

Topic 12

Regimes of Accumulation: Prosperity and Crisis

Regimes of differential accumulation

- The pendulum of breadth and depth: M&A vs stagflation
- “Economic” anomaly or the engine of capital accumulation?
- Regimes of differential accumulation: the spread and deepening of capital as power

The current crossroads

- Neoliberalism as a breadth regime: 1980s-2000s
- Regime shift: reaching the envelope
- The new global context: jurisdictional integration, China, excess capacity
- The threat: debt deflation
- The solution: default or inflation
- How to trigger inflation: the oil factor

Imperialism

- The happy 1990s: from Global Village to The End of History to No Logo
- The 2000s: the Empire strikes back
- Why imperialism: the state-centric approach
- Anarchy: the invisible hand of economics vs. the hidden fist of global politics
- From superpower confrontation to the omnipotent empire
- The resource imperative: make it plenty and cheap
- The invasion of Iraq: “It’s All About Oil”

Imperialism?

- Accumulation = growth + price stability?
- U.S. policy and OPEC: friends or foes?
- Why strike at a dysfunctional cartel?
- The Bush presidency: an “oil administration”?
- Conspiracy theory: the neo-cons contra the oil firms
- OPEC and the oil companies: divergence or convergence?
- What determines the price of oil: production, “scarcity” or power?

Oil and profits

- The accumulation triangle: differential prices, differential profits and energy conflicts
- Danger zones
- Energy conflicts and differential accumulation: the stylized facts
- Capital accumulation: “one factor” or the overarching architecture of power?

New imperialism or new capitalism?

- The pro-inflation coalition
- The oil companies and OPEC: the quest for high price
- The armament companies and the neo-cons: the Project for the New American Century and the new Pearl Harbour
- Dominant capital: the need for depth
- The victims of deflation: capital at large and the “policy makers”
- Conspiracy theory or the state of capital?
- Determinism or open ended history?

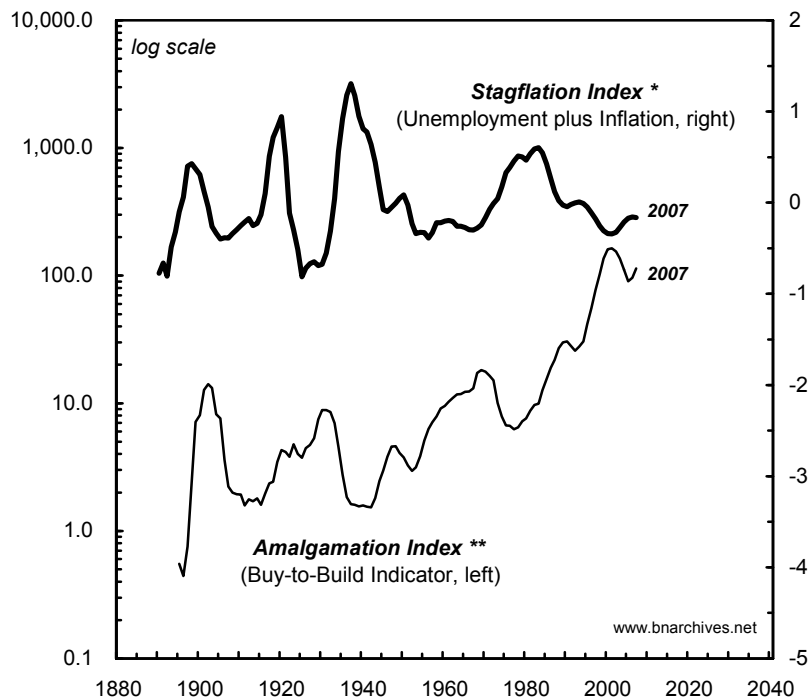


FIGURE 1 Amalgamation and Stagflation in the U.S.A.

* 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 expressed as a per cent of gross fixed private domestic investment.

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 based on data from the U.S. Department of Commerce through Global Insight (series codes: RUC for the rate of unemployment since 1929; PDIGDP for the GDP implicit price deflator); *Historical Statistics of the United States* (series D-8, p. 126 for the rate of unemployment before 1929). For the Amalgamation Index see Nitzan and Bichler, *Capital as Power. A Study of Order and Creorder* (London & New York: Routledge, 2009), Appendix to Chapter 15.

