

## Eight Lecture

# Peace Dividends, War Profits: The Political Economy of Global Conflict

*Are the new wars in the Middle East part of a new imperialism or a new capitalism?*

### **The conventional creed**

- The U-Turn
- Imperialism: clash of civilization
- Imperialism: growth and oil
- The emperor's new clothes

### **Capital**

- "Material" accumulation
- Differential accumulation
- Finance, power and the pecking order
- Dominant capital

### **Growth or merger?**

- Buy-to-build ratio
- Greenfield investment vs. corporate amalgamation
- Why merger?
- Merger waves: monopoly / oligopoly / conglomerate / global
- Breaking the envelope
- Upturns and downturns

### **Inflation and stagflation**

- Is inflation good or bad for capitalists?
- Redistribution: workers and capitalists
- Redistribution: big and small corporations
- Capitalist inflation: the historical record
- Stagflation
- The double-edged sword

### **Regimes of differential accumulation**

- Periodizing the 20<sup>th</sup> century
- Corporate coalitions and the pendulum of breadth and depth

### **The current crossroads**

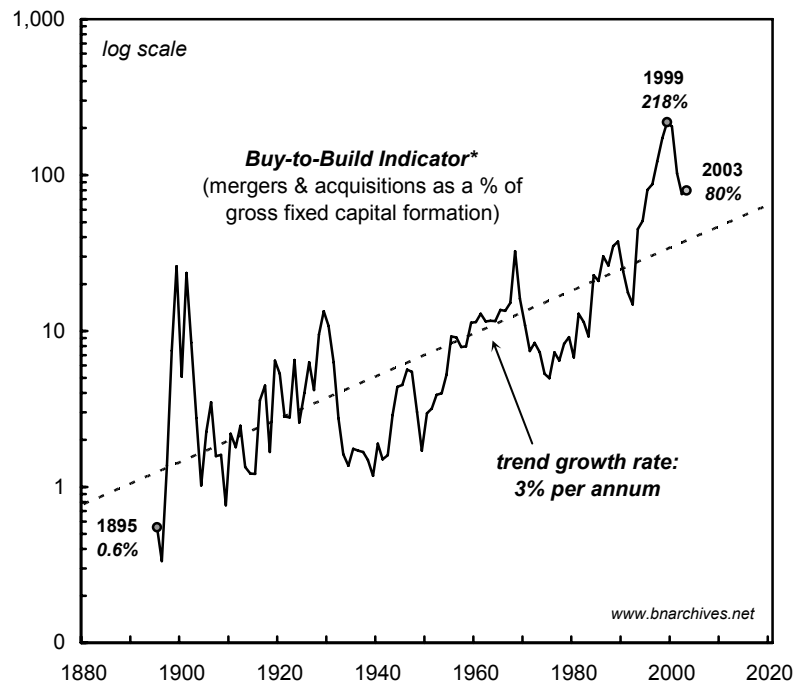
- The "New Economy": disinflation and merger
- The China Syndrome: debt deflation
- The pro-inflation coalition

### **Oil**

- Inflation and oil prices
- OPEC and the oil companies
- Oil profits and the price of oil
- The threat of glut

