# The Depression Has Only Just Begun

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## Introduction

The experience of the Long Stagnation has consistently shown that the measures taken by governments and monetary authorities to mitigate the immediate effects of the periodic crises have only prepared another, deeper crisis. The panic-stricken response by governments and central banks to extricate capitalism from the 2008-09 financial crisis has led directly to fiscal deficits and levels of national debt that are unsustainable and not only pose imminent sovereign default in some imperialist countries, but promise a further crisis of the world financial system. Debt and price deflation will mark the whole next period.

The writing is clearly on the wall for the euro. Even the continued existence of the European Union is posed. Gone are the days when mainstream economists saw the euro taking over from the dollar. But the demise of the euro cannot disguise the weakness and continuing decline of the dollar as a store of value. Both, at root, are the result of the long-term decline in the rate of profit, the consequent crisis of accumulation and over-production. So what is to be done?

In 1931 in an oft-quoted statement, the then US Treasury Secretary Andrew Mellon was reported as telling President Hoover that the cure for the 1930s depression was: 'Liquidate labour, liquidate stocks, liquidate the farmers, and liquidate real estate. It will purge the rottenness out of the system. High costs of living and high living will come down. People will work harder, live a more moral life. Values will be adjusted, and enterprising people will pick up the wrecks from less competent people'. Vilified as he was for such a statement, from the point of view of the bourgeoisie he was correct. Some such course was actually the only way out of capitalism's hitherto deepest-ever crisis. It was not Keynesian policies that ended the 1930s depression. This was not arrested and reversed until the horror of the Second World War – or at least the re-armament to prepare for it. Such is the only way out that today's ruling families have from the present ongoing depression. The reversal of the falling rate of profit, the only way to cure the underlying depth of the crisis, requires the destruction of capital on an unprecedented scale. But this course heads once more in the direction of fascism and war. It also prepares the ground for the sort of revolutionary mobilisation of working people and their allies as in the decades ahead they meet and fight to reverse the sort of assault envisaged by Mellon and place once more on the agenda the prospect of proletarian revolution.

For those Marxists that defend communist continuity – which excludes all shades of Stalinism and social democracy (Kautskyism) – the concept of finance capital is key to understanding and *acting upon* the present crisis and its future deepening. This study will argue a series of inter-related propositions concerning imperialism:

- That it characterised by a fusion of financial and industrial capital - finance capital – dominated by a financial oligarchy.
- That capital flows – debt relations - dominate over trade in goods and services
- That a relatively small number of nationally based and owned monopolies in the field of industry, banking and commerce dominate the world economy.
- That competition between these monopolies, and the states that lie behind them, is intensifying and not diminishing. That, in other words, the world economy is made up of many capitals. Ultra-imperialism does not and cannot exist.
- That this combination of elements guarantees that the financially powerful states dominate the world economy. That implies, amongst other things that the “emerging market” countries will be sucked into the maelstrom rather than lead the world out of depression – let alone ever join the top table.

**What does the 1930s depression show?**

Bourgeois economists have a hard time in actually defining depression. Some have suggested that a depression differs from a recession simply because it lasts longer and is deeper than usual. It is suggested that anything greater than a 10% contraction should count as a depression. This is pretty crude stuff. It is similar to the rough-and-ready definition that a recession is a minimum of two quarters of negative growth. Nonetheless, they do make the distinction. Just an aside here: It is unhelpful to call the present depression that we have now entered a new “Great Depression”. To do so inevitably invites a search for identical characteristics. This approach only serves to obscure the specifics of today’s depression conditions.[i] Despite the prognostications of Hegel (or Mark Twain), history never repeats itself.[ii] Nonetheless it is instructive to briefly review how the 1930s depression is analysed and explained by bourgeois economists in order to better appreciate why capitalist governments are applying the measures they do. Ben Bernanke, chair of the Federal Reserve is a noted scholar of the Great Depression.

The most superficial explanation is that an ordinary recession was changed into a depression by the tightening of monetary policy by the Federal Reserve in the aftermath of the stock market crash. This argument has been most prominently promoted by Milton Friedman, the economic advisor to the murderous Chilean junta in the 1970s, and guru to Margaret Thatcher and Ronald Reagan. In his view money supply is exogenous and therefore central bank action could have reversed the deflation accompanying the economic downturn. He used the simplistic Quantity Theory of Money to support his argument. The application of this profound theory was certainly worthy of his Nobel Prize. According to Friedman, the failure to expand the money supply turned a recession into a depression and was the cause of the 9000 or so bank failures. Why these failures of the central bank were able to turn a recession into a depression is interesting given his companion view that changes in the money supply can only affect nominal variables. Moreover, there is one little empirical problem: the monetary base didn’t actually contract during the Great Depression! His argument that it did is based on the elementary confusion between the monetary base and the money supply. Whilst the money supply contracted, the monetary base – money in circulation and commercial bank reserves – actually expanded (Krugman, 2007).[iii] In maintaining the view that money as exogenous he considered the central bank could have dealt with deflation and declining assets if handled correctly. At best the central bank can only affect the monetary base. If the banks don't feel they can turn a profits by lending their excess reserves, then they won't. But broad money is not exogenous. It is endogenous. This is the process we are now seeing with the problems encountered by the Federal Reserve and others to open up the credit markets. It is a half-truth that it is the banks' failure to extend credit is behind the failure of big business to invest. The denial of credit to SMEs is true, but the big monopolies don't want to borrow. So was the case in the 1930s. As Karl Marx pointed out, the Equation of Exchange has the opposite direction of causation to that postulated by the Quantity Theorists (a thesis developed by Joan Robinson in the 1950s). Of course, the other side of the coin also pertains. Consumers and industry will be provided with credit by the banks if they consider adequate royalties will be earned – whatever the central bank does. And the opposite: whatever the central bank does, if it considers the counterparty – either firms or other financial institutions – not credit-worthy it will create a credit famine, again, whatever the central bank does. Hoarding is endemic to capitalist banking. Actually, today, banks play the carry-trade - borrowing from the central banks at low interest and investing the funds into other, higher yield assets.

The most widely accepted answer to Friedman came from Keynes. His explanation for the Depression was the adherence of the Federal Reserve and the economics profession to the superiority of the "free" market to stabilise capitalism – such as that promoted by such economists as JB Say, which Keynes pithily summarised as 'supply creates its own demand'. To the contrary what was required was demand-side policy. This he reduced to fiscal policy maintaining that monetary policy was more or less impotent, as any significant cut in interest rates would run into a "liquidity trap" – resulting from the zero floor of nominal interest rates. There is much to be said in favour of this latter notion. However, Keynesian fiscal policies were never tried in the 1930s. Roosevelt's "New Deal" was not Keynesian. Insofar as Keynesian policies apparently worked, it was only in the period of the economic upturn in the Golden Age. This notion has been advocated more recently by Paul Krugman. How such policies work in the period of long term stagnation and downturn has been tested and found wanting by the experience of Japan since the early1990s. More will be said below on the inadequacies of such policies to combat today's depression conditions.

Another theory was that propounded by the Austrian school. They argued that the Depression was the result of "overinvestment" in the 1920s. Such overinvestment, it was argued was the result of low central bank interest rates, magnified by the normal process of fractional reserve banking. For these theorists, the key problem was over-indebtedness. The story goes something like this: Low interest rates and therefore the low cost of capital expands the number of profitable speculative investments, financed on credit, *ipso facto*, increasing the value of paper assets (discounted present value of projected future income streams). Hence asset prices are pushed up further, periodically engendering speculative bubbles. When these bubbles burst assets are devalued and credit dries up. Unsound business ventures go to the wall, as with higher real interest rates, net present values turn negative. But, worse, the ensuing economic downturn fatally affects sound enterprises due to fire sales of "good" assets in order to pay their debts. Accordingly, it would be more appropriate to talk of credit cycles rather than business cycles. This process was the cause of the Great Depression

(Rothbard, M, 2000). This argument was taken up and extended by Hyman Minsky. He proffered am explanation of why asset price bubbles are endemic to even a healthy functioning capitalist economy. Minsky's Financial Instability Hypothesis centred on behaviourism and speculator psychology. He saw that asset bubbles and crash as inherent in the previous phase of economic expansion. During the latter period, when cash flows are such as to more than pay off interest and principal, this engenders speculative activity extrapolating the good times into the indefinite future. This creates (unsustainable) asset balloons, which prepare the basis for overextended, and risky loans. Moreover, during this period of boom speculators get in on the act, finding easy money on hand from banks anxious to lend – creating new financial instruments to do it. At this point interest can be paid, but not the principal. This is OK if interest rates don't go up. The final phase is when neither interest nor principal can be paid from cash flows and must rely on ever-upward capital gains – a feature dubbed a Ponzi scheme. When asset prices collapse, insolvency ensues and financial crisis wreaks havoc.

