Global Crisis and Food Sovereignty

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Food, Profit Behavior, «Originant» and «Ordinary» Accumulation and Structural Crises
Crisis of Capitalism’s «Golden Years»

• The present crisis is not only a financial one. It is a crisis of civilization. The convergence of long term contradictory processes in several levels (economic, demographic, ecological, etc.) has reduced capital’s marge of maneuver with historical progressive projection, opening the room for very painful situations for large segments of Earth’s population.

• The anti-fascist forces victory in the Second World War triggered the constitution of a series of regimes of accumulation with significant endogenous dynamics of growth based upon re-distributive patterns at the domestic and the international levels that expressed the new balance of power.
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The systemic core: profit, mode of regulation and regime of accumulation

Subconsumption / overproduction
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- Subconsumption / overproduction
- Dis-proportions
The systemic core: profit, mode of regulation and regime of accumulation

- Subconsumption / overproduction
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- Rate of profit tendential fall
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Profit laws

“Originating” Acumulation

Subconsumo / sobreproducción
Desproporcionalidad
Caída tendencial de la tasa de ganancia
The systemic core: profit, mode of regulation and regime of accumulation

Profit laws

“Originating” Acumulation

“Ordinary” Acumulation

Subconsumo / sobreproducción

Desproporcionalidad
The systemic core: profit, mode of regulation and regime of accumulation

Profit laws

Subconsumo / sobreproducción

Desproportionalidad

“Originating” Accumulation

Unpaid Work
Desposesion
Commodification of Nature and Commons

“Ordinary” Accumulation

Waged labor
Asfixiation of «inefficient» production
Expansion on external areas
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- Mode of Regulation
- Regime of Accumulation
Food Production, Demographics and Ecology under the «Golden Years»
Fordist extension in agriculture

• The pervasive destruction of local food provision systems in favor of national structures linked to international markets of commodities under the norms and negotiations of GATT
• Corresponding enhancement of macroeconomic and sectorial instruments of policy with different and contradictory degrees of sovereignty, within the socio-technological framework of agro-chemization and mechanization.
• Agro-technological paradigm based on high exosomatic dependency in time (soil cycle) and space (ecological debt)
• Crucial availability of cheap fossil fuel
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7 billion human beings permanently challenging the ecosystem...
...with uncertain reconstructions of homostasis
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Expenditures per Barrel of Reserve Additions, 1975-2008
Three-Year Moving Average

Two points are relative here. Firstly, the spike is concurrent with the six year peak in global oil production, which began in 2005. This should be rather obvious, if not expected. Secondly, however, there is another “cost” associated with our attempt.
Financiarization and Globalization: the «Solutions» to the Structural Crisis
The structural character of the crisis and the transformation of food markets

• The quarter of century long wave of high growth - high profits of capitalism under USA hegemony ended by the middle of the sixties, claiming for another set of technological and institutional arrangements conducive towards higher rates of profits for monopoly capital.

• From food sovereignty to food security
• From hedging to speculation
• From GATT to WTO and Doha Round Agriculture impasse
• From “green revolution” to GMO and agrofuels
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Overproduction since the 60s: a prolonged Kondratief B phase

Percent utilization of industrial capacity in US

http://www.monthlyreview.org/081201foster-magdoff.php
Structural revenue concentration within the richest 1% in the North

Graphique 1. Part du 1 % les plus riches dans l’ensemble des revenus 1900-2007

MONOPOLIC – LIBERAL REGIMEN OF ACCUMULATION

FORDIST - KEYNESIAN REGIMEN OF ACCUMULATION

“NEOLIBERAL” REGIMEN OF ACCUMULATION

*Allemagne, Chine, Etats-Unis, France, Inde, Japon, Royaume-Uni, Suède
Sources : Atkinson, Piketty, Saez (2009).
The Common Movement of Inequality Measured within Countries, Across Time

Note: The vertical axis represents the time element in a two-way fixed effects panel regression, across the panel of country-year observations. Vertical scale is log(T) units. Source: Kum 2008.
... in a historic perspective

Graphique 5. Les inégalités mondiales (1820-2007)

Indicateur « Gini 3 ».
FORDIST - KEYNESIAN REGIME OF ACUMULATION

Moyennes pondérées selon le PIB pour le « G6 » (Etats-Unis, Japon, Allemagne, France, Royaume-Uni, Italie)
Source : OCDE, Perspectives économiques, 2003
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PROFIT RATES RECOVERY BASED ON NET TRANSFERS FROM THE SOUTH (TRADE, FDI, INTERESTS AND DIVIDENDS)

