
Inequality, precariousness and social costs of capitalism. In the era of corporate governmentality

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Abstract: Historically, the government of large corporations (corporate governance) were transforming society as a whole into a government over all others, inducing the development of a series of government apparatuses and knowledge. Having as a central axis the economy, which materialises in neoliberalism, this new governmentality begins its period of consolidation after the abandonment of the gold standard in 1971. In these almost 50 years, it has developed by the hand of corporate governance, the greatest economic inequality, a huge precariousness of the working class and the strong increase in the social costs of capitalism. This paper describes the process of concentration of wealth and its effects on society. During this period, there is also a displacement of the central axis of capitalism and its system of appropriation, as it was the system of capitalist production, by appropriation through the financial-monetary system (indirect appropriation), together with the transfer of state planning to private companies. Finally, this paper describes the weaknesses of the current system of capitalist appropriation and the end of the Anglo-American financial empire.

Keywords: inequality; precariousness; social costs; corporate governance; neoliberalism; governmentality; crisis; Foucault.

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1 Introduction

In this paper, neoliberalism is considered as the economic aspect within a much larger conformation of society in all its aspects, such as corporate governance. Historically in this stage, the government of large corporations was formed (corporate governance). This governmentality was formed and established from the early seventies of the twentieth century but where its ideological and economic bases are initiated “in the second half of the nineteenth century (thanks to the work of Alfred Marshall, William Stanley Jevons, and Leon Walras) to displace the classical theories of Adam Smith, David Ricardo and, of course, Karl Marx” [Harvey, (2007), p.27]. Later it is Hayek, followed by Friedman, who make the theory win “academic respectability thanks to the award of the Nobel Prize in economics to Hayek in 1974 and Friedman in 1976” (p.28). The Nobel Prize for Economics was born in 1968, organised by the banks [Rivera Vicencio, (2016a), p.88].

In this process of reconstruction of the liberal doctrine, important academic institutions around the world were financed by different organisations such as the University Institute of Higher International Studies, founded in Geneva in 1927, the London School of Economics, the University of Chicago and hundreds of ‘think tanks’ in order to ensure victory against adverse principles and spread its doctrine throughout the world [Laval and Dardot, (2013), p.68], where universities also played a fundamental role as a factory of neoliberal policies.

From an economic point of view within the conformation of corporate governmentality, the first great step was taken with the establishment of debt-money or the end of the gold standard in 1971. In these years, the destruction of the social state began, and the enormous process of privatisation worldwide began to materialise, which represented the transfer of large investments made by the state for many years at the hands of private companies.

This process also increased the transfer of “the social costs of private enterprise” (Kapp, 2006) to society. Within these social costs, there is, undoubtedly, the enormous deterioration of the environment. It is also the beginning of the enormous process of concentration of wealth, which makes all sectors of the economy become monopolies, oligopolies, monoponies or oligopolies, which in turn generated greater appropriation of surpluses of its workers (surplus value)¹ and producers, which again increased the process of appropriation and social inequality.

This concentration of markets, both buyers and sellers, is not only a global phenomenon; it is also applicable to each country in particular, with the market concentrated in local oligarchies.

This structure of power and domination established, with low levels of resistance, where this weakened resistance, become increasingly subdued and dominated. According to Foucault, “since it is true that at the heart of power relations and as a permanent condition of their existence, there is an ‘insubordination’ and essentially obstinate freedoms, there is no power relationship without resistance, without escape or flight, without an eventual return” [Foucault, (1988), p.19]. This weakened and subdued resistance was dominated by an environment that also criminalised it. “Domination is a global structure of power whose ramifications and consequences can sometimes be found even in the most tenuous plot of society; but it is at the same time a strategic situation more or less acquired and solidified in a confrontation of long historical reach between adversaries” (p.20). In other words, it remains a clear expression of class confrontation. Class struggle, where “neo-liberalisation can be interpreted either as a utopian project

with the purpose of realising a theoretical design for the reorganisation of international capitalism, or as a political project to restore the conditions for the accumulation of capital and restore power of the economic elites” [Harvey, (2007), pp.24–26].

In this framework, this research paper, in the first part, describes governmentality and corporate governmentality, in which neoliberal ideology is found as another element. Then, in the second part, the beginnings of this corporate governance from an economic point of view and economic crises are described as a phenomenon of concentration of wealth and, at the same time, of appropriation of wealth. In the third part, the processes of appropriation that lead to precariousness and poverty are described within so many social costs produced by the capitalist economic system, in the stage of corporate governmentality. The third part describes the different elements that make the continuity of capitalism unviable with the current production and distribution systems, the inequalities of the capitalist system, the precariousness to which it has led the world population, together with the description of the end of leadership of the Anglo-American empire. Finally, there is a section on the final reflection of this investigation.

2 Governmentality and corporate governance

“With this word, ‘governmentality’, I refer to three things. I understand the set constituted by the institutions, the procedures, analysis and reflections, calculations and tactics that allow to exercise that very specific form, although very complex, of power that has as main target the population, by way of knowing more the political economy and by essential technical instrument the security devices. Secondly, with ‘governmentality’ I understand the tendency or the line of force that, throughout the west, has not stopped driving and, for a long time, towards the pre-eminence of the type of power that we can call ‘government’ over all others - sovereignty and discipline and that induced, on the one hand, the development of a whole series of specific apparatus of government, [and on the other hand] the development of a whole series of knowledge. Finally, I think we should understand ‘governmentality’ as the process or, better still, the result of the process by virtue of which the state of justice of the Middle Ages, converted into an administrative state during the 15th and 16th centuries, was ‘governmentalised’ little by little.” [Foucault, (2011), p.136]

“The important thing for our modernity, that is to say, for our current affairs, is not then the nationalisation of society, but rather what I would call ‘governmentalisation. of the state.’” (p.137)

This governmentalisation of the state is a historical conformation, which affects everything and all aspects of society and its knowledge; we are in a stage of capitalism, with a preponderance in the economic. It is not possible to refer to a single governmentality, it is transforming, mutating, adapting, shaping and conforming according to the resistance to power and its manifestations, such as the prevailing and dominant discourse, discipline and control and ethics, amongst others. A later and similar interpretation of the concept of governmentality is that of Immanuel Wallerstein, when he refers to his perspective of the analysis of the ‘modern world-system’ or ‘the capitalist world-economy’ [Wallerstein, (2005), pp.125–154]; although with differences in the economic aspects considered in his analysis, especially in relation to the Kondratieff² cycles, as the central axis of economic analysis. Kondratieff, which “establishes the existence of successive” waves “lasting approximately fifty years, comprising an upward

phase and a phase of lowering of prices and interest rates" [Niveau, (1971), p.128]. In a vision much closer to the concept of corporate governance, we find Haskaj in a recently published article, "from Biopower to Necroeconomies: Neoliberalism, Biopower and Death Economies" [Haskaj, (2018),pp.1148–1168].

The essential thing to keep in mind in the shaping of governmentality in capitalism is that it draws from its origins. That is to say, from the primitive accumulation of capital, elements that mark in its later conformation in its different conformations and/or stages until we reach corporate governance, such as dispossession or appropriation with violence, appropriation, slavery in different manifestations, corruption and speculation, amongst others (Rivera Vicencio, 2018).

In this way, the governmentality of large companies or corporative governmentality (new stage of capitalism) has been shaped; where knowledge, especially in the economic field, has been building a dominant discourse, a discipline, an ethics, on different aspects, such as, the minimisation or precariousness of the state, economic freedom over the freedom of individuals³ (individual private property as the basis of freedom), over the homo-economicus, over the legal subject, over individualisation, transforming the individual into a company. This, in turn, makes the individual responsible for his own health, his foresight in all aspects, education, work, etc. both individually and for his family. Transforming class differences into a contractual relationship between companies, between the individual company and the company to which it sells its labour services [Rivera Vicencio, (2014), pp.281–305]. This is why the discourse of 'class struggle' sounds obsolete and cannot be understood by the working class as a whole, since it has made them believe and feel business. With a permanent and dominant economic discourse, which receives from all directions, that convince him that individualisation and its conformation in individual company. It is a conformation that makes it "necessary that the very life of the individual - including the relationship, for example, with his private property, his family, his partner, the relationship with his insurance, his retirement - make him a sort of permanent and multiple company" [Foucault, (2007), p.277]. "The company is either an economic policy or a policy of economisation of the entire social field" (p.278).