Joseph Schumpeter shared the view of the economic damage done by easy credit. But he linked this more to the stifling of entrepreneurship. Cheap credit allowed those companies, notably monopolies, to continue to dominate even when they had gone past their sell-by date. For him, as Bradford de Long put it '.. the choice was not between depression and no depression, but between depression now and a worse depression later' (De Long, B, 1997). In this Schumpeter was seen as the champion of the "liquidationist" school - a view upheld by the US government of the time, and not abandoned until Roosevelt (c.f. the statement of Mellon at the beginning of this paper). Thus according to this school "creative destruction" should be allowed to run its course, and any attempt to interfere with it through monetary or fiscal policy would not only be at best a temporary palliative, but would subsequently make things worse (Schumpeter, 1934, Hayek, 1966).[iv]

Irving Fisher also saw the cause of deep economic crisis in over-indebtedness, but disagreed with the Austrian and Schumpeterian theories in seeing a key role for monetary intervention. Fisher propounded his theory of "debt-deflation" after his original theories made him a laughing stock and lost him millions of dollars.[v] According to Fisher, over-indebtedness, distress selling, asset and price deflation are the dominant forces that accounted for tipping the deep recession into a depression. In the face of the reality of price deflation, Fisher argued that given nominally-denominated debt contracts, a protracted fall in prices and nominal incomes and profits substantially increases real debt burdens, leading to personal and business bankruptcy, and, through the 'wealth effect' lowering aggregate demand. This reinforces a continuing decline in the price level and thus further increases in the real burden of debt. A vicious downward spiral ensues (Fisher, 1933). This has some merit as a general explanation of the economic impact of deflation, as opposed to inflation. But his proffered solution of ending this dynamic through massive expansion of the money supply and thereby stimulate inflation relies on a false explanation of what causes deflation in the first place. As will be argued below, deflation is not negative inflation and cannot be resolved through monetary means. As with Keynesianism, Japan's "lost decade" proves the rule. Fisher's inspiration here was the Quantity Theory of money and it is here that he joins hands with Friedman (theoretically, if not historically). Indeed, it was Fisher who formulated it in its modern form.[vi] However, Fisher diverges from Friedman insisting that, at least in part, money is endogenous. In other words, there is a need to focus on both the monetary base and broad money. This is the remedy posed by both neo-classical and Keynesian schools. Indeed, it is possible to see the influence of Fisher in Ben Bernanke's approach to the financial crisis in not only dramatically slashing the federal funds rate rates, but also in the steps taken to revive the inter-bank market through the purchase of toxic assets, albeit achieving only limited success in encouraging commercial banks to continue to multiply base money through normal deposit creation. Moreover, he has seen the need to take action to ward off a deflationary threat. There are two sorts of problems with Fisher's (and Bernanke's) view. First, deflation is not a monetary phenomenon, but the result of price competition. Secondly, it leaves unanswered why deflation appears in the first place.

An answer to this latter was to be found in the hypothesis that it was US adherence to the Gold Standard that prompted deflation insofar as the outflow of gold required the contraction of base money. But at this stage of history it is not true that the US and, in this case France, were actually prepared to follow the "rules of the game". The gold standard only worked in its classical period leading up to the First World War because a hegemonic power – Britain in this case – was able to enforce these rules. In the 1920s, between them, the US and France held 60% of the world's gold reserves. In the late 1920s, according to theory, the US should have expanded its money supply in tandem with its increasing gold reserves, thereby further stimulating inflation and raising export prices. This in theory would then have restored international imbalances. Instead, the US (and France) simply sterilised the influx of gold. Any other course by the US would have meant turning over export markets to its competitors, which, of course, it was not prepared to do. Additionally, expanding the money supply would have fuelled an already ballooning stock market. After the '29 crash deflationary policies were much more to their liking, lowering US export prices and allowing the US to steal market share – as it thought. In other words, the US adhered to the Gold Standard when it wanted to, and repudiated when it did not. There was nothing written in stone that tied the hands of the Fed in the 1930s to play the rules of the game. What is true about the gold standard is that it was the mechanism for transmitting the US financial crisis – and the depression – around the world, albeit with a couple of years delay.

So none of these approaches either singly or in some combination actually explain the cause of depression, let alone show the link between such periods and political developments. A Marxist approach combines a series of elements. A depression is the eventual outcome of a secular downturn of capitalist growth and development. Such a downward curve is distinguished from a recession being triggered by exogenous factors and showing no cyclicality. Equally whilst it is crucially a function of the falling rate of profit, there is no endogenous exit from a downward curve akin to the business cycle, and ipso facto from depression. Depressions are announced by devastating and ongoing financial crises, but are not caused by such crisis, but by the falling rate of profit. Capitalism can only emerge from a depression though a massive destruction of capital requiring a historic defeat of the working class and its allies.

**The Long Stagnation**

So we are at the tail-end of the downward curve of capitalist development (on this, see Trotsky, L, 1973; from a different perspective, see Kondratiev, 1926). The present depression, I would suggest is the long-term consequence of a epochal shift of the world economy in the mid-1970s which saw the Golden Age reverse into a downward curve. This often referred to in the literature as the Long Stagnation. This was produced exogenously by a concatation of elements, most of which were outside the realm of economic forces as such. It would include the working through of a series of elements, not all synchronous - the end of Bretton Woods, the rise of the civil rights movement and a pre-revolutionary crisis in France in May 1968, and the defeat of the US in Vietnam. The period that opened the short-lived "American Century" after World War II came on the backs of the sharp upward lift in the rate of profit, thus spawning the Golden Age. However, by the late 1960s/early 70s the secular trend in the rate of profit began to turn down (for the US see Shaikh, 1987 and 1999, Freeman, 2009; and Kliman, 2010; for an overview of the developed economies more broadly, see Brenner, 2009). From the mid-1970s on, the world economy has seen a secular diminution in rates of economic growth, and in capital stock, and a slowing of productivity; and this latter despite downsizing, job speed-ups, and all sorts of production synergies (Brenner, 2009; Palley, 2007). This whole period has been marked by instability. 'The years since the early 1970s,' explains Charles Kindleberger in his *Manias, Panics and Crashes* ' are unprecedented in terms of the volatility in the prices of commodities, currencies, real estate and stocks, and frequency and severity of financial crises' (Kindleberger and Aliber, 2005: 1). And this was written before the credit crunch set-in in the summer of 2007 and the fiscal crises of 2010. The litany is now familiar: The consequences of the death agony of Bretton Woods transmitted an inflationary impulse around the world engendering the stagflation of the 1970s. The recycling of the dollar overhang to the semi-colonial world by the major banks laid the basis for the Third World Debt Crisis of 1982. The Brady "solution" was a key element, amongst others, of the 1987 stock market crash, which laid bare the loss of confidence of finance capital centred in the US. The coordinated panicky reaction of the main central banks in the face of the latter merely prepared the bank failures (the Savings and Loans institutions) of the late 1980s and early 90s. By then a key ingredient was the role of derivatives and other complex financial instruments whose explosive growth periodically rocked the system. The consequent massive extension of liquidity on top of that provided by the world's central banks guaranteed the 1997 East Asian currency crisis as the "search for return" on bloated assets in these economies reversed itself and greed once more quickly turned to panic, as these economies slowed on the back of growing current account deficits. The 1998 Russian sovereign debt default, the implosion of the Long-Term Capital Management floating casino, the collapse of the dotcom(edy) of the late 1990s and the subsequent 2000 stock market crash were all of a piece.

The financial crisis of 2007-09 has, of course, been the most severe date. The world financial system literally teetered on the edge of collapse. And it is worth repeating that this has been combined with the deepest and longest recession since the 1930s. No part of the world has been spared. Whilst some "emerging markets" did not experience an actual recession they did exhibit a marked slowdown in growth. Nonetheless, according to the IMF, the world economy as whole shrank by 0.9% in 2009 (WEO. 2010). Little wonder that it has been dubbed the Great Recession. The fact that, as we write, there is a sickly general uptick in world economic growth does not mean that the world has avoided a depression or that the financial crisis is over.

However depression consists in a slump of such magnitude that the whole debt structure enormously contracts, dominant financial institutions crash and the financial system becomes subject to periodic destabilising shocks. Long-term unemployment – jobless recoveries – deepens, and extends internationally. Productivity increases rely more on wage-cuts, speed-ups and lengthening of the working day rather than investment in capacity expanding plant and equipment. World trade contracts; the social wage is progressively eroded, or even brutally cut; and human misery expands to ever-more layers, not only of the working class and small farmers, but also to wide sections of the middle class. None of the drivers of this underlying reality have been resolved, despite the back-slapping of bourgeois economists, central bankers and government leaders in both the imperialist countries and the "emerging markets" alike (the G20). The withdrawal of the fiscal fix and the tightening of monetary policy will result in cold turkey.

**The dollar and the euro**

The latest phase finance capital's crisis is the unravelling of the euro project and the fractures in the European Union. It would be inappropriate to talk simply about a eurozone crisis, however, let alone a Greek or Southern Mediterranean crisis, not least because non-eurozone members of the European Union face similar problems with similar ramification. The crisis of the euro stems from and contributes further to the crisis of world capitalism. After all the foolish backslapping as the euro reached its 10th birthday in 2009, history has decided the issue as to whether the euro can replace the dollar.[vii] There was never any chance that the euro could survive. What is surprising is not that it has been around for over a decade but the fact that it has stumbled in the face of its first real challenge. The eurozone comes nowhere near meeting the criteria of an optimal currency area. The imposition of a one-size-fits-all straightjacket worked – and was meant to work – to the advantage of the Franco-German axis in siphoning off surplus value from the rest of the eurozone. Competition increased between France and Germany over who would take the biggest slice of the cake at the expense of the weaker eurozone countries. Lacking in the most crucial criteria, that of a single government to back it, the euro was clearly dead in the water (Grogan, B., 2005).

