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Working on Strategies against Financialization and Capital Oligarchies

I'm trying to address (and raise) your interest in appropriate approaches for researching into political strategies which at the same time are fully facing the existing reality and looking for possibilities of a political practice working for a society of freedom and equality in a tangible way, a society built on solidarity, while meeting the requirements of ecological sustainability.

In this perspective, the key question is how to identify, how to activate and how to bring together sufficiently powerful actors and formations capable of resisting and of overcoming those forces which have ever and again prevented any effective start of a process of socio-ecological transformation on the way to this aim. This question also implies a second one: about the methods of agency of these forces which are capable of orchestrating and renewing the existing broad consensus among the great majority which goes against any meaningful socio-ecological transformation, because it is deemed dangerous and costly – despite the fact that blocking such a transformation means the destruction of our common human living conditions and continuing violence against other humans. The third question which is implied by these, is simply their application to the EU and its member states: what does all this imply for those who live in a specific EU member state and who struggle for socio-ecological transformation in its contexts?

Before the beginning of the global financial crisis that is still with us, the academic and political mainstream has generally understood the concept of oligarchies as referring to massive wealth and property of natural resources, in particular oil and gas in North Africa and Latin America. Since 2007, the concept of oligarchy is also increasingly used to discuss Wall Street's "Finance-Oligarchs". That there is a renewed oligarchy debate in the European Union should not really surprise anybody – after the US rating agencies Standard & Poor, Moody's and Fitch (often and also in this contribution referred to as the "Big Three") downgraded more and more government bonds to junk status.

Behind the modern "discourse on oligarchies" or rather, behind the problematic of capital-oligarchies we find the really 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 on key social developments. The economic basis for these capital-oligarchies has developed in the 70s of the 19th century. At this very time, Marx has analyzed the rising joint-stock companies.

“An enormous expansion of the scale of production and of enterprises, that was impossible for individual capitals. At the same time, enterprises that were formerly government enterprises, become public.” (Marx 1979: 452)

The dynamic co-operation of dividend receivers across 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” (Marx 1979: 452). It has even transformed the typically organizing actors into salaried managers.

Maximizing profits of capital accumulation, destructive exploitation of the environment, colonialism, militarization and war have been widely discussed before World War One, in particular by Luxemburg, Lenin and Hilferding. They started off from Marx's analysis of the joint stock companies.

“I call bank capital ... which is actually transformed in this way into industrial capital, finance capital ... An ever-increasing proportion of the capital used in industry is finance capital, capital at the disposition of the banks which is used by the industrialists”. (Hilferding 1947: 305-306)

By critically taking a lead from Marx and Hilferding, we can understand finance capital as a specific interdependent 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. This latter task has in the meantime gained importance to such a massive degree that it can only be accomplished in a kind of dynamic co-operation. The necessary minimum of capital can only be raised and exploited together by these two groups. This need for co-operation brings about a new division of functions in capital accumulation as a social process where the capital owners – as co-operation partners without being equals – are able to appropriate results of their labour from third parties, by exercising power over them. These third parties do work also within the financial sphere but, predominantly within the sphere of the societal production of goods, which ultimately produces energy and material use value.

The partners are internally differentiated and they are linked to their respective nation state, and to the EU, in different, if not opposite ways. Capital oligarchy is thus a group of actors that relies on the accumulation of finance capital which is constituted by the co-operation between capital owners, the respective functionaries/elites, “the business world,” “politics,” “military,” “culture and science,” “the media,” “law,” “consulting and accounting,” and “civil society.” The capital oligarchies determine the direction of societal development and the way this development proceeds. They dictate their life- and work-conditions to others and

do re-distribute additional resources, property, wealth and salaries, alongside with their capital accumulation.

The available attempts at analyzing this complex pattern do show that in particular since World War Two, changes and transformations of US capital oligarchies have not only affected developments in the USA, but have strongly influenced global developments – and still do so. Therefore the development of capital oligarchies within the European Union is closely connected with the respective US American developments. Their structures of correspondence are determined by the accumulation of finance capital and their differences can be explained by the different conditions and the different societies in which they do exist.

The development of the US American capital oligarchies is closely connected with the development of the following interlinked complexes:

- the military industrial complex (1)
- the energy sector (2);
- the transportation industry (3);
- the globally oriented agro-business industry (4).

