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FINANCIALIZATION, INTERNATIONAL CAPITAL MOBILITY AND PRIMITIVE ACCUMULATION: TRIPLE MONSTERS EATING UP LIVELIHOODS

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ABSTRACT

Using the basic principles of Marxist economics, this paper portrays how financialisation of capital and international capital mobility have come about, over the last thirty years, for capital to make super profits. The paper also explains how in the process these two phenomena have worsened the plight of labour. If we also consider the side by side primitive accumulation that has been going on in terms of plunder of resources and the means of production owned and controlled by people, then these three forces constitute the dynamic of livelihoods destruction of economic predation institutionalised under neoliberalist politics and economics. In the event of the great contraction ahead due to dwindling of hydrocarbon reserves, catabolic capitalism could be the most profitable, short-term alternative for those in power.

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INTRODUCTION

The Quest for Super Profits

In Marxist economics (see Sweezy, 1942), labour is the only source of wealth. Labour power is the only commodity that produces surplus value. The process of production is the labour process, precisely because labour is the only active agent and variable factor in the process. The value of raw materials, machinery and infrastructure simply gets added into the value of the new commodity produced, but labour power by way of the labour process actively engages to create the new commodity and adds an additional value to the new commodity. The value of labour power is not determined by the value it creates in the labour process, but it is determined by the value that is needed to produce and reproduce the labour power. Therefore the additional value produced by labour is appropriated by capital as surplus value. Capital will hire a labourer only when the value of the labour power is less than the value it creates in the labour process. Suppose there are many enterprises at the same technological level, producing the same commodity of the same quality and suppose they are competing with each other to increase their rate of profit and capture a greater share of the market in order to expand their operations. Any enterprise can gain this advantage if it is able to reduce its costs significantly. Then it can increase its profit by selling the commodities at a price lower than that of others and by virtue of the low price it may also capture a greater share of the market. Since the cost of raw materials is more or less fixed, the focus is on reducing the labour cost. One way to reduce the comparative labour cost is to exploit labour in a more barbaric manner than the way the rivals do.

But this has its limits, because human labour has a limit. In such situations, competition takes the form of imbibing technological advancement over others, in terms of automation that enables capital to get more production per worker. The investment in machinery is a one-time, long-term investment and its cost per day is only nominal. On the other hand, it increases the productivity of workers dramatically. Now, many more pieces or units of goods can be produced with fewer workers, and the labour cost per product produced is substantially reduced. The enterprise with the technological advantage is able to reap super profits even if it is selling at slightly lower prices than that of others. Because this enterprise is able to reduce the cost of its product in comparison with other enterprises in the industry, the real value of its product is lower than the value of the product

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produced by others. The market value is determined by the average cost in the industry (general technological level) and so the market price of product is far higher than the value of product produced by this enterprise. Hence this enterprise is able to sell at higher price than the value of its product. In addition, this enterprise is also able to capture a greater share of the market by throwing many enterprises out of business. Only those enterprises that are able to attain the same level of technological advancement can remain in business. Then, the next level of competition starts among them in such a way as to result in (a) the market gradually getting monopolised by only a few huge enterprises; and (b) the organic composition of capital, i.e., the proportion of capital invested in constant factors (machinery-infrastructure-raw materials) versus the capital invested in the variable factor (for hiring labour), increasing drastically. The resultant impact is reflected in declining rate of profit and increasing rate of unemployment. These developments, in turn, lead to three clear trends: first, with increasing automation, the capacity of production increases dramatically and the markets get flooded with commodities beyond the purchasing and consumption capacities of the society in given geographical boundaries.

Moreover, with drastically declining share of capital invested in hiring labour resulting in declining employment growth rates, the purchasing power of society also declines drastically. This creates a crisis of realizing the profits, because the surplus value can be captured by enterprises only when the commodities are sold; secondly, increasing organic composition of capital i.e., a declining share of capital invested in hiring labour results in a declining proportion of surplus value in total value of commodities (because the surplus value is produced by labour only). Therefore the rate of profit, on the total capital invested, also decreases; and thirdly, the centralisation and concentration of capital leads to emergence of huge monopolistic corporations exercising effective monopoly on the markets and thereby stopping the prices to fall with reduction of costs. This further limits the purchasing power of the society adding to the crisis of realization of profits. With decreasing labour costs, the cost of production of commodities decreases, and therefore the value of commodities also decreases. The competition among enterprises engaged in production of commodities forces the market prices to fall and finally adjust according to the value of commodities.

This is why the rate of profit also records a decline. This dimension shows how technological advancement is to the benefit of society, because on the one hand it reduces human effort in production, increases the availability of commodities by mass production and at the same time reduces the costs and thereby the market prices, so that the commodities are made accessible to broader sections of the society. But suppose the decrease in the cost of production does not result in a fall in the market price of the commodities, then the commodities will sell over and above their value and the rate of profit may not record a decline, or the decline may not be that drastic. This happens when the markets are monopolised by a few enterprises and they collaborate not to indulge in great price wars so that they stop the prices to fall with decrease in cost of production. This means the monopoly enterprises will be capturing more surplus value than embedded in their product by selling over and above the value of their product. But from where this extra value will come? It may certainly come from capturing the surplus value produced elsewhere. Initially, it may amount to capturing surplus value produced in other industries, i.e., in certain sectors the products may be selling at lower that their value. But this is never sustainable, because then capital will start moving from low profit destinations to high profit destinations and therefore eventually the profits in all industries may be equalised. The exception may be those industries where smaller capitals operate and they may not be able to shift to other industries for lack of capital. If enough decent employment opportunities are available, these small economies also disappear and if there are no alternatives, they may largely survive as subsistence economies (rather than profit economies). Therefore the surplus value produced by them may be the source of the additional surplus value captured by the monopolistic corporations in various industries. When monopolies are formed across the industries, then capturing of additional surplus value by monopoly corporations amounts to a lot of wages and earnings for workers as consumers across the society.

