in practice the instance that, under the authority of SEC (Security Exchange Commission) is empowered with broad authority over all aspects of the security including NASDAQ transactions, which in 1984 established the regulation known as "Alternative 2" (that essentially consisted on authorizing deficit control of firms under the condition that they should have "intangible" strong capital available in the National NASDAQ Market, that is, in the first and most attractive NASDAQ's market.

Legislation changes were also introduced in financing area. Prudent Man Rule for pension funds was modified in order to authorize investment in security holdings and risk-weighted assets, which were previously forbidden (Coriat, 2003 p. 3).

The new "complementary institutional" among financial markets and DIP in the middle of the "new economy": The boom of many firms that have become dominant in biotechnology (Myriad Genetics) or software (Oracle) and Internet (Yahoo, Google) is the result of this new institutional frame.

How to appreciate the value of a firm whose assets are based on a gene patent or in the Internet firms whose customers are "virtual"? (Idem p. 4).

On March 2000 NASDAQ²³ collapsed, and from that moment on the telecommunications system has been concentrated on restructuring its debt, cost reduction, divest and restructuring of the sector, where apparently the challenge is the larger overlapping between the telecommunication and technological information (IT) sectors. In this sense, mobile telephone, broadband and the new service generation require new equipment for telecommunications outskirts, more than a larger capacity in the hart of nets (Economist, 2003).

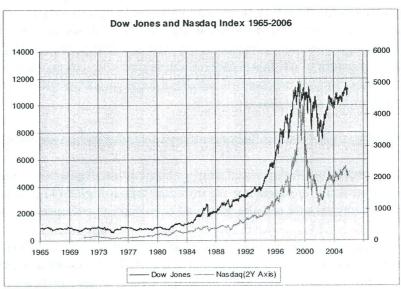


Figure 5.-

About this phenomenon characteristic of the capitalism and its current peculiarities there is a tendency to interpret it as an implant of a "casino economy". The crisis we mentioned are not just the consequence of the inherent instability of financial markets. They obey the slow growth and endemic overproduction occurred in the nineties that came about in the U.S.

²³ National Association of Securities Dealers Automated Quotation System (NASDAQ) (US) A series of computer-based information services and an >order execution system for the US >over the counter market. The system was set up in 1971. NASDAQ provides quotations by over 500 active > market makers on the > securities of over 5,000 companies that are actively traded.

There are some 180,000 NASDAQ terminals in use, of which 25,000 are outside the USA.NASDAQ was designated a UK recognized investment exchange in 1988 (>Financial Services Act). Brokers and institutional traders, having selected the market maker who offers the best price on their screens, may execute their deals by telephone or teletype or, since 1984, may enter order orders directly through the small Order Execution System (SOES). The SOES allows dealers to fill orders for 500 shares or less and 1,000 shares for NASDAQ > National Market System issues. NASDAQ International has operated from London since early 1992 and allows investors to trade US stocks before the > New York Stock Exchange opens. NASDAQ merged with the >American Stock Exchange opens. NASDAQ merged with the > American Stock Exchange (AMEX) in 1999 and acquired the >European Association of Securities Dealers Automated Quotation System (EASDAQ) in 2000.

The National Association of Securities Dealers (NASD) is a self-regulatory organization (under delegated powers from the >Securities and Exchange Commission) that set up and now regulates NASDAQ and the OTC market. The share index is the NASDAQ Composite. The NASDAQ 100 tracks the 100 largest non-financial stocks. International Dictionary of Finance, Graham Bannock and William Manser, The Economist Fourth Edition 2003.

economy crisis in 2001. In this decade the only countries or regions that could avoid overproduction were the U.S. and Asian countries, except for Japan.

After the generalized recession invaded Asia, China, India and the U.S. succeeded in maintaining their dynamism, though in the case of the last, with considerable contradictions regarding its economic, commercial, financial and stock exchange dynamism. About stock exchange, evolution and contradictions of this market can be appreciated, as well as the impact of the Asian crisis.

All of this shows that during the nineties, out of all developed countries, the U.S. economy was the only one that could grow and leave relatively fast (nearly four years) from the economic retraction that started at the middle of 2000. Nevertheless, this would not have been possible without the increasing input of capital flows, proceeding mainly from the so called emerging countries, particularly from China, India and oil producing countries, at the end of that period. These flows contributed in different ways to that growth: reducing debt interest rates, increasing investment and decreasing corporate debt, strengthening the dollar and increasing the current account deficit. Some authors, Moseley, among others, consider that without these capital flows recession would have been worse.