Hence also, that this simulation of contractual relationship (class struggle), with huge asymmetries in the negotiation, the weaker negotiator (worker-company), does not have and will not find an answer in the protective state (non-existent), since the state has been transformed and conformed into a state of corporate governance and this clearly responds to the interests of large companies.

Foucault expresses it in the following way, "In other words, it is a question of generalising, by means of its widest possible diffusion and multiplication, the 'company' forms, which should not be precisely, to concentrate as large companies on a national or international scale or large companies of the state type. That multiplication of the form 'company' within the social body constitutes, I believe, the object of neoliberal politics. It is about making the market, the competition and therefore the company, what we could call the informing power of society" [Foucault, (2007), p.186]. Although this was the expected objective, reality shows the high concentration of wealth, both at national and international levels, together with the concentration of markets in all sectors of the economy as well as national and international levels as well as the precariousness of the working class.

The dominant economic discourse in this field (company) is represented by the agency theory (Coase, 1937)⁴, the transaction cost theory (Williamson, 1985)⁵ and justified with the creation of value for the shareholder.

Another fundamental element in the process of shaping current governmentality is freedom. “Freedom as something that is manufactured at every moment ... freedom of behaviour in the liberal regime, in the art of governing, is involved, invoked, needed and will serve as a regulator, but it must also be produced and organise it” [Foucault, (2007), p.85], although “the new governmental art consumes freedom” (p.84). Where “the freedom of economic processes does not represent a danger, a danger for companies, a danger for workers and the freedom of the latter should not become a danger to the company and production” (p.86). In this freedom of the labour market, there must be “a fairly large number of workers, competent and qualified enough, and lacking political weapons so that they can put pressure on the labour market” (p.85). What Foucault expresses in broader and more sociological terms, within what he calls governmentality, Marx expresses in more economical terms, in what he calls “the general law of capitalist accumulation” saying, “from what up to now we have exposed it follows that in a free nation no slaves are allowed, the safest wealth consists of a multitude of laborious poor” [Marx, (2017), p.705] or “reserve industrial army” (pp.719–731). Where “a working overpopulation is the necessary product of the accumulation or development of wealth on a capitalist basis, this overpopulation becomes, in turn, a lever of capitalist accumulation, and even in the condition of existence of the capitalist mode of production” (p.722).

This freedom of the labour market, which incorporates labour overpopulation, also has at its foundations those who are permanently or temporarily marginalised from the labour market, that is, capitalist accumulation has as a prerequisite the precariousness of the working class.

In turn, in this freedom of the labour market, “liberalism participates in a mechanism in which it will have to arbitrate at every moment the freedom and security of individuals around the notion of danger” [Foucault, (2007), p.86]. Therefore, this liberalism is transformed into living dangerously, establishing the culture of increasing danger “the procedures of control, coercion and coercion that will constitute the counterpart and the counterweight of freedom” (p.87).

This freedom of economic processes generates the security mechanisms or the intervention of the state, which has the essential function of guaranteeing the development of these processes. “The integration of liberties and their own limits within the field of governmental practice is now an imperative”, decomposing “into four elements – economic practice, population management, law⁶ and respect for freedoms, police – they add to the great military diplomatic device, barely modified in the eighteenth century” [Foucault, (2011), pp.404–405].

This set of security devices, generated through the notion of danger, guaranteeing the ‘freedom’ of the company and production, not the freedom of people or workers, work with a single body interlaced with structure network, limiting personal and social mobility, but ensuring corporate governance. Notion of danger or security that could be represented at the global level by NATO and at the national or local level represented by the armed forces, the police and the intelligence services, where the latter could have influences beyond the national level, depending on bilateral agreements and multilateral. This security can also be linked to certain levels of violence, given that the state’s reason and the state is in the same government [Foucault, (2011), p.300].

This violence can be manifested through the application of state security laws or coups, which do not represent “a rupture with respect to the reason of state. On the contrary, it is an element, an event, a way of acting that fits into the general horizon, the general form of the reason of state, that is, something that exceeds the laws, or in any case, that does not submit to them” (p.303). Where “violence is in the nature of the coup d’état. In its ordinary and habitual exercise, the reason of state is not violent precisely because it voluntarily assigns the laws as a framework and as a form. Yet when necessity demands it, the reason of state becomes a coup d’état and in that moment it is violent. Being violent is forced to sacrifice, amputate, deceive; it is imperative to be unjust and lethal” (p.305). In turn, “the coup d’état is an aspect of secrecy to succeed. But in order to gain accessions, and for the suspension of the laws to which it is necessarily linked not placed on its due, it must be manifested in the light of day and, therefore, show on the scene itself on which the reason of state that allows it to take place, presents itself” (p.307). In short, the coup d’état is the violent establishment of a certain governmentality, which in turn must have the backing of civilian collaborators and who support the governmentality that will be imposed, and that guarantees their interests. The same applies to external military interventions, applied to impose a certain governmentality, justified as the imposition of ‘democracy’ that responds to certain interests.

Thus, the conformation of the governmentalisation of the state (economic practice, population management, law and respect for freedoms, police), considers violence within the alternatives of its establishment. Violence that can reach the use of weapons, and, therefore, can use all kinds of media where the social costs generated by its establishment is one of the methods of applied violence. A clear example is the Chilean civil-military coup d’état in 1973 and the application of the ‘State Security Law’ in times of the dictatorship and after the dictatorship.

3 Beginnings of corporate governance and crisis

The crises in general are explained by a broad detail of the symptoms that do not explain the disease. Just as the explanation of crises as recurrent or cyclical phenomena is not valid, whether these cycles are short or long, as if these fluctuations did not have a clear origin. There are also those who want to explain the crisis through a particular and conjunctural phenomenon of a specific moment in history [Rivera Vicencio, (2016c), pp.22–23, (2016a), pp.80–81].

From a purely economic point of view, crises are the product of an excess of investment in one or more sectors of the economy. The excess of investment generates an inventory or goods that are not sold. These phenomena are called ‘bubbles’ affecting a sector or several sectors or the economy as a whole with specific local, national, continental or global level effects.

However, for an excess of investment to occur in a sector or economic sectors, it is due to the economic equilibrium or equilibrium of the quantitative theory of money has been broken in some way, to which multiple authors have contributed to its development, highlighting Irving Fisher who formulates it mathematically as an equality.

In the macroeconomic approach postulated by Fisher, emphasising the institutional factors that make up the means of payment, aggregate demand for money where the money circulating in the economy (M), multiplied by the speed of circulation or rotation of money (V), will be equal to the prices of the goods exchanged (p) by the quantity of

goods exchanged (Q), that is, $MV = p_s Q_s$, Fisher extends these formulations by incorporating foreign trade. With the support of this formulation, Fisher describes several scenarios that help to understand the origin of the crises:

- 1 In this way, if V and Q_s remain invariable and a variation of M occurs, it will have to vary in the same proportion p_s but if the variation occurs only in some of the p_s , some of these will have to vary more than others to compensate for the variations between them and maintain the general equality.
- 2 If M and Q_s remain unchanged and a variation of V occurs, it will have to vary in the same proportion p_s , but if the variation occurs only in some of the p_s , some of these will have to vary more than others for compensate for variations between them and maintain overall equality.
- 3 If M and V remain unchanged and a variation of Q_s occurs, the same thing happens again as in the previous two cases; it will have to vary in the same proportion p_s but if the variation occurs only in one of the p_s , some of these will have to vary more than others to compensate for the variations between them and maintain general equality [Rivera Vicencio, (2016c), pp.19–23; Fisher, (1911), pp.24–28].

If these possible scenarios were applied to the different crises in the history of the five hundred years of capitalism, it can be verified that a large part of them can be explained by scenarios (1) and (3).

In the case of scenario (3), these crises are usually the result of a technological advance which increases the amount of goods in the economy and this causes the respective adjustment in prices, with other side effects, such as the destruction of another industry of the same economic sector that did not make technological changes. Generating, in turn, unemployment among other effects. Scenario (3) can also be produced by a depletion of a given resource for an industry and/or the prohibition of its use, increasing the price of substitute goods, if they exist, or increasing the price of other goods to which it focuses the demand, with these resources available. However, despite the multiple examples that can be included in this scenario, the only ones with a global effect that can be considered are those of an energetic nature, such as oil, whether these adjustments in the quantity produced by technological changes or decisions of producing countries or countries.

