

Transforming the financial system and financing the Transformation *

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New Financial Architecture**

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*This contribution represents a personal point of view

Financialization, Technological Shift and Crisis of Civilization

Empowerment vs. a formidable process of power concentration

- Money and finance as key mechanisms for hegemony and domination
- Crises as structurant mechanisms of class discipline
- Basic (non exclusive) tasks
 - Finance vs. Production
 - New articulation: Private capital – State- Popular economy
 - New international division of labor

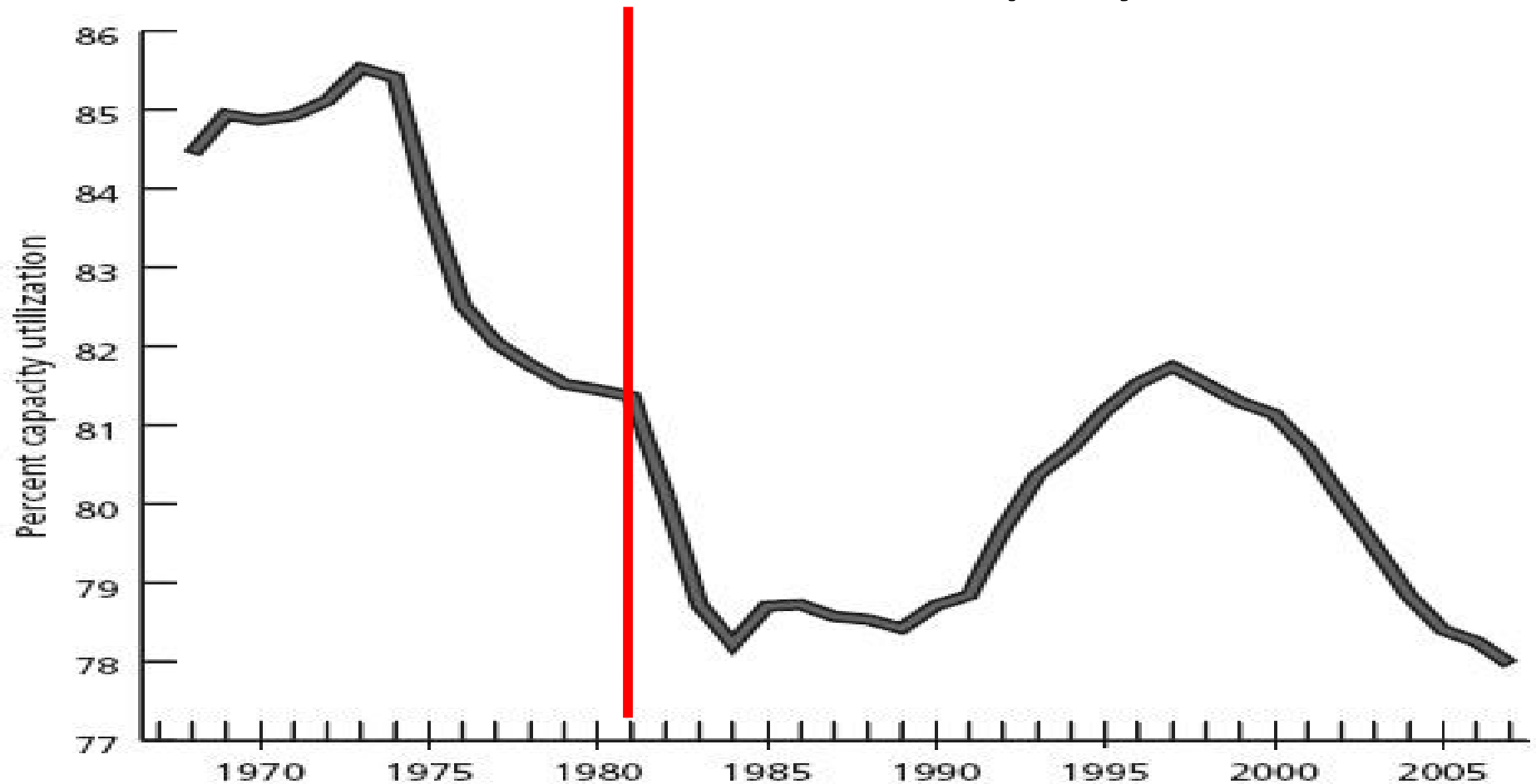
Crisis of Civilization: the solution is beyond this mode of production

- Exogenous crisis (corruption, individual excesses or incompetence)
- Cyclical endogenous crisis (Kitchin, Clements, Juglar)
- Mode of regulation (re-regulating finances, end neoliberal policies and adopt Keynesianism)
- Regime of accumulation (international division of labor, Capital vs. Noncapital, income distribution dynamics, Kondratief)
- Mode of production (subsumption of the working process to profitability)
- Mode of life (Mankind-Nature, Societal processing of wills, etc)

Implosion of the Solutions of the Structural Crisis

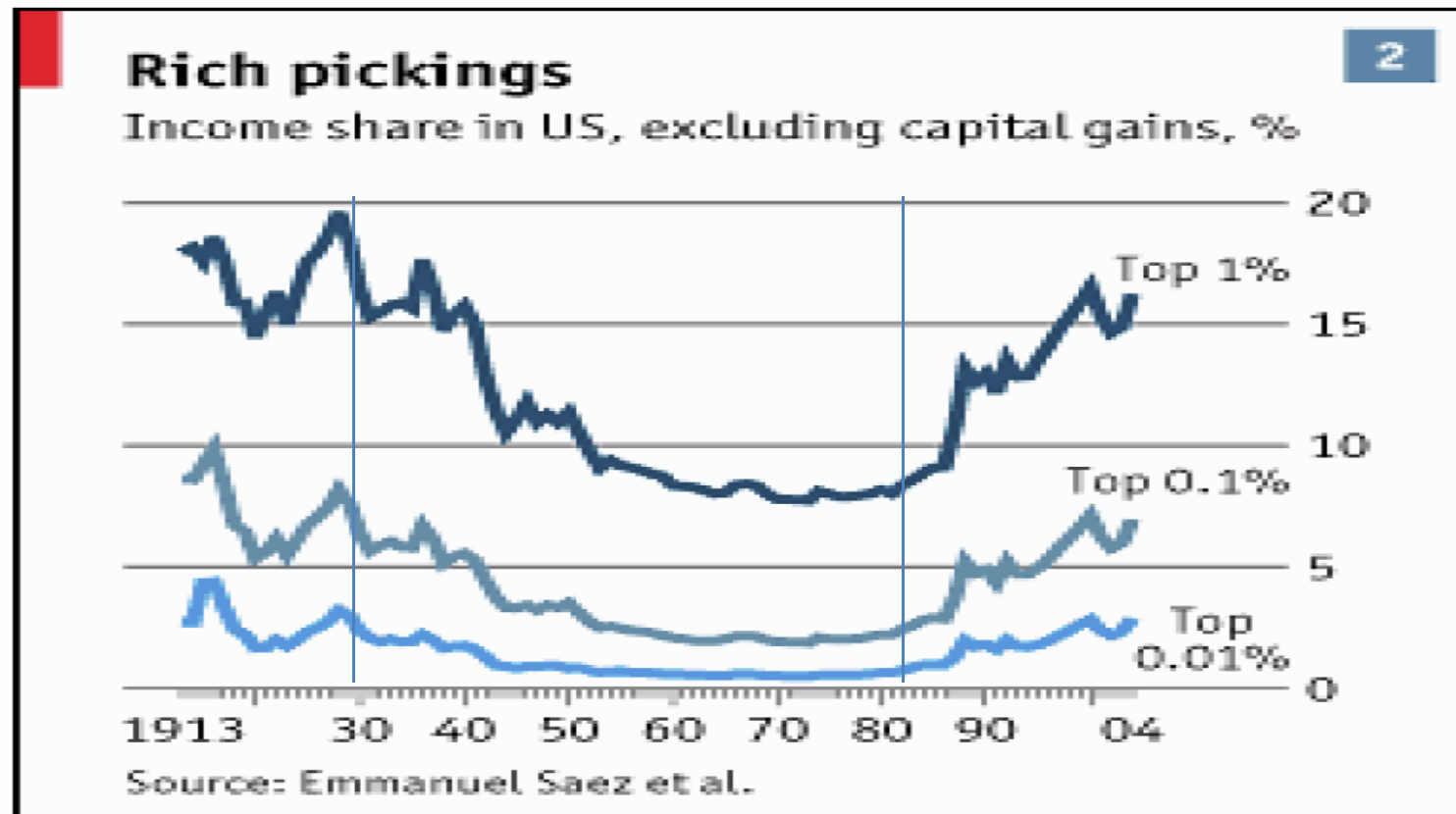
Overproduction since the 60s: a prolonged Kondratief B phase

