Chapter 15. Time for another kind of globalization: challenges for theory and proposals

Financial capital—it’s power and logic—is the common adversary

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Abstract

There is an urgent need for a different kind of globalization. Heterodoxy is being called into question by profound changes affecting MNEs, money, and technology. We need to argue for progress in the heterodox common core—against “market fanaticism” (denounced by Stiglitz) and nationalism—and take seriously “new” and “past” challenges arising out of today’s reality (4 revolutions: the informational, monetary, ecological and “anthroponomical” revolutions, and yet economies are still dominated by capital, markets and supply and demand).

Multinational enterprises (MNEs) are calling into question traditional analyses (national comparative advantage, national benefits of trade). We propose an integrated theory of MNEs.

We need to go beyond the “common core” of the past (Marx, Keynes, Polanyi, and Schumpeter) without regressing. Excess of capital and the capital/output ratio are fundamental to the heterodox tradition, together with the domination of the profit rate. It is crucial to understand how they are evolving. Human capabilities (Sen) are becoming crucial, as is the development of natural resources. The historical domination of capital must be fought, with the aim not only of limiting profitability but also of establishing another mode of regulation (P. Boccara), through a new kind of democracy and new efficiency criteria for money and management, “overcoming” the four markets of capitalism.

I formulate proposals concerning the US dollar, MNEs, trade, international treaties, and international and monetary institutions for the development of common goods in order to build a way out of the systemic crisis.

Keywords: Globalization, Multinational enterprises, Marxism, Heterodox theory, International monetary system, Technological change

Biography

Born in 1964, Frederic Boccara is a member of the Centre d’Economie de l’Université Paris Nord (CEPN, Sorbonne Paris Nord University and CNRS French National Centre for Scientific Research). He is an economist statistician and his work continues the development of the systemic regulation school (Paul Boccara) on globalization and multinational enterprises, foreign direct investment, SMEs, ecology, monetary policy and theory and the construction of Europe. His PhD was on multinational firms in the informational revolution and financial globalization. Co-editor of Economie & Politique, a Marxist economics journal, he contributed to a bill presented to the French Parliament “For Security of Training and Employment”. He co-founded the “Economistes Atterrés” (“Appalled Economists”) association. He is an honorary member of the French constitutional assembly CESE (Economic, Social and Environmental Council). He has launched several citizens’ appeals sustaining struggling workers and social movements and developing alternative proposals to managements’ plans.

1 Many thanks to Stephen Chalk for his precious help with English translation
1 Introduction

The question of a different kind of globalization is crucial for our societies. It constitutes a challenge for heterodoxy.

Economic heterodoxy refuses to consider the market as natural, as impossible to surpass and as the “end of history”. But heterodoxy also has to face the conjunction of the profound changes taking place in today’s economic reality—the informational revolution, monetary revolution, ecological revolution, and “anthroponomical” revolution—and the growing risks, such as a new catastrophic financial episode of the systemic crisis or an ecological catastrophe.

There is a need for debate in order to make advances together in the common core of heterodox economics, taking seriously the “new” and “past” challenges of the reality of which globalization is a decisive nexus. We need to go beyond the past “common core”, but without regressing.

2 The common core of heterodox economics and the need for debate

The current relevance of the common core needs to be stressed.

a The automatic self-balancing of the market has to be rejected

b We know that crises necessarily return

c The “fanaticism” of supply-side economics does not work (Stiglitz); the insufficiency of global demand must be stressed (Keynes). That fanaticism conceals a fanaticism for profit and capital accumulation above all else (Marx).

I add: we have to link demand and supply. Behind the insufficiency of demand, there is the contradiction between capital and workers, and the insufficiency of workers’ development, with the domination of capital and the criteria and culture of profitability. Behind the market and the fictitious commodity of labor power characterizing capitalism (Marx, and also Polanyi), we must see the person of the worker him/herself. The workers are on both sides: the demand side (through their wages and consumption) and the supply side (as producers, whose capacities have a growing influence on the efficiency of production)

d The excess of capital and goods, on which Keynes insisted, and the increase in the capital/output ratio (Kalecki), or the diminution of capital efficiency (Marxist approach), is an important part of the common core of the heterodox tradition in the explanation of crises. Interest in this common core is reawakening due to the financial crisis and the increasing debate on the excessive “cost of capital” thanks to several schools of heterodox thought, which highlight excess dividends and interest payments.

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2 Revolutions in demography, culture, values, etc. “Anthroponomy” is the domain of the generation and “re-generation” of human beings i.e. the relationships between humans, since the economy is the domain of the production and reproduction of goods and services, i.e. the relationships between humans and nature for humans’ vital needs (P. Boccara 2017). The “re-generation” of human beings (P. Boccara) is a different conception than the “economicist” and rough material notion of “reproduction” (on which Boyer, 2020 and Veltz 2021 are focused).
In this light we question the evolution of the capital/output ratio (index of the organic composition of capital) and of the aggregate profit rate. Indeed, the role of capital and the profit rate is still crucial in our economies and a factor in crises. It must be radically incriminated, with the aim not of limiting its role in economic regulation, but of implementing alternative efficiency criteria for use of funds and for firms’ management, i.e. new social, ecological and economic criteria. At the heart of these alternative efficiency criteria is the saving of capital (e.g. VA/K criterion as opposed to profit rate, P/K).

We must re-investigate this in the light of Marx’s theory of the over-accumulation of capital (over-investment for Keynesians) and its development in P. Boccarda’s theory of capitalism’s regulation by over-accumulation/devalorization, including the new systemic vicious circles during the systemic crisis of state monopoly capitalism (SMC). It includes the theory of “catching up state socialism” (CSS). For societies in which capitalism has not been sufficiently developed, this means catching up with the level of development of capitalism by a socialist state, combining the capitalist kind of total productivity growth (primary priority of capital accumulation) **and** high levels of correction of social inequalities by the state, particularly with a large influential mass of state-controlled firms.