Scenario (2), is similar in its effects to the scenario (3), an increase in the speed of circulation of money, will bring with it an adjustment in the price level. That is to say, scenarios (2) and (3) represent an adjustment in the price mechanism or the search for the balance between supply and demand, resolved according to the dominant economy by the company and the theories around it. Theories that do not consider the existing inequalities between companies, including in these: the worker-company, the micro-company, the small company, the medium-sized company and/or the large company, and that also have a single central objective, as is the maximisation of benefits. According to the elements of the dominant economy, one could ask, which of these companies will have the greatest capacity for negotiation? Expressed in other terms, the price mechanism, or the balance between supply and demand, or the balance between price and quantity, will depend to a large extent on the bargaining power or power held by a given institution (company, agency, state, etc.) to impose its criteria and conditions. Therefore, market equilibria should be relativised, since none of them is carried out in what the dominant economy calls perfect competition. What is found in the economy or in the market, are

imperfections of all kinds, with all nuances, with multiple effects, both received, and generated, with high social costs, but no perfection. Perfections that are only found in dominant theories, transmitted in dominant media, of a dominant economy, present in all areas of society that justify these imperfections, increase inequalities and concentrate wealth. They are monopolistic, oligopoly, monopsony or oligopsony equilibria. It is the historical conformation of governmentality, which leads to the current corporate governmentality. With a state that in all its aspects (economic practice, population management, law and respect for freedoms, police) allows and encourages the formation of corporate governance.

Scenario (1) is undoubtedly the most representative of the typical crises of capitalism. The excesses of the monetary mass (M) produce excesses of investment, generating economic bubbles in one or several sectors of the economy, with local or global repercussions, that when producing the adjustments in the economy, generate the crises. A historical revision of the crises, from the crisis of 1873 onwards, shows that the cause of these has been the excess of monetary mass through persistent violations of the gold standard and from the 1971 excesses of debt-money [Marichal, 2010; Morin, 2010; Rivera Vicencio, (2016a), pp.79–86], (2016b), pp.77–78].

From a purely economic point of view, the beginning of the conformation of corporate governance is at the beginning of the 1970s, that is to say, the end of the gold standard or the beginning of money-debt. This is how the first crisis caused by this change in monetary support is the oil crisis in 1973, where producing countries demanded a greater amount of dollars for their oil, since these (dollars) were not backed by gold, reaching increasing its price almost six times from 1972 to 1981 [Galbraith, (2003), pp.292–295].

“The expansion of the economy in the early 1970s, accelerated by rapidly growing inflation due to an enormous increase in the world monetary mass and the enormous US deficit, became frantic.” Which also represented a substantial fall in 1974 of the gross national product of advanced countries. [Hobsbawm, (2015), p.289]

The oil crisis increased production costs and in turn increased indebtedness of countries globally. Together with the rising inflation, due to the effects of the increase in the monetary mass. “The increase in the price of oil was the result of the doubling of the world monetary reserves of the previous three years. But, in turn, the increase in the price of oil was financed both due to the explosion of international financing but mainly by commercial banks” [Rivera Vicencio, (2016b), p.78; Triffin, (1978), p.9].

This fully describes that the scenario (1) proposed by Fisher, where the increase in monetary mass initially affects a particular product (oil) and the increase in its price, directly affects other prices, in a combination of effects and repercussions in the balance of the economy. The increase of the monetary mass, beyond what was necessary for the economy at the beginning of the decade of the 1970s, represents a stage of transition and the beginnings of corporate governance and a new stage of capitalism.

If to this ratio, we add that 97% of the money in the economy is produced by private commercial banking and corresponds to money-debt [McLeay et al., (2014), p.2], where commercial banking has the only objective of maximising profits. The state has no possibility of regulation, given its role as facilitator of the activity of private enterprise in this new government conformation, therefore, will have an excess of permanent monetary mass. In addition, the only work of international organisations (IMF, World Bank,

European Union, among others), states and central banks of these states, will limit the accesses of this monetary mass to the real economy, concentrating this monetary mass in the economy of large companies.

This *systemic crisis of capitalism* has been resolved with a greater amount of monetary mass injected into the economy, such as quantitative easing, reducing the cost of money at near zero interest rates, facilitating the issuance of new debt, therefore, the money-debt again [Morin, (2010), pp.31–89]. This in order to boost investments, in capital assets, shares and assume greater risks, in short, to make the economy more dynamic. Although evidence shows that this mechanism has not served to accelerate growth [Perrotini, (2015), pp.250–271], quite the contrary, it served to generate a new crisis and greater social inequality. Therefore, this is the economy we find today with four times the amount of money with respect to world GDP.

These excesses of monetary mass in the economy, existing in the economics of large companies, in turn generate huge repercussions and social costs in the real economy.

This systemic crisis, according to Samir Amin, is aggravated after the crisis of 2008, expressed as, “(I) the crisis of accumulation in the real productive economy; (II) the energy crisis related to the depletion of fossil resources, to the consequences of growth associated with the use of this energy model ...; (III) the crisis of peasant societies undergoing accelerated destruction and the agri-food crisis associated with it” [Amin, (2009), p.33].

4 Precariousness

4.1 *The precariousness in the petroleum crisis of 1973*

The increase in the price of oil in the 1970s, a product of the end of the gold standard, increases the costs of production and distribution of products, which in turn increases the debt of the countries as a whole. These two effects produced by the unilateral decision of the USA (Estrada et al., (2013), p.45), provoke the first negative impact on people’s income level. “The expansion of the economy in the early 1970s, accelerated by rapidly growing inflation, due to an enormous increase in the world monetary mass and the enormous US deficit, became frantic”. Which in turn, in 1974 meant a substantial drop in GNP from advanced countries [Hobsbawm, (2015), p.289]. The Gulf War against Iraq in 1991 was “a late compensation for the terrible moments of 1973 and 1979, when the greatest power in the world did not know how to respond to a consortium of weak third world countries that threatened to stifle its supplies of crude oil” [Hobsbawm, (2015), p.251].

The increase in the price of oil was the result of the doubling of the world monetary reserves of the previous three years. Yet in turn, the oil price increase was financed, both due to the explosion of international financing, but mainly by commercial banks [Triffin, (1978), pp.8–11].

This inflation generated by the largest monetary mass, where the recommendations of experts were oriented towards tax reductions and increased public spending, was reversed to the recommendation of increased fiscal pressure and the reduction of public spending. “Friedman’s contribution to the history of the economy has been the influence of monetary measures on prices (full employment and constant inflation), according to his model unemployment and the galloping inflation continued, although eventually inflation

was crushed by the high interest rates, changing the two-digit inflation for the two-digit types, in the early 1980s” [Rivera Vicencio, (2016b), p.78; Hobsbawm, (2015), p.288; Galbraith, (2003), pp.296–301].

In this first stage of the precariousness or proletarianisation of the workers, due to the increase in the price of products (inflation, caused by the increase in the monetary mass), it is also affected by the introduction of *taxes on goods and services*, such as form of financing of indebted states. Also, as a way to withstand the dismantling (precariousness) of the state and its beginning in the process of forming a state in the service of private enterprise and the destruction of the state of society. This tax further reduces the level of income of people and is again precarious for workers, who are the ones that suffer the greatest impact on the reduction of their income.

4.2 *Public and private property*

Karl W. Kapp in 1950, referring to the social costs of private enterprise, expressed, “the economic theory and particularly the school of neoclassical thinking, now dominant, is modelled by certain ‘a priori’ classics, such as the one of the beneficial character of the private company, characteristic of the social philosophy of the economic liberalism” [Kapp, (2006), p.39]. However, numerous studies deny the affirmation of the beneficial character or the efficiency of the private company, with respect to the efficiency of the public company, reaching the conclusion that the property does not determine the efficiency. Vergés expresses it as follows, when referring to the comparison of privatised public companies, between before and after privatisation, “from the set of studies available the general conclusion that emerges is that no significant differences of efficiency are observed ... between the after and the before for the privatised companies” [Vergés, (2013), p.36]. “Also, ratify these conclusions in Spain, the work of Gamir (1999) and internationally (Kemal, 1996; Halliday and Carruthers, 1996; Villalonga, 2000; Gertler and Kuan, 2002; Cullinane et al., 2005; Sacristan, 2006; Okten and Peren Arin, 2006; Cavaliere and Scabrosetti, 2008)” [Rivera Vicencio, (2017), pp.94–171].