Percent utilization of industrial capacity in US

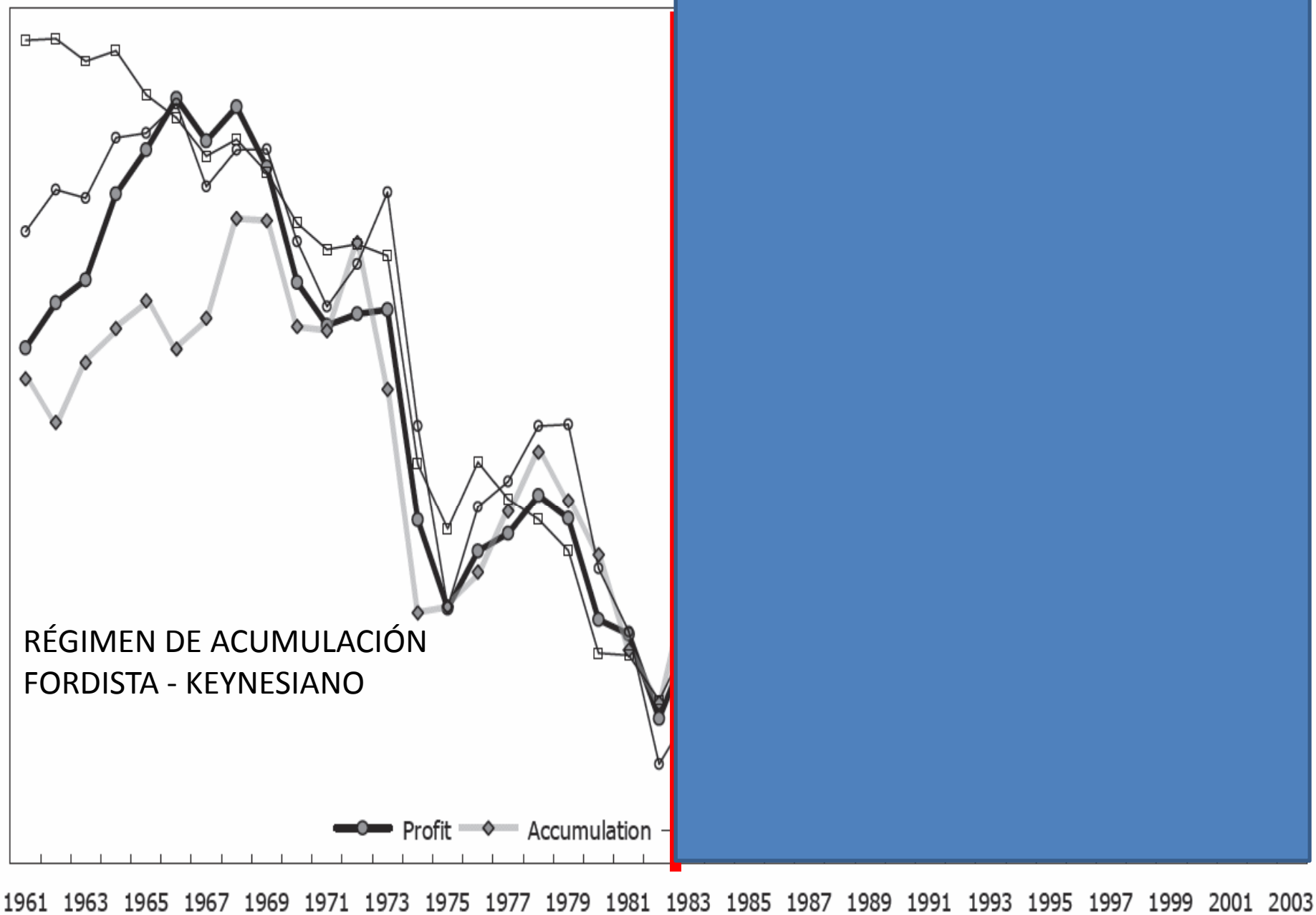


The purpose of neo-liberalism in the North

Figure 1: Forward to 1913



Source: reproduced from *The Economist* 'Inequality in America' June 17th 2006



Moyennes pondérées selon le PIB pour le « G6 » (Etats-Unis, Japon, Allemagne, France, Royaume-Uni, Italie)

Source : OCDE, *Perspectives économiques*, 2003

Tomado de:
Husson, 2007

RÉGIMEN DE ACUMULACIÓN
"NEOLIBERAL"

RÉGIMEN DE ACUMULACIÓN
FORDISTA - KEYNESIANO

● Profit ◆ Accumulation ○ Croissance □ Productivité

1961 1963 1965 1967 1969 1971 1973 1975 1977 1979 1981 1983 1985 1987 1989 1991 1993 1995 1997 1999 2001 2003