3. International increase of production costs and recovery of the rates of return; debt and financial fragility 2001-2006

3.1 Dynamics of the U.S. economy: growth and crisis

In the last decade the dynamics of the U.S. industry has been imbalanced. From 1991 to the middle of 2000 industrial production rose continuously at a medium annual rate of about 4.6 per cent. In almost ten years industrial production increased one and a-half times. From the first months of 2002 (nearly 18 months later), rates turned positive, though it was until 2004 that they recovered the industrial production reached in the first semester of 2000. In good English, this means that the U.S. industrial growth stopped -in a manner of speakingthree years and a-half. The industrial retraction and recession for nearly 40 months were expressed in two other indicators: industrial capacity recession for nearly 30 months, though in the second semester of 1998 its growth increased at lower rates, and the severe fall of the capacity used from the second semester of 2000 that practically stopped and fell 10 percentage points to end at 74% at the beginning of 2002; since then it has registered a slow but gradual recovery that barely today allows the U.S. economy to register once more the utilization levels of its industrial capacity experienced at the beginning of 2000. Another indicator of this is economic regressive dynamics in the U.S. is the evolution of consumption credit that -after registering its highest growth at the beginning of 2001 (with annual rates above 10%),- has not stopped growing at increasingly low rates, though -we have to say it- still positive, around 2.5% annually. These surprising facts -the fall in production, accelerated increase of idle capacity or its correlated dramatic decrease in used capacity and the dramatic deceleration of consumption credit- are reflected in two other indicators: the growth of the quarterly global product has registered the lowest rate in the last ten years (1.3 per cent) and the negative behavior -not only lower, but negative- of productive investment in the second quarter of 2001, which did not had happened since ten years ago. (See figure 6.-)



Figure 6

If we observe one more indicator, the critical situation is perceived even before the product, industrial investment and used capacity decrease. This indicator is the Weekly Index of Leaders that tries to offer a weekly summary of financial, productive and commercial behaviour continuous indicators. The difficulties of the U.S. economy following this indicator were perceived even before the fall forecasted by traditional indicators.

Within this context, it certainly is not surprising the result of an indicator that —in the middle of a deceleration process— forced to refine the diagnosis of the U.S. economy situation. That is, the positive evolution registered by industrial production with nearly 2.5 annual levels in the middle of the deceleration process in 2000 and 2001.

3.2 Financial re-articulation

There is a debate among various world economy specialists around the causes and perspectives that explain the recent variations in savings and investment of industrial countries, emerging markets and oil producers.

Savings and investment in the world have maintained a tendency for a fall since the beginning of the sixties. Having reached their historic lowest point in 2002 and since then it has been recovering slowly (Perspectives for world economy 2005, IMF and UNCTAD Investment Brief, 1-2006). In spite of this, the tendency to savings and investment rising in emerging markets and oil producing countries started, except two decades ago in the years of the Asian crisis (WIR), 2005) (Perspectives for world economy 2005, IMF) How did world economy ended in this situation? Some analysts of international organizations point out clearly at an overproduction phenomenon. Most of them sustain that the ferment, the catalyst, is the qualitative transformation of Asia, where savings have increased, but investment has plunged since the end of the nineties, which has helped to finance the huge imbalance of the U.S. current account. Other specialists attribute it to monetary and fiscal policies applied by this country. Nevertheless, this does not explain why in spite of the fall

of the interest rate²⁴ flows went into the U.S., even when other markets maintain them higher.

As we pointed out, our notes intend to approach it from the perspective of capital concentration and centralization as the result and expression of the overproduction crisis inherent to capitalism development and their linking with the new oil revenue cycle. For that purpose we will analyze in this section the tendencies of foreign direct investment²⁵ along the last five years, which include the so-called Greenfield²⁶ DFI. In China most of flows are of this type through fusion and acquisition transactions carried out by foreign direct investment since the end of the eighties.

After the fall of foreign direct investment flows in 2001 (41%, 2002 (13%) and 2003 (12%), they slightly increased to \$648 US billion dollars in 2004.