This is how the capitalist economy “neither costs nor social returns enter into the cost-price calculations of private enterprise, unless it is forced by laws and the systematic application of social security principles, as in the case workers’ compensation laws” [Kapp, (2006), p.47]. Laws that in the new stage of capitalism were repealed with the justification of economic freedom and business freedom or are not directly applied. In this way, “those social ends and means (and costs) that cannot be expressed in terms of market prices are considered” non-economic “and as such relegated outside the field of economy” (p.42) and are not considered in the calculation of the company system (p.47).

These social costs cover “all losses, direct or indirect, borne by third parties or by the general public, as a result of the unlimited development of economic activities” (p.53). Where the fundamental causes of these social costs are found “in the fact that the private entrepreneur must minimise the private costs of production in order to increase profits” (p.55). In this way, a greater appropriation of the private entrepreneur takes place, of what in his activity would normally correspond to him.

In this section, I have addressed one of the many social costs that occur in the process of shaping corporate governance, such as the precariousness or proletarianisation of the working class. Precariousness that occurs within the crisis of capitalism of oligopolies, which is not the result of social struggles capable of imposing a setback in oligopolistic

ambitions, but as “the exclusive product of the internal contradictions inherent in the system of accumulation” [Amin, (2009), p.41; (2010), p.20] or corporate governance.

4.3 *The precariousness of the privatisation process*

The 1980s begins with the implementation of the privatisation process, which in Chile, model of the establishment of neoliberalism process, began in the 1970s. This privatisation process has been constant throughout the world and continues to this day.

There was the possibility of issuing debt and, therefore, money-debt without the limitation of having a gold backing, which limited the monetary issue. The financial system in all latitudes can lend enough money for the appropriation of state enterprises. This added to the dominant discourse of ‘economic science’ on the inefficiency of the state, which has been totally disproved over the years, although the dominant discourse is maintained today producing the accelerated privatisation process.

Contrary to the sole objective of the private company, the state companies had several additional objectives to maximise its own benefits. Within the objectives of the company of the social state during these years, in addition to the strictly productive, are the objectives of

- a A tool or way to overcome the limitations (positive externalities and social benefits that the market does not value), imperfections (allocative inefficiency) or market failures (control of unemployment, untapped natural resources, care for the environment, control of strategic activities and not depending on third countries, rescue of private companies in crisis and their transfer to the state, etc.).
- b The instrument of economic policy (income redistribution tool, sectoral reconversion plans, price and wage setting according to the country’s demand, import restrictions, restricting the reduction of personnel, imposing the development of certain activities and in specific places to their regional development or in depressed activities, development of low industrialised activities, economic development purposes, acquisitions of companies in a given sector in order to face international competition, etc.).
- c Universalisation of services that a private company would not perform as unprofitable, etc. (Vergés, 2002).

These very different objectives between the public company and the private Company make them both no longer affordable; one clearly has social objectives and the private one only has the objective of maximising the benefits of the entrepreneur. This in turn, imposed to a certain extent the consideration of certain social objectives to the private entrepreneur since the state companies established certain guidelines in the market and acted as a regulator. All this is destroyed by the privatisation process and shaped corporate governance.

The beginning of the 1980s in Great Britain was the time to “dismantle or reverse the welfare state commitments, privatise public companies (including social housing), reduce taxes, encourage entrepreneurship and create a favourable business climate to induce a large influx of foreign investment (specifically from Japan)”. Thatcher affirmed that, “there was not what is called society, but only individual men and women ... All forms of social solidarity were to be dissolved in favour of individualism, private property,

personal responsibility and family values”. “The economy is the method”, she said, “but the goal is to change the soul” [Harvey, (2007), p.29].

The precariousness of the state, together with its changing role as facilitator of the activity of the private company, also ends with the long-term planning work of the state. It is no longer the state that plans in the long term, but the private company; not with social objectives but for the benefit of its own interests. This absence of planning by the state is also the lack of definition of a country project, being left to both the state and the countries and their population, subject to the vagaries of the market or what is equal to the vagaries of the private company (maximum expression of ‘anarchic-liberalism’) [Foucault, (2007), pp.190–191].

An additional effect of this destruction of the social state is the destruction of social-capital within society. The cooperation existing in the community is destroyed as the objectives become individual, breaking the understanding and camaraderie among the neighbours, which brought advantages and helps to the individuals incorporated into various volunteer associations. This occurs because “if the population is less willing to trust in human nature it is not because they spend less time participating in voluntary associations, but because the leaders themselves do not respond to their expectations” [Wuthnow, (2003), p.585]. In Sweden, for example, “Rothstein⁷ finds evidence of increasing individualism as the younger generations abandon traditional forms of social activity, hierarchically organised” [Putnam, (2003), p.626]. Although there are certain common patterns, “the decline in participation in elections, political parties, trade unions and churches seem to be virtually universal. These common patterns are especially important because of certain features of declining institutions” [Putnam, (2003), p.647], among them the state. “An important hypothesis ... is that the new forms are perhaps more liberating, but less solidary; they represent a kind of privatisation of social capital” (p.648). The various authors of the work ‘the decline of social capital’ (Putnam, 2003) are “certain about the evidence of the existence of a different generation gap: evidence about a young cohort singularly disinterested in politics, which distrusts both the politicians as the ‘neighbour in general’, sceptical towards public affairs, less inclined to participate in permanent social organisations” (p.649).

One of the many possibilities that this model could generate is a confrontation between the financial banking oligopoly and supported by public powers, and citizens (social exclusion, systemic social breakdown or absence of a social state). “That could lead to all kinds of outcomes, especially totalitarian ones, or in exacerbated identity folds (of a fascist type), with possible armed confrontations between them” [Morin, (2010), p.93]. This possibility highlighted by Morin (2010) can be supported with a recent study that expresses the following, “social exclusion can be a relevant factor that motivates violent extremism” [Pretus et al., (2018), pp.1–12]. This is more marked in the population of immigrants in different countries, the marked racism affected and their social exclusion, without ruling out the marginalisation that causes precariousness and poverty in the local population. The precariousness and marginalisation, along with the nationalisms generated by economic protectionism, in times of crisis like the current one, where world production is delocalised from the west, plus the ignorance in which the population in general is subject, is the broth of perfect culture for any scenario of confrontations and the resurgence of fascism or far-right parties (populisms) (Kaul, 2018).

This set of effects, such as the destruction of the social state (precariousness of the state), the deterioration of social capital, political disaffection, etc. are in part a product of

the process of privatisation of public companies, marking in turn, the period accelerated by the concentration of wealth and greater precariousness of workers.

In privatising productive enterprises and public services, in addition to removing the tools of economic policy to the social state, they make the prices of these products and services increase, extracting from the workers a greater surplus, decreasing the disposable income of the worker. In turn, the privatised company decreases production and distribution costs through the dismissal of personnel and increasing unemployment. Therefore, more workers are willing to work for a lower salary, reducing the level of wages at a general level (reserve industrial army). Also, during the process of transformation of this new governmentality of the state (corporate governance), labour legislation adapts to this governmentality and 'liberalises' the labour market (according to the dominant discourse). 'Liberalisation', also known as the flexibilisation of labour rights or deregulation of the labour market, represents the loss of workers' rights, diminishing the bargaining power of unions through the atomisation of these and/or eliminating collective bargaining power or by the economic sector. This allows for precarious and rubbish contracts; slowing down the increase in minimum income, lower salaries, increase in temporary hiring, lowering the cost of dismissal, the absence of social coverage etc. In some cases, such as the Chilean case (the first experiment in forming a neoliberal state), the public pension system is destroyed and replaced by the private retirement system (Harvey, (2007), pp.14–15). In addition to transferring these resources every month to the private sector, it perpetuates the precariousness of workers with miserable pensions since these are a function of what each worker is quoted, plus lower income, lower contribution, higher unemployment, lower contributions. This system in Chile also reduced the contribution of the worker and the employer to the new pension system⁸ to a minimum percentage. This caused an initial illusory effect that predetermined that the workers changed their pension system, due to a lower contribution, given the precariousness of the historical moment of the workers, where a lower contribution generated a higher salary available, much needed for his subsistence at that time, but a miserable retirement in the future. To this must be added that the pension funds administered by the private company are invested or made available to other private companies, that in case of reducing their value, product of bad investments of these managers, the pension fund administrators (AFP in Spanish) have no responsibility. However, those who imposed the Chilean system through a civil-military coup d'état, the armed forces and the state security forces, were left outside the private pension and their pensions are guaranteed by the state.