Materially, these closely interlinked sectors, together decisively shape the production and consumption patterns as they exist within contemporary societies. This group of four is the largest surface and resource user, the largest generator of air-, water-, and soil pollution, of stress and of overloading of the eco-systems. This “quartet” determines the kind of production and the way of life –ways of life, nutrition, mobility, work, leisure time and “co-habitation” – thereby it provides the basis for a socially and ecologically disastrous social consensus. This quartet’s destructive dynamics are driven and exponentially increased again and again by an immense flow of money, finance, and bonds. State budgets, state mandates, finance industry, “financial innovations” and this quartet are interlinked. Their own development is closely interdependent with that of the high tech sector. Microelectronics, modern information and communication technologies, biotechnologies and nanotechnologies are only a couple of key words for the on-going turnover of technologies, infrastructures and of the respective 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 seeping through to ever other areas of society.

The transformation of the US capital oligarchies and with it social transformations have begun in the US in the 1970s. This transformation has been closely connected with financialization: The unending production of goods and the generation of surplus without limits, the movement of capital and its realization, as

well as the life of people, are increasingly influenced, mediated and determined by financial market transactions, and i.e. by actors who belong to the capital oligarchies. Financialization is so a specific form of socialization of labour, of the social production and the reproduction of societies. Together with the division of labour the incomes and property of more and more society members are involved in the accumulation process of specific forms of financial capital. In Connection with that involvement, relatively independent financial markets have been and still are developing.

Putting all this in a more specific and at the same time, more comprehensive way, we can say the following: After losing the Vietnam war, facing deep crises and a new global power structure contradiction-ridden processes of co-operations among the “4 plus 2” ruling elites have triggered off three major innovations: microelectronic technologies, initially invented for military purposes, have found broader entry into social practices (a). These innovations particularly have changed the technical foundations for the financial world. The Employee Retirement Income Security Act from 1974 has allowed pension funds and insurance corporations to invest in the stock market (b). Since the mid-1970s, stockbrokers are legally mandated to orient their useable capital according along the rating agencies assessments of “investment grade” or “non investment grade” (c). Since then, the experts of the “Big 3” have become consultants and partners of governments and members of parliament, of state, public and private institutions. In this way new possibilities for capital accumulation could emerge and expand. Increasingly, anonymous capital oligarchies have mobilized against legal regulations of economic activities within sectors or rather within confined markets. Their successes in imposing deregulation and the subsequent drastic increase in direct investment possibilities abroad have resulted in expanding increasing role and in increasing power of transnational corporations, in particular of those among the “4 plus 2”.

Therefore, at the end of the 1970s, emerging TNCs have expanded and have become the major recipients of traditional credits from banks and various other actors in the financial sector. But also the credit-providing banks themselves have developed. With expanding investment banking, stepped-up “securisation” and the growth of shadow banking banks have transformed themselves; new actors such as special purpose entities have emerged and developed in the finance sector. Society itself has started transforming itself. Alongside with these developments, a massive process of concentration in the banking and finance sector has been going on. Now, the 20 biggest funds own on average 40% of the share capital of the biggest in 1000 US corporations. (Windolf 2008: 518). The changes in the symbiosis of capital oligarchies and their increase

in power are manifest in the “Financial Services Modernization Act” (Gramm-Leach Bliley Act), which the US Congress passed in 1999). (This act has replaced the already more and more weakened “Glass Steagal Act” from 1933, which was a pillar of the New Deal and which provided transparency on the financial markets.)

With regard to the European level, the story of the Euro crisis is inseparably linked to the story of the “Big 3.” “Their owners are ... are simultaneously shareholders of all investment-banks and of all US corporations named on the index of the 500 most important corporations ...” (Rügemer 2012: 61).

In order to make use of increasing financialization and to secure their position, the economically leading actors, and predominately, those within in the financial sector, enter into new co-operations. Swiss academics (Vitalie, Glattfelder, Battiston 2011) have shown the following: A highly networked core group of 147 companies controls among its members alone almost 40 percent of worldwide market operations. Among the “top 50 control holders” 22 are from the US, eight from the UK and 17 from the EU, out of which four are from France and two respectively from the Netherlands and from Germany. The top 50 are almost exclusively financial institutions, which accept the role of the “Big 3” and who can therefore be supposed to benefit from them.