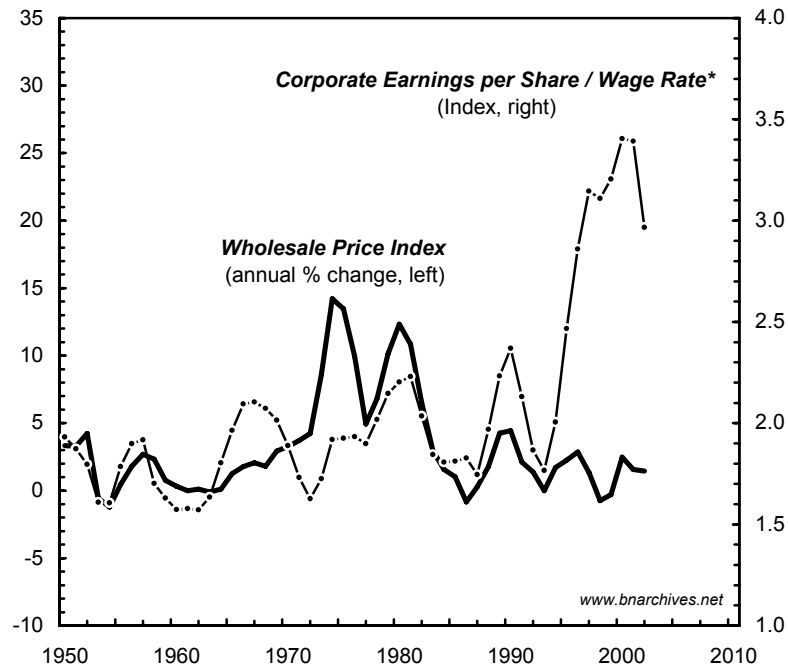
### **"Energy conflicts"**

- War profits and peace dividends in the Middle East
- The Weapondollar-Petrodollar Coalition
- The end of neoliberalism?



**FIGURE 1 Corporate Amalgamation in the United States**

SOURCE: Jonathan Nitzan and Shimshon Bichler, *The Global Political Economy of Israel* (London: Pluto Press, 2002), Data Appendix, pp. 82-3. Updated to 2003.

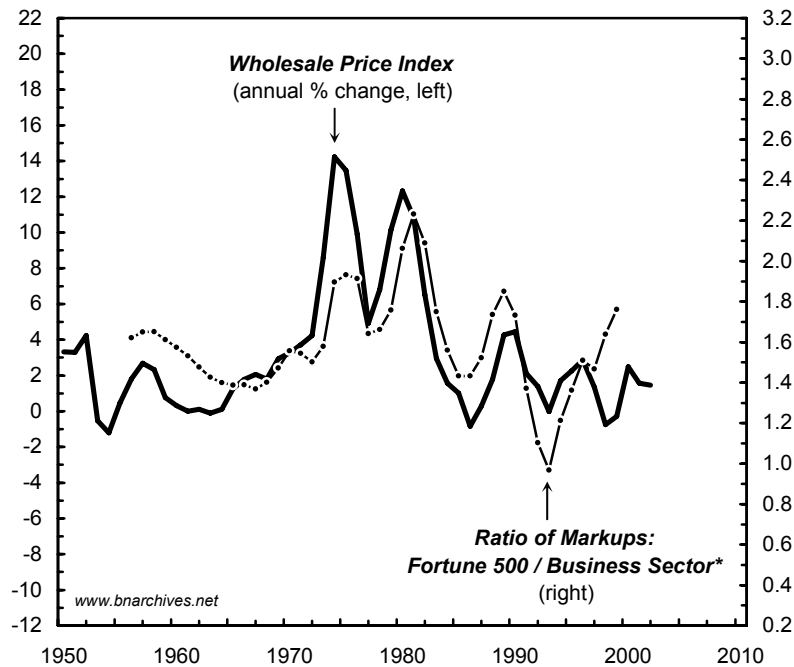


**FIGURE 2 U.S. Inflation and Capital-Labour Redistribution**

\* Corporate earnings per share are for the *S&P 500* Index (ratio of price to price/earnings). The wage rate is the average hourly earning in the private sector.

NOTE: Series are smoothed as 3-year moving averages.

SOURCE: *Global Financial Data* (series codes: \_SPXD for price; SPPECOMW for price/earnings); U.S. Department of Commerce and U.S. Bureau of Labour Statistics through *Global Insight* (series codes: AHHEAP for the wage rate; WPINS for the wholesale price index).