In the case of the USA, "The funds available to lend to Wall Street expanded rapidly in the 1980s and 1990s, especially through the expansion of pension funds. In 1980, in a typically American style, a small change in fiscal rules, through the 401K amendment, opened the door to these changes. This amendment allowed tax deductions to employees and employers whenever they put money into pension plans" [Gowan, (2010), p.178].

The same model of Chile was applied 30 years later to Iraq in 2003, when Paul Bremer, the Director of the Coalition Provisional Authority, issued four decrees which envisaged "the full privatisation of companies, the full rights of property for foreign companies to acquire and acquire Iraqi companies, the full repatriation of foreign profits ... the opening of Iraqi banks to foreign control, the dispensation of national treatment to foreign companies, and ... the elimination of virtually all trade barriers" [Harvey, (2007), pp.12–13].

The reduction of salaries of privatised companies is not limited to the reduction of salaries and layoffs to reduce production and distribution costs but also to outsource activities that were within the public company, in order to diminish the trade union strength of unions and reduce production and distribution costs.

Through the appropriation of surpluses from producers, the privatisation of large state enterprises absorbs small or medium-sized local businesses or makes them precarious. The surplus of the producer is, in turn, an indirect form of appropriation of the worker's surplus, where the small or medium-sized company that provides a service or sells a product to the large company and where the latter knows the cost structure of the small or medium-sized company (outsourcing), adjust the purchase price to a minimum, forcing these small or medium-sized companies to extract the price adjustments to which they have been forced, through the appropriation of the income of their workers. Therefore, large companies have indirect control over the level of wages in the economy, given that small and medium enterprises have no alternatives to market their products with others, due to the concentration of markets.

The large privatised state companies are transformed into a large purchasing power and squeeze local companies to obtain lower prices and therefore lower costs. To maximise their profits and obtain the expected results, they look for lower prices abroad, destroying the local industry. They also relocate their own production in search of lower labour costs, and even if the distribution costs increase, the decrease in labour costs outweighs the higher distribution costs. This outsourcing of activities of the privatised company is taken to the extreme with the relocation of part or all of the production [Wallerstein, (2005), p.63]. On the other hand, the concentration of wealth increases, given that the concentration of the productive sector is greater, since many of the privatised companies were acquired by others from the same sector and/or linked to the financial system.

Furthermore, the relocation also represented the transfer of polluting activities with the environment to third countries. Countries with a lower legislative structure for the protection of the environment. The "supremacy of merchandise (money) that has hidden the environmental conflict in favour of a conflict between classes for the distribution of income (surplus value, salary). This new institutional framework and the growing use of fossil fuels have made it possible to separate social or class conflicts and environmental conflicts" [González de Molina et al., (2015), p.34]. These relocations are the product of the so-called "NIMBY conflicts (Not In My Backyard) generated in the social effects of the accommodation of waste ... NIMBY conflicts produce a type of protest that can generate these consequences: relocation of mining or industrial activities that generate toxic or dangerous waste" (p.36).

4.4 Production and capitalist distribution system; sustainability and financial system

"The mother of all crises is the production and consumption model of capitalist centres. This requires high rates of increase in productivity and is based on mass production and mass consumption and, therefore, on the mass consumption of raw materials, fossil energy and land" [Altvater, (2010), p.134], with great social costs, both present and future for society as a whole.

Historically, the processes of capital accumulation were the product of the exploitation of labour, together with slavery and the appropriation of resources. This was true except for

in the beginnings of capitalism with the arrival in America by the Spanish and Portuguese (later along with other countries in Europe), which also represented the dispossession of resources, gold and silver for example, that were used as currency. This increased the monetary mass and gave rise to the so-called primitive accumulation that laid the foundations and the ways of doing things, of the whole development of later capitalism (Rivera Vicencio, 2018).

In this way, the accumulation of capital was based on a productive system that predates resources and seizes the surplus of workers. This was generating constantly an increase of the capital of the private company, where the state with social character was the wall that minimally contained the excesses of the capitalism that, nevertheless, followed in its slow process of concentration of the wealth. With the destruction of the social state and the conformation of the state of the corporate governmentality, new forms of appropriation of the rents of the real economy are initiated. The financial capital that always played an important role in the accumulation and that was sustained by the productive system, this system of accumulation through the system of production and distribution, passes to a second plane in the model of appropriation. From the 1970s, a new model of ownership is established, which requires the system of production and capitalist distribution but may have externalised, taking control through financial capital at the global level. At this point, it is very important to point out that the change in the form of appropriation of capitalism or capitalist accumulation to which Marx refers to in the seventh section of capital [Marx, (2017), pp.654–805] called “the process of capital accumulation”. By relocating much of the production to third countries, the western countries and the empire, relocate the process of capital accumulation, which diffuses its direct relationship with appropriation, assuming an indirect appropriation and accumulation, which in turn increases the concentration of wealth since the accumulation is carried out; indirect productively and financially direct. In a first stage, this is under the condition of having a dominant currency/currencies used as an international exchange currency and accepted by all other countries. A condition not necessarily permanent.

From 1945 to 1970, this process begins with the recovery of Europe that was generating greater competition to the large companies of the American Empire, which despite the growth they were having, part of the cake began to be in European and Japanese companies. In addition, as the growth of this period was based on the support provided by the state and the state’s own investment, many of the large companies that developed in this period were state-owned. This meant that the yields of the productive system were reduced for the big banking installed in the US, not in terms of the volume of benefits, but in percentage terms. That is to say, they reduce the margins that the financial system could extract from the productive system.

This is how the unlimited ambition of the financial system and of capitalism as a whole are trapped in a monetary system based on the gold standard, which limits the speed of appropriation and concentration of wealth. The break with the gold standard and because the dollar had become the most important reserve currency, represented that the rest of the capitalist countries accepted the growing dependence on American financial capital [Estrada et al., (2013), p.45]. Duménil and Lévy (2003)⁹, “after a careful reconstruction of the existing data, have concluded that neoliberalisation was from the very beginning a project to achieve the restoration of class power” [Harvey, (2007), p.23].

In this way, the USA goes from a productive predominance to a financial predominance, which it already had but increases. The following crises will only have a

single origin, excess of monetary mass, produced by money-debt. The oil crisis of 1973, the debt crisis of the third world countries of the 1980s, the financial crises of 1974 in Mexico, the savings and acquisitions in the USA in 1986 and 1989, the Asian tigers in 1997, Brazil in 1999, Argentina in 2001, the crisis of the dot com in 2000 and the crisis of 2008. The financial system is injecting money where it expects to obtain higher returns, generating excesses of investment and therefore, excesses of goods in the economy, which are possible to sell or be sold on credit, and which are impossible to pay. Also increasing the value of shares and derivatives, through speculative games, which makes this type of instruments overvalue and then somehow inject them into the real market and obtain the benefits. When these overvalued instruments fall, the loss is assumed by the real economy or rescued of the state, if these instruments are in the hands of the financial market, as happened in the 2008 crisis. In any case, losses are always transferred to the real economy. These speculative markets of the financial system are located in London, New York and Chicago mainly, therefore, the Anglo-American empire.

The shift from domination by increased production and distribution to the financial dominance of the US Empire has also represented social costs and greater precariousness due to the higher prices that the population in general has had to bear, due to the privatisation of companies and additional financial costs for the financing of these products and/or services. "The impact on the condition of the workforce in general was spectacular. Perhaps the best example of the new situation is condensed by the fact that the federal minimum wage, which was kept in line with the level of poverty in 1980, had fallen by 30 per cent below that level in 1990. The prolonged decline in Real wage levels then began in earnest" [Harvey, (2007), p.31].

The precariousness of education and health services, due to the lower resources of the states, was constantly increasing. The precariousness of these services increases the expenses of families, whether through private or semi-private education or health systems, for which they can finance this additional expense or directly opt for precarious public services, for those whose income is already precarious. They are not enough to take on new expenses. The precarious services in education, together with the low income of families, increase social inequality, stop or roll back social mobility, producing a greater permanent precariousness that perpetuates social inequality and makes social mobility impossible over time [Solon, 2004; Corak, (2013), pp.79–102; Chetty et al., 2014a, (2014b), pp.1603–1619; Jerrim and Macmillan, 2015; Neidhöfer et al., 2018). The life expectancy of a worker is also directly correlated with their level of income and studies, that is to say, less education, lower income and lower life expectancy [Roget et al., (1992), pp.457–461; Lin et al., (2003), pp.240–247].