This growth shows an increase of flows towards developing countries, a well as to South East Europe and the Commonwealth of Independent States. In spite of this, the main receptors were the U.S., the United Kingdom, China and Luxembourg in 2003 and 2004. Nevertheless foreign direct investment components in fusions and acquisitions in developing countries, as well as in developed, were basically integrated by stock investment.

Developed countries, having reached an amount of \$1.1 US trillion dollars, in 2002 declined 30%. In the European Union FDI fell 14% (to \$380 billion dollars) additionally in 2004, in spite of the recovery in other countries. The fall was particularly higher in the U.S, about 36% from its lowest level in 1996. This fall was concentrated in a few countries: Denmark, Germany, the Netherlands and Sweden, where only Sweden fell 86%. Capital flows towards the U.S. increased three times its 2003 level; in spite of this, it represents one third of its peak in 2000. The United Kingdom received a similar level to the one of 2003. Capital flows towards Japan, New Zealand and Australia also increased.

Capital flows towards developing countries increased 40% (\$233 US billion dollars) in 2004, the highest since 1997. Flows towards Asia and Oceania increased 148 US billion dollars, 101 billions more than in 2003; Latin America an the Caribbean, 44% (68 US billion dollars) after a four year consecutive fall. Nevertheless, flows were 60% concentrated in China (Hong-Kong China), Brazil, Mexico and Singapore.

²⁴ Since July 2002 to March 2003 U.S. real interest rate was zero, different from Japan and the Euro area; since then it began to increase in March of 2005, excelling for more than 1% Japan's and the Euro area's (World Economics Situation and Prospect, World Economic Situation and Prospects (WESP) 2006, UNCTAD.

²⁵ FDI is a balance-of-payments concept involving the cross border transfer funds. Cross border M&A statistics shown in the Report are based on information reported by Thomson Financial. In some case, these include M&As between foreign affiliates and firms located in the same host economy. Such M&As according to the FDI definition as far as the equity share is concerned. However, the data also include purchases via domestic and international capital markets, which should not be considered as FDI flows. Although it is possible to distinguish types of financing used for M&As (e.g. syndicated loans, corporate bonds, venture capital), it is not possible to trace the origin or country-sources of the funds used. Therefore, the data used in the Report include the funds not categorized as FDI. (WIR, 2005)

²⁶ Greenfield site A location for the construction of a new building. Such sites enable firms to design factory and other commercial premises to suit their needs rather than trying to convert and refit existing buildings which may not be appropriate. Interestingly, the site is not always a green field and may be an urban piece of land, e.g. disused railway sidings. The term is also associated with making a completely new start and shedding old practices, hence its association with the removal of restrictive labour practices. Dictionary of Business, The Economist, 2003.

There were no changes in growth by sector. Financial services continued to grow and the services sector participated with 64% of the total value of fusions and acquisitions in 2004, when compared with 54% in 2003, from which one third corresponded to financial services. The primary sector grew significantly, particularly in the oil sector, in Africa and Latin America.

In terms of transnational enterprises, IED flows increased considerably to more than 350 in 2004, from which 60% were established in developing countries. Investment Greenfield projects for research and development increased from 516 in 2003 to 642 in 2004; 429 were acquired by developing countries in 2003.

A considerable number of fusions and acquisitions were carried out in developing countries, particularly in Asia. The largest fusion in 2004 was the acquisition of Abbey National (United Kingdom) by Santander Central Hispano (Spain) for \$15.8 billions, similar to the largest acquisition of 2003, but compared with the largest acquisition (Vodafone-Mannesmann) in contemporary history held in 2000, it represents only one third. Additionally, the low interest rates have contributed to the profit growth of corporations because of stock prices recovery in 2003.

Fusions and acquisitions held in China and India had a significant growth doubling their value with a record of \$6.8 and 1.8 US billion dollars respectively, which means the largest fusion in the history of developing countries.

Transnational enterprises have significantly increased since the nineties. As we previously pointed out, they were about 37,000 with 170,000 affiliates. In 2004 TNE nearly doubled to 70,000, and affiliates quadruplicated to 690,000 (some figures are different, see page 15). Out of them, the top 100 TNE were located in developed countries, and out of the largest 50 in developing countries. Out of all TNE, those pertaining to developed countries represent in assets, sales and employment 12%, 18% and 14% respectively. Automobile, oil, electronics/electronic equipment industries are dominant. Out of the 100, the U.S. is predominant with 25, and together with Germany, France, Japan and the UK control 71.