This brings the question of firms and banks to the top of the agenda.

**e** Firms have not always been part of the common core of heterodox economics, which has sometimes been too preoccupied with the aggregate approach. Yet there are important strands of heterodox economics willing to deal not only with the “distribution side” but also with the “production side”. There are also important heterodox approaches that emphasize the power of the firm, whether it be market power and necessarily imperfect markets, or powers in the economy as part of the economic field itself (for example, approaches dealing with financial capital or the “economic sociology” school developed by Granovetter or the Marxist tradition, or the issues of “imperialism” and “neo-colonialism”). The question of economic powers is related to the (not exclusively economic) question of democracy and liberty.

Firms are active units (F. Perroux), transforming the economy itself by their own reactions, especially multinational enterprises (MNEs). Their role in three main radical transformations has to be stressed: technological transformations tending towards the informational revolution, financial transformations tending towards financial globalization and ecological transformations meaning that the economy is threatening humanity’s ecological niche. The role of firms, and the general pattern of their behavior, is crucial not only in these past transformations but also for the future.

**f** Finance and monetary creation is a growing element of the common core of heterodoxy (see Giraud, 2014, Galbraith, 2014, and Kelton 2020). It is central to Keynes’ analysis (and to Minsky’s after him). It is also crucial to Marx’s analysis (especially in Volume 3 of Capital), and was developed by Hilferding and Lenin, but denied in Trotskyist approaches, for which financial capital is only “fictitious capital”, a passive veil.

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3 There are three different French “regulation schools” (cf. Jessop and Sun, 2006). P. Boccarda founded the first of these, from which came Aglietta, who later founded the third (the Parisian school) with Boyer, transforming the meaning of “devalorization” into loss of value (although it denotes a lower profit rate), and emphasizing “wage regulation” and “Fordism”, the profit rate regulator having disappeared. The second is that of De Bernis.
Nowadays, banks, as active and fundamental units, with credit and monetary creation, are becoming a kind of new common decisive sphere, a “new frontier” to be reached by Keynesians, ecologists and Marxists, especially with regard to the question of a new selectivity with positive new financing criteria.

Ecology. The content of production has always been a crucial point common to many heterodox approaches, but for a long time it was not related to the “capital/labor” content of growth, or to the issue of public and collective services versus private and market services. Now, the ecological challenge is extending the need for a genuine radical view of the content of production, and of growth (F. Boccara (2010 and 2011)), and even of technology itself (“capital saving” versus “direct labor saving”).

It reinforces the role of enterprises and production, but also the challenge of working on a positive logic to replace the logic of profit and capital accumulation as the driver of the economy and technological change. Combining this challenge with (1) the issue of money creation, (2) questions of power and (3) the crucial role of firms should highlight debates on the criteria for the use of funds and on mastering enterprises’ action. Criteria are at the center of economic and democratic challenges, with new democratic institutions and powers over enterprises and banks.

Two major issues are now emerging for heterodoxy: technology (behind the labor/capital relationship and beyond it) and public services (beyond public intervention), including the issue of common goods. Note that public services have no existence in economic analysis, although they have shown their crucial importance in dealing with the health crisis.

Technology and public services call into question the link between economics and social values, including democracy and liberty (“anthropogenetic development”, Boyer, 2020, “humano-centered economy”, Veltz 2021, common good, Coriat, 2020). Again, the point at issue is the link between the dominance of capital, existing institutions and the organization of powers, but without omitting the crucial point of relating political liberties to domination at work (or without work, through poverty), ultimately pointing towards “a new civilization of sharing for the whole of humanity” (P. Boccara, 2017).

3 Novelties within today’s reality: needs and elements for a new common core

Technological transformations are fundamental. We interpret them using the concept of the “informational revolution”. As we explain below, this revolution places human capabilities at the center of a new efficiency, radically calling into question the dominance of capital bias. Yet, at present, these technologies are mainly used and shaped by capital in order to reinforce its domination.

This is a challenge for heterodoxy.

The challenge of constructing a different kind of globalization is also crucial given the role of markets and the twin—ecological and financial—crisis. MNEs and international institutions are at the heart of the challenge. The agenda is the development of a cooperative globalization for the sharing of resources and costs, and the development of common goods for the benefit of all humanity.
For our theory of MNEs, information now tends to be a global factor, thus invaliding the comparative national advantages theory and the HOS paradigm (Heckscher-Ohlin-Samuelson). MNEs could be viewed as institutions of sharing for international co-production, though at the same time dominated by the profit logic of financial capital.

Taking the new supply-side conditions (technological revolution and ecological revolution) as a starting point, we outline the need to rethink both demand and supply in order to stimulate another kind of total productivity growth. But instead of the “creative destruction” of Schumpeter—the other heterodox economist to whom many economists turn their attention in order to take into account technology and supply-side factors—we insist on the necessity, to which these new conditions give rise, of changing the capital-bias towards a human-and-capabilities-bias, in order to avoid the “destruction” and waste of human capabilities by unemployment and the depressive effect of unemployment on overall demand.

This new thinking concerns not only internationalization, but also public services, social protection and employment, ecology, and the conception of firms and monetary issues. We need to think of “overcoming” the 4 markets: the labor / products / money and finance / and international markets (P. Boccara, 2011).

We need new advances in the debates on theory and ideas, but also on programs and proposals, and subsequent international dialogue between intellectuals and social forces in our societies. The need for a new positive core is expressed by a wave of different recent works, against neoclassical orthodoxy, that seek to go beyond Keynes (see, notably, Ekstedt, 2019, Guerrien, 2016, Keen, 2013, Lavoie, 2015, Morin 2017, and Shaikh, 2016). There is also insufficient debate engaging with Marx’s most advanced findings and the main 20th-21st century developments by Marxists. Marxism is almost always reduced to a vulgate or a kind of old “ABC” and/or rejected without discussion by naming it “orthodox Marxism”.