The executive summary of World Inequality Report 2018 states, "recent research shows that there can be a huge gap between public discourse about equal opportunities and those that do exist in access to education. For example, in the USA every hundred children whose parents belong to the poorest decile, barely between twenty and thirty gained access university education, while that proportion rises to ninety in the case of the highest income decile" [World Inequality Report, (2018), p.16].

This is also a period of strong productive increase through new technological developments. However, they do not replace the ambitious profits desired for the big capitals, which aspired for more. In addition, these technological developments, of which capitalism also appropriates, have an impact on productive growth, greater consumption

and greater pollution. Nor should we forget, two important aspects of historical technological development highlighted by Marx:

(1) “The additional capital constituted in the course of normal accumulation ... preferably serve as vehicles for the exploitation of new inventions and discoveries, as well as for industrial improvements in general.” [Marx, (2017), p.717]

(2) “The machinery, insofar as it makes muscular force dispensable, becomes a means to employ workers of little physical strength or incomplete body development, but of more agile members. Female and child labour were, therefore, the first slogan of capitalist machinery employment! Thus, this powerful replacement of work and of a worker became immediately a means of increasing the number of wage earners, subjecting all members of the workers’ family, without distinction of sex or age, to the splinter of capital.” (pp.472–473).

That is to say, the technological change corresponds to a prior appropriation of the surplus of workers, transformed into machinery and, in turn, these technological changes help increase the ‘industrial reserve army’ with female, child and migrant labour, with direct effects on a greater precariousness of the workers as a whole. In addition to the social costs of child exploitation, which is an issue that is still maintained currently, especially in countries to which production has been outsourced. The large companies that have outsourced production obtain an indirect appropriation, increasing their profits as a result of child exploitation, an action that is also hidden in a business network. It is also worth highlighting the enormous salary difference that still persists between men and women with the same training and skills, extracting big capital with even greater benefits as a result of female labour exploitation. Just to highlight some research work in these areas, we can mention the following; child labour [Kolk and van Tulder, (2002), pp.291–301; Davies and Voy, (2009), pp.59–66]; also with this issue, many jobs are linked to child labour and the multinational ethical codes; codes that are inefficient in practice but clean the image of large companies. In relation to gender discrimination in the labour market, in all levels and types of work activity and as a historical difference, we can highlight (Malkiel, and Malkiel, 1973; Wood et al., 1993; Ginther and Hayes, 2003). There are also minimal changes in high-level work, as is the case of managers and upper middle level in a European company (Noback et al., 2016). A more general noteworthy work refers to agricultural export multinationals as an obstacle to human rights (Spar, 1998).

In the case of emigrants, many of them are products of the capitalist production system itself and the destruction of the social state, which has marginalised them in their own countries of origin. There is also emigration for reasons of war, generated by purely economic causes and appropriation of capitalism; e.g., Iraq, Libya, Syria etc. just to highlight the most recent. Inequality and emigration are two highly correlated elements [Stark, (2006), pp.146–152] which thicken the ranks of the ‘reserve industrial army’.

The technological appropriation by capitalism, where a large part of these investments in research or in new technologies were and continue to be financed by the states and not by private capital¹⁰, has generated:

- a The paralysis of certain technological advances that could affect a reduction of the benefits to certain private companies or to their structure of appropriation of resources.
- b Monopolisation of these technologies through invention patents and, therefore, appropriating a greater surplus of consumers.
- c The use of technologies as a tool to increase consumption and, therefore, the increase in production waste.
- d Use of technology to adulterate the measurement of certain pollution indicators, allowing for greater contamination that cannot be easily detected, in order to comply with environmental standards.
- e The use of these technologies to generate monopolistic agro-food dependence, both in seeds and fertilisers, together with the greater use of pesticides in agricultural production and the effects of these technologies on the environment and food (Obesity and malnutrition). “These three pandemics (obesity, malnutrition and climate change) represent The Global Syndemic that affects the majority of people in all countries and regions in the world” [The Lancet, (2019), p.1].
- f The use of technologies for the extraction of certain resources which increase pollution or contaminate environmental resources with these new technologies, such as fracking or hydraulic fracturing.
- g The use of technologies as tools for discipline and control of populations. h) Technological changes with repercussions not yet known in life or in society as a whole, the environment and human beings; e.g., the exploitation of new resources for the manufacture of electric cars, artificial intelligence with repercussions on certain activities carried out by humans, the geopolitics of space, genetic technologies, etc.
- h Technology as a tool of global domination, limiting the technological development of dominated countries and exporters of raw materials, expanding inequality through the technological gap.

Firstly, this historical appropriation of technology by the capitalist system through large companies and supported by the global financial system, in turn produces a greater precariousness of workers and their families. This precariousness directly affects the level of disposable income of the families, due to a greater appropriation of the income of the workers, having to pay more for goods and/or services that are necessary. Also, a precariousness in their present quality of life and future due to the harmful effects of these technologies in the environment, in food, in the health of the human being, etc.

However, the increase of goods in the economy is undeniable, despite the repercussions of this productive increase. This productive increase, associated with the precariousness of the system itself, has generated additional precariousness, such as the indebtedness of families and a new decrease in their disposable income through the payment of interest on the consumption they make. This also generates a greater dependence on the real economy, on the financial economy, already predominant through money-debt. “The action of the debt does not consist solely in the manipulation of

enormous amounts of money, in the sophisticated games of financial and monetary policies; it also informs and configures the techniques of control and production of the existence of users, without which the economy would not have dominion over subjectivity” [Lazzarato, (2013), p.159]. All together, ‘the espionage on the private life of the applicant’ in credit, is the action of ‘the distrust’ towards the poor, the unemployed and the precarious workers’, generated by the capitalist economic model itself, ‘all are cheats’ and ‘potential opportunists’, where “hypocrisy and cynicism are the contents of the social relationship” (pp.158–159). This has been one of the effects in the change of the financialisation model, by the outsourced or indirect productive model.

Secondly, oil as a finite and exhaustible resource is not the only one of the fronts of ecological overreach. Surely the most imminent, but not the only one, “of the fracture points of a polytraumatism that is also expressed through anthropogenic climate change, the holocaust of biodiversity or the depletion of important resources such as water, phosphate or fertile soil” [Muiño, (2018), pp.19–20].

The first industrial revolution was based on obtaining energy through coal, the second revolution owes its development to oil, but the latter has an early expiration date. A third revolution, born an orphan, and survives along with the decline of oil, with a society that fails to capture energy in an energy-efficient way or with a positive rate of energy return (pp.30–31). Energy optimism based on renewable energies requires a profound transformation of the current production, distribution and social model. In addition, there are some very important technical truisms to consider in the energy transition: “The first is the energy nature. Renewable energies basically produce electricity, and our societies are essentially non-electric” (p.47). Only 20% of what is consumed is electricity and 95% of transportation is fuelled by petroleum products. Secondly, the best renewable energies, wind and solar, in the best conditions have an energy return rate (ERR) of 20:1, while oil in its best extraction periods could reach 100:1. Therefore, “a society 100% renewable can surely do a fifth of the things that a society based on cheap oil could do” (p.48). Thirdly, the storage limits of renewable energies. Although the wind and the sun are inexhaustible, the devices of capture and storage of energy require minerals and rare earths that are exhausted. Changing the dependence on oil for these minerals (pp.48–49). Fourthly, the best geographical locations or locations where renewable resources can be installed are limited. In Spain, for example, fields with strong and constant winds have already been used up (Level 6 Fields) (p.49). The fifth aspect is the need for fossil fuels, for the construction, deployment and maintenance of renewable energies, given the difficulty of electrification in areas of difficult access and from where the minerals necessary for its construction are extracted. This will obviously limit the penetration of renewable energies. Finally, a sixth aspect would be the dilemma of facing the rapid construction of renewable energy plants, which would increase greenhouse gas (GHG) emissions. This would also mean electrifying all activities that are currently not electric (p.50).

