

Some elementary remarks and suggestions

Starting by reminding you of our „First Thoughts“ from December 2013 we should like to repeat (or to explain) the following points:

1. The workshop in October 2014 will be the fourth in a series of EU experts' discussions oriented towards elaborating political-economic analyzes which can help us to understand current societal reality, and to work on political strategies, i.e. to organize and to strengthen agents struggling for an alternative societal development. In so doing we are pursuing the vision of a society of personally free and socially equal people who live in solidarity with each other and who care responsibly for the natural conditions of life in their daily practice. And we do regard the European and especially the EU level as highly significant for a global turn towards truly sustainable development.
2. The current debate on peripherization of regions or member states within the EU is shaped by the present crisis of the EU: The development under discussion refers to the further sharpening of already existing and still rising sharp imbalances within the EU, with regard to the political, cultural, economic role they can still play in the daily life of their citizens and to the perspectives of development they can offer. These imbalances define sharp and rising differences in the living conditions of the majority of the population in the respective regions and countries. In this debate the terms “core” and “periphery”, imported from the debate on global dependency and polarization, are increasingly used to describe the same kind of processes within the EU.
3. The terms “core” and “periphery” have been introduced by Raúl Prebisch in the mid-forties of the last century. His purpose was to explain the economic relationship between the United States and Latin America, and – more specifically – to develop strategies of industrialization in order to change these relations in favour of Latin America. Prebisch has highlighted the monopoly of strong states on the most productive means of productions and technologies, the consequences of monopolies and an unequal exchange in foreign trade, resulting in a structural dependency of the periphery on the center.

From this time on a dependency theory focusing on this kind of relations has developed and spread widely, also among the left wing. It analyzes contemporary capitalism as a core-periphery-system between the highly industrialized north-western countries as the core and the underdeveloped, technologically backward world as the periphery. It characterizes the core-periphery-relationship by unequal exchange, asymmetrical power relations, and, as a consequence of theses, dependency.

Today we are confronted by two poles in the scientific and political discussion: the neo-liberal theoretical and ideological construction based upon market radicalism and possessive individualism, on the one hand, and the

dependency theories more or less based upon Marxist or more Marxian interpretations of capitalist development¹, on the other.

The neo-liberals believe or declare that a linear economic and social progress unites the different areas involved in reciprocal trade relations based upon equal exchange and that this will finally lead to an increasing and enlarging spread of well-being. The dependency theorists agree that the global capitalist system has created a core that is rich, developed, technologically sophisticated and peripheries which are poor, exploited and disadvantaged.

4. From Marx we have been able to learn that we have to ask not “only” about the relations obtaining between countries in the international arena, but also about the processes of capital accumulation behind them. From Luxemburg we have been able to learn that we should analyze “the global capital” much more concretely, highlighting its specific course of historical development, the relationship of one capital to other groups of capital, the role of capitalist domination within the systematic division of labour, the role of the capital relation in processes of socialization, and within societal life at large. Such a differentiated approach does not mean “chopping up problems”, but simply to proceed to an adequate analysis and an adequate understanding of power relations in modern societies and in the contemporary world. Such an approach, more deeply considered, means to look specifically at the trans- and international, the intra- and interregional contexts of capital accumulation, as well as at the differences in capital relation influencing the societal life and development.
5. People live in territories – in municipalities, administrative areas, states, and federations of states. Their living conditions depend on the role of the concrete territories for or in concrete capital accumulation processes and on the concrete role they play in these accumulation processes.

We use the terms “periphery” and “core” or “center” in relation to territories being determined by concrete processes of capital accumulation and of socialization. As we shall analyze the dynamics of power relations within concrete societies in the globalizing world we shall have to research into the following points:

- a) how these power relations are capable of influencing complex social relations, and social life in concrete territories, *while at the same time finding out*,
- b) how the social power relations within specific territories can influence capital accumulation processes, and, therefore, intra- and interregional, trans- and international relations.

¹In actual fact, dependency theory is closer to key aspects of Leninist theories of imperialism than to Marxist theories of equal, and yet exploitative, exchange on the world market.