As to the largest 50 corresponding to developing countries, since the first publication of this information in 1995 (WIER 2005), since 2002, for UNTACD, the top five TNE participate approximately with 50% of the total assets: Hutchison Whampoa (Hong Kong China) with 25% of the total assets; Singtel (Singapore), Petronas (Malaysia), Samsung Electronics (the Republic of Korea) and Cemex (Mexico).

TNE have become considerably more predominant participating with 39 enterprises, the remaining four in Mexico and three in Brazil. Hong Kong (China), Singapore and Taiwan (China) participate in 27 enterprises. The main sectors of this TNE are: electronics/electronic equipment and computers, food and beverages, oil, telecommunications, transportation, hotels and services (WIR 2005).

IED flows last year were about \$897 US billion dollars, 29% more when compared with the previous year; for developing countries the amount represented an increase of 38%. The United Kingdom was the country that attracted more flows. It was also remarkable the amount of flows destined for developing countries, South East Europe and the Commonwealth of Independent States.

The United Kingdom attracted \$219 US billion dollars that were the carrier for the fusion of Shell Transport and Trading Company Pic and Royal Dutch Petroleum Company into Royal Dutch/Shell Group, a Dutch firm. This transaction also affected the Netherlands, which exceeded 140 billion dollars in output capital flows.

The Czech Republic and Slovak Federative Republic, as a new member of the European Union, received \$12.5 US billion dollars out of the 38 billion dollars received by the new members of the EU. The U.S. received \$106 billion dollars doubling the amount received in 2003. Japan received nine billion dollars in net flows.

Developing countries had an input of \$274 US billion dollars as IED; capital flow destined to these region also increased in their sub-regions. There was a \$29 billion dollar input in Africa, basically for oil producing countries; Asia and Oceania, \$173 billion dollars, out of which China attracted \$60. There was a \$72 billion dollar input in Latin America and the Caribbean, out of which Mexico attracted 17, Brazil 16 and Chile 7. These three countries attracted 60% of the IED.

3.3 Oil prices increase and low interest rates: crude oil speculation and commodities

A situation that endangered the terms and conditions for the U.S. recovery was the evolution of international oil prices and other raw materials, as well as basic manufacture. From 1965 up to the present, we can say oil international prices have registered four clearly differentiated stages. The first one, which could be defined as the strong stability period characterized by prices below 18 dollars a barrel lasted till 1972. The second one, traditionally identified as the *oil boom*, was translated into a rise and a fall without precedents in the international crude oil history. In terms of crude oil basket imported by the U.S, the *boom* meant a maximum current price of 80 dollars per barrel in 2005 (in 1980 and 1981) and its collapse to 25 dollars in 1986.

From 1986 to 1997 prices remained frequently low: a maximum of 33 dollars per barrel in 1990 (again constant in 2005) and a minimum of 15 dollars in 1998, exactly the year in which the crisis of minimum prices was expressed, when prices were even slightly lower than those before the seventies. This stage of low prices, even price decrease and collapse, was accompanied by the lowest investment for oil exploration and development in oil history after the post World War II period. And it translated into an increasing limitation of the production capacity, as it could be inferred. Nevertheless, once this situation was recognized —and in the middle of the international recovery dilemma of raw material prices—the oil world entered to a fourth stage of price recovery and increase. In this fourth stage prices rose from 15 dollars per barrel in 1998 to a registered mean above 55 dollars till August 2005, when it reached 64.27, then 68.94, and 76 dollars per barrel in August 2006.

As for these high prices –that, incidentally, could extend for two or three years more– it is convenient to observe the following: 1) They are still 25% below the levels reached in 1980 and 1981, though the spare capacity is below a million or a million and a-half barrels a day; and 2) They are associated and rest on a world demand near 83 million barrels a day, 40% above the one registered in the boom period (an average of 60 million barrels a day between 1979 and 1982), whose recent increase may be attributed mostly (40%) to the consumption increment in China and India.

These price increments elevated once more the international oil bill weight in world product. Considering the high annual consumption mean using the crude imports of the crude oil basket in the U.S. in 1980, 1981 and 1982, the annual value of consumed oil in the world reached a weight in the world Gross Domestic Product equivalent to 6.5%, 6.7%

and 6.0%. In 2005 this indicator was 3.5%, and it is estimated that for this year (2006) it will reach a 4.6%.