Santiago Muiño cites Antonio Garcia Olivares¹¹, which “has led one of the most interesting academic studies on the possibilities of a 100% renewable energy matrix with non-scarce materials, is limited in this regard: the limitations in the reserves of copper and other minerals makes the end of exponential growth an essential prerequisite for the viability of an energy-sustainable technosphere” (p.51).

The capitalist productive system and the American-British Empire is not sustainable over time. It is technologically unfeasible with a high precariousness in the income of workers, huge levels of family debt, high concentration of wealth in a tiny percentage of

the world population, high levels of pollution on the planet, high costs in terms of security (armed forces, police, intelligence services, etc.) and with a monetary system that does not stop generating debt or money supply (money-debt) which keeps the economic model in a permanent crisis.

4.5 The precariousness of the 2008 crisis

The crisis of 2008 did nothing more than demonstrate and increase the non-viability of the capitalist model.

From before the 1970s and during the 1980s and 1990s, the US economy suffers the loss of participation of the North American productive company in the world market and, in turn, fuelled by the dominance of the financial sector in the structure of the capitalism, they made this loss of participation increase¹². With the exception of the arms industry and the industry of information and communication technologies sectors that were protected and subsidised by the state. “The bulk of the American economy, which has depended on its growth, has been characterised by stagnation or even by the decline in the income of the majority of the population and because there has been no growth engine from new investments, whether they were public or private” [Gowan, (2010), pp.192–193]. This is because “there was a shift of power from production to the world of finance. Increases in industrial capacity no longer necessarily meant an increase in per capita income as the concentration of financial services did” [Harvey, (2007), p.40], moving from a productive domain to a financial world domain, sustained by the dollar-debt.

The globally dominant dollar, debt-money, allow the US to stimulate domestic consumption through greater debt to consumers in massive ways and increase their deficit in the trade balance with more money-debt and with cheap imports, especially from China. “This Anglo-Saxon model was based on the accumulation of consumer debt. It was growth for today paid with the desire for growth tomorrow” [Gowan, (2010), pp.194–195].

The crises generated from the 1970s, or did not affect the USA directly, or they were solving them with more money-debt, changing the sector that generated the bubble. However, it was only a matter of time before the 2018 crisis comes directly to the North American financial system. The USA had grown from 163% of GDP in 1980 to 346% in 2007, prior to the crisis (pp.194–196).

The gradual loss of control and supervision of the financial system, with the complicity of political power, through the conformation of corporate governance, generates all kinds of nonsense, in what Gowan calls, ‘the new Wall Street system’, whose basic trait was the creation and expansion of a shadow banking system (pp.171–172). This is how, from the 1990s, a growing part of the shadow banking system generates the derivatives market, (Over The Counter OTC), direct negotiation between seller and buyer, in unorganised markets between they CDOs (Collateralized Debt Obligations, accepted and rated triple A by risk assessment agencies, in exchange for commissions) and CDSs (Credit Default Swaps) and instruments that allow banks to increase their leverage (pp.174–175). “London and New York dominate sales of OTC derivatives, which account for the bulk of derivatives sales. In derivatives on interest rates and currencies, Great Britain had a global share of 42.5% in 2007 and the USA had 24%. The USA handled 40% of the credit derivatives market in 2006 while London had 37%” [Gowan, (2010), p.177; Morin, (2010), pp.99–124].

This model of generation of greater money supply, together with the control of inflation in the real economy, that is to say, this money supply is maintained in the economy of large companies [Rivera Vicencio, (2016c), pp.29–30], could generate the bubble that bursts.

This gives way to rescuing banks and the redistribution of income in reverse. The states rescue the banking system through generating greater debt to the states, both in the USA and in Europe. Producing, in turn, a new process of precariousness given that a greater debt of the states represents a higher interest payment and the cuts that the state must make to finance the payment of higher interest, especially social cuts, fall on the most deprived families and society as a whole.

The real economy is blamed for financial crises, without looking for the causes of crises in the financial system itself. Manipulation in the markets of raw materials by the financial system, manipulation in the oil market, manipulation in the metals market, etc. in London, New York or Chicago, satisfying the interests of American and British capital [Gowan, (2010), pp.157–158].

Not being enough, the fire generated by the excess of monetary mass, tried to extinguish with more firewood, generating more monetary mass, by means of quantitative easing (QE, quantitative easing), with interest rates close to zero. Policy adopted by international reserve currencies (dollar, pound sterling, yen and euro), in order to boost investments and boost the economy, with low interest rates [Perrotini, (2015), pp.250–271]. This policy did not generate more economic activity, did not encourage investment, nor stimulated anything, except for speculation in the economy of large companies, since this money created does not reach the real economy. This turns out to be obvious, since the state of the corporate governmentality delegates in the private company the economic and social reactivation, but knowing that the objective of the private company is the maximisation of its own benefits. Therefore, the private company guides and will guide these monetary resources to where they generate greater profitability, profitability obtained in the speculation and that they have been practising for decades, increasing the activity and the overvaluation of shares, derivatives and real estate assets, generating a new bubble.

The social costs generated by the 2008 crisis, together with austerity and fiscal discipline policies, was a result of a greater indebtedness of the states, which represented lower social services for workers and their families, budget cuts in health, education, pensions, etc. The higher interest payment due to the increase in the debt of the states represents a higher payment of taxes to finance these payments, which will directly affect the families, generating a lower disposable income, which was already precarious. In some cases, this has also represented new privatisations, such as the Greek case or the assumption of unpayable debts over time by some states, perpetuating precariousness.

Another social cost was the loss of the homes of many families that, with the fall in prices, many of these houses had more debt than their real value, a debt that it was impossible for them to pay when so many unemployed workers remained. In addition, in cases such as in Spain, workers, in addition to losing their homes, continued with the debt since their property was auctioned off. The amount collected did not cover the total debt and the legislation allows financial institutions to continue charging the debt differential that would have remained. Many families were also thrown out onto the street due to the non-payment of their loans.

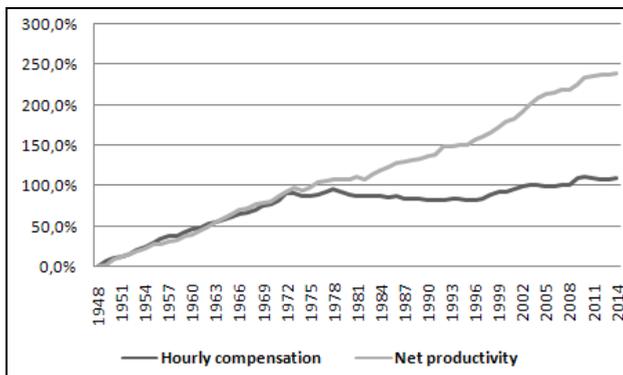
After the crisis of 2008, a greater precariousness is generated again, now a product of the change in the destiny of speculation. Investment funds and experts in financial

speculation, who clearly know that investments in stocks and derivatives are overvalued, changed their investments to the real estate sector, once again increasing the prices of the sector, but now in order to allocate these new investments. This causes a high increase in the prices of housing rents, mainly in large cities, forcing many people to move to the periphery of cities, with the higher costs of moving to their activities that this represented. An example of this increase in transfer costs for workers expelled to the periphery by the increase in housing prices or rent in large cities is the social movement of the ‘Yellow Vests’ in Paris. They began their protests due to the increase of fuel prices and, despite the French government retracting their measures, have continued them because of the precariousness of inequality. This is just an example of the “non-society, the end of the western middle class” (Guilluy, 2018), where the same situation of inequality, precariousness and concentration of wealth has expanded globally; now it is shift of central Europe, since the south and east of Europe were already in a situation of increasing precariousness.

This continuous process of precariousness, product of the crisis of the productive system and the crisis of the capitalist monetary system, is in different stages in the different countries, depending on the greater or lesser adoption of the corporate governmentality model of capitalism. The effects of precariousness, which is only one of the symptoms of the crisis of the capitalist model, are not only for the USA, but also for Europe, Latin America, Africa, Asia and Oceania, with small nuances, but with the same destiny final.

A clear example of inequality, precariousness and the disproportionate concentration of wealth is that “the fortunes of the 358 richest people in the world in 1996 were equal to the total income of the poorest 45 percent of the population world; that is to say, 2,300 million people”. What is more serious is “the 200 richest people in the world have more than doubled their wealth between 1994 and 1998, exceeding one trillion dollars” [Harvey, (2007), p.42].