Regimes of Differential Accumulation

Period	Breadth through M&A	Subsequent Conflict
1900s	Monopoly	WWI stagflation
1920s	Oligopoly	WWII stagflation
1960s	Conglomerate	Vietnam / Middle East stagflation
1990s	Global	New Wars stagflation

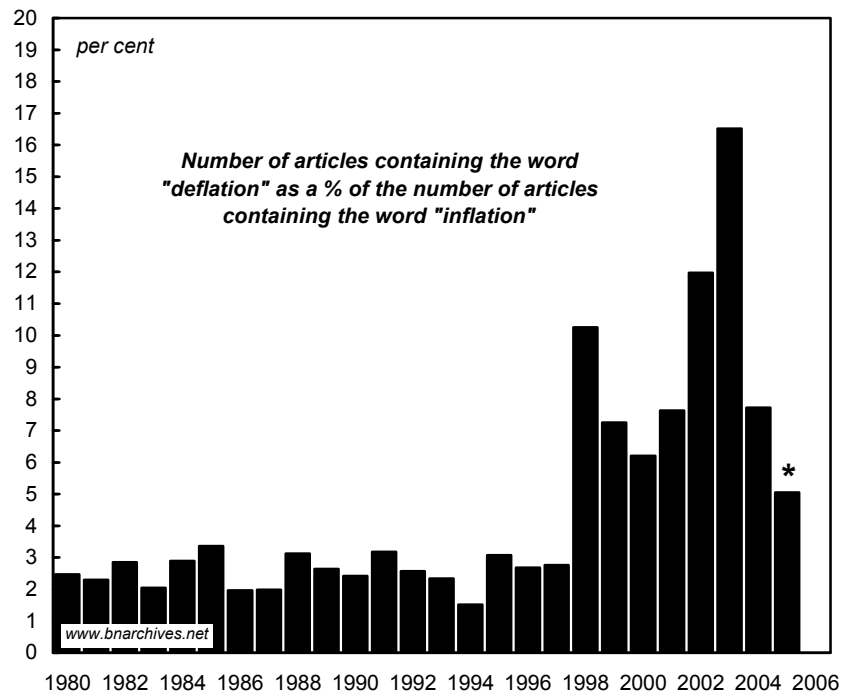


FIGURE 2 The Threat of Deflation

* January-April.

SOURCE: *Business Source Premier*.

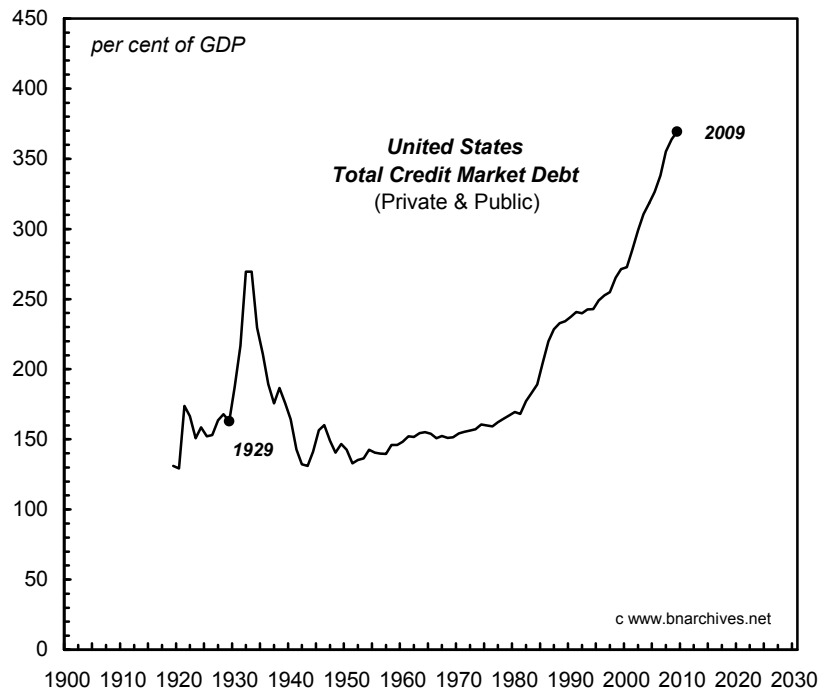


FIGURE 3 **The Debt Load**

SOURCE: Debt data until 1951 are from the Bank Credit Analyst Research Group; data from 1952 onward are from the Federal Reserve Board through Global Insight (series code: FL894104005). GDP data until 1928 are from Global Financial Data; data from 1929 onward are from the U.S. Department of Commerce through Global Insight afterward (series code: GDP).

Don't Worry About Deflation: Soothing Statements, 2002

'Ignore the Ghost of Deflation. Apart from Japan, the world has not seen deflation for 70 years.'

Financial Times columnist Samuel Britton

'Deflation is an overblown worry.'

James Grant, editor of Grant's Interest Rate Observer.

'Believe in Ghosts, Goblins, Wizards and Witches if you will, but don't believe in deflation occurring any time soon.'

Financial expert Adrian Douglas

'The United States is nowhere close to sliding into a pernicious deflation.'

Fed Chairman Alan Greenspan

'The good news is that monetary policy never runs out of power.'