4 Some words about Marx’ radical legacy for developing a common positive heterodoxy: the central debate on “regulation” of the system

Marx wrote “Capital”, and not “Labor”…

In saying that, I would like to stress that he showed the central role of capital in the logic of capitalism and crises. The logic of capitalism has produced enormous progress compared to feudalism, but capital is also its own “barrier” to accumulation (according to Marx’s own words) and to real social development during crises of over-accumulation. Marx particularly stressed the role of the profit rate (in Volume 3 of Capital), the profit rate being what we call the central regulator of the system (we = the French Marxist school

4 Indeed, there are two symmetrical blind spots in the two important non-Marxist heterodox schools of thought: for Keynes it is technology and for Schumpeter global demand. Keynes’s denunciation of the profitability criterion and his demand for the limitation of profit exigencies places him in a better and less unilateral position. But both underestimate the decisive role of human capabilities inside the production process (employment is not only a demand-side but also a supply-side issue). This is particularly misleading in the new technological conditions created by the current informational revolution.

Hence, we plead for “security of employment, training and income” and not for fixed and rigid lifelong employment. We need to allow new economic activities, new firms and productivity increases, even if some activities and firms have to disappear in the process (“creation”, not Schumpeter’s “destruction”).
founded by Paul Boccara). A regulator is not a person. A regulator tends to impose its logic, level, etc., through institutions, powers and culture.

Roughly speaking, regulation of a system can be defined as the process of corrective adjustments conditioned by a regulator (here, the profit rate) through a feedback effect on the inputs and/or their structure (including the technology implemented) relative to the discrepancy observed between the actual output and the expected output of the system’s fundamental operation viewed in terms of the regulator (here, production viewed in terms of the resulting profit rate), including through reinforcement of the system’s “bias” (here: more capital accumulation or more market) or possibly through transformation of the operation itself (during systemic crises). Institutions play a key role in this process, either through feedforward (prevention) or by resisting changes. We distinguish between regulators, rules and regulative measures. The profit rate dominates capitalist regulation. Capitalist regulation occurs through “normal” economic life as well as through catastrophic crises, in which, going further than Marx, we have to distinguish short-and-medium-run cycles from long-run waves; in other words, between short-term crises and systemic crises. The latter occur when the development of the social productive forces comes into conflict with the social relations of production, consumption, circulation and distribution, and their structure.

However, the regulation approach is also viewed by other economic analysts as simply a limitation and correction of the excesses of the system.

Yet, in the light of the system’s current radically new elements, the role of capital and the profit rate must be comprehensively re-examined, with the aim of not only limiting their role, but also establishing alternative social, ecological and economic criteria.

Regulation encompasses 3 aspects: regulators (i.e. actual profitability, interest rates, etc.), rules (i.e. trade rules, capital flow rules, etc.) and “regulative measures” (or governance, i.e. government, firms’ management, etc.).

In Marx’s findings, the question of the “regulation” of the system and the changes therein has been too neglected. By contrast, after Marx (and partly contrary to his more advanced findings) too much importance has been attached to the question of the State and the ownership of capital – with a structuralist vision. The profit rate logic is the question. Capital ownership and State planning are important only insofar as they help to impose a different logic from that of the profit rate.

Our task is neither to think about how to limit the profit rate nor to compensate for its consequences (on inequalities, on prices, etc.). We need another positive logic.

Similarly, the monopoly question is not only a question of market competition, but should be understood as a monopoly on the use of financial means, thereby ensuring a monopoly on economic decisions, with regard to production, employment and the development of technology, whether at national or world level.

Hence, at the heart of Marx’s main message, there is the idea that capital and money are political (compare to J. Tobin: “monetary policy is policy”). This must be clearly understood. It implies not only that existing institutions must be called into question but also that new ones must be created in order to gain control over financial resources and

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5 See P. Boccara, 2018, p. 122-125
6 Yet see chapter 51 of Capital, volume 3
channel them, with the aim of fostering an alternative logic and making it dominant, instead of compensating for or supporting the dominant logic⁷.

5 A new world: problems and characteristics – going beyond Marx, Keynes and Schumpeter

5.1. The informational revolution, capitalism and MNEs

Two centuries after Marx’s *Capital*, and 80 years after Keynes’ *General Theory*, the profit rate is still dominating and driving the regulation of developed capitalist countries all around the world. But it is encountering radically new conditions. I want to emphasize technology: the context of the objective radical transformation in technology that we analyze as an *informational revolution* in contrast to the *industrial revolution*⁸.

In the face of this *objective* revolution – revolution in the social productive forces – the social structure has remained fundamentally unchanged (relationships of production, consumption, product distribution and income distribution) as has the mode of regulation. That conservation of the social structure is at the heart of the systemic crisis and of its persistence.

The informational revolution can be defined and characterized by contrasting it with the Industrial Revolution. The Industrial Revolution was based on the replacement of the worker’s *hand* manipulating a tool by a tool-operating machine; the informational revolution is based on the replacement of certain activities of the human *brain* (informational activities) by informational machines, such as computers. In other words, the transfer of information, its reproduction and its transformation, can be embodied in machines and hence “separated” or dissociated from human beings in a new way.

Information is not simply a quantity (contrary to Shannon’s definition). In Wiener’s words, information is what is neither material nor energy. Information is, for example, the formula for a pharmaceutical drug. Nowadays it can take the form of a computer program with the operating specifications for the machine (or a set of machines) that will manufacture the drug.