But this also has a limit. Absolute monopolization is generally not possible, and monopoly dynamics also leads to a decrease in the purchasing power of society and the saturation of markets in given geo-political boundaries. Therefore, the tendency of falling rate of profit and the crisis of realization of profits never disappears. Underutilization of production capacities further contributes to declining rate of profits. This crisis is continuously reflected in the boom-bust cycles of economies. Initially the recoveries after the crisis bring the situation to the previous levels of growth. But it is generally accepted that capitalism entered a systemic crisis beginning in the 1970s, whereby recoveries were never sufficient to bring the economies back to the previous levels of growth. The most serious aspect of the crisis was reflected in the saturation of profitable investment opportunities in developed countries. Global capital's aggressive move to force open the economies of developing nations was directed to resolve this crisis by creating new profitable investment opportunities. It is generally believed that a growth rate of three percent is the minimum acceptable level at which "healthy" capitalism can continue to operate.

A growth rate of less than 3.0 percent is problematic and may lead to a crisis that may take a serious shape with further downfalls. In the 1970s, the developed countries entered a situation where in maintaining a three percent growth rate meant finding new profitable global investment opportunities for $0.4 trillion. The crisis continued and in the 2000s it meant finding profitable investment opportunities for $1.5 trillion. The average global growth rate from 2000 to 2008 was exactly three percent (Harvey 2010). The rate of growth of world production has been steadily declining. Comparing the decade of 1970-80 with the following decade 1980-90, the rate of increase in international productive capacity declined from 5.51 percent to 2.27 percent, and it reached 1.09 percent in the next decade 1990-2000. Then during the subprime crisis it actually fell substantially below zero. The figures for the growth of world production per capita are even worse: Production growth per capita declined from 3.76 percent in 1970-80, to 0.69 percent in the next decade to 0.19 percent in

1990-2000. During this last period, plant utilization never rose above 76 percent. The profit rates of two huge American corporations, General Electric and General Motors, recorded a drastic decline and during a period of forty years fell from 20 percent to 5 percent. Of this 5 percent rate, about 40 percent was the result of speculative activity, rather than by creating surplus value in production. With the declining rate of profit in production, a larger portion of capital started moving towards financialisation and speculation. In the global economy, the proportion of speculative capital was 15 percent between 1950 and 1980, and it rose to 25 percent between 1980 and 2003. The average rate of profit of the US economy from 1955 to 2000 declined by more than 30 percent and in the period 2002-2005 it fell by more than 35 percent. However, breaking down that 50-year period into smaller cycles, we see that between 1954 and 1979 the rate of profit fell by more than 50 percent. Then, in the period 1985-97, there was an extraordinary recovery of around 20 percent. Finally, in the years 1997-2002, there was a fall of 21 percent from the peak of 1997, a fall which carried on until 2007.

It is also important to note that the revival in the profit rate, or rather a slowing of its decline in the U.S. in the 1987-97 period was achieved only by some extraordinary measures, primarily by (a) absolute success of U.S. pressure at the historic Plaza Summit (1985) in forcing its two major trade and financial rivals Germany and Japan to revalue their currencies, thus giving the U.S. economy a competitive edge in commodity prices and therefore surplus on its current account balance; and (b) a decline in real wages, achieved politically by weakening the working class and by the infamous call for sacrifices; and (c) the export of financial capital and the shift to globalised production (Damen 2009).

It is worth mentioning that in a period when due to the high organic composition of capital, developed countries were facing a profitability crisis, developing countries were facing a crisis of underdevelopment and their industries were typically locked into a situation of very low organic composition of capital. Therefore, they were seen as new attractive destinations for profitable investments with immense scope for capitalist expansion.

The prospect of opening up of developing economies and their emergence as global manufactories promised super profits for global capital by way of primitive accumulation as well as by reducing the cost of production significantly. Moreover, they also promised a significant market for global capital. It is a fact of life of the twenty first century that the global markets of commodities are monopolised by a limited number of transnational monopoly corporations which have formed broader alliances for not indulging in internecine price wars. Moreover, by virtue of international division of labour shaped in global value chains (i.e. factories that cross international borders) they have also increasingly monopolised the industries restricting the entry of rivals. By virtue of their financial power and control and monopoly on crucial technologies they exercise an effective control on whole value chains. The production is largely outsourced and carried out in typical conditions of low organic composition of capital by engaging low wage labour in developing countries. Therefore on the one hand, the cost of production and thereby the value of commodities produced is significantly decreased and on the other hand, the proportion of surplus value in total value of commodities is significantly increased. Due to low organic composition of capital in the developing countries, the proportion of capital invested in hiring labour increases compared to that in the developed countries, and therefore a higher proportion of surplus value is created. Therefore the rate of profit also records an increase. Moreover, this arrangement offers super profits to the TNCs, i.e. over and above the normal rate of profit, in two ways:

(a) very high values of technology intensive operations and crucial components produced by TNCs are largely due to monopolistic position of TNCs at the top of the value chain and they are not the real values, and therefore exceptionally high values that they capture from global value chains amounts to looting of surplus value created in developing countries; and (b) even when the cost of commodities decreases significantly, there is no corresponding decrease in prices of commodities due to monopoly of TNCs on markets.

It is also worth mentioning that the expansion of global value chains has decreased the cost of production not only in comparison to that of the developed countries but also in comparison to what it was in developing countries. In the initial phase of liberalisation, the wages of formal workers were as high as 10 times (or even more) that of informal workers. In many sectors the same situation still prevails. Looking at the large scale informalisation of workforce in almost all the Asian developing countries, one can understand its real impact in terms of reduction of cost of production. The gap between the values and prices of commodities is so huge that the decrease in prices of commodities offered to the developed country workers to justify the shifting of industries and to pacify the discontent on issues such as growing unemployment amounts to an insignificant sacrifice out of the super profits that the TNCs are earning.