In order that world expense in crude oil reaches once more the high levels registered in the oil boom period, prices should reach around 100 dollars per barrel, 40 more than the mean

price expected for this year.

Nevertheless, and without underestimating this oil price increase lower than the one that took place during the oil boom, it is necessary to point out that it has been accompanied by a generalized increase on raw materials and basic manufactured products prices linked to it. Such is the case for copper, tin, iron, nickel and lead, as well as steel, gold and coal in China and India.

In general —and just to conclude this section with another hypothesis— the rise of oil prices (as well as natural gas and all industrial fuel prices), other raw materials and basic manufactures (like steel), has led to a rise in international production costs that, indeed, has demanded alternative ways to recover the international yield that has taken place today, in

spite of the rise in almost all basic industrial supplies.

Before we describe these forms, it is necessary to mention interest rate behaviour. It is particularly surprising that at the middle of the crude oil, natural gas, raw materials and basic manufactures prices increase, such as steel, interest rate practically collapsed. In 2000, the rate registered by the Federal Reserve Fund was 6.25%. For 2003 –with oil, natural gas and raw and basic materials at a rise—this rate registered an annual mean of 1.13 per cent. This behaviour radically contrasts with historical trajectory of interest rate. Applying this same indicator for the anchoring mean rate of the Federal Reserve Fund, we can observe that, in general terms, from 1965 to 1998 interest rates and oil prices registered highly linked movements.

3.4 Response to the fall of the rate of return at the expense of labor

Social costs and social response

Concerning employment for all the U.S. economy expansion period up to the crisis burst

2001, unemployment rate collapsed from 8% to 4%, approximately.

Nevertheless, the process evolved since the beginning as follows: in the period between 1980 and 2000 the U.S. economy spent \$75 US million dollars in new employments. At the same time, unemployment increased in different sectors of the "old economy" manufacturing sectors –steel, automobile and basic industry– and increased in the new sectors of economy, such as technology and biotechnology, services and others (NYT, 2002, Round Table; Wall Street's Prescriptions in a Convalescing Economy).

In 2001 the U.S. reached the highest unemployment rate in many years (5.6%) and –according to their analysts– on December 124,000 employments were lost, accumulating a total of two million positions in relation to the boom period at the en of 1999. For the U.S. recovery (rally) analysis, it is imperative to read the interventions of three Wall Street specialists who took part in the round table organized by the New York Times (January 2, 2002, Wall Street's Prescriptions in a Convalescing Economy,

http://www.nytimes.com/2002/01/05/business/05ECON.html). They practically agree there is an asset over-investment and over-accumulation (Achilles' heel of economy and typical of every investment cycle, so they say), worsened by the long stock exchange

overvaluation period: in their opinion some assert to have warned repeatedly since 1998 that stock exchange markets had no solvent reasons to increase yields. For that reason, they sustain that recovery will be extremely slow and difficult. In the very same round table they pointed out that, to a great extent, this explains Enron's financial corruption and manipulation phenomenon, tip of the iceberg, –so they say– of a widespread and deep stock exchange manipulation that transcends the once most successful energy firm of the U.S., today in bankruptcy and in a bad repute. We must not forget indeed that Enron assessed and lobbied vehemently some personalities of the current government of Mexico who entrusted this corrupt organization to prepare the first draft for the energy reform.

Enron, an emblematic case of the new way of production?

Enron's collapse in 2001 evidenced not just how bribing entrepreneur directives, auditors, and politicians are, but also showed the profiles of the "Anglo-Saxon" capitalism that has emerged from the stock market's bubble. It also exposed the vulnerability of the huge population whose pensions are linked to the new savings system. Besides Enron's employees, the sinking affected dozens of millions of retirement plan 401 (k) and defined benefit pension holders. ²⁷ Enron's collapse is emblematic of the new entrepreneurial strategy, evidence that financing and de-regularization fret the sign of the future (Blackburn, R., 2002).

Enron emerged in 1987 as the result of Houston Natural Gas fusion with Internorth, two gas companies devoted to natural gas transportation. Enron benefited from the deregulation of gas and energy prices that took place in the nineties, changing from a provider enterprise into an energetic intermediary in an operation that involved four continents. At the end of the decade it controlled the energy field and future markets revolved around it [...] "it seemed as if it combined the best of the 'old' with the 'new': not a promising dot-com, but a company with tangible assets –gas pipes, powerhouses, dams, etc.— that obtained huge incomes derived from its commercial activity" (Idem).