The novelty is very profound, although it is denied by the domination of capital, which is using and shaping the beginnings of the informational revolution in an attempt to impose its own logic. *Firstly*, information has the fundamental characteristic of being capable of being *shared*, in contrast to material products, whose exclusive appropriation structures the logic of capitalism and markets. *Secondly*, expenditures devoted to human beings tend to become decisive for economic efficiency itself, because information, and the creation, development and interpretation thereof, is becoming decisive. This is opposed to the normal capitalist logic of giving priority to capital expenditures. Hence, the necessity of the predominance of human expenditures begins to be imposed by reality itself. But the old structure (criteria, powers, institutions, and culture) resists.

⁷ Of course, in Marx there is also dialectics, historical materialism, class struggle, alienation and exploitation, analysis of the commodity and value, labor power as a commodity which is specific to capitalism, the discovery of surplus-value, etc.

⁸ There are at the same time several other objective revolutions: the ecological revolution, demographic revolution, monetary revolution and parental revolution (see also Easterlin, 2019).
Thirdly, the logic of cost embodied, in principle, in the informational revolution is also profoundly different from that of capital and machines. (a) Contrary to a machine, information is not consumed by its utilization. (b) The cost of creating information (R&D, etc.) can be very high. (c) But once it has been created the cost of use tends to be negligible and past expenditures to create it, such as R&D, tend to be a fixed cost that can be divided. This creates a powerful incentive to develop a new type of MNEs, worldwide MNEs of the most extensive possible kind: MNEs based on cost sharing inside their private network, but a cost sharing at the service of profits and the MNEs’ capital.

It is not a process of dematerialization, but the construction of different relationships between human beings, material means and information. Here we describe a potential, but the novelty is repressed, distorted, even perverted, as the drive to maximize profitability remains dominant.

This revolution also impacts on culture and life outside work. It tends to disrupt the division between work and non-work, and work itself. It also requires us to address the human person in all of its capacities, beyond its reduction to a fictitious commodity (labor power, Marx, Polanyi) and beyond the production process and production sphere.

It gives rise to the necessity of developing human beings for themselves, their creativity, both underlying and beyond labor power, hence the development of their knowledge and education as a goal in itself, which invests public services with a key role. This arises from inside the productive system itself—from its exigencies of efficiency—and not only from the “reproduction sphere”. But this necessity contradicts the dominant orientation of institutions, firms and policies, which prioritizes capital. It is becoming less and less possible to reconcile these two opposing aims.

The contradictions tend to be more radical and systemic than during the previous structural crises (for example during the 1930s-40s). This is because sharing is inherent to the very nature of information, and to give priority to the development of human capabilities runs counter to the essential logic of capitalism, with its appropriation and monopolies, and its capital bias, historically developed from the Industrial Revolution and based on the predominance of material means (in the form of equipment and tool-operating machines). In particular, it encourages large-scale mergers with the aim of lower costs by sharing informational outcomes (such as R&D results). However, such mergers increase capital expenditure and lead to financial inflation of capital, thus arrogating more profit in opposition to the need to develop human expenditure and public services at the global level.

5.2. The opening of a long-run Kondratiev difficulties phase in the early 1970s

In the long-run phase of a systemic crisis of over-accumulation that started with the 1967-73 cycle, the so-called financial crisis of 2008-2009 was an explosion of over-accumulation, in line with Marx’s analysis showing that the profit rate is at the heart of the capitalist mode of “regulation” through crisis and unemployment. And now, another explosion of over-accumulation is approaching, during the epidemic, though initially concealed by it and then, in a certain sense, delayed by the exceptional monetary conditions made possible by the specific climate of the pandemic itself (see Figure 8).

The profit rate is at the heart of capitalism itself, as a specific kind of total work productivity growth, prioritizing the growth of—material and financial—capital.
But there are growing contradictions between (i) the profit rate (Profit/Capital) and capital efficiency (Value Added/Capital); and a second set of contradictions (ii) between the mass of profit and what we call ‘disposable value added’ for a population and a territory (dVA). These contradictions tend to call into question the social conditions and even the ecological durability of our economic system. It could be a basis for an ambitious new kind of social alliances (between “social” motives and “ecological” motives”, between the “interior” and the “exterior” of firms).

The current crisis is taking place within a long-term depressive trend that started at the beginning of the 1970s. Indeed, beyond Marx’s analysis of crisis, our Marxist analysis (P. Boccara) recognizes both medium-run over-accumulation (Juglar cycles) and long-run crises of over-accumulation (Kondratiev). These long-term over-accumulation phases were solved in the past by several transformations of the system: the systemic devalorization of capital\(^9\) together with the creation of new institutions imposed by social struggles (for example after World War II: in the USA public utilities, and in Europe: public enterprises and social security) in interaction with the new objective conditions in technology and in demography.

Thus, after WWII, the new institutions led to:

- on the one hand, limitation of the profit rate logic inside public enterprises, systematic stimulation of demand by public expenditure and, in several sectors of economic life (health, education), elements of a different kind of logic than that of capital;

- and, on the other hand, the domination of the profit rate was maintained as the regulator of the activity of private enterprises and banks.

During the financial globalization phase, the domination of the profit rate was reinforced, not only over banks and firms but over the whole economy.

The economic system reacted to the economic difficulties through the acceleration of technological change, driving the informational revolution, financialization (in a second phase), attacks against public and social expenditure, and pressure on wages and on apparent labor productivity.

As an indicator of the persistence of the difficulties, in the case of France, at aggregate level, the profit rate started to decrease again, as did capital efficiency. This occurred after a certain improvement of the aggregate profit rate during the 1980s due to an increase in the profit/wage ratio in reaction to the profit rate decrease of the 1970s (cf. Figures 1 to 7, capital efficiency is the inverse of the capital-output ratio).