The capital oligarchies have changed contemporary society on a world-wide scale, by transforming others and by being transformed themselves. They have changed the everyday life of populations, also within the European Union. They have been able to organize the respective social consensus for their initiatives, even in the midst of the current global financial and economic crisis. In this vein, the chairman of the European Round Table of Industrialists, Johannsson, chairman of Ericsson, has formulated in conclusion: “The economic crisis may have given us the chance to change things in the right direction. There is no time to waste. I am optimistic about Europe’s future but we must urgently carry out the necessary reforms to improve the investment climate.” (ERT 18.3.2013)

“To improve the investment climate” means in real terms to implement the interests of the TNCs with headquarters in the European Union. Their interests are

- security with regard to energy and resources supply, security of their capital accumulation process, protection of property, internal or domestic security, international or global security,
- availability of a qualified, mobile, highly motivated, and yet cheap labour force as it is being asked for by industrial demand,
- constant demand for products and services ensuring calculated profits, availability of necessary finance and financial services,
- sufficient space for and profitability of investment.

Those member states, where TNCs are based, and the EU institutions are being asked to serve these interests specifically. And they have made use of the current crisis by

- working on the realisation of the EU2020 goals, especially in the fields of industrial policy and of infrastructure development,
- making the labour force cheaper,
- reducing democratic and social standards, while reinforcing repression,
- improving the financial architecture in the direction of enabling quick profit making,
- stabilizing the Euro monetary system,
- accelerating the negotiation and realization processes of free trade projects,
- reinforcing privatization processes in different directions,
- marginalizing ecological concerns, reinforcing a new extractivism.

The way the EU member states have been proceeded so far and the foreseeable combination of the dominant methods of crisis management show the direction of realizing industrial and infrastructure policy: They are oriented towards the aims of global competitiveness and of “security” (including its military dimension), surveillance and repression. Stabilizing the EMU and improving the financial architecture cannot be considered to be bad *per se*. They are, of course, necessary tasks, to be addressed in any case. But the actual “package” proposed will mean rising social, ecological and global problems – it will strengthen the destructive “4+2” actors and it will further reinforce financialization.

The problem we face today, can be described as following: Some necessary steps towards a really functioning EMU have been done, but in a way of compromising with the main actors effectively causing the current financial crisis, so that some main causes of this crisis have not been addressed or not been addressed as it would be required, in order to find sustainable solutions. The main causes of this crisis are a number of factors which have resulted in an overaccumulation of capital:

- the deregulation and liberalization of financial markets,
- aggravating discrepancies in the distribution of incomes and wealth and hence of liquid funds on a grand scale,
- imbalances in the trade balance and in the balance of payments,
- extensive privatisation – especially of social security systems (Huffschmid 2009: 10-21).

These causes of the crisis constellation are, at the same time, strong drivers of financialization. The package of the methods of crisis management proposed (and implemented) reinforces financialization, more especially by

- megaprojects bearing new debts,
- the EU2020 Project Bonds initiative focusing on privatization of social security systems, aiming at further enabling investment for private capital accumulation,
- the mutual deregulation demands in the context of the on-going free trade negotiation between the USA and the EU.

At this very moment, the financial sector of the US is more strongly regulated than the financial sector in the EU.

Given the amount and extent of the problems, it would already constitute a large success to realize at first to simply stop these processes, impose a preventive halt on them, and to achieve a moment for breathing, through a moratorium, maybe even realize some small step of change, symbolizing the political will and the possibility for the needed further and deeper changes. This moment should be conceptualized and realized as being capable of further expansion, so that the necessary and possible follow-up steps will become more clearly in advance. In seeking possibilities of political action within these contradictions, and taking on board the situation of political defensive of the left wing forces, it is possible to identify three main, in turn interconnected political areas of action:

- (1) The political struggle for democratic, for social – in particular, for poverty-proof minimum social security standards – as well as for ecological standards,
- (2) The political struggle for the defense and for the democratisation of the public sphere, above all of public finance,
- (3) and the political struggle for a constructive and sustainable local and regional development.

Participatory processes do constitute an essential connecting bridge between (1), (2) and (3). Here really existing and merely potential possibilities for people to appropriate the knowledge and the capacities for solidarity based co-operation, for dealing with the existing and identifiable causes of social, ecological and global problems. These three fields – with their mutual interlinkages – offer starting points for struggling against the on-going processes of privatization and financialization, as well as against the “4+2” and the capital oligarchies behind them.

These fields offer sufficient space to the political and societal forces struggling for an emancipatory alternative, simply for meeting and for building political alliances,

which may build the capacity to change the aims pursued and the mode implemented within societal development. This approach will have to be connected with struggling for a deeper change in the current framework of the societal development in the EU, and, therefore, with a new type of an European constitutional process as a reflection and as an instrument of social change.

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