This is the rub – fiat currencies are only as strong as the government that backs them. But there is no single government to back the euro. The crisis of the euro is built into its very structure of independent governments, independent fiscal policies and independent bond-issuance. Fiscal free-riding is inevitable. The Stability and Growth Past was meant to take care of all that. But who was ever going to police this and the arbitrary 3% ceiling on government deficits? It is not the countries of the Mediterranean south that are the main problem here. It is in the heart of zone: France and Germany. They connived in the blatant breech of the convergence criteria by many countries when the euro was established, and then with the accession of Greece 2 years later. The fiscal rules governing the Stability and Growth Pact were already summarily breeched by both the French and German governments in the face of the fall-out from the 2001-02 recession, well before the Greek crisis. It was Berlin and Paris that wantonly changed the rules allowing them to ignore the 3% fiscal deficit ceiling without retribution. But the counterpart to this was

In the face of the Great Recession, governments around the world have applied Keynesian policies with a vengeance - the lessons that they themselves drew to avoid another Great Depression. That is, massively increase government spending and the slashing of official interest rates. In fact, with government bank bailouts on a hitherto unimagined scale and quantitative easing, they have gone way beyond anything that had been previously contemplated. But surely, it is a no-brainer to see that the scope of government spending in the context of secular sub-optimal growth would inevitably create unsustainable fiscal outcomes both in terms of budget deficits and stock of national debt. Finance capitalists (the "markets") are unforgiving. Interest on debt *must* be paid. And any whiff that governments might default would push up the market cost of debt – the actual interest rate that working people and, indeed, big business have to pay. Thus it is, that a number of developed countries both in the eurozone, in the wider European Union and elsewhere in the world are now insolvent or close to it. It is not a question of whether Greece will default, but when.[viii] The eurozone-IMF standby agreement is only a means of buying time, as is the decision of the ECB to purchase all and any euro bonds – a measure in defiance of its own statutes. A new worldwide banking crisis is brewing. Hitherto the buyers of those insolvent southern rim governments bonds have been private banks, notably those of France and Germany. If we include eastern and central Europe, German banks in particular have an even greater exposure, and it would also pull Austrian and Swedish banks into the eye of the storm. Italian banks are also in deep trouble. For somewhat different reasons – the fall-out of the housing bust – the Spanish banking system is facing body blows, notably from the *cajas da ahorros* savings banks massively exposed to the busted property sector. But the problems of all of them are compounded by their exposure to non-performing loans, toxic and semi-toxic assets – such as Mortgage backed securities from the Spanish Cajas.[ix]

Let's be clear: A banking crisis in the eurozone is a crisis for the world's financial system. The criss-cross and interlocking connections of the world's banking system has already been revealed in the first round. The centrality of banks in the derivatives markets on all sorts of underlyings of which the biggest is in currencies and interest rates. What's more, the bulk of these mainly over-the-counter and therefore unregulated, but crucially, unknown in size and ownership. Moreover, a little commented feature of the last round was the catastrophic impact on world trade. These set of circumstances is one of the main reasons for the US's involvement in the Greek bailout (in the guise of the IMF). It recognised the devastating impact another financial blowout would have not only on US banks, but also its multinationals in the European Union.[x]

But the euro's woes haven't done anything to stem the long-term weakening of the dollar. To repeat: Fiat currencies are only as strong as the governments that back them. The US is weaker than it has ever been since it became the hegemonic power in the aftermath of World War II. We might live in a unipolar world, but the US has proven incapable of creating, let alone stabilising a New World Order – it's hegemony long-gone. To the contrary, its determination to police the world is creating one crisis after another. The more it wields its military and economic might, the more unstable the world becomes. There is no new hegemonic power on the horizon and no new currency waiting in the wings to take over from the US in the way that the US took over from Britain. The dollar is a destabilising force. The recognition of this lies behind the search for something else. The suggestion that Special Drawing

Requirements could substitute is utopian in the extreme. Not only do SDRs lack a government to back it up, not only does it not manage any government financing, not only can it not provide liquidity, but it is dependent on the dollar anyway. The idea of the Renminbi taking over is even more ridiculous.

**Fictitious capital**

Indebtedness (and speculation) plays an important role in the Marxist explanation both of the regular business cycle and – in a different way - depression. Capitalist crisis is typically triggered in its most vulnerable spot: that of credit and finance. However, as Andrew Kliman has shown in a recent study, speculation leading to unpayable debt stems not from easy money or psychology but from the falling rate of profit (Kliman, A., 2010). Unproductive it may be, but commercial capital plays an absolutely indispensible role: commodities have to be sold before surplus value can show up as profits. *Precisely because of the falling rate of profit* capitalists ferociously compete amongst themselves to augment their share of surplus value. This typically takes the form of price competition (Shaikh, A., 1999). It is this that lies present underlying deflationary period - especially as monopoly rents are progressively eroded. But in the age of imperialism, speculation in all forms of debt plays an ever-greater role in this dog-eat-dog competitive compulsion. To appreciate this requires an understanding of finance capital.

Finance capital is the fusion of financial and industrial capital. Vladimir Lenin's concretisation of imperialism as the highest stage of capitalism was based on the trends already identified by Marx. Imperialism, however, arose after Marx was writing. It was Frederick Engels who, in the first instance, underlined the decisive shift in capitalism after Marx's death – notably the role of the stock exchange. In his *Supplement* to Volume 3 of *Capital*, Engels identified most of the elements, which were further elaborated on by Lenin: 'But since this book (Capital Volume 3) was written', Engels explained 'a change has occurred that gives the stock exchange of today a significantly increased role, and a constantly growing one at that, which, as it develops further, has the tendency to concentrate the whole of production, industrial as well as agricultural, together with the whole of commerce — means of communication as well as the exchange of function — in the hands of stock-exchange speculators, so that the stock exchange becomes the most pre-eminent representative of capitalist production as such' (Marx, K 1981, p. 1045). This was a different stock exchange that Marx commented on. At that stage of history, the stock market was primarily the arena for ripping off each other ('swindling'). Further Engels underlined the growing importance of joint stock companies, the centralisation of the banking system, its ever-greater role in agriculture, the need for capital export, and the relation of the latter to colonial expansion.

It was Lenin and Bukharin that systemised this new reality characterising this as a new stage of capitalism, but insisting that this was the highest stage it would reach. They pointed to the dominant position now occupied by monopoly and quasi-monopoly (cartels) in binding together financial and industrial capital. But precisely for this reason Lenin noted the growing parasitism. 'It is characteristic of capitalism in general' Lenin explained 'that the ownership of capital is separated from the application of capital to production, that money capital is separated from industrial or productive capital, and that the *rentier* who lives entirely on income obtained from money capital, is separated from the entrepreneur and from all who are directly concerned in the management of capital. Imperialism, or the domination of finance capital, is that highest stage of capitalism in which this separation reaches vast proportions. The supremacy of finance capital over all other forms of capital means the predominance of the *rentier* and of the financial oligarchy … (Lenin, V.I., 1916/1964 p 238). This is a pretty good description of present-day imperialism – even more so than as a description of the period prior to the Great War - the object of Lenin's analysis.

Marx had laid this basis for this understanding of the intrinsic role of the *rentier* and the inevitable role of speculation in fictitious capital stemming from the endemic working of capitalism where '(t)he production process appears simply as an unavoidable middle term, a necessary evil for the purpose of money-making'. To which Engels added: 'This explains why all nations characterised by the capitalist mode of production are periodically seized by fits of giddiness in which they try to accomplish the money-making without the mediation of the production process' (Marx, K, 1978, p. 137). Further Marx explained: 'All connection with the actual expansion process of capital is thus completely lost, right down to the last trace, confirming the notion that capital is automatically valorised by its own powers'. The result, Marx holds, is that 'interest-bearing capital generally is the mother of all crazy forms, so that, for instance, debts may appear in the eyes of the banker as commodities' in which 'even the accumulation of debts … can appear as an accumulation of capital … everything in this credit system appears in duplicate and triplicate, and is transformed into a mere phantom of the mind' (Marx, K., 1981 pp. 597 & 603).[xi]

However, for Marx and *ipso facto* for Lenin, there are not two parallel processes going on – the financial markets and the "real economy". To the contrary, they were completely inter-twined. In Marx's time, the stock markets were little more than gambling dens whose main function was to rip each other off. But ever since the rise of imperialism, it is the financial markets, and notably the stock exchange, that determines where capital will be allocated, which industries will grow, and which will be allowed to wither, and therefore which jobs are created and which lost, how much capital moves overseas either as portfolio speculation or foreign direct investment. It is the arena par excellence where different capitals fight over their share of surplus value. It is intrinsic to the formation of prices of production. Yet it is also the arena for gigantic waves of speculation and the periodic creation of bubbles, of 'fits of giddiness', as greed outweighs fear; and then back again as the herd rushes for the door in panic. In a world of fluctuating currencies, volatile commodity prices, major shifts in interest rates (the buying and selling of bonds), derivatives have become ever-more fundamental to the functioning of business in the form of hedging. Yet for every hedger there must be a speculator. Accordingly, speculation has grown exponentially, both in organised exchanges, and - more especially - over-the-counter (in which the banks play an absolutely central role). This has been aided by monetary policies of central banks throughout the world. This vision is quite alien to any notion of "financialisation". It is to this that we now turn.

**Financialisation**

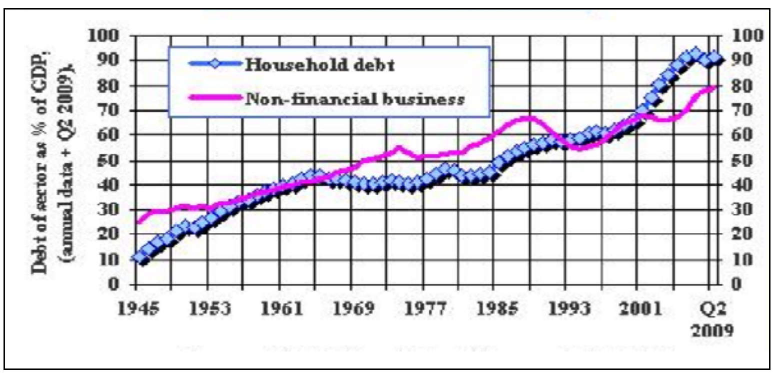
In the face of the disintegration of the neo-classical school, the theory of "financialisation" has been erected (better: resurrected) to explain the present crisis – or at least the financial crisis of 2007-09. This paradigm crosses the ideological spectrum – from self-proclaimed Marxists through New Keynesians, old Keynesians and chastened neo-classical economists (Lapavitsas, 2010 a & b, Paul Krugman, 2009, Palley, 2007, Roubini, 2010).[xii] What unites all these schools, at root, is that there is something called the "real economy" which somehow operates outwith the financial sector, or what President Barack Obama (amongst numerous others – notably the Economist Magazine) calls Main St and Wall St. The (reformist) solution all propose to resolve the present crisis is greater oversight and regulation of the banks and "too big to fail" financial institutions. For the Marxisant Lapavitsas the solution is government control of the banks and the creation of peoples banks (mutual societies), the 'democratisation of the financial system' and control (sic) of big capital - together with the resurrection of something akin to the Glass-Steagall Act (Lapavitsas, 2010a). For Nouriel Roubini, the key tasks required to save the capitalist system is the elimination of the "shadow banking system" combined with a sophisticated mix of monetary and fiscal policy (his own) - together with the resurrection of something akin to the Glass-Steagall Act. The rest fall somewhere in between or/and are an eclectic mix – combined with the resurrection of something akin to the Glass-Steagall Act. Financial crisis are endemic to capitalism and getting more violent, any sort of regulation is as incapable of preventing financial crises as circuit breakers are of preventing a stock market crash.