Former member of the Federal Reserve Board, Angell Wayne,

'There's a much exaggerated concern about deflation. It's not a serious prospect. Inflation is still a much more serious problem than deflation. Today's Federal Reserve is not going to repeat the mistakes of the Federal Reserve of the 1930s. The cure for deflation is very simple. Print Money.'

Nobel Laureate Milton Friedman

'Deflation is always reversible under a fiat money system. The U.S. government has a technology called the printing press that allows it to produce as many U.S. dollars as it wishes at essentially no cost.'

Ben Bernanke, 'Deflation: Making Sure "It" Doesn't Happen Here,'

Quoted from Robert Prechter, "Deflation: Once More Into the Breach," *The Elliott Wave Theorist*, January, 2003 and from the Federal Reserve Board website.

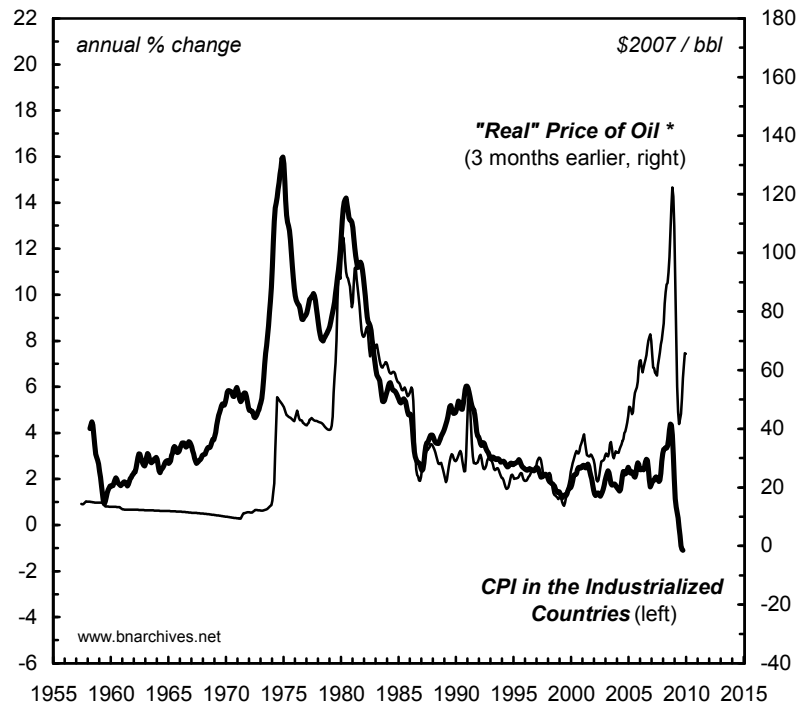


FIGURE 4 Inflation and the Price of Oil

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

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

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

Imperialism

'Imperialism used to be the white man's burden. This gave it a bad reputation. But imperialism doesn't stop being necessary because it is politically incorrect.'

Michael Ignatieff, Professor of Human Rights Policy at the Kennedy School of Government at Harvard University

'Our goal is not combating a rival, but maintaining our imperial position, and maintaining imperial order.'

Professor Stephen Peter Rosen, Head of the Olin Institute for Strategic Studies at Harvard University

'The main task of the United States in preserving its empire is 'to prevent collusion and maintain dependence among the vassals, [to] keep tributaries pliant and protected, and to keep the barbarians from coming together.'

Zbigniew Brzezinski, former National Security Advisor to Jimmy Carter

'For globalization to work, America can't be afraid to act like the almighty superpower it is. . . . The hidden hand of the market will never work without the hidden fist . . . and the hidden fist that keeps the world safe for Silicon Valley's technologies is called the US Army, Air Force, Navy and Marine Corps.'

Thomas Friedman, New York Times

'Globalisation, the economic imperialism of capital taken to its logical conclusion, has, paradoxically, required a new doctrine of extraeconomic, and especially military, coercion. . . . It has, in fact, been a major strategy of capitalist imperialism even to create local states to act as conduits of capitalist imperatives. . . . "Operation Infinite War" is apparently intended to produce something more like Hobbes's 'state of war'. . . . It is this endless possibility of war that imperial capital needs in order to sustain its hegemony over the global system of multiple states. . . . This does not necessarily mean that the US, as global capital's ultimate coercive power, will wage war for no reason at all, just for the purpose of display.'

Ellen Meiksins Wood

The Invasion of Iraq

'America's chief interest in going after Iraq's president, Saddam Hussein, is doubtless to save the world from his actual or potential weapons of mass destruction. Another large consideration, secondary as it may be, has attracted less attention than it should have: the effects that would follow from the opening up of the country's enormous reserves of oil. . . . It might seem, then, that knocking out Mr Hussein would kill two birds with one stone: a dangerous dictator would be gone, and with him would go the cartel that for years has manipulated prices, engineered embargoes and otherwise harmed consumers.'