US$ BILLIONS

SOURCE: WORLD BANK

NET TRANSFERS IN DEBT SERVICE FROM THE GLOBAL SOUTH

- 774.000 US$ BILLIONS (1985-2008)

Debt-led consumption growth instead of the fordist commitment

Tomado de: Husson, 2008
Weakness of the productive capital dynamics in favor of financial speculation and fictitious capital

US, EUROPE AND JAPAN

“NEOLIBERAL” REGIME OF ACUMULATION

FORDIST - KEYNESIAN REGIME OF ACUMULATION

RATE OF PROFIT

INVESTMENT SHARE ON GDP

Tomado de: Husson, 2008
New structural dynamics of innovations as countendency

• Given the structural crisis of over-production and over-accumulation that even affected the rhythm of moral obsolescence and fixed capital rotation with not enough room for its full depreciation, investment leanings favored speculative hypertrophy as overlapping networks of claims on uncertain future production.

• Unsustainable market dynamics, rent-seeking strategies and archaic forms of exploitation and domination: new “enclosures”, new role of mercantile and usurious capital, absolute surplus value predominance, oligarchic culture, famine as disciplinary device
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Implosion of the Solutions to the Structural Crisis
Ecological debts, old debts, new debts

• Being systemically counter-productive from profitability considerations, technical innovation, massive as it is, gradually opened room for archaic forms of exploitation that tended to reappear differentially in center, periphery and semi-periphery, structuring a new wave of regressive re-distribution, “originant” accumulation and geographical syphoning out of value and resources (exacerbation of the ecological debt).

• Market insufficiency end up “compensated” via debt, which converged with the needs for financial investment opportunities and de-regulation in a context of the Bretton Woods System dismantling.
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GLOBAL GDP GROWTH AND AMOUNT OF FINANCIAL DERIVATIVES

GLOBAL GDP

“NEOLIBERAL” REGIME OF ACUMULATION

FINANCIAL DERIVATIVES

Sources: World Bank and BIS

Tomado de: Beinstein, 2008
Could the genius get back to the bottle?

Growth of financial and nonfinancial profits relative to GDP (1970 = 100)

http://www.monthlyreview.org/081201foster-magdoff.php
Out of 37 million corporations in Orbis 2007, only 43060 TNC control the fundamental and are interlocked by ownership relationships. 1318 of them produce 60% of the global GDP and only 147 the 40%
The larger 50 TNC (out of 147)

1. Barclays plc
2. Capital Group Companies Inc
3. FMR Corporation
4. AXA
5. State Street Corporation
6. JP Morgan Chase & Co
7. Legal & General Group plc
8. Vanguard Group Inc
9. UBS AG
10. Merrill Lynch & Co Inc
11. Wellington Management Co LLP
12. Deutsche Bank AG
13. Franklin Resources Inc
14. Credit Suisse Group
15. Walton Enterprises LLC
16. Bank of New York Mellon Corp
17. Natixis
18. Goldman Sachs Group Inc
19. T Rowe Price Group Inc
20. Legg Mason Inc
21. Morgan Stanley
22. Mitsubishi UFJ Financial Group Inc
23. Northern Trust Corporation
24. Société Générale
25. Bank of America Corporation

26. Lloyds TSB Group plc
27. Invesco plc
28. Allianz SE
29. TIAA
30. Old Mutual Public Limited Company
31. Aviva plc
32. Schroders plc
33. Dodge & Cox
34. Lehman Brothers Holdings Inc*
35. Sun Life Financial Inc
36. Standard Life plc
37. CNCE
38. Nomura Holdings Inc
39. The Depository Trust Company
40. Massachusetts Mutual Life Insurance
41. ING Groep NV
42. Brandes Investment Partners LP
43. Unicredito Italiano SPA
44. Deposit Insurance Corporation of Japan
45. Vereniging Aegon
46. BNP Paribas
47. Affiliated Managers Group Inc
48. Resona Holdings Inc
49. Capital Group International Inc
50. China Petrochemical Group Company
Shadow banking at the core of the power structure

Figure 2.2
THE SHADOW BANKING SYSTEM, 2007, Q2

Market based

- Government sponsored enterprises 7.7
- Finance companies 1.9
- Brokers and dealers 2.9
- Asset backed securities issuers 4.1

Bank based

- Commercial banks 10.1
- Savings institutions 1.9
- Credit unions 0.8

Overproduction leads to financial hipertrophy

• Keynesian policies are not enough nor suitable for recovery: income distribution pattern and state intervention unacceptable.