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\(^9\) Devalorization means the opposite of valorization: a lower rate of profit than normal, even zero or negative profit rate. It includes destruction of capital and losses of value but it is a wider concept.
Figure 1: Corporate Total Capital Profitability

Non-financial and financial corporations, Fi. and non Fi. Capital
Insee and Roll (2019) + author’s update, current €

Figure 2: Corporate Total Capital Efficiency

Non-financial and financial corporations, Fi. and non Fi. Capital
Insee and Roll (2019) + author’s update, current €

Figure 3: Share of Profits in Value Added

Non-financial and financial corporations
Insee and Roll (2019) + author’s update, current €

Figure 4: Corporate Fixed Capital Profitability

Profitability of fixed capital, excluding buildings (non Financial corporations)

Non-financial corporations, Fixed Capital, excluding buildings
Insee and Roll (2019)

Figure 5: Corporate Fixed Capital Efficiency

Capital Efficiency, excluding Buildings (non Financial corporations)

Non-financial corporations, Fixed Capital, excluding buildings
Insee and Roll (2019)
In the USA, we can also observe a diminution of the profit rate (at the end of the 1960s) and difficulties in redressing it because of lasting difficulties in total capital efficiency, despite a real improvement in equipment efficiency.

But the novelties are radical (technological revolution, demographic revolution, monetary revolution, etc.) and concern the central “operation” of the system (production). Hence, the Kondratiev cycle is no longer valid, in duration, and its downswing phase seems to last indefinitely.

5.3. **Wrong answers to financial crisis: “more”, rather than “what kind”, of public intervention**

After the 2008-2009 crisis, the dominant answer was massive public intervention… but in favor of profits and capital. Especially through central banks (i) providing assistance to the banking system without imposing any conditions, (ii) but imposing anti-social conditions on government expenditures.

The debate was focused on “more public intervention” and not on “another kind” of public and state intervention. It was focused on “regulating banks and the financial system”, and not on “what kind” of regulation and what criteria. Public intervention thus expanded once again, but in line with the dominant existing incentives: in favor of profit, without laying down any new conditions. And the regulation imposed on banks and the financial system was of a Malthusian and “Hayekian” type: imposing prior saving. It has reinforced the existing selectivity in favor of profit and capital instead of imposing a new kind of selectivity: effects in terms of value added, employment and CO₂ as conditions for loans and for the lowering of interest rates.

The progressive forces in capitalist countries did not succeed in placing the conditions and the aim of public intervention —the criteria—at the center of the debate.
For the peoples the reasons for the evident failure of the capitalist answers are thus unclear, as are the political stakes. This is the common responsibility of progressive forces and intellectuals. This question has to be addressed for a revival of progressive politics, which is an absolute necessity.

Hence, in 2019, ten years after the deep-seated collapse of 2008-2009, and after the public debt crisis in Europe, we have new signs of a new explosion of over-accumulation.  

**Figure 8 - World GDP and Total Market Capitalization value**

Index 1980 = 100, current US $

Financial Market Capitalization of listed companies (i.e. excluding public debts papers)

Source = World Bank

This time, these signs are also observable in emerging countries, and the IMF has produced some interesting graphs of them, particularly with regard to China (IMF, 2019). They show certain pressures of over-accumulation in China itself, with high levels of indebtedness among private firms and their international expansion (FDI). On the other hand, they also show a high level of expansion of spending on public services and infrastructure and a global rebalancing of activity toward internal growth and services. And, after a diminution of capital efficiency, recent years show a new increase (see Figures 9 to 11).
5.4. Toward a new phase of globalization: imperialism, neo-colonialism and the dollar called into question

The present moment also seems to mark a search by imperialist countries for a new phase in the process of globalization. Especially:

1) In the US: renewed efforts to attract capital, using the dollar privilege;

2) in other capitalist countries: despite the pandemic, continuation and expansion of systematic attacks against social expenditure, public services, pensions, wages and the status of labor;
3) throughout the world: increasing questioning of international treaties on investment and trade (such as TAFTA, TTIP, TPP) in the search for a post-WTO configuration; 

4) financial mergers by MNEs aimed at building informational or industrial oligopolies to share costs and control markets in order to obtain efficiency gains and to make transfers in favor of capital (informational efficiency gains and appropriation of rent); 

5) more generally, huge efforts by the dominant capitals (of which USA capital and USA-MNEs) to recover their own profit rate, reinforce their technological advance and gain a new lead. 

Some statistics on the USA, France, Brazil, China, Vietnam, Egypt, Tunisia, etc. show a clear movement in this direction. That is to say: higher value-added draining from other countries to the USA and the other G7 countries in the form of payments for technology use, fees, dividends and outflows of profits through MNEs’ affiliates (see Figures 12 to 20) since 2009-2010. 

These new efforts by financial capital are coming up against peoples’ aspirations for development all around the world. They include huge efforts to integrate emerging countries into the logic of financial capital, and even to make some of their sectors “collaborate” with it. Integration efforts are also underway within developed countries, with specific social groups being targeted. For example, in France we have a banker from the Rothschild bank as president… 

Financial capital is at the heart of this logic, interconnected with the US dollar and its circuit. Financial capital constitutes a kind of interconnected with the so-called “production” capital. It is the highest stage of the capital form, as “pure” capital; it combines a twofold logic of (i) “money for money” and (ii) distant power over production, acting simultaneously in different places and countries. 

Financial capital appears as our common “enemy” (or “adversary”) all around the world. It is our common adversary against employment (especially in the North), against social security in all countries, against public services, against security of life, against health and ecology, and against common goods, despite the fact that the underlying production needs all these expenditures

6 The task before us

Given the capital logic, our task cannot be to limit it or offset its consequences. We need to implement a different logic. This is also necessary because of the exigencies created by the considerable changes brought by the informational, ecological, anthroponomic and monetary revolutions. 

Without a change in the logic itself, we will be affected by a new explosion of over-accumulation, with its terrible social consequences for the peoples. 