Financialisation

Financialisation is a shift in the gravity of economic activity from production to finance. The financialisation of capital accumulation simply means investing money to accumulate more money without producing any equivalent value in the society. Therefore the financialisation of accumulation amounts to loot of value from the people and society by use of monopoly on finances. "The wave of financialisation that occurred after the 1970s has been spectacular for its predatory style" and the "credit system has now become…the major modern lever for the extraction of wealth by finance capital from the rest of the population" (Harvey 2010). In the period beginning with the recession of 1974-75, we observe the following three predominant worldwide trends: (1) slowing of the overall rate of economic growth; (2) worldwide proliferation of monopolistic corporations; and (3) financialisation of capital accumulation process. All the above three trends are interrelated. The long-term stagnation in growth that started in the 1970s was the major factor leading to the financialisation of capital accumulation. The most important factor behind this stagnation was the alarming inequality of income and wealth created in the process of capital accumulation, which limited consumption demand at the lower income levels of the economy. Moreover, capital accumulation goes hand in hand with the concentration and

centralization of capital, resulting in monopolization. Monopolization tends to swell the profits of these large corporations, while reducing the demand for additional investments in a situation of increasingly controlled markets and weakening consumption growth. This is particularly because monopoly corporations avoid overproduction and price reductions. These situations create barriers that limit profitable investment opportunities. Other factors at work in this economic environment include the saturation of economies with no greater new investment opportunities. In these situations, with immense surpluses on the one hand and a dearth of profitable investment opportunities on the other, from the 1970s onwards, the owners of capital increasingly moved towards investing in financial products to maintain and expand their money capital. At the same time, financial institutions also stepped forward with a vast array of new financial instruments, including futures, options, derivatives, hedge funds, etc. The result has been a skyrocketing of financial speculation. This trend has never been reversed and emerged as an important feature of capitalism (Foster 2008).

These situations have led to the emergence of a new phase of global monopoly-finance capital wherein the world economy is increasingly dominated by a small number of monopolistic multinational corporations headquartered in developed countries. We can see, for example, the world automobile industry is coalescing into six or eight companies--two U.S. car makers, two Japanese and a few European firms are among the likely survivors. The world's top semiconductor makers number barely a dozen. Four companies essentially supply all of the world's recorded music. Ten companies dominate the world's pharmaceuticals industry. In the global soft drinks business, just three companies matter. Just two names run the world market for commercial aviation, Boeing Co. and Airbus Industries. This is also reflected in the fact that global mergers and acquisitions have increased at alarming rates and in 2007, reached an all-time high of $4.38 trillion, and foreign direct investment (FDI) stock grew from 7.0 percent of world GDP in 1980 to around 30 percent in 2009. The revenues of the top 500 global corporations are now in the range of 35-40 percent of world income.

The monopoly corporations' control on the global economy is further increased by strategic alliances among them. For example, the world's major airlines have coalesced into a handful of mega-alliances, such as the Star Alliance, led by United Airlines of U.S. and including important airlines of the United States, Canada, United Kingdom, Germany, Belgium, Switzerland, Austria, Spain, Portugal, Poland, Croatia, Slovenia, Scandinavia, Finland, Greece, Turkey, Egypt, Thailand, Singapore, Brazil, New Zealand, South Africa, Japan, Korea and China (Foster et al. 2011). The growth of this international monopoly-finance capital further aggravated the problems of stagnation and actually also emerged as one of the factors behind the spread of this stagnation across much of the globe. Once established, monopoly capital intensified the financialisation of capital accumulation across the globe to alarming levels, as the huge monopoly corporations, unable to find sufficient investment outlets for their enormous economic surpluses within their production networks, increasingly turned to speculation in global financial markets. And a globalisation of financial crises decade after decade emerged more frequently and in more severe forms. The boom-bust cycles driven by capital inflows and consequent abrupt outflows, combined with dangerous fluctuations in exchange rates and the interplay between domestic, IMF and G7 policies have been the most important factors/causes behind economic instability in many countries. The debt crisis that affected almost all Latin American countries was the first global financial crisis of the neoliberal era, and it was closely linked with the boom-bust cycles of capital inflows-outflows. It originally occurred in Mexico in 1982, but by October 1983, 27 countries had been caught up in it. In 1994, the crisis reappeared in Mexico. In July 1997, the East Asian crisis broke out and affected Indonesia, Malaysia, South Korea and Thailand. In August 1998, it was Russia's turn to devalue and default, and in 2001 Argentina entered the list. These episodes continued in this or that form and affected more and more countries with increasing severity (Ioannou 2012). With monopolistic corporations gaining greater control over the global economy, nation states are increasingly subjected to the whims and fancies of these corporations and have restructured and revised regulatory systems to remove all barriers for capital accumulation. It is interesting to see the role of the states during the crises.

In most countries, the states' actions clearly reflected the attitude that the well-being of the people can be sacrificed, but the corporations were considered too big to fail. Their strategies in fighting these financial crises included hammering the general public, cutting back on social services, and increasing taxes on people, while providing lucrative bail-out packages to corporations who were actually responsible for creating the crises. To sum up, the financialisation of capital accumulation has been the main aspect of global economic growth since the 1970s, reflected in the rapid growth of financial profits as a percent of total profits since the 1970s. Stagnation and enormous financial speculation emerged as symbiotic aspects of the same deep rooted crisis. The financial superstructure of the capitalist economy can never expand entirely independently of its base in the productive economy, and therefore the bursting of speculative bubbles is a recurrent problem. Financialisation, no matter how far it has been extended, can never overcome the stagnation in production.