The Economist, Septmeber 14, 2002

'The first reason here is oil – the desire for greater U.S. control of Iraqi (and thus indirectly other Middle Eastern) oil resources. The second reason is the U.S. desire to extend the U.S. drive for global domination. The third and last reason on this list is the desire of many dominant leaders of the Bush administration in the U.S., in partnership with the Sharon government in Israel, that a conquest of Iraq become the first stage of a 'strategic transformation' of the entire Middle East.'

Bill Christison, formerly a top political analyst at the CIA, *CounterPunch*, February 8, 2003

'Oil appears in Washington's calculations about Iraq as a strategic rather than an economic resource: the war against Saddam is about guaranteeing American hegemony rather than about increasing the profits of Exxon. . . . As part of their grand plan for using a "liberated" Iraq as a base from which to promote democracy and capitalism across the Middle East, they want Baghdad to explore for new reserves, rapidly increase production capacity and quickly flood the world market with Iraqi oil. They know that this would lead to an oil price crash, driving it to \$15 a barrel or less. They hope that this collapse will stimulate economic growth in the US and the West, finally destroy Opec . . . wreck the economies of "rogue states" (Iran, Syria, Libya), and create more opportunities for "regime change" and democratisation.'

Yahya Sadowski. No War for Whose Oil? Collateral Damage From An Illegal War. *Le Monde Diplomatique*, April 17, 2003.

'There were only two credible reasons for invading Iraq: control over oil and preservation of the dollar as the world's reserve currency. . . . By invading Iraq, Bush has taken over the Iraqi oil fields, and persuaded the UN to lift production limits imposed after the Kuwait war. Production may rise to 3m barrels a day by year end, about double 2002 levels. More oil should bring down Opec-led prices, and if Iraqi oil production rose to 6m barrels a day, Bush could even attack the Opec oil-pricing cartel.'

John Chapman. The Real Reason Bush Went to War. *The Guardian*, July 28, 2004

'From all that can be seen, oil production in Iraq is likely to remain depressed for years, no matter how much more blood is shed in its pursuit. It is already evident that American military action will not lead to democracy in Iraq, merely to the division of the country into separate ethnic enclaves, one possibly ruled by Iranian-like ayatollahs; it can now also be said that we will not gain any additional petroleum supplies as a result of all this sacrifice and tragedy. Not only has the use of force to procure Iraqi oil failed to achieve its intended results, it has actually made the situation worse.'

Michael Klare. The Failed Mission to Capture Iraqi Oil. *Information Clearing House*, September 22, 2005.

The Conventional Wisdom

' . . . If there is any agreement among the pundits, this surely must be it: *the coming war on Iraq will be fought largely over oil*. The gist of the argument is simple enough, and can be summarized as follows:

- In order to continue growing, the world economy needs plenty of cheap oil;
- The OPEC cartel stands in the way of that goal. For years, its members have manipulated output to keep prices high;
- Now, there is finally an opportunity to change the rules of the game, perhaps even to make the oil cartel irrelevant;
- The entry point is Iraq. The country, says George Bush Jr., has become a "global threat." It supports terrorism, it has weapons of mass destruction, and it has a ruler unscrupulous enough to use them. In the age of 'preventive strikes,' these are sufficient reasons to invade thy neighbour;
- Once victorious, the invading armies will install a new, more friendly leader. This ruler will adopt a new energy policy, hostile to OPEC and friendly to the United States and the West. And since Iraq has 11 per cent of the world's crude oil reserves and the ability to pump out plenty of it, the days of high oil prices will soon be over. . . .'

From Jonathan Nitzan and Shimshon Bichler, 2003. [It's All About Oil](#). *News From Within* Vol. XIX, No 1, January 2003, pp. 8-11.