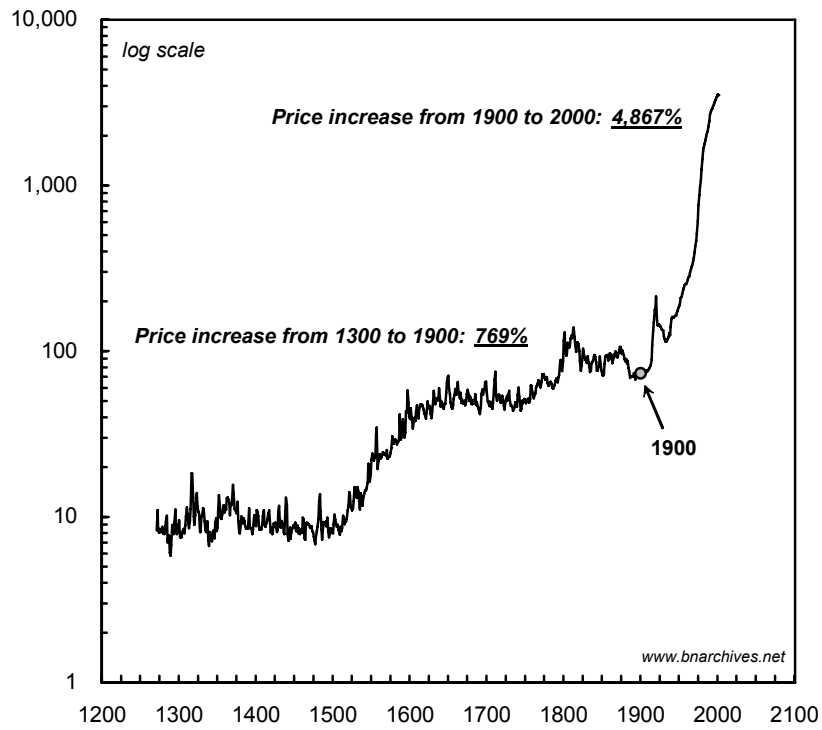


**FIGURE 3 U.S. Inflation and Differential Accumulation**

\* The markup is the percent of net profit in sales. The Fortune 500 markup is the per cent of after tax profit in sales revenues. The business sector markup is computed by dividing total corporate profit after tax, with IVA and CCA (from the national income accounts), by total business receipts from the IRS. The 'Ratio of Markups' is given by dividing the Fortune 500 markup by the business sector markup.

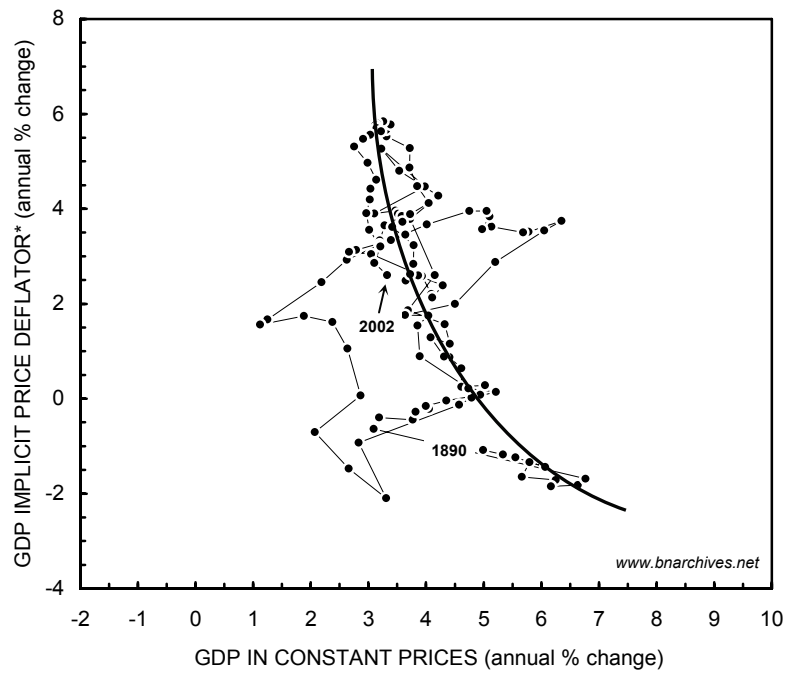
NOTE: Until 1993, the Fortune 500 list included only industrial corporations (firms deriving at least half their sales revenues from manufacturing or mining). From 1994 onward, the list includes all corporations. For 1992-3, data for Fortune 500 companies are reported without SFAS 106 special charges. All series are smoothed as 3-year moving averages.