Within capitalism, to some extent this crisis can be resolved and delayed and its severity can be reduced by greatly expanding state spending directly benefitting the population and creating a system facilitating distribution and redistribution of income and wealth (e.g. raising taxes on corporates and increasing the level of social security benefits), along with putting strict limits on financialisation and systematically controlling the dangerous movements of capital. However, these pro-people strategies almost disappeared from the agenda of the capitalist states. The strategy adopted by global capital to resolve this crisis is neoliberalism, i.e., enforcing free trade and free flow of capital across the globe, creating a new international division of labour, and providing immense opportunities for global finance capital to accumulate the surpluses generated across the globe, particularly in developing countries. This strategy is actually seeking to shift the crisis elsewhere rather than resolve it. Whatever means are chosen, this strategy can only delay and decrease the intensity of the crisis in developed countries by shifting it to developing countries.

International Capital Mobility

Continuous process of capital accumulation and expansion is a matter of life and death for capital. Any long-term barrier or obstruction to the mobility of capital creates a crisis for capital accumulation and actually threatens its existence. Therefore, the free movement of capital is the necessary foundation for the existence of transnational capital, both productive and financial capital, and therefore it is also the central aspect of the neoliberal political project. International capital mobility is also closely linked with the financialisation of capital accumulation. By nature, finance capital means liquidity and hence for its expansion it demands the highest level of flexibility and freedom of movement; while productive capital means capital invested in a particular input-output combination for profit maximization and hence many times it demands protectionism, rigidity, and a narrowing down or elimination of options. The money/finance capital has a more general perspective on markets, a more universal class outlook and is always interested in opening and deregulating markets, including the reduction of barriers to trade and investment. In other words, if the business is simply buying and selling money, then naturally the demand will be for highest degree of flexibility and freedom of movement for money (Rowe 2005).

In this regard, we generally observe that until the first half of the 20th century, the capital accumulation process continued to be focused on productive capital, wherein finance capital played a greater role as a partner of productive capital. There were, of course, commercial bankers, stock brokers, and bond dealers who operated mainly in a financial world and profited by speculating, but for the most part finance capital was still subordinate to production. Moreover, until this period, generally the goods and services of one country were produced within that country by domestic enterprises and chiefly for domestic consumption. In these situations the state was willing and able to exercise control over the mobility of capital. But things started changing particularly after the great depression and the Second World War. Particularly in the 1970s, we observe a dominant tendency of financialisation of capital accumulation, and an underutilization of production capacities due to the saturation of domestic markets and the trend of a greater proportion of production for export (Sweezy 1994). It is against this background that removing geographical barriers to capital mobility becomes a life and death issue for transnational capital.

With capital having thus becoming footloose, it required unrestricted freedom of movement to set up shop wherever it desired, and so it started demanding a set of implicit and explicit transnational rights (Lipschutz and Rowe 2005). However, it is to be noted that international capital mobility is not a new phenomenon. If we look at the issue of capital mobility historically, we find three phases:

- In the 19th century in the period before the First World War, there were very weak restrictions on capital mobility. Most importantly, this was a period of both capital and labour mobility. There were also very weak restrictions on labour mobility, and it was reflected in the migration of almost one-third of the population of Europe to America, the migration of large numbers of South Asians to Africa, Southeast Asia, and the Caribbean, the migration of large numbers of Chinese to Southeast Asia and to the west coast of America and so on. The gold standard was in force, so this really was a globalised world, with weak national borders. However, this was not a globalised world of nation states, rather it was a globalised world of empires; there were actually very few sovereign states, and the rest were the colonies of the empires.
- The short period from the First World War up to the 1980s was a phase with capitalism in individual, independent countries, with strong restrictions on both capital and labour mobility and weak linkages of trade and capital movements. Actually, this was a phase when nation states took on classic forms of territorial states, exercising strict controls over their national economies and making a distinction between the welfare of their own citizens and the welfare of others.
- The latest phase can be said to have started from the 1990s when we returned to a new phase of the globalised world, not in a circular motion but in a spiral motion and therefore reaching a higher level, with a globalised world of sovereign states rather than empires, and revolutionary developments in aviation and information technology that have transformed the whole globe into a single integrated economy for all practical purposes. One major difference between the 19th century globalisation and the current phase of globalisation is that the earlier phase allowed a combination of capital and labour mobility, while in the current phase capital is free to move but labour mobility is highly restricted and fully regulated.

It is to be understood that this new globalised world did not develop in a smooth process. It took a long period involving the settling of conflicts of various politico-economic interests and the institutionalizing of globalisation via the supranational entities, such as the WTO. We can understand the contradictions of the current globalised world by looking at these conflicting interests and the way these contradictions were settled through suppression and accommodation. In the 1970s, developing countries, organised in the Group of 77, pursued an agenda for a 'New International Economic Order' with more democratic space for developing countries in international politics and economics. The developing countries imposed regulations on foreign capital and in collaboration with their domestic labour movements also sought international regulations on transnational corporations (TNCs). This struggle surfaced at different platforms of the United Nations.

During the same period many developing countries passed legislation controlling TNC activities, and the nationalization of foreign corporations reached a peak in the first half of the 1970s. The strength of this movement was reflected in the 1974 declaration of UN General Assembly proposing the establishment of a New International Economic Order (NIEO), and the setting up of a UN Commission on Transnational Corporations, entrusted with the tasks of monitoring and providing reports on TNC activities and strengthening the capacity of developing countries to deal with them. Such a proposal was a great threat to transnational capital in that it sought to develop a mechanism to limit and restrict TNC activities in a big way (Rowe 2005).

However, the OPEC-orchestrated oil crisis of 1973 virtually crushed the bones of the G-77. Whatever resistance to TNC activity remained was further crushed in the global recession of 1980–82, since during that period the U.S. and Europe suffered record-high interest rates, which caused resource prices to collapse and threw developing countries into a debt trap. Thereafter, the IMF-World Bank were able to effectively 'discipline' the third world countries with their structural adjustment programmes, compel them to drop the agenda of NIEO and fall back in line with corporate-led globalisation. The Uruguay round of GATT started in 1986 and led to the creation of the WTO in 1995, a path breaking step in institutionalizing corporate-led globalisation. The aspect of accommodation in this process is reflected in the structure of the WTO, which is by no means a democratic organization, but at least on paper, it is more democratic than the IMF or World Bank in the sense that voting rights in WTO are not unequally distributed. Moreover, even if the developing economies were underdeveloped, a number of monopolistic corporations emerged in most of these countries, which favoured the liberalization policies to expand their own economic operations beyond national borders.