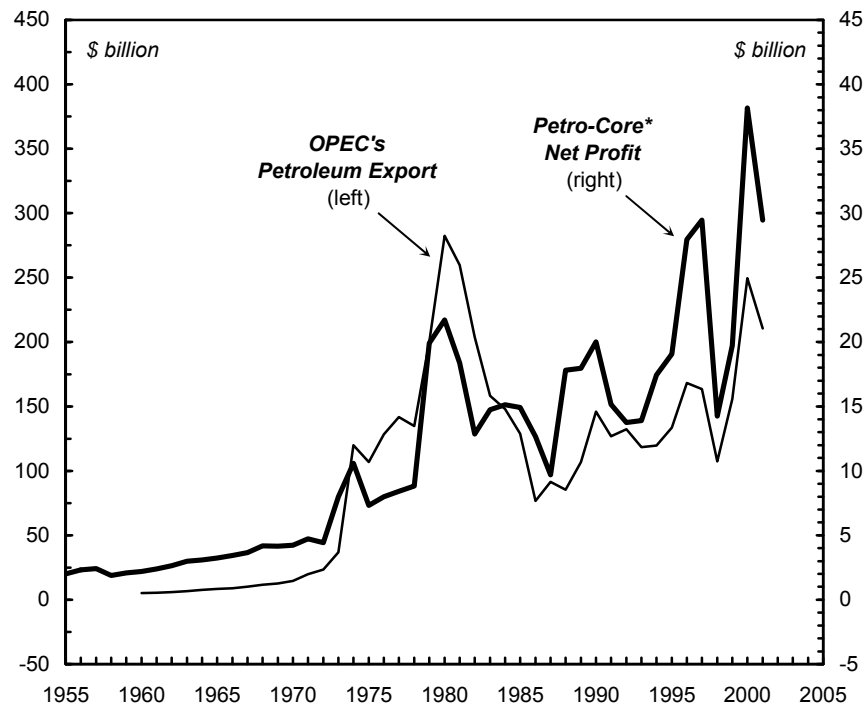


FIGURE 5 OPEC and the Oil Companies

* British Petroleum (BP-Amoco since 1998), Chevron (till 2000), Exxon (ExxonMobil since 1999), Mobil (till 1998), Royal-Dutch/Shell and Texaco (till 2000). Company changes are due to merger.

SOURCE: OPEC Annual Statistical Bulletin; Fortune.

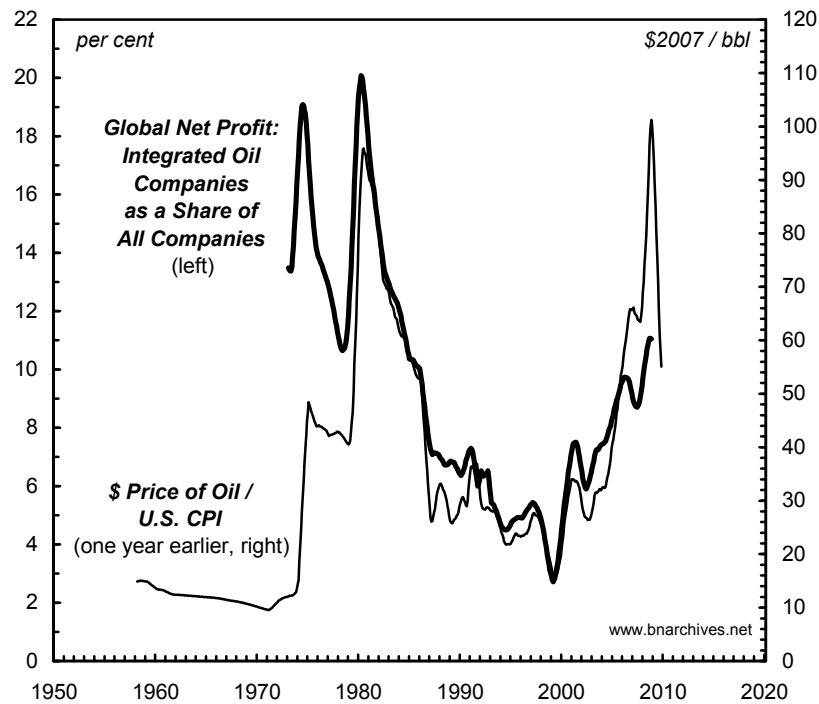


FIGURE 6 The Price of Oil and the Global Distribution of Profit

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. The last data points are for September 2009.

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

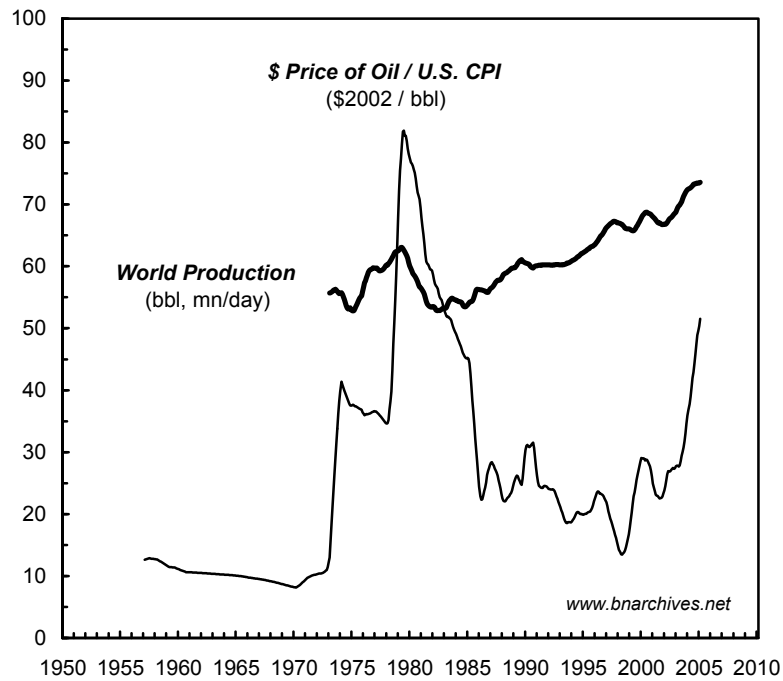


FIGURE 7 Oil: World Production and Price

NOTE: Series are smoothed as 12-month moving averages.