Costas Lapavitsas, a major advocate of the financialisation hypothesis claims to stand in the 'classical Marxist debates on imperialism and finance capital at the turn of the twentieth century' (2009, p. 6). His main reference point in this regard is the work of Rudolf Hilferding. He mentions Lenin, but clearly disagrees with the latter's central tenets. Crucially, Lenin insisted that imperialism (*aka* finance capital) was the highest stage of capitalism, and placed great emphasis on the *rentier* and parasitic nature of imperialism. Lapavitsas disagrees with both of these propositions. Instead, he boldly declares that his paradigm encaptures a *new* stage of capitalist development: '(It) has three main features. First, less reliance of large corporations on banks; second, banks shifting their activities toward mediating in open markets and transacting with individuals; third, increasing implication of individuals in the operations of finance' (Lapavitsas 2010). In this latter context, he asserts that 'Banks and other financial institutions have been able to extraction (sic) profit directly out of wages and salaries, rather than surplus value ….The emergence of financial profits out of wages and salaries as a systematic social phenomenon has been called financial expropriation' (Lapavitsas, 2010 p. 21).[xiii] It is difficult to unpick what this actually means. But for sure, it bears no relation to classical Marxism. For Marx, Engels and Lenin, financial services (amongst others) were seen as unproductive. They do not contribute to the generation of surplus value. Their profits are a deduction from it. What Lapavitsas seems to be suggesting is that generating their profits from loans to working people is something different than this - something new. Just two observations at this point: First, there may be a question of the growth in the scale of such private loans in the last 2 decades and more, but financial institutions have always leeched off working people (including small farmers). Second, extending of personal credit is not separate activity from the "real economy", but vital in helping the sale of commodities and thereby ensuring the realisation of surplus value. Financial institutions and industry are a unified whole.

On the surface Lapavitsas is dismissive of the billiard ball view of finance and industrial capital: 'It is misleading to seek direct causation along the lines of 'troubled production has led to growth in finance', or 'booming finance has led to weak production' (p.17). But he fails to break with their problematic: 'The real issue is to specify the mediations through which malaise in production has been associated with booming finance in recent decades' (p.17). I leave aside, for the moment, the characterisation of a 'booming' finance. The bubble economy is a sign of sickness – not health. In any event, such an approach hasn't anything to do with the Marxist view of finance capital, which eschews the mutual inter-action of exogenous variables. Specifically, the object of study in this instance must be the central role that the financial system plays in reproducing capitalist social relations as a whole - and on a world scale.

The most puzzling claim of the financialisation hypothesis is that business investment is mainly from retained profits. The relevance of this claim, even if true will be commented on below. The truth of the matter is that the level of net debt of publicly quoted companies in the US rivals that of the fiscal debt – at the end of 2009 bordering on 80% of GDP (see Fig 1). This poses the direct impact of company bankruptcy on the financial system and the impact of company deleveraging on investment. Much of this was generated as a result of share buy-backs, when credit was cheap, rather than for new investment. Nonetheless it proves the rule.

**Fig 1: US corporate debt to GDP & personal debt to GDP**




Smithers, A. 2010, source: Federal Reserve Z1 table D3 and BEA NIPA Table 1.1.5

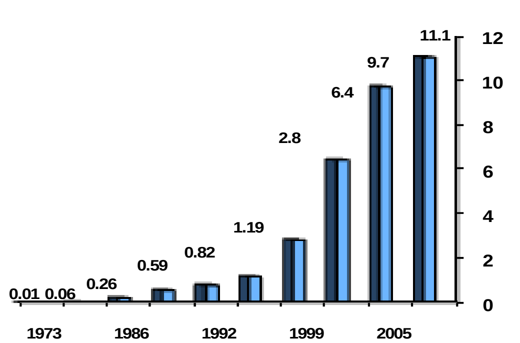
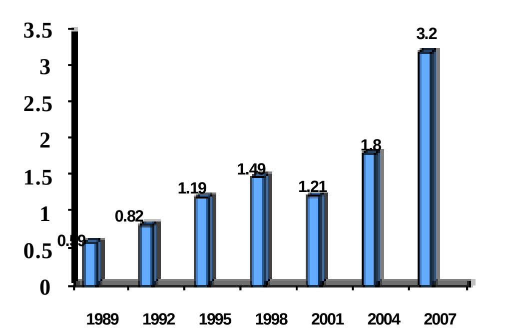
The specific weight of the banks *per se* in funding capital investment matters not one jot to the reality of finance capital. On the one hand, so-called investment banks have never played a key role in funding business investment. At best they have simply facilitated the raising of capital. On the other hand, whilst it is the case that commercial banks did play a bigger role in directly funding industrial investment at the turn of the twentieth century, it is trivial to fault the relevance of Lenin's profound perception on the grounds that banking capital plays little or no role in direct business investment today.[xiv] As the observation of Engels quoted above indicates the issue for Lenin, or anyone else in his tradition, is not the narrow functioning of the banks, but the interpenetration of industrial and financial capital as a whole. In any event there are good grounds for believing that the supposed demise of bank lending through disintermediation is empirically true. According to Boot and Yhakor, syndicated bank loans are a major source of corporate funds. They argue that such loans mimic securities and erode the distinction between bank loan markets and capital markets (Boot and Yhakor, 2008). From another angle, the (re-)emergence of the universal bank in the "Anglo-Saxon" markets to which Lenin gave attention couldn't more accurately characterise the present period. Conceptually it is still possible to make a distinction between bank and non-bank financial institutions, but in the real world that distinction does not hold water - credit-creating banks, investment banks, mortgage lenders, hedge funds, equity funds, insurance/assurance companies, and other smaller fries, are mere departments of each other. And what Pension Fund doesn't have it's portfolio managed by a bank? What distinguishes Goldman Sachs from a hedge fund?[xv] Having said that, the latter is now officially classified a 'Bank Holding Company' (a commercial bank) alongside the likes of Citibank and JP Morgan and able to source federal funds.

These developments fatally challenge the hoary old theories that posited a fundamental difference between the market-based "Anglo-Saxon" model of corporate financing and governance, to the bank-based German Rheinlander model, or the Japanese Keiretsu system, or the French *dirigiste* model – amongst others. According to these academic theories, the functioning of the financial system is fundamentally different in the US/UK than in Germany, France and Japan. Depending on taste, this theory was used as a way to denounce the short-termism of the Anglo-Saxon model (prioritising shareholder value), as against the more long-term perspective of the Continental European and Japanese model ("stakeholder" value). Or in the eyes of others, the more nimble-footed and efficient market model of the Anglo-Saxons elevated above the stodgy bank-based alternative. It would take me too far out of the present study to go into this proposition in detail. A couple of points would be in order, however.

The capital structure of big business is of second-rate importance. Even the bourgeois theorists of corporate finance and portfolio management recognise this – such as the Nobel Prize winners Merton Miller and Franco Modigliani, unrepentant and still the dominant school despite numerous assaults on their theory from their own kind (see Miller, M., 1993 ff). Some have suggested that financialisation to some degree arose out of a drive to assert "shareholder value". But whether the leitmotiv is shareholder value, or stakeholder value, they both boil down to the same goal: That of profit-maximisation. It is irrelevant to this perspective whether a corporation be in government ownership, or trades union bureaucrats sit on boards, or banks hold significant shareholdings in the companies to which they loan funds (the Rheinlander model), or whether this is combined with long term relationships and interpenetration of ownership with other companies and banks (the keiretsu model). In any event, even if this differentiation were allowed the significance it claims, it has no grounding in the present world. On the one hand, the financial offensive of the US – with its junior partner in London - against its imperialist rivals, beginning in the early 1980s, resulted in the triumph of the US model (Gowan, P., 1999).

Having said all this, to a large degree these arguments are somewhat beside the point. Any analysis of the recent financial crisis – and the one brewing – can't fail to notice the absolute centrality of the (commercial) banks to the functioning of the whole financial system. When they seized up – the so-called "credit crunch" - so did the financial system at large. Letting the 'too big to fail' banks go under would have brought down the whole financial cobweb. Even if one allows the proposition that industry is self-financing, this in no way frees industry from the financial markets. To be sure, retained profits are under the immediate control of management of enterprises, but these retained profits are shareholder capital for all that. To be sure, the separation of ownership and control does raise tensions and contradiction. It is why there is so much fretting in the business schools about the “agency problem”. In one way or another, shareholders – the big financial institutions’  - ensure that internally funded investment and projects are subject to the same criteria of risk and return as newly raised funds. It is therefore difficult to sustain the argument that the ownership of industry is somehow independent the big financial institutions – and the ruling families that stand behind them. Who owns industrial shares, therefore, is far from irrelevant. According to the US Conference Board, in 2006 institutional investors owned 67.9 percent of the largest 1,000 U.S. corporations. Of these, pension funds owned 40%, investment companies 22%, insurance companies 23%, bank and trust companies 12%, and foundations 2.5% (Institutional Investment Report 2008: U.S. and International Trends, The Conference Board; see also Levey, D.H.& Brown, Foreign, S.S, 2005).