On the other hand, the domestic labour and the people's movements in developing countries were strongly against globalisation and liberalization. However, a strategy of naked repression combined with political accommodation resulted in the downfall of the movements. It is interesting to see how the whole discourse against corporate-led globalisation gradually changed and how a consensus emerged among almost all dominant parliamentary parties in Asian countries in favour of policies of liberalisation and globalisation. The resultant impact was reflected in a weakening of the labour movements. The labour and people's movements in developed countries also opposed the policies of globalisation out of the fear that free trade and capital mobility might wipe out the industries in these countries and create a serious problem of unemployment. The pressure from the labour and people's movements was one of the important factors behind the collapse of the Seattle meeting of the WTO. But finally, pressure from the huge multinational corporations in these countries proved stronger. Moreover, for governments in developed countries there were many other challenges compelling them to accept free trade and international mobility of capital.

For example, with people living longer after their retirements, a crisis in the welfare state occurred, and with stagnation at home, the search for profitable investment opportunities for pension funds emerged as a compelling need. Gradually a consensus was formed that developed countries must invest more in research and development (R&D), develop the skill levels of their labour force and focus on high-end, or high-tech industries, because low tech industries may not survive in competition with their emergence in developing countries. This was reflected in Tony Blair's 1997 election campaign slogan "Education, education, and education". Many social democratic parties and trade unions with a major membership base among unskilled workers were strongly opposed to these policies, but gradually they were weakened, marginalised or even wiped out, mainly because the low-skills based industries soon disappeared and with their demise their membership base was also eliminated. For example, in the UK throughout the 1980s, the coal mining and steel industries were more or less abandoned (Desai 2001). With this dynamics, transnational capital was able to successfully institutionalise international capital mobility and free trade. The World Trade Organization (WTO) constitutionalises the free movement of capital in certain forms, and the process is likely to go beyond this. The WTO's General Agreement on Trade in Services (GATS) already contains some restrictions on capital controls, but this applies only to those countries that have committed to liberalise their certain financial services. These countries are compelled to liberalise cross-border trade in financial services and therefore open the capital account. They may invoke some exceptions provided in the GATS, but it is extremely difficult to meet the conditions to use these exceptions. If these countries restrict capital flows, they potentially face arbitration at an international dispute panel.

Outside of the WTO, there are two other types of instruments that constitutionalise the free movement of capital. These are firstly bilateral investment treaties (BITs) and free trade agreements (FTAs) with the major industrialised countries, and secondly regional economic integrations. These agreements strongly limit the right of the countries involved to use capital controls, even temporary controls in extraordinary situations. In some cases even taxes on inflows or outflows could be interpreted as a violation of the agreement. In the case of a violation of the terms of the treaties, the countries involved potentially face lawsuits in supranational tribunals. At the regional level the European Union has institutionalised the free movement of capital in the Lisbon Treaty, which not only limits the use of capital controls within the European Union, but with countries outside the EU as well. The North American Free Trade Agreement (NAFTA) also strongly restricts the use of capital controls in the region. The ASEAN Economic Community is also institutionalizing the free movement of capital in the region. ASEAN declares that the capital of the member countries will be treated as national capital for all practical purposes in all member countries. Member states of the Organisation for Economic Cooperation and Development (OECD) are subject to the OECD Code of Liberalisation on Capital Movements.

The most important attempt to constitutionalise the free movement of capital at the global level comes from the International Monetary Fund (IMF). Before the 1960s, the IMF opposed international capital mobility and argued that members may exercise such controls as are necessary to regulate international capital movements, and that members may not use the Fund's resources to meet a large or sustained outflow of capital. But after the 1960s, the IMF became a fervent proponent of capital account liberalization. Then in the 1980s, the IMF was restructured and recruitments and promotions brought a new cadre to senior positions to forcefully pursue its new goals (Dierckx 2012). At the Hong Kong meeting in September 1997, the Interim Committee of the IMF adopted a statement with proposals to revise Article I of its charter to include the promotion of the orderly liberalization of capital accounts as one of the main purposes of the Fund and give the Fund jurisdiction over the capital account of its members. However, the Asian crisis threw a spanner into the plans for the institutionalization of the free movement of capital, and by 1999, the proposal was taken off

the agenda due to resistance from developing countries. But the Fund has continued to work on capital account liberalization. The global financial crisis, begun in 2008, led to new regulations and controls, because emerging markets and developing countries were again hit by the volatility of capital flows. In March 2011, the IMF proposed a new framework to manage surges of capital inflows, believing full capital mobility to be advantageous to the world economy as a whole and to countries that receive capital inflows in particular. It was argued that inflow surges can carry considerable risks, but this does mean that capital controls are the right answer and that the costs of capital controls are very high. It is interesting to note that in the same year Nicolas Sarkozy proposed that the G-20 should develop a code of conduct to define the conditions under which restrictions on capital movements are legitimate, effective and appropriate, and that there should be a broadening of the IMF's role in the surveillance of international capital transactions. It may be noted that G-20 formed in 1990 as a platform for cooperation and consultation on matters pertaining to the international financial system.

It is a forum for the governments and central bank governors from 20 major economies accounting around 85 percent of world GDP and 80 percent of world trade, including Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russian Federation, Saudi Arabia, South Africa, Turkey, United Kingdom, United States and the European Union (EU). Such statements were repeated many times by officials of the advanced countries. In the same year, Nicolas Ayzaguirre, director of the IMF's Western Hemisphere Department, declared that the IMF has the mandate to preserve the stability of the international monetary system, and that the Fund could use this mandate to suppress the proliferation of capital controls. All this establishes that even without legal backing, the IMF forcefully constitutionalises the international capital mobility. However, opposition from the governments of developing countries against limiting the use of capital controls continues. The statement of Brazil's finance minister Guido Mantega at the IMFC (International Monetary and Financial Committee) meeting on 16 April 2011, very clearly raises the major concerns: "We oppose any guidelines, frameworks or 'codes of conduct' that attempt to constrain, directly or indirectly, policy responses of countries facing surges in volatile capital inflows.