In December 2000 U.S. pension funds were slightly above 7 billion dollars, just 300,000 millions below the total wealth of the millionaires of the country (U.S.) (Ibid, p. 37).

In order to have a slight idea of the magnitude of social and economical costs derived from Enron's failure, it is enough to compare the amount of bank contribution to bankruptcy of LTCM for 3,600 US million dollars. Enron's bankruptcy reached 6,000 US million dollars, endorsed to 85 million pensioned Americans; from public pensions it added up to 5,000 to 10,000 million dollars (Ibid, pp. 30, 31 and 45).

After Enron's fraud, pensioners fought against the World Bank measures in order to apply individual accounts instead of the 401 (k) plans that caused the dismissal of 75,000 employees. At the same time, in the United Kingdom stock withdrawals were used to finance a secondary universal pension system and democratic regional meetings were established in order that pensioners could put into practice their own economic strategies.

²⁷ "Retirement plan 401 (k), created in 1981, was the first plan for defined contributions introduced in the U.S. Different from defined benefit plans, which fix the precise amount of the future pension, in defined contribution plans the amount of the future pension depends on the return obtained by financial market investments with funds provided by the worker throughout his labour life" (Idem).

There are innumerable expressions world wide, such as the French strike movement in November-December 1995, the French movement in 2006 and the movements of Latin American immigrants, mostly Mexican, in April-May 2006.

Latin America

This capitalist restructuring process has been characterized for having deep economical, financial, fiscal and labor reforms. These reforms, applied to the Latin American national states following the so-called Washington Consensus²⁸ (Stiglitz, 2003) that made possible, on one hand, the free mobility of capitals by foreign direct investment and portfolio investment, as well as broad privatization processes favoured the large Latin American private groups and transnational enterprises in strategic sectors, such as financing, telecommunications, energy (energy, gas and oil) and the productive manufacturing sector. On the other, they propitiated a mercantile exchange favouring TNE and some national private groups by means of commercial opening.

As a result, this fierce opening for Latin American economies to foreign markets has had a devastating effect, specially in salaried workers and the poor in our countries (Stiglitz, 2003, p. 11). Nevertheless, its benignant force and its potential outlined by ideologists and Latin American governments have demonstrated the limits and contradictions of the process, first in Mexico, with the 1994 crisis; then in Brazil, in 1997; later in Argentina, where the popular movement defeated Fernando de la Rua's government in 2000; afterwards in Venezuela in 2003; Evo Morales' triumph in Bolivia in 2005, and as a corollary, the post-electoral civil resistance in Mexico in 2006.

4. Oil revenue and capital markets

4.1 Dynamics of oil recovery

Behind oil prices lies the crucial cost level for each producer. High prices allow producers with high cost to enter the market. Low prices expel them. Relative stability of low prices in 1983 and 1997 not only held back investment in this important industry, but kept producers with high costs out of the international competition. The low level of 1998 was the culmination of that extrusion. Nevertheless, from that year on and with the continuous rise of prices (from 15 to 50 dollars per barrel between 1998 and 2005), producers of expensive zones re-entered. This has been translated in accelerated growth and concentration of oil revenues in hands of cheap producers, specially and undoubtedly the Persian Gulf, as well as Latin America, such as Mexico and Venezuela. Surplus volume has been huge for producers who sell for seven or eight dollars a barrel, but even producers who sell for 40 dollars a barrel have attracted an important oil revenue volume.

The decrease to no more than an average of 15 dollars per barrel in 1998 (used again as a reference to the crude oil basket imported by the U.S.) expelled fiercely producers whose

²⁸ "Keynesian orientation of the IMF [...] was replaced by the free market mantra of the eighties, as part of the new Washington Consensus, among the IMF, World Bank and the U.S. Treasury– concerning the right policies for less developed countries– that marked a completely different approach for economic development and stabilization. Many policies adopted by the Consensus were developed as a response to Latin American problems, where governments had lost all control on budgets and monetary policies causing rampant inflation" (Stiglitz, 2003 p. 4).