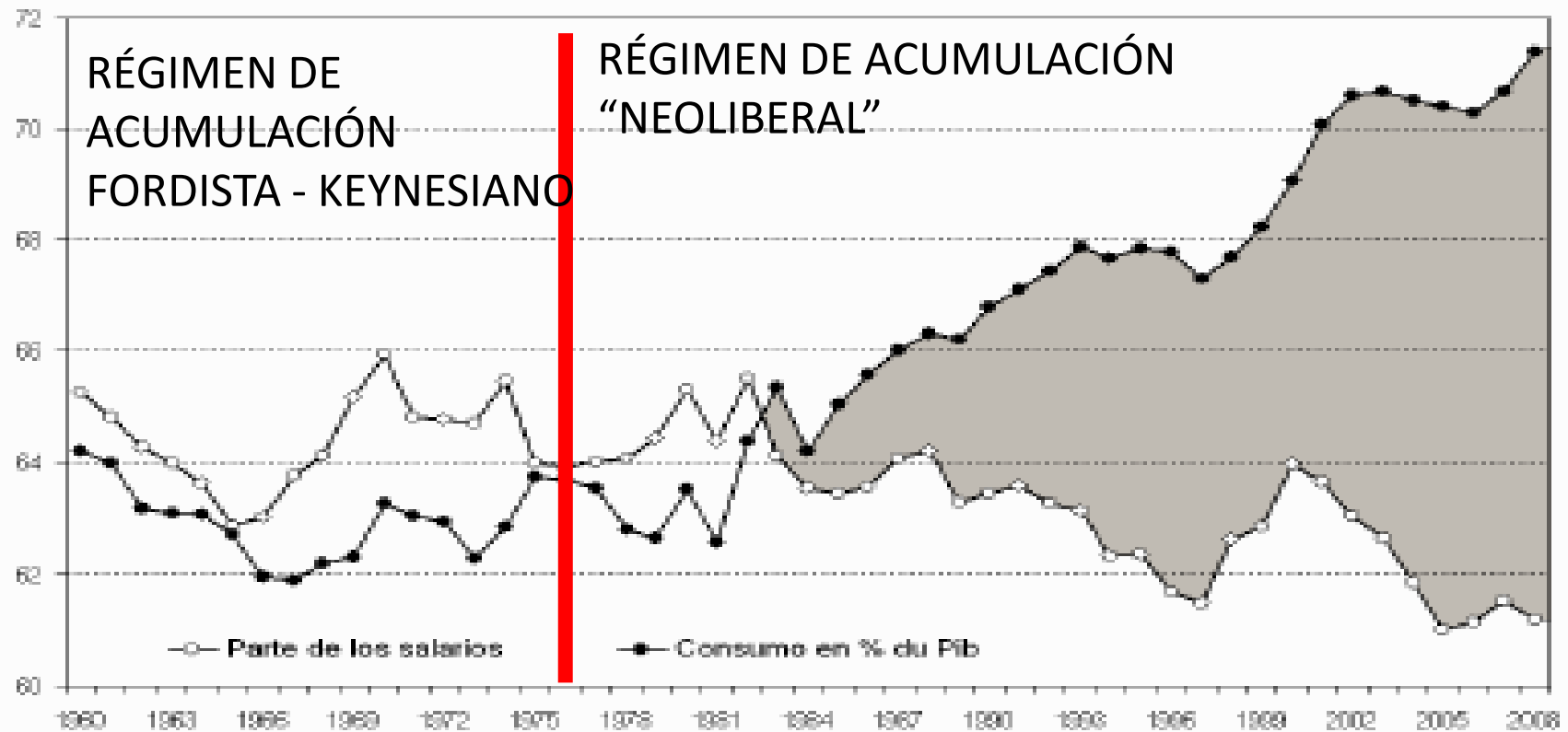
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Debt-led consumption growth instead of the fordist comitment

Gráfico 2
Parte de los salarios y del consumo privado en el Producto Interno Bruto (PIB)

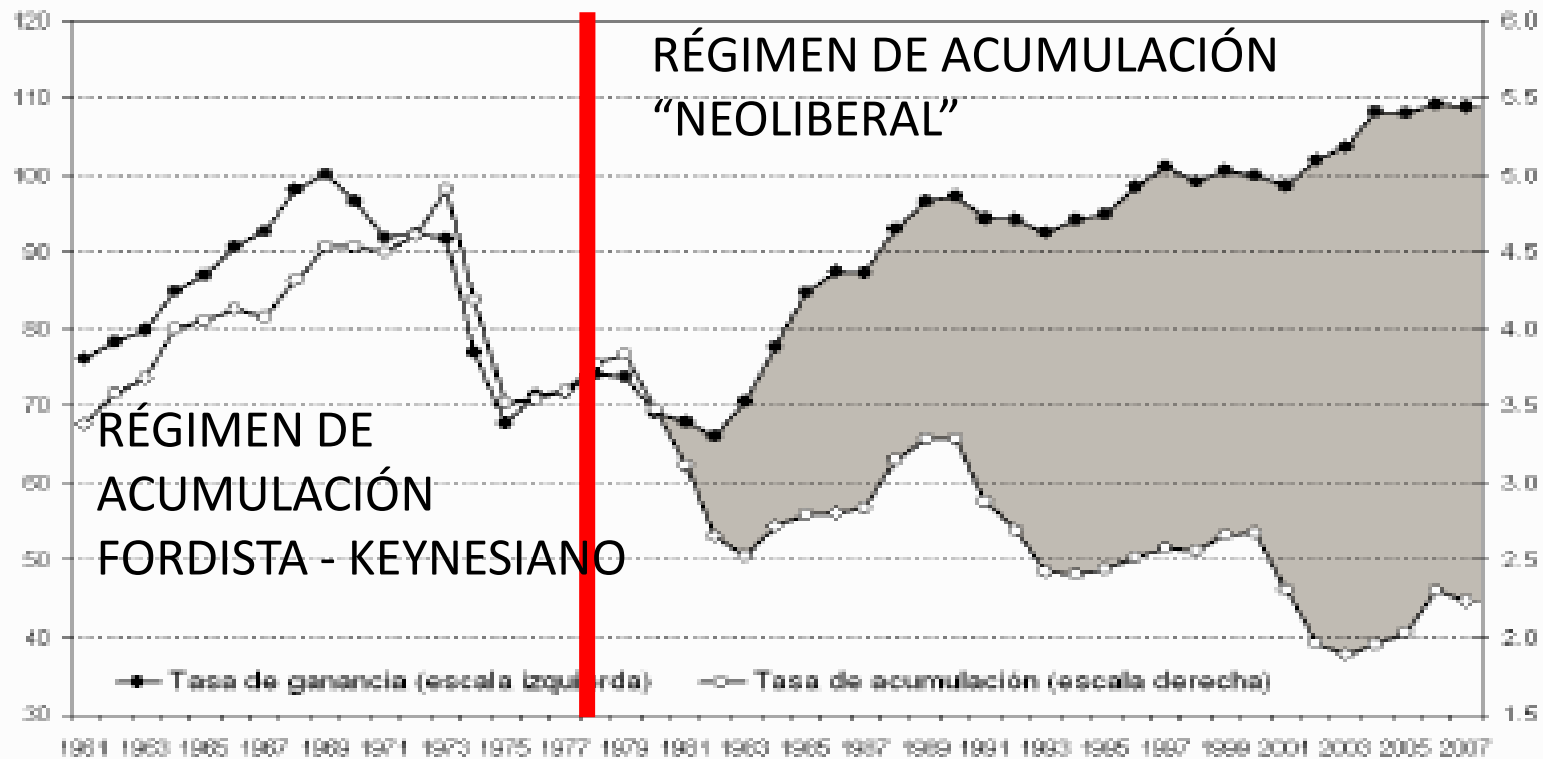
A- Estados Unidos



Tomado de:
Husson, 2008

Weakness of the productive capital dynamics in favor of financial speculation and fictitious capital