SOURCE: U.S. Department of Commerce through Global Insight (series codes: ZAADJ for total corporate profit after tax with IVA and CCA; WPINS for the wholesale price index); U.S. Internal Revenue Service; *Fortune*.



**FIGURE 4** Consumer Prices in the U.K.

SOURCE: *Global Financial Data* (series code: CPGBRM); Global Insight.

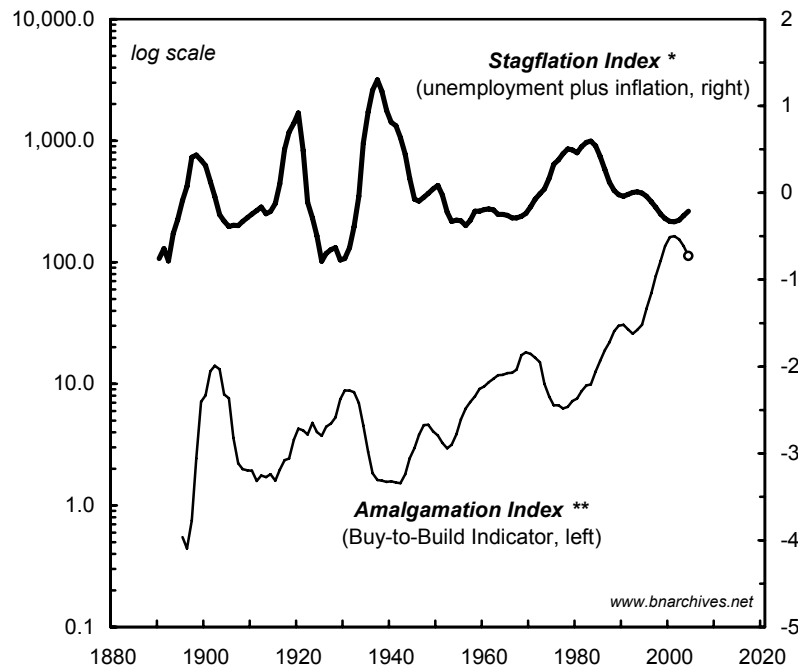


**FIGURE 5 United States: Long Term Inflation and Growth**

\* Ratio of GDP in current prices to GDP in constant prices.

NOTE: Series are shown as 20-year moving averages. The smooth curve running through the observations is drawn free hand for illustration purposes.

SOURCE: Historical data till 1928 are from *The Bank Credit Analyst Research Group*. From 1929 onward, data are from the U.S. Department of Commerce through Global Insight (series codes: GDP for GDP; GDP96 for GDP in constant prices).



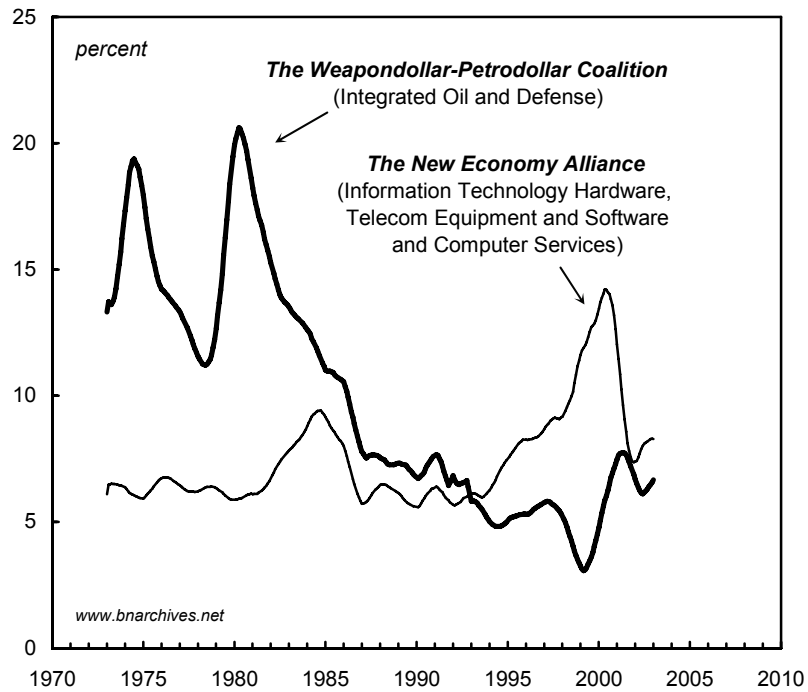
**FIGURE 6 Amalgamation and Stagflation in the United States**