costs were above 10 dollars. This level can be inferred considering the 5.35 interest rate in 1998 for Federal Reserve Funds, and based on that level, it can be estimated a minimum industrial yield in oil spheres of five dollars per barrel approximately. Thus, as paradoxical as it may seem, many of the more or less two thousand oil wells of the Northern Sea belonging to Norway (539) and the United Kingdom (1,591) were out of the market (or temporarily subsidiary). As curious as it may seem, most of the 430 thousand U.S. oil wells presenting low productivity were victims of this 1998 price war. They are currently exploited, mainly in Texas, Oklahoma and New Mexico –the so called Strippers–representing 75% of the total production, though 15 percent of the U.S. production, and they do not produce more than two and a-half barrels a day of a crude oil with a cost of nearly 14 to 15 dollars or more. That is precisely why in 1998 their owners repeatedly denounced oil policies of the Clinton administration –focused on attacking prices, import as much as possible from Saudi Arabia, Mexico and Venezuela, and supporting oil exploitation in the Caspian Sea— and they went to bankruptcy.

The aggressive dynamics that expelled oil producers with high costs and the severe attack against producers with low costs prevented ones and the others from receiving oil revenues, and survivors—as in the summer of 1986—obtained the least possible.

Within the context of this fierce and dramatic market game, investment for oil perspectives and exploration dropped. And only the 1998 rise has allowed its recovery, granting the restructuring of the world oil industry with the spirit to defend the most important ware commercialized in the world market.

Refineries world wide had to pay nearly 200 thousand million dollars less that in 1997 for the acquisition of nearly 74 million oil barrels in 1998 that, as a consequence, producers did not receive; this can barely give an idea about the extraordinarily huge revenues that under the form of oil revenue are at stake in crude oil commerce and consumption. This oil revenue was severely attacked and demolished, precisely as a defense against the profitability crisis reached by many world economies—the greatest oil consumers—because of the production deceleration registered since the second semester and at the end of 1997, because of the following financial crisis, and because of the liquidity crisis triggered by it. But prices recovered, and with them enormous difficulties emerged to restart a productive cycle in practically all world economies. Thereof, it is necessary to understand that this oil dispute is led by huge consumers (headed by OCDE) and that it once had as a goal the recovery of surplus transferred for some years to oil producers, even those highly inefficient, such as the ones mentioned in the case of the U.S.

But the price war, translated into a cost war, ended in 1999, due to an increasing demand strongly centered in China's and India's growth.

Since the second semester of 2002 world industrial production rates of one semester compared to the same semester of the previous year stopped being negative. And after holding back its recovery in the summer and fall of 2003, it stabilized around 5% annual levels. It is true that high crude oil prices could have slowed down that dynamism. But not as much. As a consequence, the volume of oil added to the annual demand increased in those years. From barely 600 thousand barrels a day in 2002 and more than a million and a-half in 2003, to more than two million and a-half in 2004 and two million in 2005. In the last four years the world increased its consumption in nearly seven million barrels a day. China and India, we insist, have been responsible for almost 40 per cent.

But in spite of the retraction of demand in 2000 and 2001 –and the tragedy lies here-productive capacity of the oil world has been limited. Why? Not just for the known critical reasons: the Iraq conflict, Saudi Arabia attacks, political conflicts in Venezuela, problems of Yukos enterprise in Russia, labour and social tensions in Nigeria, but because of hurricanes and bad weather conditions in the Gulf of Mexico.

We previously outlined a more structural reason before. The prices decrease in 1991 and its collapse in 1998 inhibited and delayed oil exploring and development in order to replace and extend oil fields, as well as their productive capacity. They forced capacity margins to decrease significantly and diminished more significantly the possibility to increase crude oil offer year by year. Price recovery that started in 1999 will begin to prosper in two or three years with a higher production capacity. But if, as usual and once more, world economy demands more crude oil, higher prices will have to be paid. The risk for not doing so is to live again, as in that year, dramatic moments of restriction in crude oil availability that have lead the U.S. marker (West Texas Intermediate) to exceed 75 dollars (76 in April and August 2006). But let us remember, this world also needs natural gas and coal. Thereof, it is highly probable that higher oil prices mean higher natural gas prices (especially due to regional restrictions for this fuel in North America) and, without a doubt, coal prices. Gas has not lowered its price from five dollars per million of British Thermal Units (Btu). And coal does not leave Newcastle's Australian port for less than 60 dollars per ton (30 dollars a year ago). Likewise, Europe receives today no less than 80 or 90 dollars because of the rise for maritime freight as the result of two important facts: fuel price increase and low availability of ships, given the new demands of the International Maritime Code. An example of this is the nearly five dollars per barrel paid today in order to carry crude oil from the Persian Sea to the U.S. East Coast, instead of the two dollars paid last year, but, likewise, 35 to 40 dollars per ton of coal from Australia to Europe, when last year the cost was two dollars per barrel and less than fifteen dollars per ton of coal. These prices increase more because of the speculative dynamics linked to futures purchase, essentially by U.S. fund pensions.