Governments must have the flexibility and discretion to adopt policies that they consider appropriate, including macroeconomic, prudential measures and capital controls." However, this resistance from developing countries has in no way been able to reverse the wheels of the IMF juggernaut. This is mainly because the real political struggle on this issue is to democratise, socialise and politically control capital. However, most developing country governments have actually no concern for this, and at the most they only want a certain degree of control on western transnational capital. In reality, it seems that they all agree on the final goal of full international capital mobility, but they want to move slowly and liberalise their capital accounts gradually (Dierckx 2012). With capital mobility constitutionalised, the nation states, particularly in developing countries, have been increasingly disempowered to legislate and regulate nationally. This has given rise to a situation, wherein, democracy actually becomes a paper democracy: People can elect their governments, but these governments follow the dictates of supranational entities, rather than respecting the mandate of the people. Even if the people were able to change the regimes and bring in pro-people regimes, it is not easy to change the above situations and discard the international agreements signed by previous governments. Such attempts would invite various punishments from the IMF and WTO and economic sanctions from developed countries. These situations have created autocratic states, brutally repressing the labour and people's movements and at the same time engendering their radicalization.

Anti-Labour Financialisation

According to the International Labour Organization (ILO), financial globalisation has had a distinctly negative impact on labour's share of income in both developed and developing economies. Additionally, in the case of developing countries with weak domestic financial systems, capital account openness has led to an export of wealth towards rich countries, rather than the other way around (Ioannou 2012). The decline of labour's share in national income in almost every country in the world can be related to a crisis of stagnation in wages particularly due to no increase (or sometimes reduction) in real wages, rise in prices of essential commodities, increasing focus on use of labour saving technologies and intensifying the competition among labour for jobs, implementing anti-labour policies and forcefully reducing the collective bargaining power of labour in overall terms. On the other hand, specific aspects of financialisation also have had serious negative impacts on labour. Capital account and trade openness have in general brought about a deterioration in labour's share of income. One of the important factors behind this is international capital mobility that drastically increases the bargaining power of capital against labour. As a result, workers must always face higher degrees of volatility in terms of earnings and working hours whenever a labour demand or labour productivity shock occurs.

It is also well documented that currency depreciations and economic recessions have had a clear and lasting negative effect on manufacturing wages in almost all countries. Financial crises are in general negatively linked with labour's share of income. In the aftermath of a crisis, labour's share of income usually declines sharply and recovers only partially during subsequent years. It is also argued that these distributional changes at the expense of labour appear to be systematically used by the states in their strategies for the resolution of financial crises, i.e. the whole load of the crisis is actually thrown on the head of labour (Ioannou 2012). Financialisation not only affects the present circumstances of workers but also their future. For example, in many countries, governments are financializing the pension funds of workers. Pension funds are increasingly invested in financial markets and pension earnings of workers are thus linked with the boom and busts in these markets (Soederberg 2010). There is another important impact of financialisation. Productive capital by its nature remains in very close proximity to the factors of production. Human labour and natural resources are used as raw materials in production, and therefore productive capital

directly affects these factors and in turn is affected by them, and hence it is compelled, and there is more space to compel it, to develop some concern for protection of these factors of production. But finance capital, having no direct link with these factors, considers them as non-market, non-value aspects and therefore has never shown any interest in protecting them.

Labour Impact of International Capital Mobility

The impact of international capital mobility on labour is the most serious and long lasting. In developed countries, blue-collar workers who are made redundant in their middle age, are not considered re-trainable for high skilled jobs and therefore face a situation where their world is lost forever and their lives are destroyed. Even if they wish to, these unskilled workers cannot get blue collar jobs in developing countries, because a huge reserve of such workers is already competing for those jobs there. Capital in developed countries wants quickly trainable or skilled labour, and this requirement is fulfilled by engaging thousands of skilled workers from developing countries on very low wages. The problem of aging populations in developed countries also creates a demand for a significant number of unskilled workers from developed countries, particularly for various kinds of services, because the developed country workers in general may not like to work in such low paid and low grade jobs.

But in the current phase of globalisation, labour mobility is strictly controlled and regulated. The large number of developing country workers, who travel to take such jobs in developed countries, face many serious problems and usually pay large sums of money as bribes to obtain a position. They also often migrate illegally. The gap between developed and developing country wages is so great that many times workers are willing to take such high risks as, for example, tying themselves to the bottom of planes for 3,000 miles in order to take up a low paid, low grade job (Desai 2001). To take up a job as a domestic maid in Hong Kong, large numbers of young women from Indonesia and the Philippines pay huge sums to middlemen. International capital mobility has an overall negative impact on the labour movement. As Keith Cowling states, "Capitalism has become increasingly nomadic, leaving a trail of social disruption in its wake.