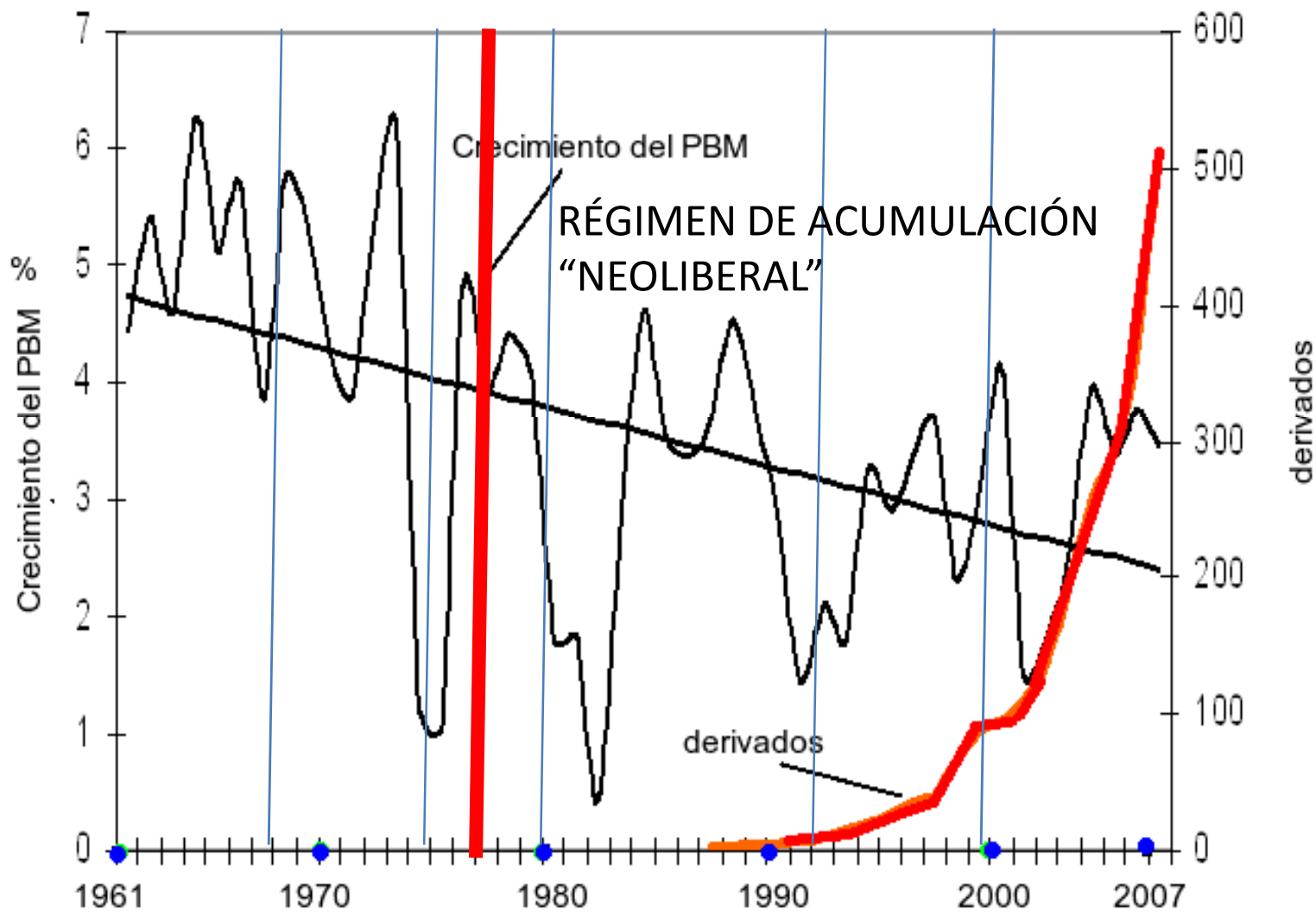
Gráfico 1
Tasa de ganancia y tasa de acumulación
Estados Unidos+Unión Europea+Japón



Tasa de acumulación=tasa de crecimiento del volumen de capital neto.
Tasa de ganancia= beneficio/capital (base 100 en 2000).
Fuentes y datos de los gráficos: <http://hussonec.free.fr/brerieap.xls>

Tomado de:
Husson, 2008

- Tasas de crecimiento real del Producto Bruto Mundial (en %)
- Productos financieros derivados en billones - millones de millones - de dólares