• Financial re-regulation not compatible with the current structure of global power and profit rate hierarchy

• Monetary and financial reform is one neuralgic point: Wall Street monopoly on global liquidity behind colossal centralization of capitals and POWER!
Global GDP = 63’’ vs. “Normal Debts” = 212’’ vs. Financial Derivatives = 1500’’
Swings in valuation levels are responsible for most of the fluctuations in global equity outstanding

Total global equity outstanding
$ trillion, end of period, constant 2010 exchange rates

<table>
<thead>
<tr>
<th>Year</th>
<th>Total stock market capitalization Valuation effect</th>
<th>Book value of equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-09</td>
<td>11</td>
<td>5</td>
</tr>
<tr>
<td>1995</td>
<td>17</td>
<td>9</td>
</tr>
<tr>
<td>2000</td>
<td>36</td>
<td>13</td>
</tr>
<tr>
<td>2005</td>
<td>45</td>
<td>25</td>
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<tr>
<td>2010</td>
<td>65</td>
<td>37</td>
</tr>
</tbody>
</table>

<table>
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<tr>
<th>Compound annual growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
</tr>
<tr>
<td>1990-09</td>
</tr>
<tr>
<td>8.1</td>
</tr>
<tr>
<td>7.9</td>
</tr>
<tr>
<td>8.3</td>
</tr>
</tbody>
</table>

Market-to-book multiple

1 Calculated based on yearly country-specific market-to-book multiple.
NOTE: Numbers may not sum due to rounding.
SOURCE: Standard and Poor's; Datastream; Bloomberg; McKinsey Corporate Performance Analysis Tool (CPAT); McKinsey Global Institute analysis

Unsustainable balance sheets make up
Price History: France, Castile, England and U.S. (1600-today)
Wars are always profitable, ...more so in a context of a crisis of hegemony. Famine a disciplinary device
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Today’s system: the Old Financial Architecture

• A global and hierarchical system of debts that dictates the possibilities of production and consumption of 7 billion people
• Domination of Private monopolies of money-debt issuers, Speculative finance, Securitization and Liquidity operations
• Transnationalization of finance and Financiarization of transnationals
• Non democratic corporations, non democratic institutions (IMF, WB, WTO, BIS, FSB)
Financial Hegemony Geopolitics

The web of cross-border investments in 1999...

Lines show total value of cross-border investments between regions*, 1999
Figures in bubbles show size of total domestic financial assets, $ billion

World GDP, 1999 = $31 trillion

Source: McKinsey Global Institute analysis
Financial Hegemony Geopolitics

...had grown significantly stronger by 2007

Lines show total value of cross-border investments between regions*, 2007
Figures in bubbles show size of total domestic financial assets, $ billion

- 0.5-1% of world GDP
- 1-5% of world GDP
- 5-10% of world GDP
- 10%+ of world GDP

World GDP, 2007 = $55 trillion

* Includes total value of cross-border investments in equity and debt securities, lending and deposits, and foreign direct investment.

Source: McKinsey Global Institute analysis
Structural «bubble-ization», global price formation and food vulnerability
Misleading tranquility

• The two main vectors of monopoly capital systemic profit improving, financiarization and globalization, exacerbated capital unsustainability trends.

• The specific effects on food vulnerability for significant parts of the South appears opaque under conjunctural conditions of favorable terms of exchange and hot money inflows.

• “Bubble-ization” became more and more a structural feature, including commodity markets and, especially, food provision, involving increasing amounts of capital accumulation and more essential mechanisms of power reproduction among the high commands of the society.
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GLOBAL INCOME DISTRIBUTION IN 1970
GLOBAL INCOME DISTRIBUTION IN 2006
The Waning of War

World-wide battle deaths per 100,000 people

- Colonial
- Interstate
- Civil
- Civil (with foreign intervention)

Source: Human Security Report Project, the Uppsala Conflict Data Project, and the Peace Research Institute of Oslo
By 2030, more than half the world's population will live in high-risk areas.

Humanity is facing "water bankruptcy" as a result of a crisis even greater than the financial multiverse meltdown. The global water resources, once abundant and ubiquitous, are now in peril.

Water Scarcity "Now Bigger Threat Than Financial Crisis"
A man stands next to an old well in Morocco.
(Photo: Reuters)
March 20, 2006

'Slow, insidious' soil erosion threatens human health and welfare as well as the environment, Cornell study asserts

By Susan S. Lang

Around the world, soil is being swept and washed away 10 to 40 times faster than it is being replenished, destroying cropland the size of Indiana every year, reports a new Cornell University study.

Yet the need for food and other agricultural products continues to soar.

"Soil erosion is second only to population growth as the biggest environmental problem the world faces," said David Pimentel, professor of ecology at Cornell. "Yet, the problem, which is growing ever more critical, is being ignored because who gets excited about dirt?"