It will be privately efficient for each transnational corporation to adopt such a nomadic existence, reflecting as it does an appropriate response to rising labour costs and the opportunities offered by a more flexible technology, which in turn implies a reduced demand for broadly based skills in the workforce….Wherever workers act to raise wages or control the intensity or duration of work, they will lose their jobs to other groups of less well organised and less militant workers in other countries. Thus de-industrialisation in some industries of advanced capitalism is a consequence of class struggle in such a world" (as quoted in Foster et al. 2011). Corporate-led globalisation has implanted the export-oriented development model based on foreign direct investment (FDI) in all developing countries, and therefore to accelerate economic growth under this model developing countries are compelled to compete with each other for more export orders and for a greater share of foreign investment. This competition between states is unique in the sense that ultimately it takes the form of offering cheaper natural resources and ensuring cheaper labour costs and therefore for winning the game they are engaged in a war with their own working classes. This is clearly reflected in the proliferation of anti-labour laws and regulations and in the corporate-state collusion consistently unleashing repression on labour in developing countries. It is also seen in the transfer of huge amounts of land and natural resources to the corporates by forcefully acquiring them from the people who then face mass displacement. Moreover, increasingly the most labour intensive, hazardous and environmentally costly industries are transferred from developed to developing countries. This situation drastically increases the problems of occupational health and safety and also of environmental disasters. This is not all. The free mobility of capital drastically reduces the collective bargaining power of labour and increases the bargaining power of capital. The overall impact is reflected in a steady decline in labour's share of revenues and a consistent increase in the TNCs' share of profits. This applies not only to developing countries but also to developed countries.

Capital mobility drastically reduces the collective bargaining power of labour in developed as well as developing countries due to the increased vulnerabilities of labour arising from de-industrialization or the threat of de-industrialization. A classic example of this phenomenon could be seen following a strike by British auto workers in 1971. Ford Motors' Chairman Henry Ford II declared that the manufacturing of parts of the Ford Escort and Cortina models might be transferred to Asia. Surveys conducted on the issue of such threats with management of multinational corporations and trade unions in the U.S. also provide good evidence that TNCs frequently use such threats during disputes with unions (Foster et al., 2011). The de-industrialization trend is expanding the reserve army of labour in developed countries too, and the impact is felt in the form of downward pressure on wages and reduced collective bargaining power of labour. It can also be said that the working class of the global north is paying the price for not being able to fulfil its international responsibilities to help its brothers and sisters of the global south to reach a higher collective bargaining level. It reminds us again of the importance of and the need for a foundation of international labour solidarity.

In this situation with capital being freely mobile and the mobility of labour restricted and controlled, as regards the labour market, there are no national boundaries for capital, i.e., it is able to engage and exploit labour in any country, wherever it is cheaper, by freely moving in and out, as and when required. On the other hand, for labour, the labour market is fully regulated and restricted within national boundaries, and therefore it cannot freely move in and out of the countries in search of destinations where wages and working conditions are better. With this advantage, TNCs are able to earn super profits by using the strategy of divide and rule, by way of intensifying the competition for jobs between labour in various countries. In this situation, the majority of workers in the world are virtually converted into the reserve army of labour for international capital: When capital flows in, they are employed, and when capital flows out, they face unemployment. This is probably the first time in history that capital has enjoyed such favourable conditions. In addition, with the integration of erstwhile socialist countries into the

capitalist world economy, this global labour market (for capital) has been expanded many times over. The integration of China alone into the capitalist world economy dramatically increased the number of workers competing with each other for jobs worldwide. The threat to move production elsewhere has emerged as a most effective weapon in the hands of TNCs against labour, in a situation when labourers in various countries are competing for jobs and nation states are competing for FDI and export orders. It is frequently used in Asian countries to crush the labour movements. In recent decades, there have been several big strikes in India, particularly in the automobile industry, and in most cases this threat was used to weaken the unity of labour and to force the state to suppress labour.

This is not an idle threat, since capital has actually become foot-loose. Its nomadic existence has become a dominant strategy of transnational corporations to exploit the vulnerabilities of labour all over the globe, flying from places where workers and the people at large are acquiring better bargaining power to the places where labour and the people at large are the most vulnerable and virtually without any collective bargaining power. This also reflects the present character of transnational capital, which accepts no obligations to the countries it enters and to the people there. In the new international division of labour and with free capital mobility, the power of transnational corporations and the exploitability of labour (and thereby profitability of capital) depends on the existence of a huge reserve army of labour. The informalisation of workforce and flexibilization of labour is nothing but a strategy of creating and maintaining a reserve army of labour that may be exploited as and when international capital requires it.

Moreover, with the emergence of huge monopolistic corporations controlling major sections of markets and with overall stagnation in economic growth, capital has now established a system of flexible production with greater scope for product differentiation, as well as strictly controlling the output to the level of existing or generated demands of the markets. It is the requirement of this system of flexible production to have a system of flexible labour relations, i.e. labour ought to be hired and fired, just in time, as and when required. This system provides an opportunity to save hugely on labour costs and most importantly to exploit the vulnerabilities of labour. The greater the reserve army of labour, the greater is the scope for capital to exploit the vulnerabilities of labour. The global value chains and global supply chains now reach up to the tiny units of informal sectors, home-based workers and self-employed producers. The exploitation of low-wage informal sector workers adds significant value to the products and fattens profit margins.

Plunder of Primitive Accumulation

Primitive accumulation is the accumulation of capital by means other than appropriating surplus value. It usually refers to the historical process that gave birth to the preconditions of a capitalist mode of production by way of unprecedented capital accumulation through land enclosures, usury, slave trade, the looting of national assets by colonial powers, and by way of enforcing the separation of producers from the means of production. However, it does not mean that its importance is only historical; along with capital accumulation proper, it continues to be an important form of capitalist expansion, which is carried on and on until there are no resources or means of production left in the hands of the people in any part of the globe. Moreover, it is not a one-way process; rather it is a process of continuous conflict. While on the one hand, capital continuously divorces people from the means of production, on the other, many times the people in their daily life struggles and in broader political struggles are able to win control over certain means of production, and also recreate some means of production, and then capital again attempts to expropriate them. The pace and extent of expropriation of people from the means of production is determined by the balance of power between capital and the working class in time and space. In erstwhile colonised developing countries, due to presence of strong working class movements that emerged as part of anti-colonial struggles and due to weaker national capital, the balance of power was not in favour of capital to the extent of being able to completely expropriate the people from the means of production.