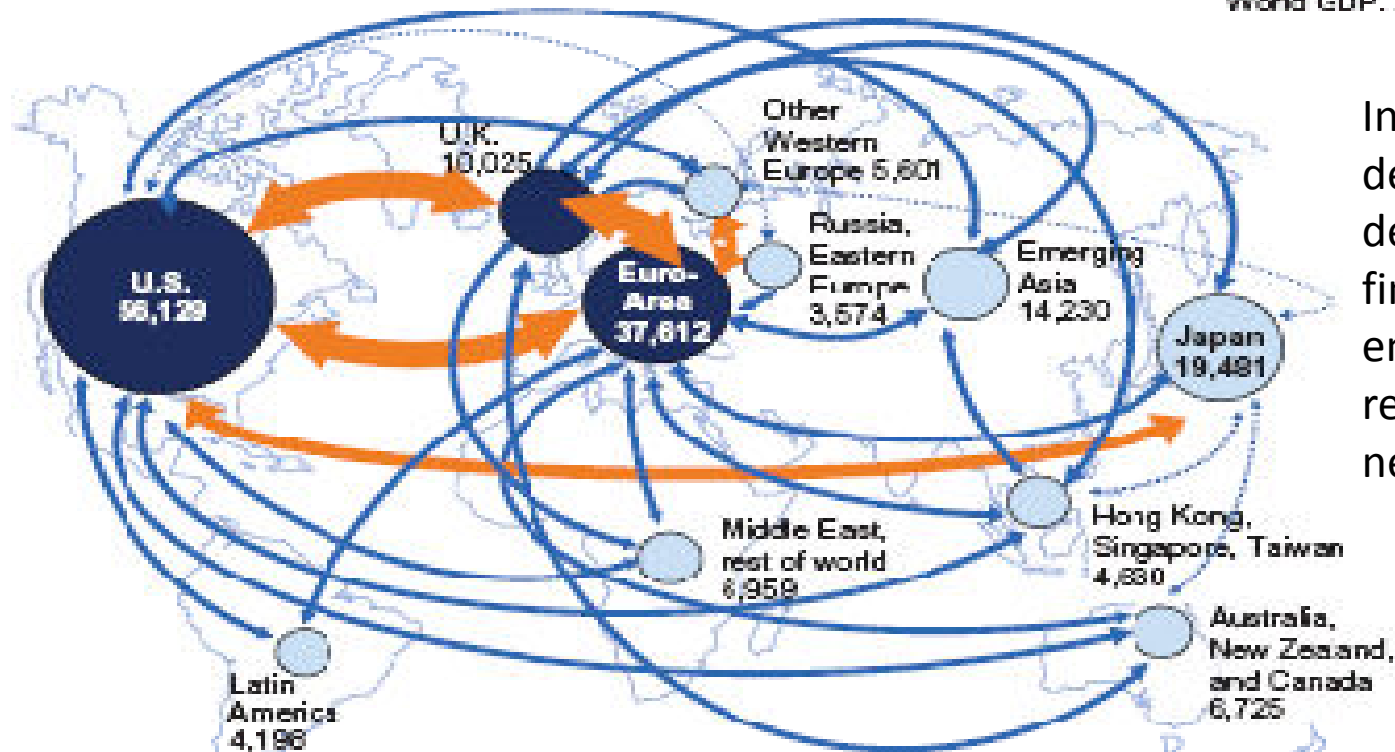
Fuentes: Banco Mundial y Banco de Basilea (BIS)

Tomado de:
Beinstein, 2008

Geography of financial flows: fictitious capital and global imbalances

THE GLOBAL WEB OF CROSS-BORDER INVESTMENTS, 2006

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

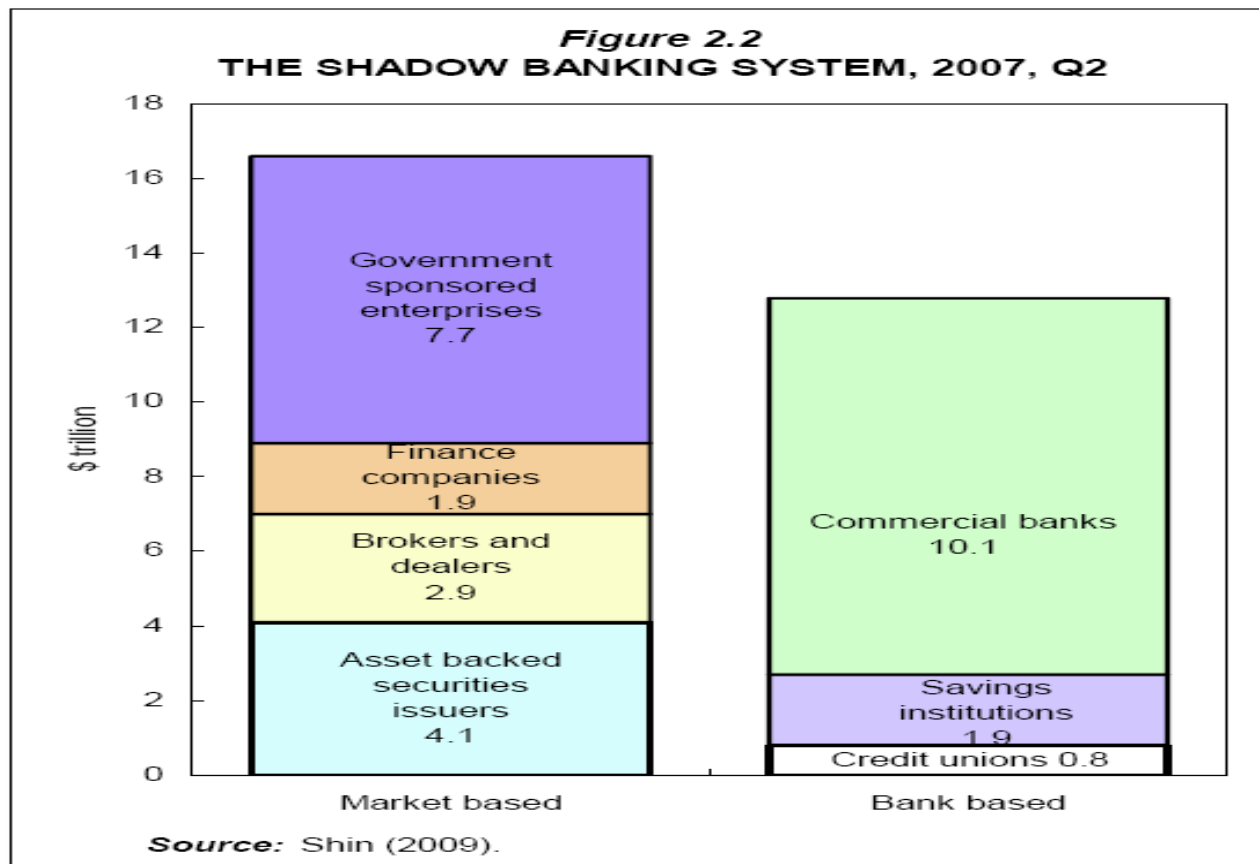


Intercambio desigual y dependencia financiera claves en la recuperación neoliberal