SOURCE: Energy Information Administration (<http://www.eia.doe.gov/emeu/ipsr/t11c.xls>); IMF *International Financial Statistics*; U.S. Department of Commerce through Global Insight.

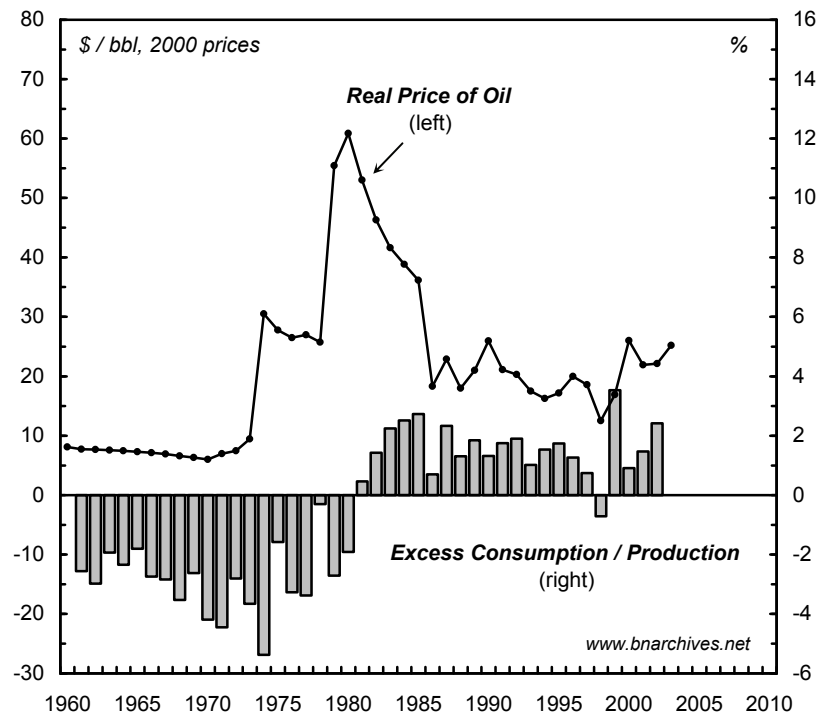


FIGURE 8 “Scarcity” and the Real Price of Oil

NOTE: The real price is the spot \$ price divided by the U.S. Implicit GDP Deflator. Excess consumption / production is equal to world consumption less production as a per cent of their average. According to British Petroleum, this excess is accounted for by “stock changes, consumption of non-petroleum additives and substitute fuels, and disparities in the definition, measurement or conversion of oil supply and oil demand data.”

SOURCE: British Petroleum (Annual); IMF and U.S. Department of Commerce through Global Insight.