This is reflected in persistence of huge population of self-employed producers in many traditional occupations, large numbers of small economies in various industries and huge amounts of means of production and natural resources in control of people and communities. However, globalisation and liberalization have decisively shifted the balance of power in favour of capital. With integration of national and international capital and establishment of a new global politico-economic regime, capital has emerged stronger, in conjunction with an overall downfall in the working class movements. It is in these situations, the process of primitive accumulation, i.e., the expropriation of people from means of production has been accelerated in a big way. In almost all Asian developing countries this is reflected in capital's great aggression and plunder of resources and the means of production that were in some way or other in the ownership and control of the people. This plunder has included large-scale acquisition of lands, forests, water resources and mines and the privatisation of public sectors leading to large-scale dispossession and displacement of people.

Conclusion: From Predation to Self-Cannibalism

Limits to growth and the consequent profitability crisis in the developed world were overcome through quest for super profits via financialisation and international capital mobility. However, globalisation and growth based on it too have limits. New growth-less future is imminent in light of the failure of fossil fuel extraction to meet global demand. This is something that is overlooked by even the anti-globalization movement. So, what will happen? The future is going to be much, much worse so much so that the question that will haunt us would be: how can we break the death grip of profit-driven corporate power over our lives? Collins (2012), very interestingly and frighteningly, elaborates on this, which is worth briefly reproducing thus: "One of capitalism's central attributes is opportunism. Capitalism is not loyal to any person, nation, corporation, or ideology. It doesn't care about the planet or believe in justice, equality, fairness, liberty, human rights, democracy, world peace or even economic growth and the 'free market'. Its overriding obsession is maximizing the

return on invested capital...Crisis, conflict and collapse can be extremely profitable for the opportunists who know where and when to invest....Without access to cheap energy to extract resources, power factories, maintain infrastructure and transport goods around the world, capialism's productive sector will lose its position as the most lucrative source of profit and investment. As profits dwindle, factories close, workers are laid off, benefits and wages are slashed, unions are broken and pension funds are raided—whatever it takes to remain solvent. Transnational corporations will find that their size, complexity and economies of scale have become liabilities rather than assets. Declining incomes and living standards mean poorer consumers, contracting markets and shrinking tax revenues. Of course, collapse can be postponed by using debt to artificially extend the solvency of businesses, consumers and governments; but without growth, paying off debts with interest becomes futile, eventually. And, when the credit bubbles burst, the defaults, foreclosures, bankruptcies and financial fiascos that follow can paralyze the economy....In a growth-less economy, the profit motive can have a powerful catabolic impact on society.

The word 'catabolism' comes from the Greek and is used in biology to refer to the condition whereby a living thing feeds on itself. Catabolic capitalism is self-cannibalizing economic system...Without fuel to generate economic growth, catabolic capitalists stoke the profit engine by taking over troubled businesses, selling them off for parts, firing the workforce and pilfering their pensions. Scavengers, speculators and slumlords buy up distressed and abandoned properties—houses, schools, factories, office buildings and malls—strip them of valuable resources, sell them for scrap or rent them to people desperate for shelter. Illicit lending operations charge outrageous interest rates and hire thugs or private security firms to shake down desperate borrowers or force people into indentured servitude to repay loans. Instead of investing in struggling productive enterprises, catabolic financiers make windfall profits by betting against growth through hoarding and speculative short selling of securities, currencies and commodities. Social benefits, legal and regulatory protections and modern society itself will also be sacrificed to feed the profit engine. During a period of contraction, single-minded catabolic capitalists put their lawyers and lobbyists to work tearing down any legal barriers to their insatiable appetite for proft.

Regulatory agencies that once provided some protection from polluters, dangerous products, unsafe workplaces, labour exploitation, financial fraud and corporate crime are dismantled to feed the voracious fires of avarice. Society's governing institutions of justice, law and order become early victims of this catabolic crime spree. Public safety is stripped down, privatized and sold to those who can still afford it. As budgets for courts, prisons and law enforcement shrivel, private security firms hire unemployed cops to break strikes, provide corporate security and guard the wealthy in their gated communities. Meanwhile, the rest of us will be forced to rely on alarm systems, dogs, guns and—if we're lucky—watchful neighbours to deal with rising crime. Meanwhile, privatized prisons will profit by contracting convict labour to the highest bidders. As tax-starved public services and social welfare programmes bleed out from deep budget cuts, profit-hungry capitalists pick over the carcasses of bankrupt governments. Revenues for social security, food stamps and health care programmes are chopped to the bone. Public transportation and decaying highways are transformed into private thoroughfares, maintained by convict labour or indentured workers. Corporations scarf up failing public utilities, water treatment, waste management and sewage disposal systems to provide businesses and wealthy communities with reliable power, water and waste removal. Schools and libraries go broke, while exclusive private academies employ a fraction of the jobless teachers and university professors to educate a shrinking class of affluent students...Catabolic enterprises are not the only proft-makers in a growth-less economy. Even a contracting economy must extract energy and other resources from the Earth. Unless the profit motive is removed by bringing these assets under public control, fresh water, farm land, timber, energy and mining corporations will deploy their lobbying muscle to completely privatize these vital resources and enhance their bottom line with government subsidies, tax breaks and 'regulatory relief.

The growing capital and technology commitments needed to commodify scarce resources may cut deeply into profit margins. As less solvent outfits fail, the remaining politically connected resource conglomerates may maximise their profits by forming cartels to corner markets and send prices soaring while blocking all attempts at public regulation and rationing. The extractive and the catabolic sectors of capitalism have a lot in common. An alliance between them could put irresistible pressure on failing federal and state governments to open public lands and coastlines to unregulated offshore drilling, fracking, coal mining and tar sands extraction. Scofflaw resource extractors and criminal poaching operations proliferate in corrupt, catabolic conditions where legal protections are ignored and shady deals can be struck with local power brokers to maximise the exploitation of labour and resources. To pay off government debt, national and state parks may be sold and transformed into expensive private resorts while public lands and national forests are auctioned off to energy, timber and mining corporations."

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