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

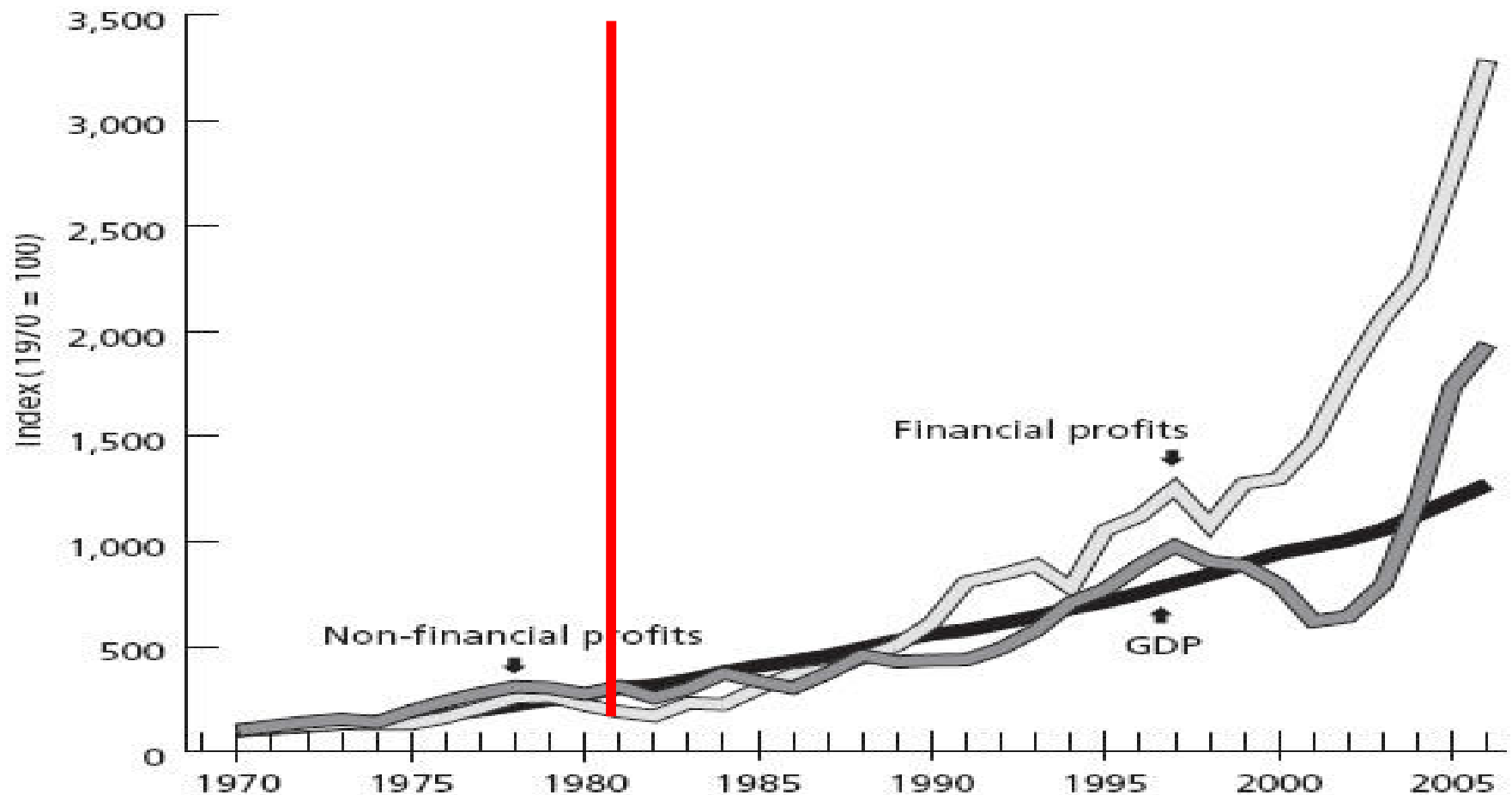
Source: McKinsey Global Institute Cross-Border Investments Database

Shadow banking at the core of the power structure

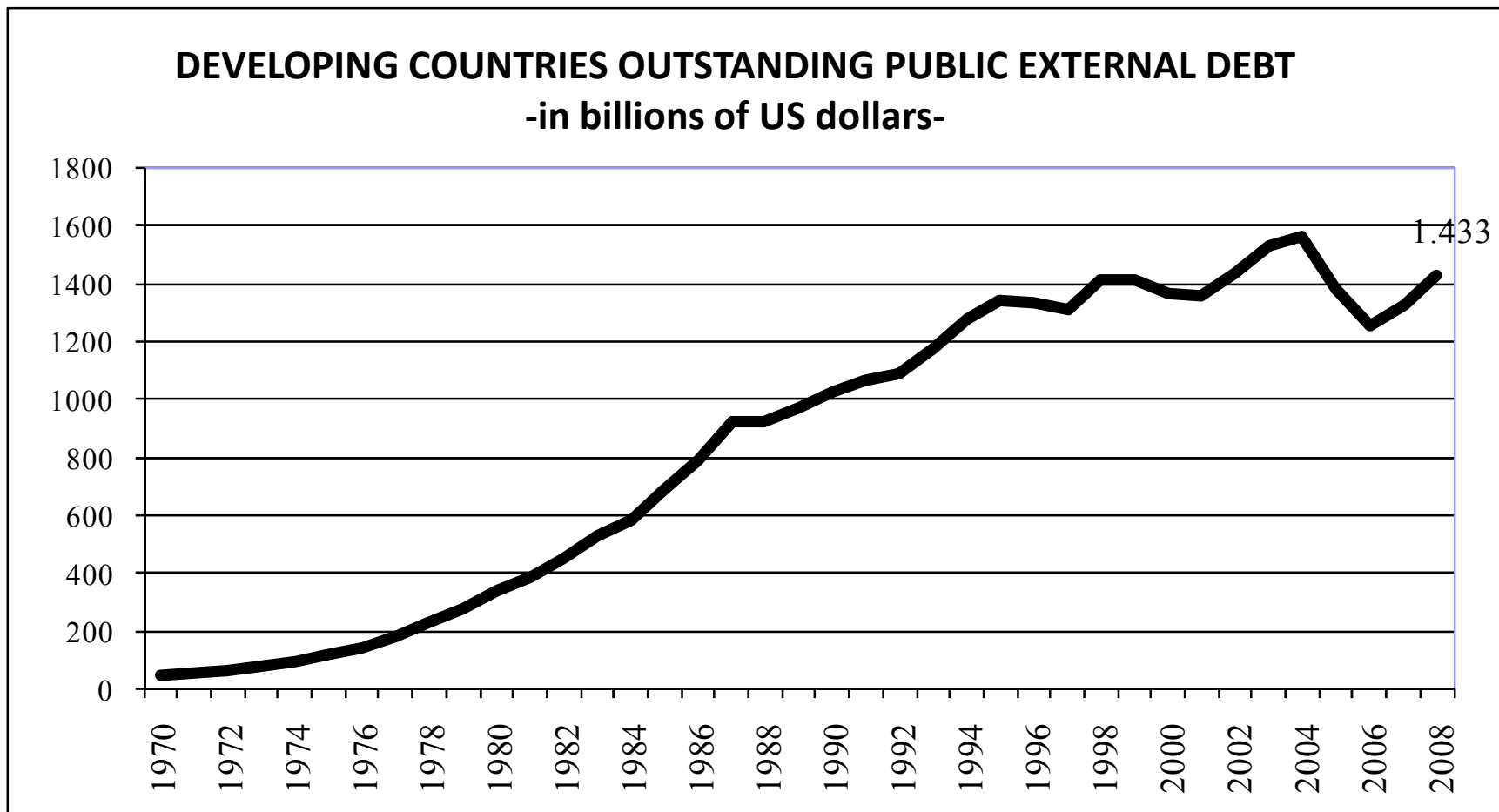


Could the genius get back to the bottle?