In order to do this effectively, we shall have to look at these territories, trying to determine the similarities and differences between politically-administratively determined territories as municipalities, administrative areas, states and territories as spaces with intensified economic, historical, cultural, and social interrelations, where people especially strongly share a common history, culture, or current social problems. We refer to such territories/spaces as “regions”, and we shall regard current processes of regional change also and especially as the other side of globalization processes, specifically as a special stage of the international division of labour which leads to a number of interconnected processes:

- intensive financial direct investments,
- high relevancy of financial markets,
- high relevancy of Transnational Corporations (TNCs),
- a new type of microelectronics, and, more generally, of information and communication technologies

And we underline the fact that a new type of capital accumulation and of socialization have emerged, especially/above all in the form of capitalist financialization.

6. Capitalist financialization means here that individual social and capital reproduction are more and more realized by finance market operations, so that they are specifically influenced or determined by the strongest actors on the finance markets. The conditions for these financialization processes are based upon privatization and economic deregulation policies.

To secure their livelihoods, people use financial resources and promises of payment. Consciously and unconsciously they go into debt and increase their personal liability. The main actors of financialization induce and make use of these circumstances; in particular by turning small and mid-size financial market actors into wage labourers, while turning them, wherever possible, into 'independent' workers who work “for free” or as entrepreneurs who always exceed their reproductive capacity. Financial resources and payment promises circulate, producing interest for investors as a form of surplus value, or as a result of direct expropriation, redistribution, fraud and speculation. Among these investors we also, and especially, find pension funds, which are – on a voluntary basis or by force of circumstance (in the context of privatized old age insurance) – continuously “fed” by wage labourers. I.e. parts of their wages are being used to provide for profits accruing to the owners of such funds, based upon primary and secondary processes of exploitation, while building increasing pressure for further privatization. The “EU 2020” Infrastructure Bonds Initiative and the project of Long Term Financing of the European Economy (ELTIF) will still be further extended and pushed forward. When the financial markets mediate socialization processes, when the funds invested must in some form produce interest, when everybody uses their power advantage against everybody else, in order to produce income, and in many cases to maintain a fortune – I.e to stay in the game – and when the most

powerful, through their interests and networks, continuously reproduce, appropriate, redistribute, speculate and expropriate surplus value, then society exploits seemingly itself. The main actors of financialization are only the most successful primary and secondary exploiters. If, moreover, society and in particular the strongest actors of financialization globalize their targeted, conscious, unconscious and even unwanted participation in a slowly increasing primary and secondary exploitation, then the imperial modality is realized and reproduced within the socialization processes. This includes a special mode of living with its particular lifestyle, as well as special policies, especially “security” policies. As a consequence, societal life acquires and exhibits new facets:

- (a) A new social blueprint communicated by the media – a society of capital owners creating independent and attractive lives by doing business with their labour power and financial strength;
- (b) innovative financial market tools and new forms of dealing with debt as the financial basis for private households;
- (c) a corresponding infrastructure which promotes flexible and mobile patterns of consumption;
- (d) demands that workers and/or citizens develop particular sets of abilities, skills, conduct and modes of living to manage this degree of flexibility and mobility;
- (e) the privatization of social services, public enterprises and the public sphere;
- (f) a new type of manager who manages the company in the interest of investors – the shareholders – and therefore puts the focus on profit maximization which in turn stimulates speculation (Toporowski 2008: 13-16).

We should like to add some points to items (b) and (e) as well as a new item that should in particular be highlighted: (g) the privatization and financialization of natural resources, of pollution and the destruction of nature – also by mechanisms (e.g. emissions trading) agreed upon to allegedly protect the climate (Backhouse 2014).

7. The “main actors of financialization”, as they are described here, are capitalist oligarchies. Behind the modern “discourse on oligarchies” or, rather, behind the problematic of capital oligarchies we find the actually existing relationship between the current capitalist forms of impersonal rule, huge wealth, and the power of a small group of actors, which has the power to decide key societal developments.