Ever since the 1987 stock market crash, the Federal Reserve (and other major central banks) have shown a marked propensity to lower interest rates to prop up declining asset prices. This has increased moral hazard and simultaneously lowered the risk premium demanded. Fictitious capital has risen to unprecedented levels. Derivative contracts have risen virtually exponentially, in the face of the turbulent financial and commodity markets and gyrations of exchange rates. Such instruments were only marginal in 1973 and still limited in 1986, the year of the “Big Bang”. However, by the end of 2007, according to the Bank of International Settlement, over-the-counter derivative contracts had reached some $11 trillion with a nominal value of $629 trillion (see Figs 2 & 3). The majority of derivatives are in foreign exchange contracts having expanded explosively since the demise of Bretton Woods. By the end of 2007, the forex market traded to the tune of $3.2 trillion per day, the lions share grabbed by the City (of London). No-one knows, but it is estimated that somewhat in excess of 95% of currency trading is speculative in nature (Stetcher, H. 1999).

| **Fig 2 Gross market value OTC derivatives $tr** | **Fig 3 Currency market $tr per day** |
|---|---|
|   |   |
| Source: BIS quarterly review up to march 2008 | Source: BIS, *Triennial Central Bank Surveys*, especially March 2008 |

It is laughable now, but despite this string of financial catastrophes involving derivatives, bourgeois economists were generally united in the belief that such fictitious capital actually spread risk and made the financial system more robust and more able to withstand shocks. The actual workings of the aptly dubbed "financial weapons of mass destruction" (Warren Buffet) have given the lie to their touted role of 'spreading risk'. To the contrary, what were considered to be their most sophisticated wheezes - notably Collateralised Debt Obligations and Credit Default Swaps - suddenly proved to be worthless as their tiny asset base began to rapidly disappear. Thus, as Bordio put it: 'From being a vehicle for the distribution of risks and comfort in the system, securitisation now distributed fear' (Bordio, 2008, p.11). In this broader historical frame of reference, it is clear that the present financial crisis did not come out of the blue. Neither was this a sub-prime mortgage crisis. It was just that this latter triggered the panic, as the declining incomes of working people in the most depressed regions in the US began to ensure default on their unpayable mortgages - the real assets upholding masses of fictitious capital. Further proof of this is that the combination of the bailouts of the banks and other "too big to fail" financial institutions and the Keynesian riposte to the Great Recession, rather than solving the problem has created the mother of all fiscal crises in the very heartlands of the imperialist countries and once unthinkable certainty of sovereign defaults, preparing yet another major banking crisis.

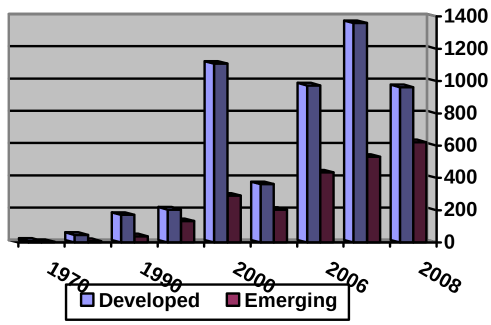
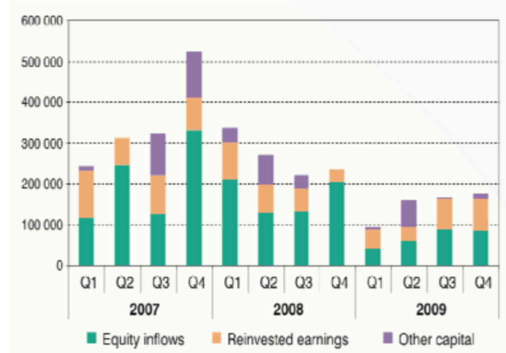
**Capital export**

The second aspect that the financialisation hypothesis omits is a further characteristic of finance capital that Lenin pointed to - the growing significance of the creditor-debtor relationship internationally over trade in goods and services. This is not at all the same thing as banks simply garnering interest from workers (and farmers). Capital export has a multifaceted character – from speculative intervention of financial institutions (and central banks) in the foreign exchange market, in the international money and capital markets.  from the growth in foreign direct investment both Greenfield and *a fortoriori* mergers and acquisitions, to which is not a form of real investment that is to say, investment in capacity-expanding plant and equipment. A good deal of what is called FDI are simply mergers and acquisitions. There is no clear-cut distinction between these different facets. Debt is not a "thing" but a social relation. All typically involve the bourgeoisie applying the lever of fictitious capital – variegated forms of debt - as a way of grabbing from their rivals as much as possible of the surplus value produced on a world scale. A key aspect of this is the use of debt relations as a way of oppressing and dominating the, now, semi-colonial countries. In the quotation above indicating Lenin's views on the rentier, the final part of the last sentence was omitted. He actually concluded that the features that he identified '… means that a small number of financially "powerful" states stand out among all the rest' (Lenin, V.I., 1916/1964 p 238). Added to this, he records elsewhere that the world has been 'divided into a large number of oppressed nations and an insignificant number of oppressor nations, the latter possessing colossal wealth and powerful armed forces' (Lenin, V.I., 1966).[xvi]

Lenin underlined this shift in capitalism in relation to the colonial and semi-colonial world, and the significance of that in siphoning off the surplus capital from these countries. But at no time did he consider that imperial surplus capital simply found its way to the "backward" countries. To the contrary, he painstakingly documented the flow of capital to other imperialist countries (amongst other things, remember the British Empire still included the "White Dominions").

Nonetheless, not only has imperial capital always sought to find a home in colonial and semi-colonial countries, but the last decade or so has seen a *secular* shift of FDI to the semi-colonial countries, to the degree that it is proportionately growing relative to flows to imperialist countries.

Foreign Direct Investment into "emerging markets" has dramatically expanded as the major multinationals have sought to establish vertically integrated, cost-cutting affiliates in low-wage semi-colonial and transitional economies, notably China. This has signalled a secular shift in the destination of FDI. Whereas the overwhelming proportion of FDI in the post-war years was primarily between the imperialist economies themselves, from the early 1990s onwards the relative proportions going to the "emerging markets" rapidly changed – albeit mostly finding a home in a small handful of these economies, again notably China. In 2005, financial flows (equity and debt) to semi-colonial countries amounted to some $300bn. The International Finance Corporation (a World Bank subsidiary) boasts that this is four times the assistance from official sources, which fell to $70bn (*Global Development Finance* 2005, p. 14). What this report fails to point out is that total external debt of the developing countries plus the transition economies still stands at almost $4trn. Moreover, the total amount paid back between 1980 and 2004 is around $5.3 trn ([All these statistics need updating – mainly to be found in 'Figures Relating to debt for 2009' Damien Millet and Eric Toussaint (CADTM), www.cadtm.org)]. It also fails to point out that much of the portfolio investment is short-term "hot" money seeking a higher return than that from the financially powerful states. It does nothing to enhance the low capitalisation of the local stock markets and the dominance of their financial system by the multinational banks, making the cost of capital for domestic investment much higher than in the imperialist countries. It is true that since the 1997 East Asian currency crisis, semi-colonial central banks have amassed enormous stocks of US dollar securities, mainly government bonds, prompting the World Bank to trumpet that these countries plus the oil exporting countries are now net capital exporters to the rest of the world, as if this has somehow resolved their under-development (World Bank 2005, p. 56). The truth is quite the opposite. These dollar securities have been amassed on the basis of their export earnings generated through cheapening their commodities through maintaining a more-or-less fixed exchange rate against the dollar as their exports are reliant on the rate of growth of the US economy. This bodes ill for the future. Worse, the flow of capital to the US undermines domestic investment. Instead their export earnings are lodged in dollar securities; and as the exchange rate of the dollar declines in relation to major currencies it will mean incurring a substantial capital loss. If the dollar collapses, so does the value of their assets. "Capital" outflows from the dominated countries are in fact a form of tribute. They allow the US to live way beyond its means.

<table>
<tr><th>Fig 4 FDI: Advanced versus Developing Markets 1970 - 2009</th><th>Fig 5 Composition of FDI  2007 - 10</th></tr>
<tr><td>
</td><td>
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<tr><td>Source: UNCTAD data base</td><td>www.unctad.org/Templates/StartPage.asp?intItemID=2068</td></tr>
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Semi-colonial countries are dominated and exploited by the financially powerful states in three sorts of ways: by the extracting of super profits; through debt bondage; and through unequal exchange. Anwar Shaikh, in a series of devastating articles, has debunked the notion that trade between semi-colonial and imperialist countries benefits both sides equally - as proclaimed by modern day liberal economists (e.g. Wolf, M, 2005). As he points out, all the boasting of these free-marketeers is based on the unsustainable Ricardian theory of comparative advantage, and its sibling, the Hecksher Ohlin hypothesis (amongst a number of articles, see ff 1980). He illustrates how trade, even within the neo-classical framework, is actually based on Absolute Advantage. If this is correct, then the same laws governing capitalist competition within the imperialist countries apply equally across borders. Accordingly, in the first instance, local production of the most important commodities is displaced by cheaper (and better quality) goods from the industrialised countries owing to the greater productivity of imperialist capital. Other things being equal, therefore, semi-colonial countries will face an ongoing current account deficit. This will demand that these countries seek external borrowing either through the imperialist banks and big bond holders, or from the imperialist dominated multilateral institutions – the International Monetary Fund and the World Bank. This ensures that there is an ongoing transfer of surplus value in the form of interest from these countries to the imperial centres. But things don't end there. Imperialist capital in its quest to reverse the falling rate of profit, finds it expedient to move some of its production overseas where wage rates are lower. This is where the hybrid character of semi-colonial countries comes in. The co-existence of capitalist industry with semi feudal social relations on the land ensures a steady flow of cheap labour through the progressive expulsion of the peasantry from the land. Moreover, this labour still has one foot in agriculture. This set-up allows MNCs to pay for labour power below its value, the reproduction of the labourer only guaranteed by its ability to additionally eke out some form of living from the land. MNCs win against the local bourgeoisie through its greater access to capital, higher levels of technology and greater efficiency. Local capitalist either seek protection by acting as junior partners to the MNCs, or in those industries where the domestic market is so small that it is of little interest to MNCs or, where it has some natural advantage – mainly in the production of primary commodities. It is this latter which is at the root of unequal exchange when it comes to international trade, that is, the exchange of goods embodying more labour in exchange for those goods – normally capital goods – with a lower proportion of congealed labour. As Marx explained: '… nations may continually exchange with one another … without for that reason necessarily gaining in equal degrees. One nation may continually appropriate for itself a part of the surplus labour of the other …' (Grundrisse p. 872). Or again, '*Say*, in his notes to Ricardo's book … makes only *one* correct remark about *foreign trade*. Profit can also be made by cheating, one person gaining what the other loses. Loss and gain within a *single* country cancel each other out. But not so with trade between different countries. … Here the law of value undergoes essential modification. The relationship between labour days of different countries may be similar to that existing between skilled, complex labour and unskilled, simple labour within a country. In this case, the richer country exploits the poorer one, even where the latter gains by the exchange' (Marx, 1972 p 105). In sum, industry is marked by a bifurcation between a highly developed foreign-owned export zones, and a backward domestic sector mainly oriented to the home market and/or servicing MNCs. This is the source of super-profits for MNCs. Contrary to the pristine development of capitalism, now investment was and is determined by metropolitan capital. Local capital becomes an adjunct of imperialist capital. The home market is dramatically narrowed by persistent poverty and polarisation of wealth and income. According to the World Bank's own figures, in 2002, the percentage of people living on less than a dollar a day was over 21%, and those living on less than \$2 per day was 49.9 percent (World Bank's *Global Economic Prospects 2006*, p. 9). As Nancy Birdsall has pointed out such inequality is a major barrier to economic growth (Birdsall, N, 2007). Moreover, this inhibits the development of a sufficiently large home market – or, in many cases, a national market at all (e.g. India). Such is a direct result of the failure to eradicate, to one degree or another, pre-capitalist social relations.