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



During the crisis, the South's public external debt has risen in 20%



Transition Process: Blocking the Oligarchical Agenda

Urgent planetary agenda

- Donation of North's SDR to attack emergent famine, extreme poverty and environmental crisis tasks (responsibility in financing global public goods, breaking US monopoly of international liquidity)
- Moratoria and audit of the external debt
- Blocking blackmailing power of the IMF
- Banning short selling and speculation in the food and energy markets
- Tobin tax
- Regulate hedge funds and tax havens

Further priorities

- Assuring universal right to work and each country's real capabilities of counter-cyclical policies
- New South-South cooperation
- Convergence towards a new Bretton Woods:
 - Bloc regional monetary arrangements (regional SDR) + global SDR as lender of last resource
 - Capital controls and financial re-regulation
 - Free excess international reserves for development

Sovereign System of Credit instead of more debt slavery

- Bank of South is part of the New Regional Financial Architecture (including also a common, non-exclusive currency and an alternative to the IMF) that aims to a new type of Latin American integration process based in the reconstruction, under the 21st century capitalism, of a sovereign system of credit. That means, to create the institutional and economic conditions that would allow to recycle the domestic resources and to potentiate the credit of the nations towards neglected priorities in terms of food, health care, energy, knowledge production, regional infrastructure and the financing of the diverse inner logics of the popular economy (small and medium size enterprises, cooperatives, indigenous communities, self-employees, etc.)
- That would reverse the paradoxical “flight to quality” of billions of dollars from the domestic savings of our countries and our communities towards the real focus of infection in Wall Street, London and all the related global network of tax heavens. The New Financial Architecture would provide a different structure of incentives that would reduce uncertainty and risk for both public and private regional actors in order to free resources for productive investment, welfare and full employment, without the current desperate need for external savings.

New Regional Financial Architecture



A
new-type-of-develo
pment bank

New Regional Financial Architecture



A new-type-of-
development bank



New Central
Banking
(network)