This could cause deep turmoil and disarray with serious political consequences… 

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10 Financial capital (as defined by Hilferding and by Lenin) must not be confused with equipment, any form of money, or merely financing: in Marxist analysis, capital is a value which is seeking more value, its surplus value. K is seeking K’=K+ΔK. Financial capital is a specific form of it.
Public services, social protection and employment, interconnected with other efficiency criteria than those of profitability for firms’ management, are at the center of this alternative logic, acting on both sides: demand—for a new kind of demand (more ecological, less material, less market-oriented)—and supply—transformation and improvement of production. It would engage our societies in another kind of growth of total labor productivity.

Successful abolition of capitalist logic does not mean mechanically eliminating what exists in a capitalist society. This could be a regression. Rather than regressing in relation to the logic of markets, it makes it necessary to answer the objective problems that capitalism tries to answer. For example, successful abolition of labor markets, does not simply mean the legal prohibition of unemployment, it needs to answer the problems of total cost diminution and redistributions of jobs between sectors and industries. In other words, we need to go beyond the markets, to “overcome” them, to surpass, keeping the adaptability of markets but without their destructive power on people.

P. Boccara (2012) draws a coherent perspective of “overcoming”, “surpassing”, and abolition of “the 4 markets” for a new civilization:

- the labor market (unemployment, bad jobs, insecure jobs, and pressure against wages and against training);
- the product market (concerning firms and their management criteria);
- the money and finance market;
- the international market which is transversal to the other three.

7 Transforming globalization - Guiding lines of alternatives

The question of transforming internationalization is a priority, for reasons of health and ecology, as well as for class and human reasons, and also for civilizational reasons and peace.

Re-appraisal of nationalism is a way in which the people themselves place “a different globalization” at the top of the agenda, especially the working class and the most oppressed.

In Europe, we have both sides: (i) growth of nationalism, including so-called “left-populism” and (ii) a still-existing majority of people in favor of developing a progressive European construction, but a majority that is very diverse tending to be silent or paralyzed. Nevertheless, the seduction of false solutions is present, the seduction of facile answers and opportunism, the seduction of the false binary opposition—“open or closed”—whereas the question is the content of the openness.
7.1. Principles

We must act on the three complementary points of the systemic triangle (objectives of society, financial means, powers and institutions) and promote different efficiency criteria from those of profit rate (criteria structure the links between the three points of the systemic triangle, see Chart).

![Chart](image)

This meets the needs of the cultural development of society and the peoples, their demand all around the world for real and efficient democracy, their capacity to intervene with their knowledge with regard to their work and society and their aspiration for self-management.

7.2. Financial globalization and MNEs: toward a new theory

The “informational revolution” is at the basis of the development of a new kind of multinational enterprises. This brings radical new challenges for MNEs, because information is similar to a global factor traversing all countries.

In the MNE theory that I have developed, I particularly propose to distinguish between the function of the MNE—sharing of resources and capacities for international co-production—which needs to be ensured, and its present form—a network of affiliates controlled and driven by financial capital. This determines the way MNEs currently carry out their function—by transfers and monopoly in favor of the profit rate of their dominant capital—which needs to be fought. But the sharing is a factor that enables an unprecedented cost reduction. This is at the basis of a new type of MNE. MNEs share their resources (especially informational resources) globally inside the limited boundaries of each MNE, and transfer values thanks to the informational revolution and the rules of the world financial system. This (global factor + global transfers) calls into question the HOS framework and the national comparative (or absolute) advantage theory of the national benefits of international trade.

In the financial globalization system, value transfers between countries enable the draining of values from countries, which essentially takes place inside MNEs, for their own benefit and for the capital dominating them. This increasingly comes into conflict with territories and global human development, including ecological exigencies. Capital control—at the
basis of MNEs’ networks of affiliates—is the means to “privatize the sharing” of informational resources (see F. Boccara, 2013). Because of the importance of these transfers and the use of a global factor (information, which cannot be allocated to one country or another), we have to conceptually distinguish the “value chain” from the “activity chain”. Generally speaking, this difference it is not distinguished with sufficient care (Gereffi et al., 2005 make this kind of confusion).

To give an idea of the value chains, and hence of the draining of values between countries, we can approximate those transfers with certain payments recorded by national balances of payments (BoP) (see Text Box for explanation and Figures 12 to 20 for results, for another vision of geographical international transfers of wealth, see Gourinchas, Rey, Truempler, 2011).

Text Box - “Transfers” and draining by MNEs

MNEs use different means to transfer value from one country to another. Among them, there may be “services” recorded in national balances of payments. But not all services are transfers. So we use several coefficients (calibrated on the example of some known countries) to take a share of each service’s line in the BoP (royalties, license fees, financial services, internal business services, dividends paid, etc.). There are other ways of transferring values: transfer price of exports and imports of goods, capital movements, especially loans and borrowing inside MNEs. Here, we restrict ourselves to services only. We apply it to a world database of countries’ BoP (constructed with L. Nayman and based on CEPII data collection). Out of 200 countries, only 19 have positive overall transfers (i.e. in their favor)\(^1\). In 2015, the total of transfers was almost US$1,100 billion (of which G7+Switzerland accounted for US$875 billion equivalent and the USA alone for US$550 billion). These figures provide a clear illustration of imperialism and its neo-colonial structuration. For the remaining 181 countries, the draining of values is positive (i.e. it represents negative transfers).