It is unquestionable then –as all international analysts say– that the current oil prices have an "award" derived from supply restrictions, which makes it look as if it was higher than what demand would suppose. And that this "award" will only vanish when world production capacity extends. According to our estimations, it will be about six or eight

dollars that would take two or three years in order to disappear.

4.2 Oil fund concentration and international capital flows

An initial estimate of oil revenue gathered by producers between 1999 and 2005 would add up to near three thousand billion dollars. Out of these, Persian producers have attracted 60 per cent, Latin American, nearly 20 percent; México, specifically, less than six per cent, which means an amount of nearly 160 thousand million dollars.

Within this dynamic, Persian producers have accumulated less than two thousand billion dollars, out of which a large amount circulated to international financial markets, strengthening international financial funds. These producers attracted from 1999 to 2005 a

similar amount to the period from 1979 to 1986. Mexico has attracted three times more, because from 1979 to 1986 oil prices were subsidized.

5. Preliminary conclusions and research perspectives

We outline in this work that transformations suffered by world economy and their social impact in the last three decades are the result of the long recession followed by the oil shock of 1973 and the dissolution of socialist countries in Eastern Europe and the former Soviet Union, as well as the transformations that have taken place in Asia. It is important to mention that in this global and generalized restructuring that followed these processes, the most outstanding facts are the changes occurred in the capitalist economy since 1997, when the so call Asian financial crisis started and how this crisis is articulated and interwoven with oil prices hike since 1999 and its impact on the U.S. economy –even in world economy– deceleration since 1998. That is, the long reorganization processes in the last decade mentioned before and the new tendencies in world economy resulting from such processes.

Causes and effects of these fundamental transformations can be summarized as follows:

1) International financing circuits have been modified as an expression of restructuring or regrouping of the different international financing capital fractions occurred in the world market that aim to new saving and investment of capital flow tendencies where the flows of emerging economies, particularly China and India, and oil producing countries -specially Persian and Latin American producers- towards developed countries prevail. The new articulations of those economical and social links have as main actors/subjects transnational enterprises (TNE). When we talk about transnational enterprises we mean financial as well as non-financial enterprises of the so called developed countries, as well as those non-financial pertaining to the so-called developing countries, which are led by a very small number of enterprises that currently give a new dynamism extraordinarily imbalanced that could condition and determine the course of capitalism.

This new and complex configuration engraved in capitalism world wide allows that, for all that, countries like China and India benefit from this dynamism, and that is why China sands out as the fourth world economy, following the U.S., Japan and Germany, and where the Asian region is highlighted as the most important in world economy.

At the same time, many countries of the so-called emerging markets have predominantly developed in the services sector and/or transferences of oil surplus damaging the manufacturing sector. One of the most illustrative cases is Mexico.

2) The specific weight that represents the quantitative world oil bill after the fall of oil in the summer of 1998 and its continuous rise until now and how it differs from the pattern observed during the previous development stages in various important ways –from a long-term perspective within the international financing system. Historically, an important part of oil-dollars were deposited in banks. In this new cycle the Organization of Oil Producing Countries (OPEC), as the source of funds for the International Bank of Payments, has

decreased flows, and now these funds are invested all over the world as foreign direct investments, issues or asset purchase or bank deposits.

3) In spite of the extraordinary increase of oil prices, oil demand has not decreased as in previous periods. There seems to be two main reasons: on one hand, because of changes that have taken place in productive processes for wares in different national spaces as the result of technological transformations; on the other, because of the growing transferences of surplus to oil producing countries and foreign direct investment of emerging markets, particularly China, towards developed countries.

Initially, we intended to analyze wages-control and labour-saving as measures to redeem the internal rate of profit. Nevertheless, we could not achieve thoroughly what we had planned, though we would have wanted to explain, so, we talked about it tangentially. Now then, the advances outlined in this preliminary version are inscribed in a bigger enterprise conceived since the beginning, in which we are committed. Perhaps the most relevant issue of our work is the substantial maturing of some of our initial ideas.

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