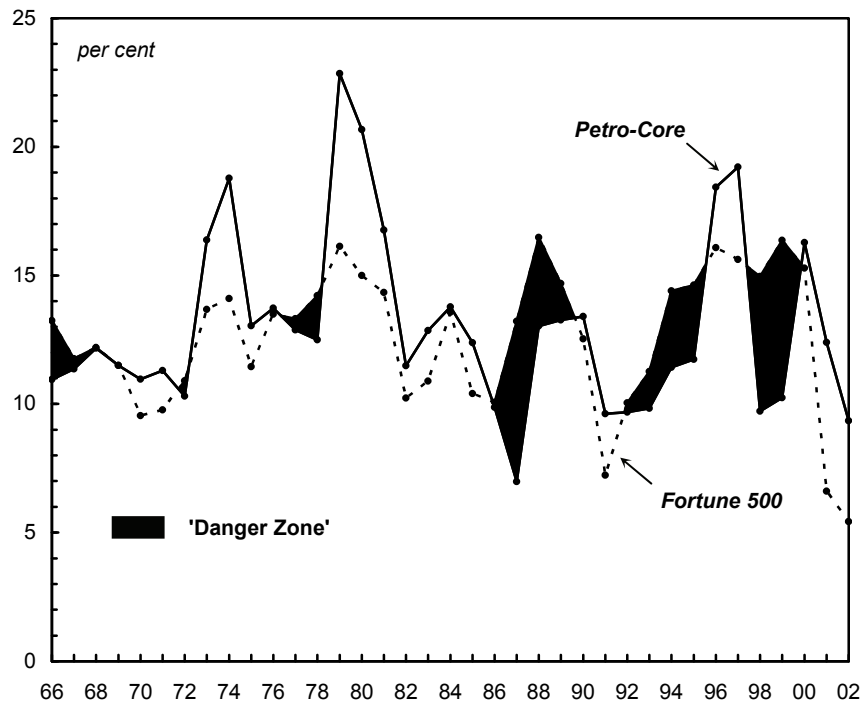


FIGURE 9 Return on Equity: The Petro-Core* versus the Fortune 500

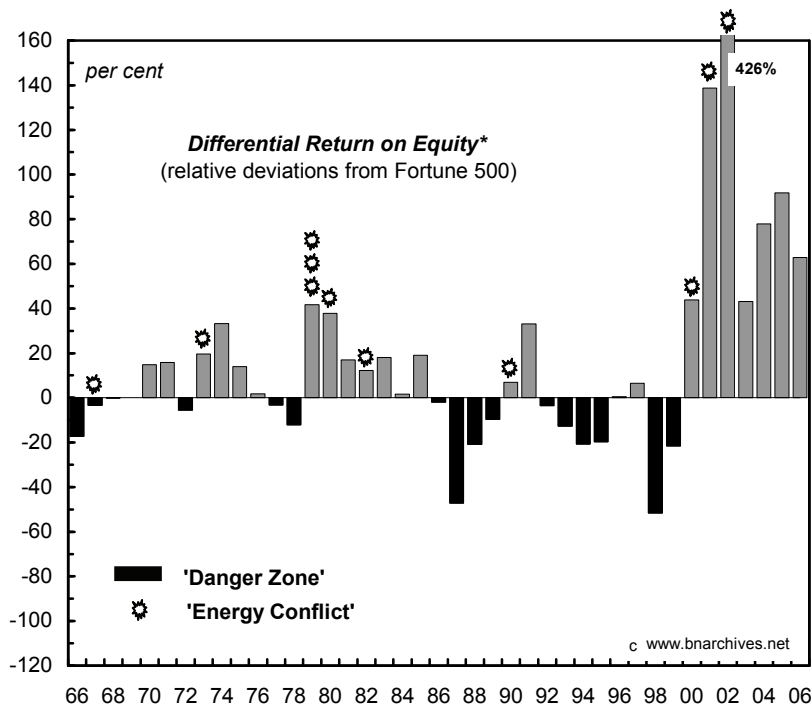
* British Petroleum (BP-Amoco since 1998), Chevron (till 2000), Exxon (ExxonMobil since 1999), Mobil (till 1998), Royal-Dutch/Shell and Texaco (till 2000). Company changes are due to merger.

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.

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

The New Wars: The Stylized Facts

- First, *every* energy conflict in the Middle East was preceded by a danger zone, in which the oil companies suffered differential *decumulation*.
- Second, *every* energy conflict was followed by a period during which the oil companies beat the average.
- And, third, with only one exception in 1996-7, the oil companies *never* managed to beat the average without an Energy Conflict first taking place.



Year	Energy Conflict
1967	Israeli-Arab
1973	Israeli-Arab
1979	Lebanon / Hostages / Afghanistan
1980	Iraq-Iran
1982	2 nd Invasion Lebanon
1990-1	1 st Gulf War
2000	Intifada
2001	Afghanistan
2002-3	2 nd Gulf War

FIGURE 10 The Petro-Core's Differential Accumulation and Middle East 'Energy Conflicts'

* Return on equity is the ratio of net profit to owners' equity. Differential return on equity is the difference between the return on equity of the Petro-Core and the Fortune 500, expressed as a per cent of the return on equity of the Fortune 500. For 1992-3, data for Fortune 500 companies are reported without SFAS 106 special charges

NOTE. The Petro-Core consists of British Petroleum (BP-Amoco since 1998), Chevron (till 2000), Exxon (ExxonMobil since 1999), Mobil (till 1998) and Royal-Dutch/Shell and Texaco (till 2000). Company changes are due to merger. The Energy Conflicts include: the 1967 Arab-Israel war, the 1973 Arab-Israel war, the 1979 Iranian Revolution, the 1979 first Israeli invasion of Lebanon, the 1979 Soviet invasion of Afghanistan, the 1980 Iran-Iraq war, the 1982 second Israeli invasion of Lebanon, the 1990-1 first Gulf War, the 2000 second Palestinian Intifada, the 2001-2 U.S. invasion of Afghanistan and the launching of the 'War on Terror' and the 2002-3 second Gulf War.