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\(^{11}\) Austria, Belgium, Bermuda Islands, Cyprus, Denmark, France, Germany, Israel, Italy, Japan, Kuwait, Lebanon, the Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom and the USA

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17
12 - Draining of value by US Multinationals towards the US from the rest of the world

In % of World GDP

Source: Balance of payments of countries, from CEPII (Boccara, Nayman, work in progress)
Positive sign for funds entering in the USA

$515 Bn

13 - Draining of value from Egypt and Tunisia by Multinationals

In % of GDP of each country

Source: Balance of payments of countries, from CEPII (Boccara, Nayman, work in progress)
BoP Sign inversed: positive = draining of value from the GDP out of the country

14 - Draining of value from Brazil by Multinationals

In % of GDP of Brazil
15 – Draining of value from South Africa by Multinationals

16 - Draining of value from East European EU Members by Multinationals

BoP Sign inversed: positive = draining of value from the GDP out of the country

Source: Balance of payments of countries, from CEPII (Boccara, Nayman, work in progress)

17 - Draining of value from China by MNEs

18 - Draining of value from Vietnam by MNEs

BoP Sign inversed: positive = draining of value from the GDP out of the country = Outflow or Exit

Net Income includes China’s income from US Treasury Bonds and From Outward Chinese FDI

Source: Balance of payments of countries, from People’s Bank of China + World Bank

Field: Mainland + Hong-Kong + Macao

Draining by MNEs/GDP

Current Balance/GDP (excluding remittances)

Net Income Exit to foreign / GDP (incl. Income from US T-Bonds and FDI abroad)
The globalized international financial system developed under the aegis of the IMF, the USA and the WTO, with support from the other dominant capitalist states, allows MNEs to “freely” transfer their values (money and capitals), share information and other resources, and control them through FDI.

Using this international financial system of transfers, MNEs play on and develop the opposition between global factors of production—with global costs, such as information—and local factors of production—with local costs, such as labor and local wages and local public services (including social protection). Our Marxist theory of new MNEs analyzes this opposition (F. Bocca, 2013).

Hence the intellectual property rules, the contents of international investment agreements, and the rules for transfer prices, in parallel with human capabilities and regional development, tend to come to the top of the agenda in all the countries. This is the case with workers’ struggles as well as with public opinion (through for example, concerns over tax evasion). It should also be the case for ecological concerns. There are common needs for new international relationships, links between civil society or organizations, not only between governments or states alone. There is a need for a new kind of internationalization.

Transfer prices—inside the MNEs—are different from market rules but dominated by a “super” market rule for relations outside the MNEs: the financial market rule of profitability.
7.3. For a new kind of international economic treaties

International co-production and transfers by MNEs enable sharing of resources within each MNE. Sharing is a factor in reducing costs and increasing efficiency gains. It is monopolized and driven by capital, and transferred to several specific territories (tax havens, USA, etc.). It is effected through high-cost financial takeovers, which absorb a significant share of the efficiency gains, and are used to intensify the competition against so-called “labor costs” and public and social expenditures. This is destructive for workers, public services, social rights and the environment. This competition tends to depress global demand and reinforces inequalities (Galbraith, 2014). It promotes financial accumulation, which threatens the environment and is creating the conditions for a new explosion of over-accumulation.

A new kind of international economic treaties are needed to enable efficiency and cost gains while avoiding the reinforcement of anti-social and anti-ecological competition. Indeed, we need to enable and promote efficiency gains, but in accordance with another logic than that of financial capital gains.

This new kind of treaties would be treaties for cooperation and the mastering of trade and investments for the co-development of common goods (health, environment, and public services, including social protection), jobs and value added. It would invert the ends and the means of the current treaties.

The goal of the current treaties (such as TAFTA and CETA) is “foreign trade and FDI above all”, even in opposition to employment, health and the environment. Instead, new kinds of treaties would establish the goals of development of employment, health and environment in the different countries involved. This would invert the legal hierarchy of norms, with international trade and FDI becoming means, conditional upon their effect on the ends. The logic for the evaluation of FDI and trade would be: does this FDI or foreign trade develop employment, health and the environment in both countries?

In the same way as the present treaties include institutional elements and powers (supranational arbitrage courts, for example), these new treaties should include new institutions and democratic rights for the purpose of assessing whether common goods are indeed actually developed by foreign trade and FDI. These institutions would have financial means enabling action to be taken (establishing sanctions and incentives, financed both by taxation and central bank credit lines). These institutions would include workers’ representatives from the signatory countries.

In the same way as the present treaties accurately define the “income of the investor” (i.e. its profit) as the main object to be protected by the treaties, the new treaties would define, protect and promote the production of real wealth (value added) and jobs in the different countries, on the condition of meeting social, ecological and health criteria.

Instead of universal rules of competition, we also need to promote rules of cooperation for co-production and co-design, engineering and development—with employment and value-added criteria—between multinationals, between their affiliates or between multinationals and public services: not through capital acquisition. For cooperation between firms, we should be inspired by the existing rules for “apportionment” of activity and work adopted by successful industrial cooperative ventures (such as Airbus in its early days, without financial capital) with the principle of (re-)equilibration of trade and economic activity between countries. For relations between firms and public services (transport industry, energy industry, etc.) the possibility of partnerships for co-design and development driven
by public services *including* production must be authorized, instead of the systematic prohibition of relationships of this kind on the grounds of their being considered equivalent to subsidies, and instead of authorization for R&D or the “pre-design” stage alone, forcing the partner firms to enter into competition with other firms (calls for tender) when the projects shift to the production stage. With these current European rules, France’s TGV program would not have been possible, for it is the result of constant cooperation between SNCF (French public railways) and a private company (the predecessor of Alstom) from design and development to production.

Thus the aim is to enable genuine international sharing of resources and means, with a different orientation, and not to close frontiers or enter into an economic war against labor, social security and public services. For this new kind of sharing, we need to redefine the financial transfers associated with FDI and foreign trade (including transfer prices and royalties) insisting on cost sharing and cooperation and change the rules of intellectual property rights (currently established by the WTO).

Financial means, such as bank credit, monetary policy, taxation on foreign trade, and penalties can be used as incentives to drive shared goals in the different countries involved. Our aim is social protections and not protectionism.

To sum up, we could act on MNEs by three means: different rules, effective financial means, and new international democratic institutions to monitor them.

More generally, we would aim to establish new world institutions and organizations: organizations for mastering trade and investment (instead of the WTO), organizations for protecting the environment, new deals with MNEs driven by the development of common and public goods. And we would need to fill the gap between these kinds of organizations and the IMF, especially by organizing regular and mandatory dialogue between these organizations, the IMF, workers and representatives of civil society and its organizations.