**What about the BRICs?**

Every decade sees a new country or region that is going to reach the top table – something that has not happened since the consolidation of imperialism at the end of the nineteenth century. In the 1970s it was the Latin American economies – notably, Mexico, Brazil and Argentina. In the 1980s, it was the Asian Tigers. This optimism carried over to the 1990s to be joined by the transition economies of the ex Soviet bloc. Now it is the BRICs. The acronym is good, but the content is downright silly. What is that unites a relatively industrialised semi-colonial country (Brazil), a rapidly growing but impoverished country (India), a country where ownership of large banks and industry is dependent on the patronage of the ruling bureaucracy (Russia), and one still dominated by state industry and a ruling bureaucracy but where entrepreneurial ownership is encouraged and led by the state (China)?

The other side to the refusal to invest in capacity expanding plant in the imperialist centres has been the shift of production to processing zones in cheap-labour countries. This has brought literally some tens of millions of new workers into the labour force - 150 million in China alone. This has increased the mass of surplus value and to some degree compensated for its falling rate. On the one hand the cost-cutting from the internationalisation of the vertical integration of the Multinational Monopolies, and on the other the dramatic lowering of prices of imports most often produced by these self same MNCs in the processing zones. Price competition has therefore intensified.

The suggestion that China and other “emerging” Asian economies can become the motor-force of the world economy is nonsense. The fact is that China and the rest are little more than export processing zones tied into US (and other) MNCs attracted by cheap labour. The latter is generally low skilled to boot. To that degree, Chinese employment in US MNCs is an integral part of *US* production. Thus whilst there are some spill over effects for the Chinese economy, Chinese growth is a different thing than Chinese development (Breslin, S. 2003).A major motivation in the Chinese governments’ dollar peg is concern to find employment in their export industries for the estimated 100 million unemployed and underemployed - on pain of widespread social unrest. There is no social wage in China. Access to unemployment compensation, social welfare, education and health are enterprise based - either factories or rural communes. Once forced off the land, labourers have no choice but to migrate to the urban centres – often illegally. If they remain unemployed, they lose everything. These workers are not suffering such conditions lying down. Protests and mass mobilisations – some of them bloody – are multiplying. These are being joined by those in work, feeling their strength as a result of employment. As with previously much-touted miracle economies, supposedly about to take over the world, as with talk about S Korea two decades ago, workers are showing their propensity to organise and protest - pushing up wage rates and winning other concessions (on this, see Krugman, J., 1994). As the capitalist law of value expands its domain in China, as the entrepreneurial class expands, class struggle will dramatically intensify. It is probably correct to say that it is developments here and elsewhere in the East that has shifted the axis of the world class struggle.

Nonetheless, the fact is that the Chinese economy is not capitalist. It is impermissible to equate the inroads of the market in general with the specifically capitalist market. This was the fundamental error in projections related to the prospects for the ex Soviet bloc countries. These are still in “transition”, almost 20 years after the event. The nature of the “privatisations” in Russia is now more broadly appreciated. It has been calculated that 22 oligarchs dominate the Russian economy, accounting for 42% of employment, 39% of sales, and, it is estimated, a higher percentage of value added. They predominate in cars and natural resources (Guriev, S. and Rachinsky, A., 2004). China is somewhat different in that it was not an industrialised country before the major openings to market forces starting in 1978. Entrepreneurs play a much greater role – the real seedlings of capitalism. However, even to this day, most industry is still state or quasi state owned. The financial system does not function as in a capitalist economy. The Shanghai and Shenzhen stock exchanges are little more than gambling dens. Whilst there are some 1,377 listed companies on the two exchanges, some two thirds of the equity is non-tradeable. Accordingly, the take-off of the Chinese stock exchanges relies on small investors out to make speculative gains. This is preparing a heart-rending catastrophe as small-scale players pledge their homes and personal possessions to raise money for speculation. When the crash comes, it will be these “small folk” that will be most hurt ensuring a collapse into dire poverty as their homes, meagre savings and even household items are seized by the money-lenders.

Domestic funding for industry and other lending comes primarily from the (state-owned) banks. But lending is generally politically determined. Capitalist criteria of risk and return don't apply. Thus we see a phenomenon of over-investment and speculative investments generating an asset price bubble. The unsustainability of many of the State owned enterprises (SOEs) saddles the banks with large-scale bad loans. As a result, Chinese banks are technically insolvent. For the time being, the state uses its dollar assets to re-capitalise these banks. But this is a task of Sisyphus. Such a state of affairs cannot continue. If there is a substantive reason for the pressure to re-value the renminbi, it is in order to prise open the financial market to the major US banks and bond holding financial institutions. This explains all the pressure on China when such a move will have little effect on the US-China trade. The US is not particular concerned with the latter, except from certain sectional interests. Over half the deficit is accounted for by trade *within* US MNCs (Chandler, M., 2004). Again, Chinese imports account for a mere 4.8% of US consumption (excluding services) which when we subtract the contribution of those imports from US MNCs, as a proportion of US consumption, it amounts to little over 2%. In sum, US concern with its exchange rate with the Renminbi is the role it plays in hindering the movement of US financial capital into the Chinese financial system – its main goal. This has implications for the US current account. For example, the shift in the renminbi peg and its appreciation against the dollar will only marginally affect US Chinese imports since most of them are part of the production chain of US MNCs.

Table 1: GDP and Demand in China

| | Percent GDP 1982 | Percent GDP 2008 |
|---|---|---|
| Investment | 28 | 44 |
| Consumption | 54 | 47 |
| Exports | 8 | 37 |
| Imports | 7 | 28 |

World Bank: Statistical Data base

Be that as it may, in the present context it is clear that China is incapable of picking up the US baton as driver of world growth (de-coupling). China has extremely high investment and relatively limited consumption in proportion to GDP: its share of GDP rose from 28 percent in 1982 to 44 percent in 2008 (see Table 1). During this same period, consumption *decreased* as a share of GDP from 54 to 47 percent. Net exports of goods and services, which were negative for most of the 1980s, have been positive since 1990, except in 1993. Net exports in proportion to GDP were 9 percent in 2008. A re-balancing of this towards consumer spending is off the agenda.

**Monopoly**

Even self-styled Marxists jibe at the communist view that imperialism is monopoly capitalism. The world has never been more tightly integrated. The socialisation of production never more clear-cut. The dominance of the world market by a relatively small number of multinational companies, multinational banks and "international" stock exchanges has never been greater. Imperialist-based MNCs dominate the world economy and are doing so at an increasing rate. In 2009, there were some 82,000 MNCs worldwide, with 810,000 foreign affiliates. Exports by foreign affiliates of MNCs are estimated to account for about a third of total world exports of goods and services, and the number of people employed by them worldwide totalled about 77 million in (whereas in 1990 the proportions were 50/50). Foreign affiliates of MNCs account for 10% of world GDP, as measured by value added of these, the top 100 MNCs combined accounted for some 4% of world GDP (WIR, UNCTAD 2009).

This prominence of monopolies was a central plank of Lenin's view of imperialism. In this he was following Marx who explained that monopoly was intrinsic to the capitalist mode of production – albeit that monopoly and competition were not polar opposites, but dependent one on the other: 'In practical life we find not only competition, monopoly and the antagonism between them, but also the synthesis of the two, which is not a formula but a movement. Monopoly produces competition, but competition produces monopoly. Monopolists are made from competition; competitors become monopolists. . . the more the mass of the proletariat grows as against the monopolists of one nation, the more desperate competition becomes between monopolists of different nations. The synthesis is of such a character that monopoly can only maintain itself by continually entering into the struggle of competition' (Marx, 1971, p. 152). The charge that Lenin somehow abjured ongoing competition between capitals under imperialism is unsustainable. Indeed, his implacable, not to say, vitriolic, hostility to Kautskyian "ultra-imperialism" should be proof enough of that. It was Kautsky, not Lenin, that argued that competition between nation states and their monopolies was a thing of the past, whereas Lenin stressed the inevitability of competition amongst the imperialist states and their trusts. Lenin took account of the fact that with the creation of finance capital the inherent tendency to monopolisation had gone a stage further than that outlined by Marx. What he did insist on was the national roots of finance capital, and the integration of these monopolies with their state. Accordingly in the age of imperialism competition assumes a somewhat different form.