The economic basis for these capital oligarchies originated first in the 1870s when an “enormous expansion of the scale of production and of enterprises, that was impossible for individual capitals (Capital III, chapter XXVII, iii,1) was going on. The dynamic co-operation of dividend receivers of the new and massive corporations has led to *de facto* common forms of capital and to the emergence of the function of a “mere manager, administrator of other

people's capital" (Capital III, chapter XXVII, iii,3). A specific interdependent relationship between capital owners has been developed – a relationship between capital owners who activate interest bearing capital, and those capital owners who organize social surplus labour within the social production of goods and services. The necessary minimum of capital can be raised and exploited only by these two groups working together. This need for co-operation brings about a new division of functions in capital accumulation as a social process in which the capital owners – as co-operation partners without being equals – are able to appropriate the results of the labour of third parties, by exercising structural power over them. These third parties also work within the financial sphere but predominantly in the sphere of the social production of goods, which ultimately produces energy related and material use value. These partners are internally differentiated and they are linked to their respective nation-state, and to the EU, in different, if not contrasting ways. We refer to the group of actors that relies on the accumulation of this new type of capital ("finance capital") - which occurs through the co-operation between capital owners, politics, the military, culture and science, the media, law, consulting and accounting, and civil society - as "capitalist oligarchy". The capitalist oligarchies determine the direction of societal development and the way this occurs. They dictate living and working conditions to others and redistribute additional resources, property, wealth and salaries, alongside their processes of capital accumulation.

The development of these capital oligarchies is especially closely connected to the development of the following interlinked complexes:

- the military industrial complex ;
- the energy sector;
- the transportation industry;
- the globally oriented agro-business industry.

Materially, these closely interlinked sectors together decisively shape the patterns of production and consumption, as they exist within contemporary societies.

This "group of four" sectors, taken together, is the largest consumer of the earth's surface and resources, the largest generator of air, water, and soil pollution, and the most important source of pressure on the ecosystems. This quartet determines the kind of production and the way of life – that is, ways of life, nutrition, mobility, work, leisure time and 'co-habitation' – and thereby creates the basis of a socially and social consensus that is ecologically disastrous. The destructive dynamics of this quartet are driven and exponentially increased by a continuously immense flow of money, finance, and bonds. State budgets, state contracts, the financial industry, and 'financial innovations' are closely intertwined with the actions of this quartet, while its own development is deeply linked to that of the high tech sector.

Microelectronics, modern information and communication technologies, biotechnologies, and nanotechnologies are only a few of the key words in the ongoing turnover of technologies, infrastructures and the related processes of

development, which are mainly based on the reproduction demands of this quartet and which seem to function as drivers for the quartet in its penetration of ever and increasingly new areas of society.

8. The headquarters, the research and development facilities, the production and distributions facilities, the transportation lines, and the material conditions for the appropriation, production and reproduction of capital oligarchies are located in concrete regions. Military and “security” equipment is also based in regions. Regions are more or less important for concrete security interests. The working and living conditions of numerous people living in the regions significantly depend on the standing of the region for the accumulation of TNC capital, on the role of agents being actively involved, participating and gaining in global competition, and, thereby, upon members, parts or the whole of the concrete capitalist oligarchy.

The accumulation of the capital in general, in the US, in the EU and in Europe is closely connected with financialization and oligarquization, with the development of specific production and consumption patterns, of specific power constellations and social structures, of concrete military threats and security needs. These developments are more or less linked with specific regions as territories shaped and shaping by existing power relations, while being located within given countries, remaining within their political-administrative systems or crossing the states and political-administrative borders.

For explaining European development the Hungarian historian Ivan Berend (often referring to our late friend Tadeusz Kowalik) has enriched Prebisch's original conception in an important way. He has analyzed the dialectic relations between productive forces and contradictory societal relations. Following that approach we shall have to enquire what “core” and “periphery” refer to specifically, and we should be especially keen to find out, how the regional distribution and location of members, of parts and of the entirety of capitalist oligarchies are linked to their political, financial/economic, social and military/“security” resources and interests within these territories, respectively these regions. The regions which are the safe harbours (“standorts”) of the main agents of financialization and globalization constitute the “core” of such systems of dependency, whereas those regions, which have to develop without these agents, and which present less current interest or even a burden for the agents of global competition, constitute the peripheries?

Two further posts will follow during the next few weeks: one on the structural similarities in the development of further European colonies, CEE countries and “Euro crisis countries”, on the German role in current EU policy.

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