Pimentel, whose study on the food and environmental threat of soil erosion is published in a recent issue of the Journal of the Environment, Development and Sustainability (Vol. 8, 2006), says that in a single country, the loss of 15 to 25 percent of cropland to soil erosion can lead to serious food shortages and economic downturns.

"Soil erosion is a silent, but dangerous epidemic," he says. "We need to take it seriously before it becomes a disaster."
Macroeconomic asymmetries, commodity bubbles and power
Sick remedies

• The financial implosion of the structural crisis cornered the core of monopoly capital into a crazy dynamics of further speculation in absence of reliable and sufficiently profitable productive options for investment.

• The “remedies” tend to push that speculative ammunition through colossal injections of out-of-the blue issued liquidity under the dollar global quasy-monopoly.
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Macroeconomic asymmetry and capital centralization
16 trillion dollars in FED bail out from 01.12.07 to 21.07.10

- Citigroup: ($2,500,000,000,000)
- Morgan Stanley: ($2,040,000,000,000)
- Merrill Lynch: ($1,949,000,000,000)
- Bank of America: ($1,344,000,000,000)
- Barclays PLC (United Kingdom): ($868,000,000,000)
- Bear Sterns: ($853,000,000,000)
- Goldman Sachs: ($814,000,000,000)
- Royal Bank of Scotland (UK): ($541,000,000,000)
- JP Morgan Chase: ($391,000,000,000)
- Deutsche Bank (Germany): ($354,000,000,000)
- UBS (Switzerland): ($287,000,000,000)
- Credit Suisse (Switzerland): ($262,000,000,000)
- Lehman Brothers: ($183,000,000,000)
- Bank of Scotland (United Kingdom): ($181,000,000,000)
- BNP Paribas (France): ($175,000,000,000)
- Wells Fargo & Co. ($159,000,000,000)
- Dexia SA (Belgium): ($159,000,000,000)
- Wachovia Corporation: ($142,000,000,000)
- Dresdner Bank AG (Germany): ($135,000,000,000)
- Societe Generale SA (France): ($124,000,000,000)
- All the rest ($ 2,639,000,000,000)
- Total: ($16,115,000,000,000)
Bailouts could cost U.S. $23 trillion

A series of bailouts, bank rescues and other economic lifelines could end up costing the federal government as much as $23 trillion, the U.S. government's watchdog over the effort says — a staggering amount that is nearly double the nation's entire economic output for a year.

If the feds end up spending that amount, it could be more than the federal government has spent on any of its wars, with the notable exception of World War II.
The Best Laws Money Can Buy

$1.5 billion was spent on lobbyists last year. Why that's the biggest bargain in town.
Speculation in food, energy and precious metals...
Figure 2. Commodity prices are quite sensitive to global output, except for food...

Commodity Prices During Global Recessions, 1960–2010

2008–09 Global Recession
(Index, March 2008=100; and output gap in percent)

Previous Global Recessions, 1960–2008
(Index, t = 100; and output gap in percent)

Source: IMF staff calculations.

1 Recessions defined on the basis of estimated output gap for advanced economies (using industrial production series). A slowdown is considered a recession if the output gap reaches at least -1.5 percent of potential output for at least a quarter. Reported commodity prices are in real terms.

2 t corresponds to the month of the peak value of the cyclical component of output, before output falls below potential. Only the first 30 months are reported as length of recessions varies across cases. Oil shocks of 1969 and 1973 are excluded.
Inestability: Paradise of Speculators

Real effective exchange rate, Jan 2003 - May 2010
Urgency of a global food sovereignty campaign
Deepening of the structural crisis and food vulnerability as political weapon

• The resultant metastasis of structural insolvability and the essential distortion on key price formation mechanism shed high levels of irreversibility at a global dimension without precedents of local reproduction engagement ever.

• The possibilities of a very grave food crisis triggered by any factor under this speculative construction is imminent.
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Over-production crisis, Agrofuels and Famine risk
...and the environmental crisis!?
Immediate solutions

• Use North’s Special Drawing Rights to prevent famine, reduce extreme poverty and ecological transformations of technology (G192 in 2009, G20 in 2011, Rio+20 in 2012)

• Financial regulation (universal ban on short selling and financial weapons of mass destruction, FTT, exclusive bankruptcy protection to productive finance, etc.)

• Bloc-Regional arrangements like the Latin American New Financial Architecture to fund networks of locally controlled sylos under continental coordination to stabilize prices and provision
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Towards a New Global Financial Architecture

- A new-type-of-development bank: Banco del Sur, Banco del Alba
- New Central Banking (network)
- Regional fiduciary currency
- System of payments compensation (Clearance Union)
Thanks