Even in the narrower sense of competition between monopolies *per se* he explained, on several occasions, that the domination of the world economy by a relative handful of monopolies was not in contradiction with ongoing competition. He simply insisted on the obvious point that the tendency to monopoly/collusive oligopoly is the dominant form of capitalism under imperialism. Yet he stressed that there would be periodic break-ups and re-alignments: 'But the division of the world between two powerful trusts (in electricity production) does not preclude the re-division if the relation of forces changes as a result of uneven development, war, bankruptcy, etc' (Lenin, 1916/1924, p 248). Those targeting Lenin in this way are simply knocking at the wrong door. It is the inseparable national ties of finance capitalism that informed Lenin's and Nikolai Buhkarin's view of state monopoly capitalism (Lenin, VI, (a) 1917/64; N Bukharin 1972). This view is no less valid today. Every monopoly enterprise attempting to function in the world market demands the support of their government, their state (and in the last analysis, its military power) to support them against their foreign rivals both at home and abroad and seek to extend the part of the globe dominated by their MNCs and oligopolies. The facts point in the opposite direction. As Dunning puts it: 'Increasingly governments, too, are beginning to view their role as harvesters of the rent generated by *global* economic activity and as protectors of *their own enterprises* from unacceptable economic strategies pursued by other governments'. National states bolster their own MNCs by socialising much of their costs (through R&D, for example), through NTBs, VERs, subsidies and through government procurement policies amongst other things (Dunning, JH 1993 pp 611-12 ff; Petrella, R, 1996).

Today's dismantling of barriers to capital flows and MNC investment (globalisation), far from removing borders, is a reflection of intensified inter-imperialist rivalries. "Free Trade" or dismantling barriers to capital flows is always the battle cry of the strong against the weak. Just as in the 1930s Great Depression, as the prospects for the world economy deteriorate, imperialist powers will not act in concert out of enlightened self-interest. Capital must expand - or it dies. With a diminishing cake, this of necessity means nationally based capitals gaining new spheres of investment, increasing market share and cornering raw materials at the expense of imperialist rivals (Petrella, R 1996).

There is a significant trend within the radical movement have taken this truth on a different track arguing that a qualitative shift has occurred between finance capital and the national state. They consider the world, and nation-states, to be now dominated by "rootless" capital. Michael Barrat Brown, for example, avers: 'These giant companies had increasingly divorced themselves from their original national base. National governments had in effect lost control of them. Hilferding's 'finance capital' had no longer a national identity' (Barrat Brown, M, 1996). John Holloway puts the same point: 'The established links between groups of capitalists and the state come to be seen as a hindrance once it is seen that capital in its money form attaches to no group of people and no particular activity' (Holloway J, 1996 p 133). He concludes: 'The competition between national states is not a struggle between national capitals, but the struggle between states to attract and/or retain a share of world capital (surplus value)' (Holloway, ibid). Such radical changes in the structure of world capitalism according to Hugo Radice '... require the reconstitution of the state as an enabling institution for capital. This reconstituted capitalist state faces two ways. It operates nationally to control labour and other resources and make them readily available for the transnationals to exploit. At the same time it operates internationally, in concert with other states to ensure the basic legal and institutional prerequisites for global flows of capital and commodities' (Radice, H 1996a, p16). The unambiguous implication is that a new neo-global age of capitalism has dawned where imperialist governments' main role is now to collaborate in facilitating the functioning of "Transnationals".[xvii]

The role of the imperialist state, then, is no longer to promote their own finance capital straining to break down barriers to the attainment of that objective. It is now reduced to that of providing domestic conditions that can attract foreign investment. In other words, that the ever-greater domination of the world by MNCs *lessens* inter-imperialist rivalry. Karl Kautsky was the first to pose the possibility of "world capital" during the First World War. But as Lenin replied: such a theoretical possibility could only be envisaged if uneven development between the imperialist powers had been overcome - a utopian dream. World imperialism is today further away from ironing out its uneven development than at the time Lenin was writing. Nonetheless, some are quite bold in acknowledging their Kautskyite lineage: '(T)his sort of collective colonialism feared and predicted by Kautsky in his famous disagreement with Lenin in 1915', writes Susan Strange. 'Where Lenin predicted the inevitable clash of national capitalist-imperialist states, Kautsky argued that their common interest in maintaining a stable but open world economic order would lead the imperialist powers to collective intervention into what were then, still, colonies. On the whole, Lenin has been proved wrong, and Kautsky - and the late Ernest Mandel - right' (Susan Strange 1998, p. 94).[xviii] For David Harvey this perspective is couched in terms of some resurrected New Deal: ‘This means liberating the logic of capital circulation and accumulation from its neo-liberal chains, reformulating state power along much more interventionist lines and redistributive lines, curbing the speculative powers of finance capital, and decentralising or democratically controlling the overwhelming power of the oligopolies and monopolies. … The effect will be a return to a more benevolent “New Deal” imperialism, preferably arrived at through the sort of coalition of capitalist powers that Kautsky long ago envisaged … (It) might, by adequate pursuit of some long-term spatio-temporal fix, actually assuage the problems of over-accumulation for at least a few years’ (Harvey, D., 2003: 209 -211)

To be sure, finance capital has always seen national boundaries as a cage from which they must escape if they are to find a profitable outlet for their surplus capital. But the nation-state is the basis and inextricably bound up with capitalism. So the imperious necessity of breaking down national boundaries is combined with beefing up their own state and integrating it into the dominant monopolies. In pursuit of such objectives, imperialist states today continue to erect those barriers to cross border capital flows that they consider to be in their national interests. The national market remains the bedrock to successful international functioning. Thus, the top 100 monopolies have significantly larger domestic assets than that invested overseas *(UN World Investment Report*, 2005). International mergers, take-overs and acquisitions have accelerated. But genuine transnational ownership is still the subordinate form: ‘Alliances, formal and informal are becoming the dominant form of integration in the world economy’, explains Peter Drucker. Such alliances span: ‘... joint ventures, partnerships, knowledge agreements, and out-sourcing agreements. In alliances, investment is secondary, if there is any at all’. Some alliances do, of course involve substantial capital investment such as those that have been constructed to bid for big military, aircraft or other prestige contracts. ‘But even then, the basis of the alliance was not capital but complementary knowledge. ... More and more, investment of any size is symbolic - a minority share in each other’s business is regarded as “bonding” between partners. In many alliances there is no financial relationship of any kind between partners.’ (Drucker, P.F., 1994. See also Petrella, R., 1995 p. 37-8; Lazar, F., 1995 p. 281). Company control through boards of directors still firmly rests with the nationals of the home country. And, of course, the final destination of the bulk of the profits of overseas-based companies (often through off-shore banks and the like) is to the bourgeoisie in the home country.

It may well be true that multi-lateral international bodies like the WTO, IMF and World Bank adopt agreed rules of governance meant to regulate the mutual functioning of participating states. For a whole period, these bodies were able to impose some discipline on independent states. But this simply reflected the fact that they were dominated by the US, at the apex of the world order, rather than the supra-national powers of the institutions themselves (Glyn, A and Sutcliffe, B 1992). There is no question that the major imperialist powers have a common interest in opening up new areas for exploitation both the semi-colonial world and the “Transition” economies.[xix] To that end, there can be commonly agreed rules and regulations enforceable by world organisations, repudiations of which will be ruthlessly punished. The very restlessness of capital looking for an adequate rate of return has increased the risk to investment and financial movements. Without enforceable rules and body of contractual law, such investment would be too precarious. It is through such agencies as the IMF and World Bank that the stamp of approval or otherwise is gained for access to credit and FDI by risky Third World and Transitional economies. But without state sanctions and, in the last instance, military force these bodies would not be able to extend the guarantees which private investors require. In this regard, these international institutions are still, in the last analysis, the tools of the US against its rivals (Nye, JS, 1990). In effect, it is the US that acts directly, or indirectly, against those governments that threaten to, or actually break out of, the straitjacket. Often, the US has utilised the cover of the UN relying on the more or less open or tacit agreement of other imperialist powers (and Russia and China) that have a common interest in such interventions. But it is quite prepared to act unilaterally or through NATO (more often than not, backed, solely, by London – and Israel), when such consensus cannot be achieved. However, the US no longer has the untrammelled power that it once enjoyed. The relative advance of French, German and Japanese imperialism has simply transformed other international bodies into arenas for inter-imperialist struggle itself. Their established rules and regulations are no more than a reflection of the given relation of forces. It is simply wishful thinking to suggest that such supra national 'world institutions' can police some New World order in the inter-mediate term on the basis of mutual self interest and collaboration.

Situated in today's world, imperialist states remain, "state monopoly capitalisms" rather than that of "rootless" MNCs tied to no nation-state or national capital. Competition between state capitalisms is once more on the rise. Such a scenario has led to world war twice in the twentieth century. It would be absurd to suggest that inter-imperialist competition can once again take the form of world war between the imperialist powers. History has gone beyond that stage. Amongst other things, the military power of the US is overweening to say the least, and this cannot be counter-posed in the future by some putative supra-European state. Any prospect of this, too, has been historically by-passed. Nonetheless, the tendencies that lay behind the catastrophes of world war in the past, rather than having been eliminated, is once more asserting themselves. We can see this in proxy struggles in the third world as various imperialist powers work with competing indigenous forces to assert their influence, one over the other. Nonetheless, the US is politically weaker than it has ever been. Who now believes in the possibility of establishing a New World Order? No mere extrapolation from the "Golden Age" - when inter-imperialist collaboration was more prominent - will suffice. For unevenly developing nation-states to maintain shared objectives during that period required US hegemony to weld it together. This could only be achieved by the overweening economic power of the US and its military might propping up the shared ambition (the Cold War) of the other imperialist powers. This, in turn, rested on the rock of sustained world economic growth and stability. In the period of deepening world disorder, inter-imperialist rivalry will intensify.