### 7.4. Money creation, central banks, the dollar

The social mastering of money creation is a decisive alternative to financial capital, if we promote it with alternative criteria for the use of the money and with new democratic powers for citizens and workers over banks and firms that use bank credit, and over governments.

In Europe, people were implicitly fighting for the social mastery of money creation when they protested against the actions of the European central bank and the anti-social conditionalities that the latter imposed when the so-called “troïka” granted its loans. Now the “debt question” is permanently used as a justification of austerity. Yet, the problem is not debt but the use of debt (for financial capital or for the development of human beings and natural resources?) and the conditions of debt—who holds it and at what interest rate?—together with the power exerted by the holders.

A vast amount of money has been created by central banks, but with a Lilliputian effect on growth and employment. This leads conservative and Hayekian forces (defending the anti-Keynesian idea of *ex ante* saving) to claim that we must restrict money creation and leave its allocation to financial markets. Even now, when the COVID pandemic continues to necessitate further issuance of money, they still put forward the same arguments. At the same time it is a kind of “poisonous addiction” to financial markets, which thus regularly

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13 ECB (European Central Bank), European commission, and IMF (International Monetary Fund)
threaten economic stability when monetary authorities try to diminish money creation. But the missing piece of the puzzle today is the domain in which this money creation should be used: speculation versus real ecological production, capital accumulation versus jobs and human resources. It means the criteria of use, and the need for democratic power through institutions to direct the use of money by firms and governments. But the new technological conditions are making human resources (jobs and skills) and public services become the key to efficiency. This is the reason why stimulating (material) investment alone does not work. It is necessary to promote a mix of investment (equipment + R&D) and human resource expenditures (jobs + training+ public services). This implies far-reaching change in the criteria for use of money, not only an addenda to or a limitation of the existing capital logic.

7.5. The US dollar

The question of the dollar is central, intertwining money creation and international dominations.

The dollar is a major tool for the USA to attract capital and control the world economy. With the dollar, the USA attracts portfolio investments (treasury bonds + minority shareholders of firms), central bank reserves of banknotes, MNEs’ revenues and payments (of services, royalties, technology, financial services, and repatriation of profits) (all in blue in the graph). It uses them to buy products (net imports of goods), make loans to its MNEs’ affiliates and control world productive chains with outward FDI (net outward FDI from the USA, except for the last two years). The difference between inflows and outflows of funds is a surplus of some US$100 billion, available to finance the USA’s informational advance and public services (except during several specific crisis years). It is represented on Figure 20 (inflows in blue and positive, outflows in red and negative, the difference in black).
An alternative to the dollar as the de facto world-common-currency is necessary, through a radical reform of the IMF and development of the special drawing rights (SDR): issuance of SDR for the co-development of peoples (development of social protection and public services, including ecology) and a new selective credit oriented to efficient investment, i.e. developing value added and employment in firms and ecological production.

8 Going beyond the tradition to cope with the new coming crisis

We need to combine radical and immediate proposals. In parallel, and partly in contradiction, we need clear debates on ideas, to progress on common points and to identify differences in order to build broad and effective alliances in several capitalist countries.

The situation requires radical and coherent changes, of a positive kind not solely aimed at limiting the current logic. This leads us to avoid going back to so-called “Keynesianism” or, conversely, to authoritarian socialism. For example, if we were to advocate more inflation and more credit alone, following Joseph Stiglitz, without further clarifications or changes with regard to the utilization of the credit, this policy would lead to “more” … but more for capital, as we have seen during the pandemic. It has resulted in exceptional financial market inflation, a worse situation for peoples.

Mastering the use of money, its criteria and the contents of production is a profound democratic challenge. It constitutes a new frontier, beyond traditional Keynesianism and traditional Marxism!

We must demand policies and approaches whose content is of a different kind, especially the introduction of new criteria for the use of money and for democracy. These two questions are not separate. The dominant explanation for the current economic difficulties
is the pandemic and the so-called “trade war” between USA and China. On the contrary, we have to insist on the real cause which is a kind of anti-social and anti-ecological war waged by financial capital against public services, workers’ rights and social security, against the environment and against all peoples, exerted from the USA, as the base of world financial capital, even against the American people itself (see analysis, including the rebalancing of global value and activity chains and Chinese rebalancing, in Dimicoli, 2019). The hospital crisis is a symbol of this.

**Progressive forces can establish new and common tasks** in order to face up to the new coming crisis. New convergences must be promoted at the international level as well as at the national level, convergences in terms of the policies denounced and the demands (or proposals) put forward.

Given the diversity of our theoretical approaches, we need exchanges in order to move towards several fundamental common objectives, aiming to overcome the present fragmentation.

A major common issue at stake is the question of “**a different globalization**”.

## 9 Conclusion

A decisive agenda for theoretical works and political initiatives is the alliances and the **common demands needed in order to face up to the global domination of financial capital**.

We need to affirm the need to free ourselves from the logic of financial capital if we want to respond to human social needs as a priority. We must sound the alarm about the growing risks of a catastrophic new economic crisis and increasing risks for ecology and health.

The task could be aided by common or convergent work and reflection for a different kind of globalization, directed against capital costs—instead of labor costs—and against the domination of the world by capital.

The agenda could be the co-development of the people of each country, through the securance of life for each person, with another kind of democracy and another use of money, aimed at the development of world common goods and a different kind of internationalization. World sharing of patents and the development of public services are the first point placed at the top of the agenda by life itself.

Nevertheless, the dull economic issues cannot be avoided. Three common pillars could be:

- A genuine world common currency for a new kind of credit and money creation, against the domination of the US-dollar;
- Mastering of MNEs with a new kind of foreign trade and investment treaties;
- New international institutions based on real democracy and with a new role.
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