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

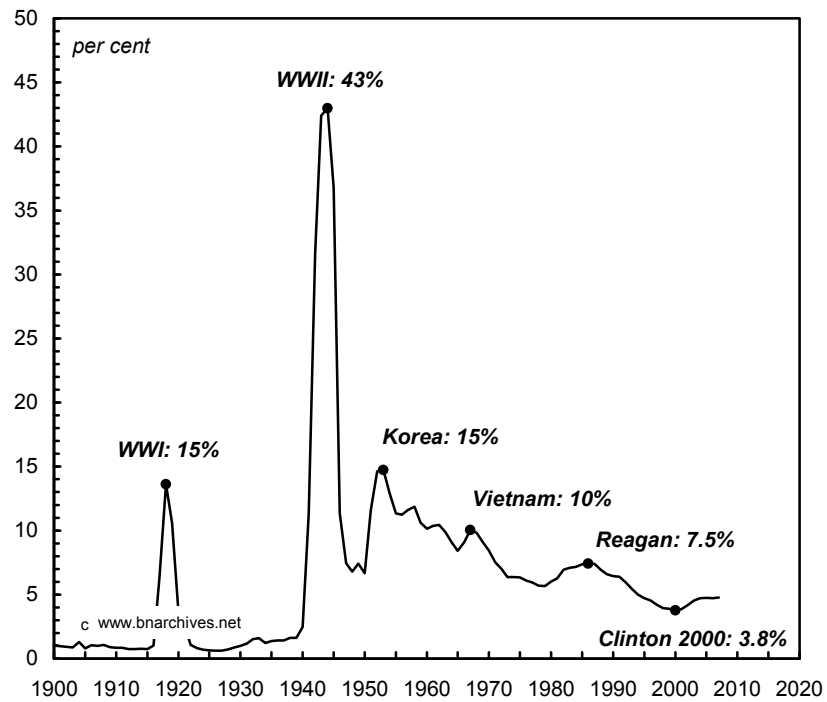


FIGURE 11 U.S. Military Spending as a Share of GDP

SOURCE: Till 1928, data for military spending are from Nils Petter Gleditsch, *The Peace Dividend* (Amsterdam and New York: Elsevier, 1996), and data for GDP are from Global Financial Data. From 1929 onward, data are from the U.S. Department of Commerce through Global Insight (series codes: GDP for GDP; GFML for military spending).

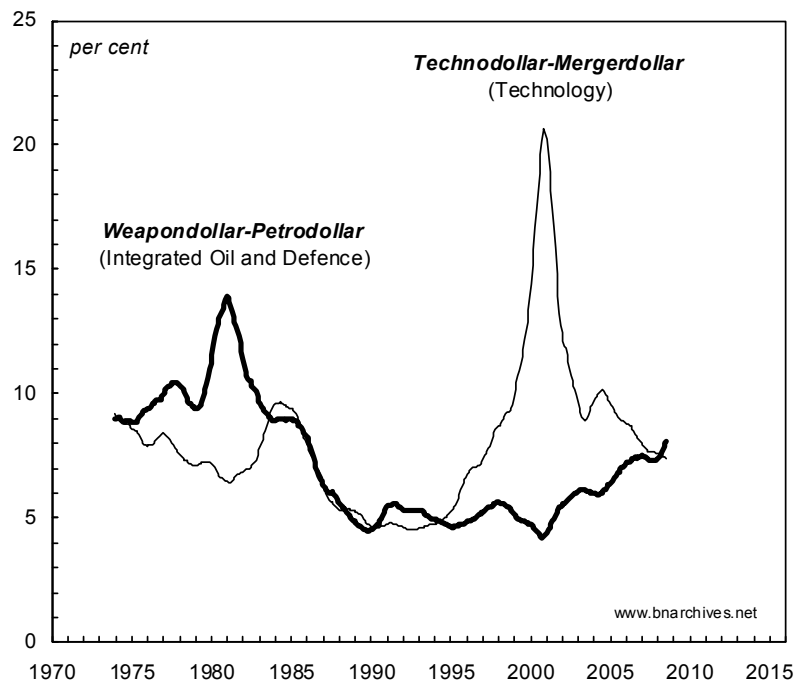


FIGURE 12 Shares of Global Market Capitalization

NOTE: Series denote monthly data shown as 12-month moving averages. The last data points are for July 2008.

SOURCE: Datastream (series codes: TOTMKWD for world total, OILINWD for integrated oil; AERSPWD for defence; TECNOWD for technology).

Periodicity

Period	Differential Accumulation Regime	Coalition
1970s – Mid 1980s	Depth / frequent energy conflicts	Weapon\$-Petro\$
Mid 1980s – 1990s	Breadth / infrequent energy conflict	Techno\$-Merger\$
2000s - ?	Depth / frequent energy conflicts	Weapon\$-Petro\$