This view is clearly consonant with Marx's analysis, and specifically the latter's explanation of the consequences of the concentration and centralisation of capital. 'The capital, which in itself rests on a social mode of production and presupposes a social concentration of means of production and labour-power, is here directly endowed with the form of social capital (capital of directly associated individuals) as distinct from private capital, and its enterprises appear as social enterprises as opposed to private one's. This is the abolition of capital as private property within the confines of the capitalist mode of production itself.' As this contradiction develops, Marx continues, it 'gives rise to monopoly in certain spheres and hence provokes state intervention. It reproduces a new financial aristocracy, a new kind of parasite in the guise of company promoters, speculators and merely nominal directors; an entire system, of swindling and cheating with respect to the promotion of companies, issue of shares and share dealings' (Marx, 1981 pp 567, 569). For those who want to build a Chinese wall between Lenin and Marx, it is worth noting that, on this aspect of monopoly, Lenin simply repeats Marx's first observation: 'Capitalism in its imperialist stage arrives at the threshold of the most complete socialisation of production. In spite of themselves, the capitalists are dragged, as it were, into a new social order, a transitional social order from complete free competition to complete socialisation. Production becomes social, but appropriation remains private' (Lenin, *ibid*).

**Results and Prospects**

The last time round depression led to the rise of fascism, its victory in a series of countries and a world war. But that was not an inevitable outcome. To the contrary, the dictatorship of capital was challenged with potential proletarian revolutions in a series of powerful imperialist countries. These were not defeated as a result of an unfavourable relationship of forces, but through the role of Stalinism and social democracy. The veritable disintegration of Stalinism with the breakup of the Soviet Union and events in a series of eastern and central European countries has removed this roadblock. In this context, the ending the cold war actually weakened imperialism. Stalinism was a key transmission belt of imperialist pressure. Imperialism does not have this weapon anymore. The obstacles are enormous to the establishment of workers and farmers governments in a series of imperialist countries leading to the overthrow of the dictatorship of capital and the imposition of the dictatorship of the proletariat. But they are more favourable this time around.

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[i] In fact the appellation of Great Depression seemed not have been used until the 1950s – often attributed to the Keynesian economist Lionel Robbins.

[ii] It is often stated that it was the view of Karl Marx that: ‘history repeats itself first as tragedy second as farce’ in his Eighteenth Brumaire of Louis Napoleon. However, he was quoting Hegel - ironically. What he actually said was: ‘Hegel remarks somewhere that all great world-historic facts and personages appear, so to speak, twice. He forgot to add: the first time as tragedy, the second time as farce.' Mark Twain said: ‘It is not worth while to try to keep history from repeating itself, for man's character will always make the preventing of the repetitions impossible.’ (*Mark Twain in Eruption: Hitherto Unpublished Pages About Men and Events* (1940), ed. Bernard DeVoto.) - the latter attribution taken from Wikipedia.

[iii] ‘The monetary base went up during the early years of the Great Depression, rising from an average of $6.05 billion in 1929 to an average of $7.02 billion in 1933. But the money supply fell sharply, from

$26.6 billion to $19.9 billion. This divergence mainly reflected the fallout from the wave of bank failures in 1930–1931' (Krugman 2007)

[iv] We will have cause to come back to this view when we look at the Long Cycle Theory. For whether they know it or not the LCTs are inheritors of this school

[v] The poor man had the misfortune to believe in the face of Black Monday: 'Stock prices have reached what looks like a permanently high plateau, the market was only shaking out of the lunatic fringe'. For months after the Crash, he was convinced that the recovery was just around the corner. He lost his fortune buying shares when everyone else was selling. Clearly there was something wrong with his theory, and he came up with another.

[vi] Or almost – he spoke of Transactions times prices equalling the Money supply times the velocity of circulation, where today it is formulated not in terms of transactions but GDP.

[vii] Jean-Claude Trichet remarked in 2009: 'The main achievement can be summarised in a single sentence: the euro is a very stable currency and all the institutional requirements are in place to preserve its solidity in the future. This is what defines success in monetary affairs' (www.ecb.int/press/key/date/2009/html/sp090713.en.html, accessed 22 May 2010).

[viii] Greek government debt stood at some $385 billion in mid-2010, on which it pays on average some 5% interest - some $19 billion per year. Greek GDP in 2009 was $342 billion and Greek government revenues were about $115 billion. Therefore the Greek government is currently forced to pay about 20% of its annual revenues as interest on debt per year. The eurozone-IMF standby loan means debt interest will be financed by NEW debt. A debt-interest interest spiral is therefore inevitable. It is a Ponzi scheme, and like all such schemes will collapse. Hence the government's swinging austerity measures - promoted using the fig leaf of the eurozone-IMF conditionality demands. Another alternative, of course, is a repudiation of the debt, exit from the eurozone and a substantial devaluation of the New drachma. This course would demand even more onerous austerity. This latter proposal is advocated by Nouriel Roubini – his "Plan B". Unfortunately some Left radicals are advocating a similar pro-capitalist course albeit framed as 'a "progressive exit" from the eurozone, that is, exit conditional on radical restructuring of economy and society'. The radical change proposed amounts to nationalisation of the banks and (some) utilities. The history of nationalisation in the UK should be proof enough that there isn't anything 'socialist' or particularly progressive about government ownership. Under the dictatorship of capital it is simply one way that the bourgeoisie decides to organise its property – nothing more. Moreover, Greek exports to counties outside the eurozone amount to only 4% of GDP. So exiting the eurozone would do little to boost the Greek economy. By the same token devaluation of the euro aids Germany disproportionately as extra greater-eurozone exports amount to 27% of GDP (with France at a lowly 10% of GDP) (Kirkigaard J, 2010).

[ix] The ECB estimates that eurozone banks ¢123bn in write downs in 2010 alone www.ecb.int/pub/pdf/other/financialstabilityreview201006en.pdf p88).

[x] The other key reason was to use the crisis to further bolster its position as the major economic power inside the European Union.

[xi] The perspicacity of Marx here is revealed even in the details when, for example, mainstream economists speak of the financial system today as an "industry" and new forms of paper assets and debts are spoken of as "products". If there is one thing above all else that the present financial crisis has underscored is that money cannot be made out of money, just as much as Merlin could not turn lead into gold. Money can only be expanded in the production process.

[xii] I say resurrect because this theory had already been propounded by Keynes in the 1930s and, in its Marxist guise, by Baran and Sweezy in the 1960s.

[xiii] Lapavistas is not as innovative as he seems to think in terms of the centrality of commercial capital. The role of the City of London (and by extension New York) as essentially commercial – and not a finance capital - was laid out by Geoffrey Ingham over 25 years ago (Ingham, I, 1984).

[xiv] According to Boot and Yhakor, syndicated bank loans are a major source of corporate funds. They argue that such loans mimic securities and erode the distinction between bank loan markets and capital markets. Moreover, even big multinationals rely on the banks for short-term loans. As far as SMEs are concerned there is question mark as to whether this is empirically true - at least until quite recently (F.T. 20 May 2010).

[xv] For the year ending 2009, less than 10% of its revenues come from traditional investment banking, some 75% from proprietary trading (http://biz.yahoo.com/e/100121/gs8-k.html)

[xvi] A fuller synopsis reads:

'The supplanting of free competition by monopoly is the fundamental economic feature, the *quintessence* of imperialism. Monopoly presents itself in five principle forms:

(1) cartels, syndicates and trusts - the concentration of production has reached a degree which gives rise to these monopolistic associations of capitalists;

(2) the monopolistic position of the big banks - three, four or five giant banks manipulate the economic life of America, France, Germany;

(3) seizure of the sources of *raw material* by the trusts and the financial oligarchy (finance capital is monopoly industrial capital merged with bank capital);

(4) the (economic) partition of the world by the international cartels has begun. There is already over *one hundred* such international cartels, which command the *entire* world market and divide it "amicably" among themselves - until war *divides* it. The export of capital, as distinct from the export

of commodities under non-monopoly capitalism, is a highly characteristic phenomenon and is closely linked with the economic territorial-political partition of the world;
(5) the territorial partition of the world (colonies) is completed' (Lenin, V.I., 1916b)

[xvii] Note the terminology: the use of "transnational companies" (World Bank), and "Multinational Companies" (IMF), I consider to be politically loaded. For obvious reasons, I prefer the latter.
[xviii] Susan Strange *et al* are just following earlier Marxisant *de facto* defenders of Kautsky. In the period before the ending of the post-war boom, a number of authors elaborated the notion of supra-imperialism which judged the US to be so powerful - and would grow ever more so - that serious inter-imperialist competition was ruled out (Magdoff, H, 1966; Baran, PA and Sweezy, PM, 1966).
[xix]The economies of the former Eastern bloc didn't begin their transition to capitalism in 1989. They have been transitional economies since their formation. There is no such thing as "socialism in one country". So it has always been quite inappropriate to designate these States as socialist, let alone communist in the classical meaning of that term. Marxists have used the "transitional" designation since the 1920s. And with the political counter-revolution of the Stalinist bureaucracy – in the mid 1920s in the former USSR - the direction of these economies has been back towards capitalism, rather than forward towards socialism. But actually restoring capitalism is easier said than done - as the "West" is now finding out. Hereditary classes, as the capitalist class, cannot be created overnight. To be sure, genuine capitalists do exist in these countries, but they are beholden to the bureaucracy, as BP and other imperialist oil companies have found out, let alone Mikhail Khordovsky and other erstwhile oligarchs (for an analysis of social character of these states, see, amongst numerous others of his writings, see Trotsky, L, 1936/70; see also, Hansen, J., 1974; and for an analysis of more recent developments, Barnes, J., 1983; and Waters, M-A., 1984).