\* Computed as the average of: (1) the standardised deviations from the average rate of unemployment; and (2) the standardized deviation from the average rate of inflation of the GDP implicit price deflator.

\*\* Mergers and acquisitions as a per cent of gross fixed capital formation.

NOTE: Series are shown as 5-year moving averages (the first four observations in each series cover data to that point only).

SOURCE: The stagflation index is computed from data from the U.S. Department of Commerce through Global Insight (series codes: RUC for the rate of unemployment and GDP/GDP96 for the GDP implicit price deflator). The Amalgamation Index is from Jonathan Nitzan and Shimshon Bichler, *The Global Political Economy of Israel* (London: Pluto Press, 2002), Data Appendix, pp. 82-3 (updated to 2004).

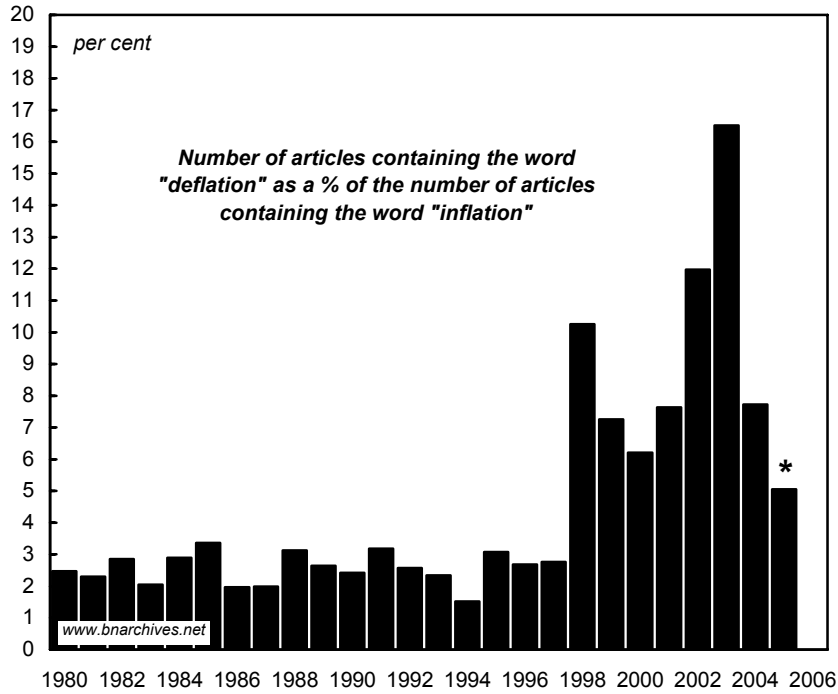


**FIGURE 7** Shares of Global Net Corporate Profit

NOTE: Net profit is computed by dividing market value by the price/earning ratio. Series denote monthly data smoothed as 12-month moving averages.

SOURCE: Datastream (series codes TOTMKWD for world total; OILINWD for integrated oil; DEFENWD for defense; INFOHWD for information technology hardware; TELEQWD for telecom equipment; SFTCSWD for software and computer services).