New Regional Financial Architecture

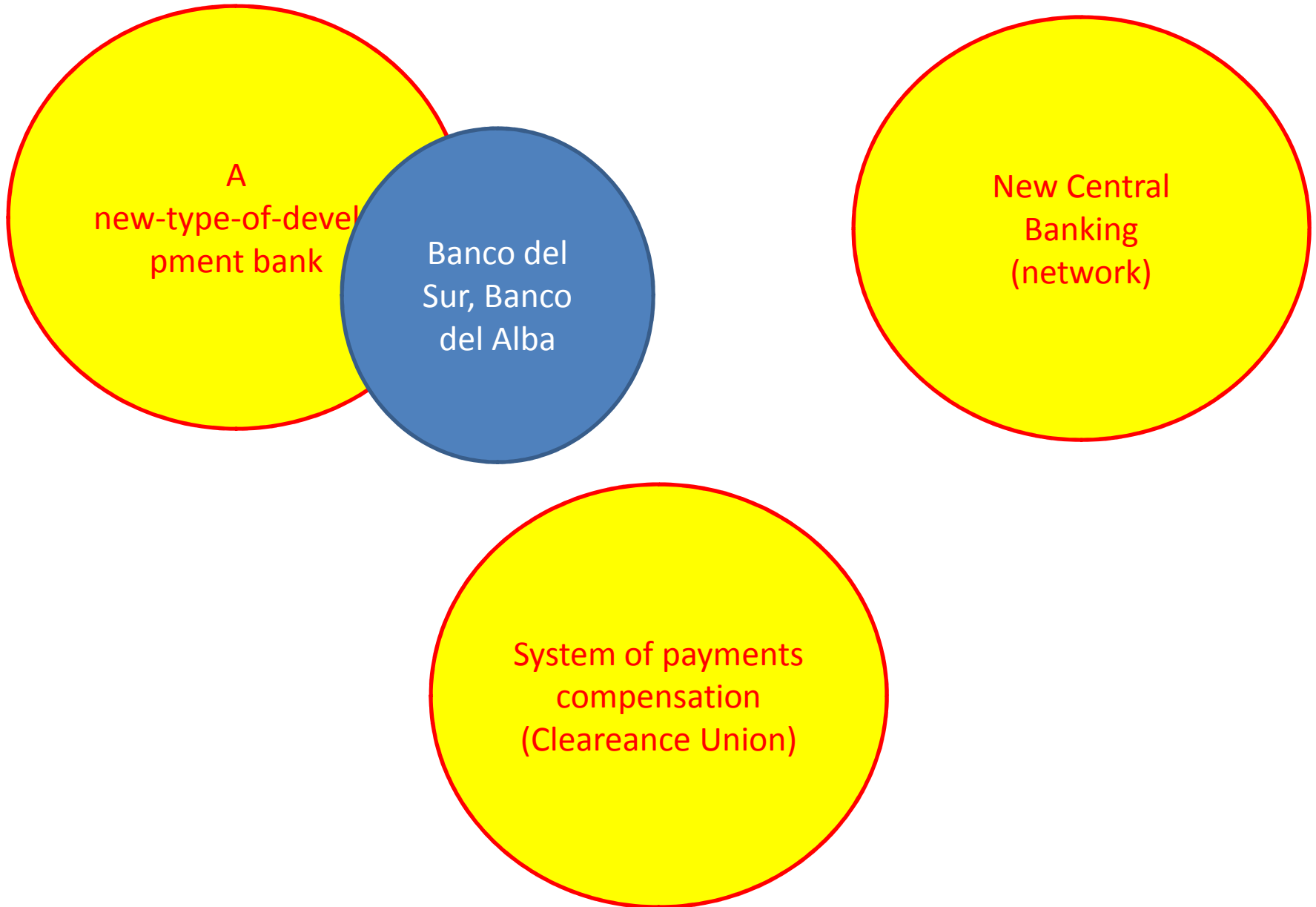


A new-type-of-
development bank

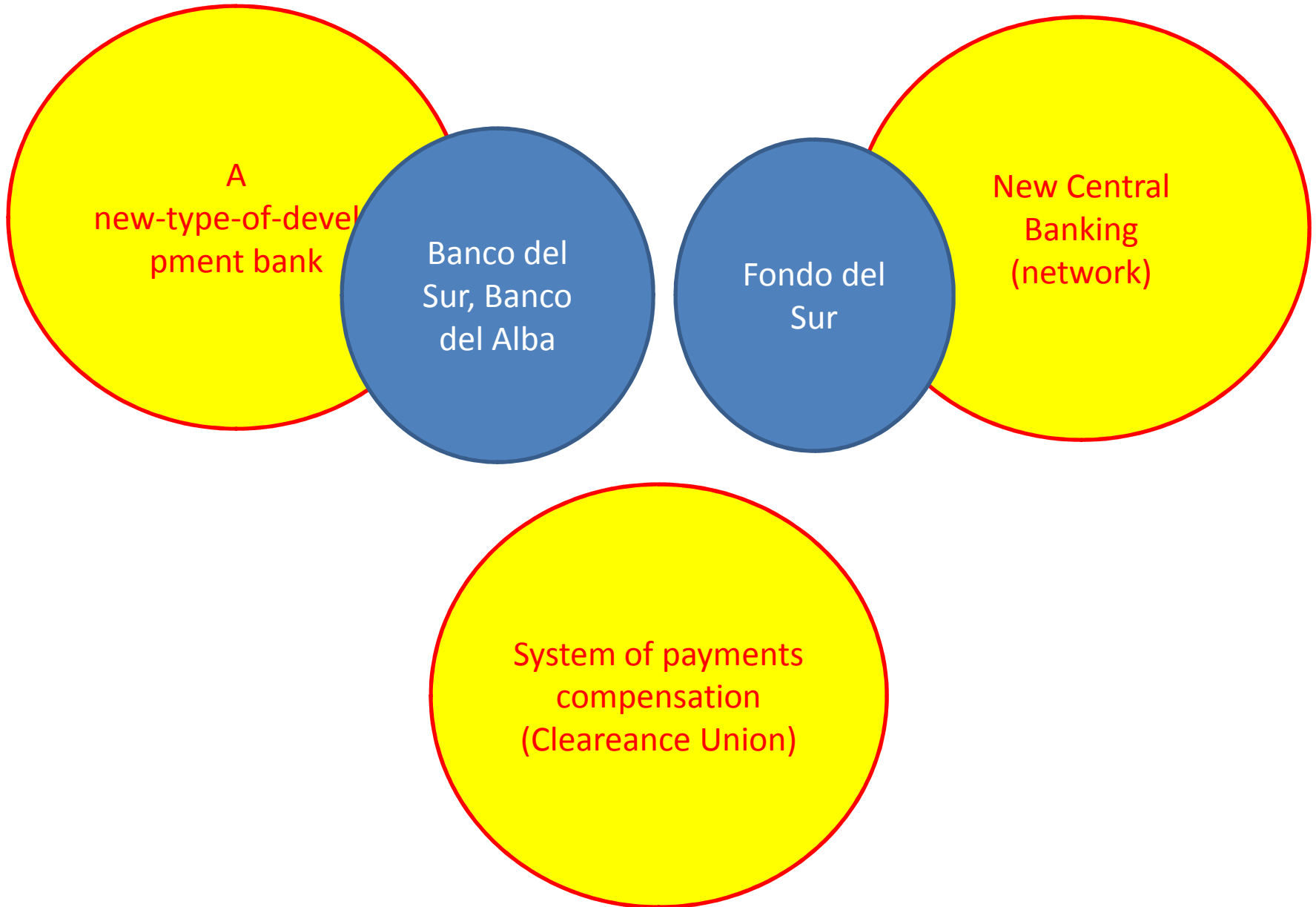
New Central
Banking
(network)

System of payments
compensation
(Clearance Union)

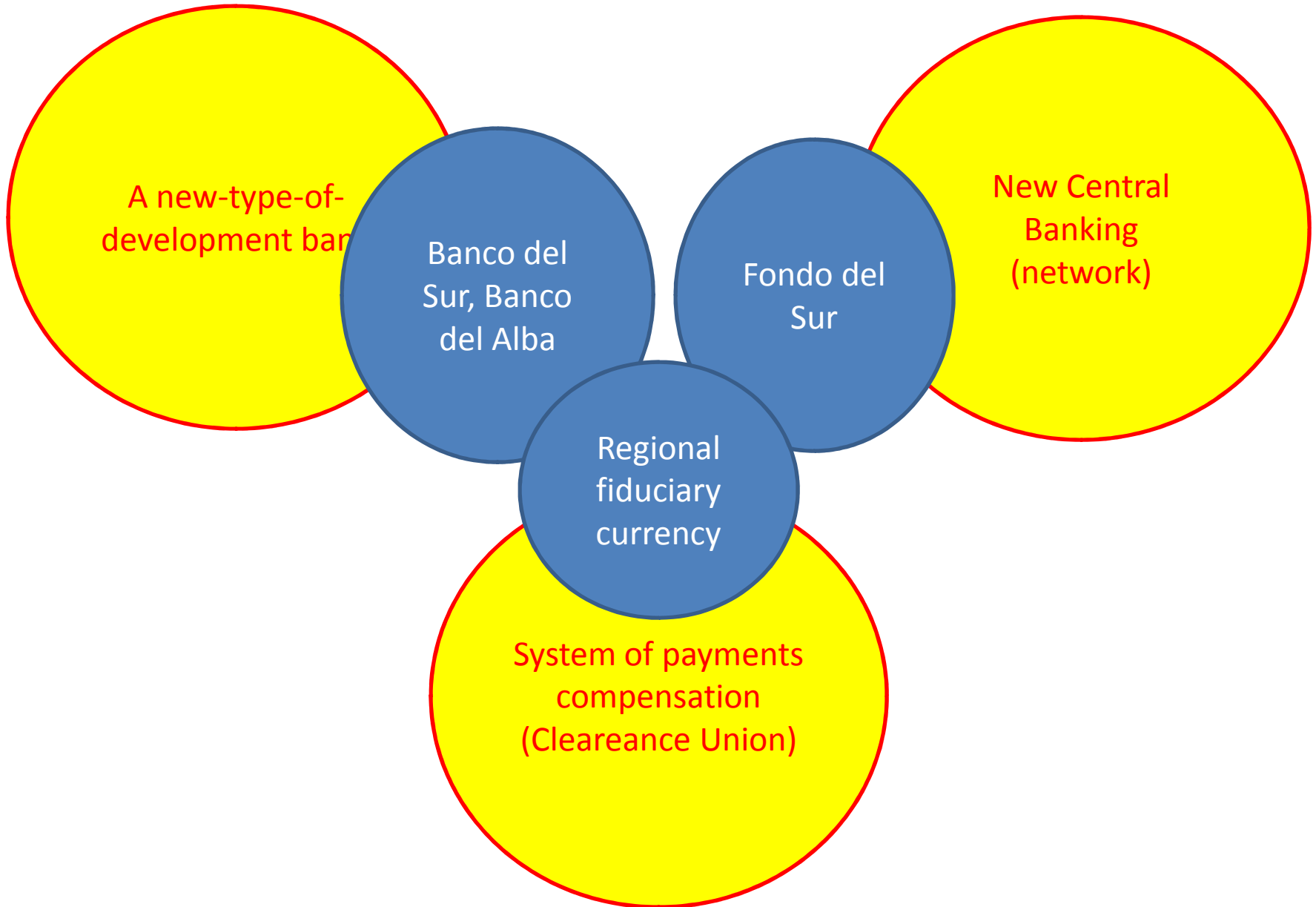
New Regional Financial Architecture



New Regional Financial Architecture



New Regional Financial Architecture



Immediate Tasks

- Global Governance: IMF, FSB
- Re-regulation:
 - Basle III
 - WTO
 - IMF
- Sovereign System of Credit:
 - Monetary Reconstruction
 - Public-Popular-Private

Thanks