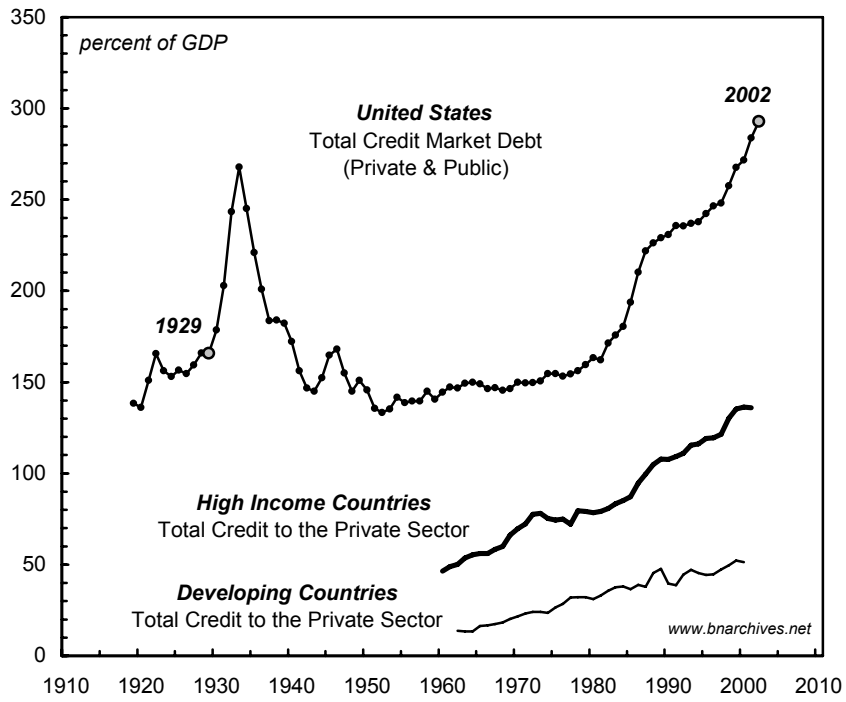




**FIGURE 8 The Threat of Deflation**

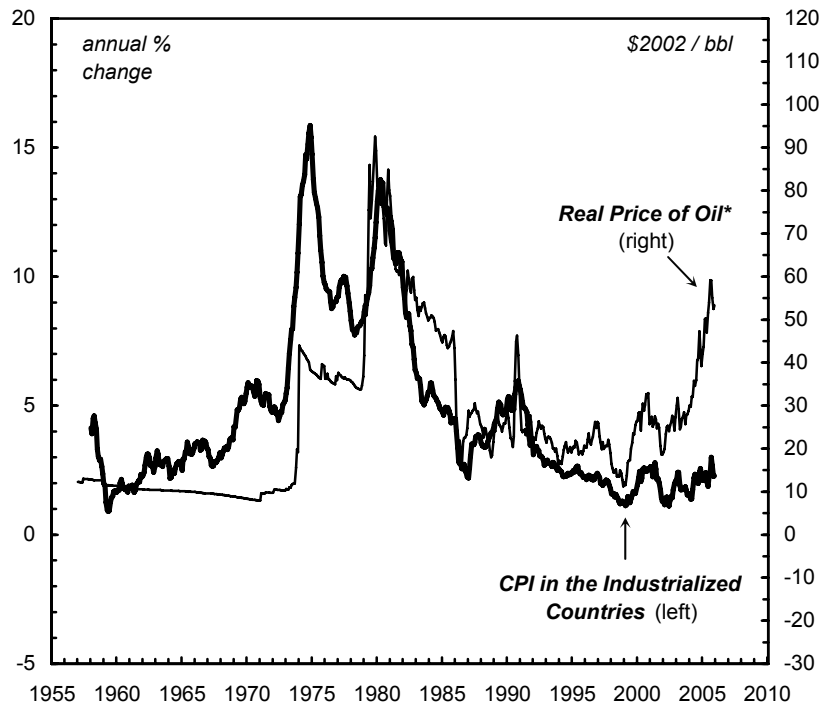
\* January-April.

SOURCE: *Business Source Premier*.



**FIGURE 9 The Debt Load**

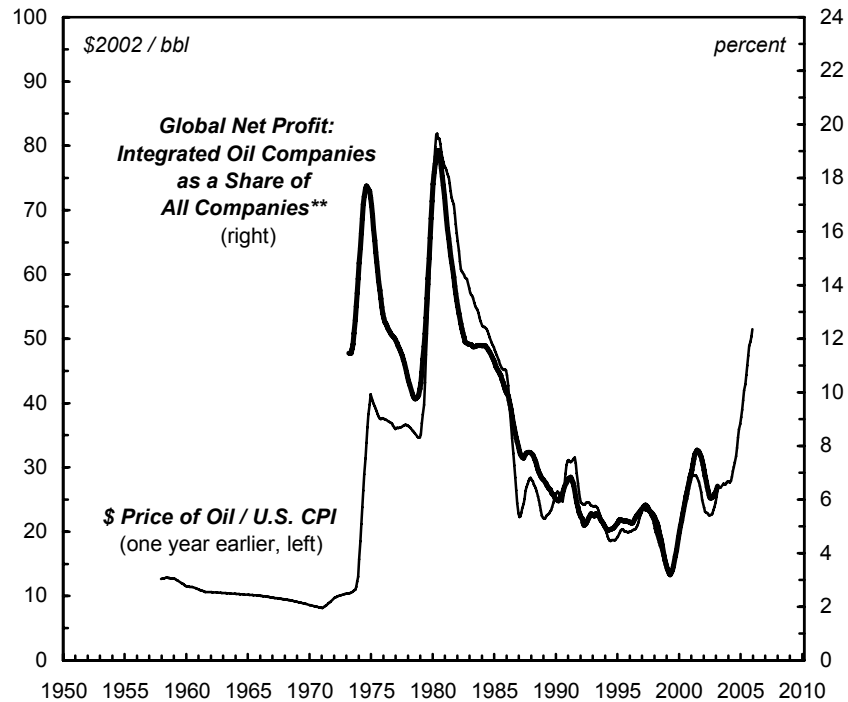
SOURCE: Bank Credit Analyst Research Group. *World Development Indicators*



**FIGURE 10 Inflation and the Price of Oil**

\* \$ price of crude oil deflated by the U.S. CPI.

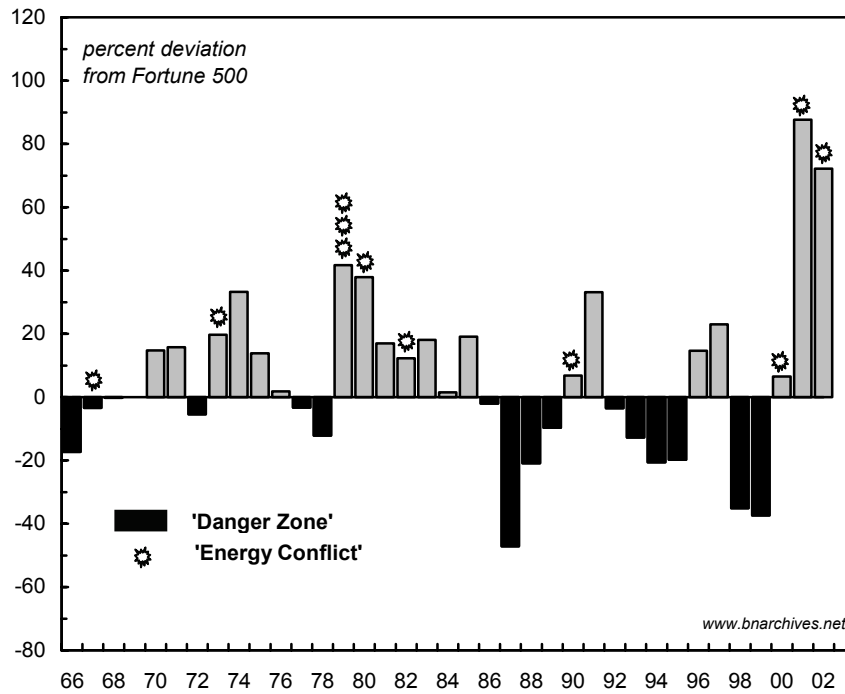
SOURCE: *International Financial Statistics* through Global Insight (series codes: L64@C110 for CPI in the industrialized countries; L76AA&Z@C001 for the price of crude oil; L64@C111 for the U.S. CPI).



**FIGURE 11 The Price of Oil and the Global Distribution of Profit**

NOTE: Net profit is computed by dividing market value by the price/earning ratio. Data are restated to reflect changes in the series constituent companies. Series are smoothed as 12-month moving averages.

SOURCE: *Datastream* (series codes: OILNWD for the integrated oil companies; TOTMKWD for world total); *Global Insight* (series codes L76AA&Z@C001 for the price of crude oil; L64@C111 for the U.S. CPI).

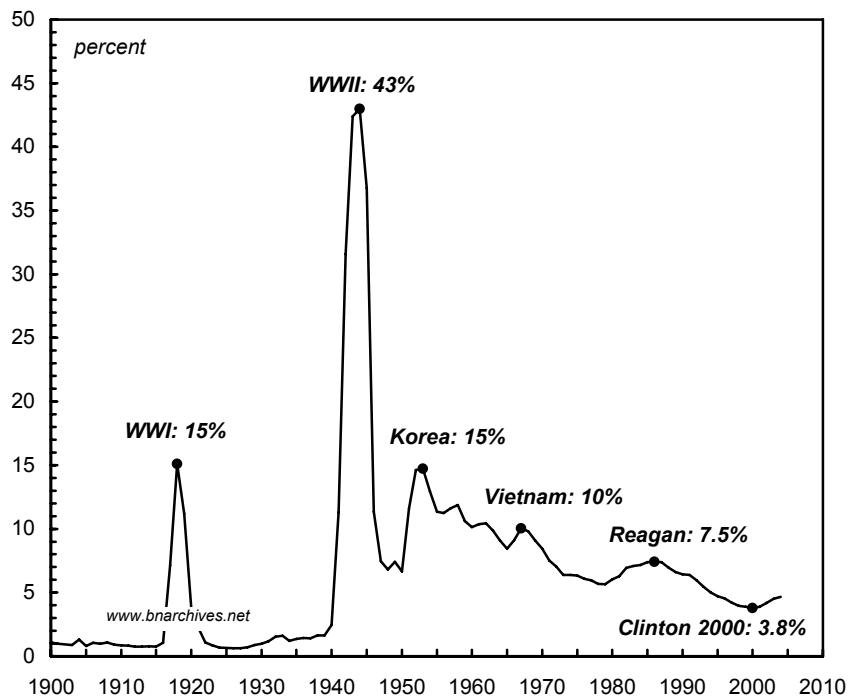


**FIGURE 12 The Petro-Core's\* Differential Accumulation and Middle East 'Energy Conflicts'**

\* The Petro-Core consists of British Petroleum till 1997 and for BP-Amoco since 1998; Chevron and Texaco till 1999 and to Chevron-Texaco since 2000; Exxon and Mobil till 1998 and to ExxonMobil from 1999; and Royal-Dutch/Shell throughout. Company changes are due to merger.

NOTE: For 1992-3, data for Fortune 500 companies are reported without SFAS 106 special charges.

SOURCE: *Fortune*; Standard & Poor's *Compustat*.



**FIGURE 13 U.S. Military Spending as a Share of GDP**

SOURCE: Nils Petter Gleditsch, *The Peace Dividend* (Amsterdam and New York: Elsevier, 1996); U.S. Department of Commerce through Global Insight (series codes: GDP for GDP; GFML for military spending).