Figure 1 Disconnect between productivity and a typical worker’s compensation, 1948–2014



Notes: Data are for average hourly compensation of production/honsupervisory workers in the private sector and net productivity of the total economy. ‘Net productivity’ is the growth of output of goods and services minus depreciation per hour worked.

Source: [Bivens and Mishel, (2015), p.4]

This inequality and precariousness that increases since the 1970s, produces a disconnection between productivity and the compensation of the typical worker, where in the USA for example, between 1948 and 1973, productivity increased in 96.7% and average hourly compensation of private sector production of non-supervisory workers, had an increase of 91.3%. On the other hand, in the period between 1973 and 2014, productivity increased by 72.2% and instead, the typical worker's compensation rose by only 9.2% [Bivens and Mishel, (2015), pp.3–5].

The OXFAM Report of January 2019 highlights a series of data on the increase in inequality in 'public welfare and private profit?' that is shameful:

- a "Fortunes grow at a rate of \$2,500 per day, economic elites and large companies pay the lowest rates of recent decades" [OXFAM, (2019), p.2], according to Forbes.
- b "3,400 million people (almost half of humanity) border on extreme poverty and live on less than \$5.50 a day" (p.8), according to World Bank data.
- c "The wealth of the poorest half of the world's population, which equates to 3,800 million people, was reduced by 11%" (p.12).
- d "26 people have the same wealth as 3800 million people, the poorest half of humanity; in 2017, this figure was 43 people" (p.30).
- e "Worldwide, women earn 23% less than men, and men have 50% more wealth than women" (pp.15 and 33), based on estimates from Credit Suisse.
- f "The richest 1% carbon footprint of the population can be, on average, up to 175 times greater than that of the poorest 10%. With the current levels of inequality, getting all the people of the world to live with more than \$5 a day would require that the world economy be 175 times greater than it is now, which would destroy our planet" (pp.34–35).
- g "The World Bank and other actors are promoting greater privatisation of education, even though it has been shown that doing so increases inequality" (p.35), according to data from the World Campaign for Education Report of 2016. This, among many other data demonstrate the high and increasing levels of inequality, the deepening of precariousness and the disproportionate concentration of wealth, where education has a fundamental role in social mobility.

If the trajectory of global income inequality continues, which persists from 1980 onwards, inequality will increase even if high growth rates are assumed for the next three decades in Africa, Latin America and Asia [World Inequality Report, (2018), p.15].

5 Final reflections

The current capitalist system has its bases in three fundamental aspects:

- 1 The historical conformation of corporate governance which transcends all areas of society; such as the production and distribution system based on fossil energy, capitalist production relations, sciences in general (within them the capitalist economic structure and its theories that sustain it), education, social relations, the

state and all state bodies, politics, relations between states, international organisations, whether economic or not, etc.

- 2 A second pillar within the corporate governmentality but with a more specific function is constituted by the doctrine of security and within it the armed forces, the police, the state intelligence agencies, as well as global organisations such as NATO and bilateral or multilaterals security treaties, whose function is to protect, maintain and impose corporate governmentality and all its relations at national and international levels.
- 3 The monetary system based on money-debt imposed by the dollar as the dominant currency which has been extended to all international exchange currencies, but always with the supremacy of the Anglo-American empire and the dollar.

These three pillars of the capitalist system begin to have deep fissures. This is due to:

- a One of the deepest fissures is the depletion of resources, including oil, which will limit production volumes in a few years and all the damage caused the environment, in many cases irreversible.
- b The continued precariousness of workers and their families reduces consumption for a system based on unlimited productive increase and consumption.
- c High levels of debt of workers and their families, the companies in general and the states, which already today, make the payment of these debts unviable. In addition, the own interests that these debts generate, produce greater precariousness in the population, therefore, lower consumption and a lower production is necessary. This reflects the very decadent crisis of the system, which has entered a vicious circle, impossible to solve without a state with a social character.
- d The permanent crisis of the monetary system based on money-debt (dollar) which, due to its use as a dominant tool on world economic activity and on the countries plus the crises that the system generates, are producing rejections of large magnitude and agreements between countries (China, Russia, India, Turkey and Iran and will surely include others), which agree to monetary alternatives other than the dollar, such as the use of their own currencies in international exchange, projects to replace the SWIFT System (Society for Worldwide Interbank Financial Telecommunication), dominated by the USA, purchases of oil in currencies other than the dollar, etc. In short, a substitution of the dollar.
- e The particular case of the dominant economy (USA), with a deficit in the permanent trade balance, with very high levels of indebtedness at all levels of its economy, high costs of maintenance of 725¹³ military bases in the world, the outsourcing to private companies of the defence industry and the projection of a decline in the appreciation of the dollar worldwide, product of what is indicated in the (d) above, will make it impossible to sustain the North American economy at the current levels. The search for shared NATO financing by the USA, while waiting for Europe to partly finance its imperial status, is one of the reflections of the internal financing crisis that the USA has, as is the withdrawal of forces military that this will represent. However, this wounded empire, in its phase of being displaced as the world's leading power, will concentrate its forces in the backyard (Latin America), probably because of its proximity and its historical relationship as a provider of resources, which will

represent a struggle very intense in geopolitical positions worldwide, surely not exempt from armed conflicts.

- f The productive abandonment, replaced by the financial economy from the 1970s, were creating the conditions for China to become the next new world power. Steps undertaken by Deng Xiaoping in 1978, transforming a country with a closed economy into a two-decade term, to make it a large centre of open capitalist dynamism (with centralised planning) and with sustained growth rates, without any precedent in the history of humanity [Harvey, (2007), p.5]. Long-term state planning is causing China to rebuild 'the new silk road', with connections and infrastructure, to the markets of Asia, Africa and Europe. This along with the China 2025 project, which aims to improve quality and productivity and overcome the world's great technological powers. These projections and state planning, will make China become the world's leading power very soon, displacing the USA to the background, followed closely by India. This new world economic situation will undoubtedly represent great changes in the productive system and in relations between states.

- g The pillar of security, associated with the arms industry, will surely be the blueprint for the next great tensions at the international level. This pillar dominated by the North American arms industry after the fall of the Soviet Union and by the greater deployment of NATO in Europe, seems to have ended. On the one hand, the high maintenance costs of the US bases abroad, already discussed in (e) and (f), will surely make them prioritise certain areas, reducing their influence. To this is added the intention of Europe to create its own army. The development of the Russian military industry, a country that also maintains a culture of central state planning inherited from the Soviet Union, also managed to rebuild its industry in general, and generate great advances in the arms industry, which today competes worldwide. On the other hand, the loss of leadership and the loss of positions in the geopolitical sphere of the USA, the crisis of the monetary system based on the dollar, the greater competition in the arms industry, the dependence of private companies on the arms industry of The US, among others, will generate an arms race, which will reactivate this sector, but which, in turn, will increase the possibility of armed conflicts.

- h The commercial war in which the USA finds itself, mainly with China, trying to recover its productive industry, will surely be a war lost by the USA. In order to reactivate production, the USA requires rebuilding its production plants, which means large investments. To have large investments though, it will also require more financing, which will be more expensive, offering higher interest rates that make investments attractive. An increase in interest rates also increases the cost of the enormous debt it carries, which would lead to greater precariousness of the population, with all the social conflicts that this may represent. In addition, the same commercial war will stop world activity and will depress many sectors of the economy and only growth in the arms industry will not be enough, bearing in mind that this industry initially generates more debt for the state.

- i The oil industry would also be affected by the depression of many sectors of the economy, both because of the trade war and the need to create energy substitutions. A reduction in the price of oil makes viable the exploitation of shale gas (hydraulic fracturing or fracking), an industry with high levels of indebtedness in the USA, which could partially offset its energy needs. However, this type of exploitation

generates a huge impact on the environment and is already generating a huge social rejection. It should also be considered that the exporting countries, in the face of a drop-in price, will reduce production by slowing to a certain extent this fall, if these countries manage to reach agreements. In any case, it must be kept in mind that this industry is not sustainable over time and the search for alternatives should be the priority. Although in this period of transformation to a possibly multipolar world, this priority could be left behind.

All this set of elements could predict the end of the Anglo-American empire; however, the levels of certainty make it quite probable the historical capacity of capitalism to recompose itself and reshape, make presage that there will be a profound change, at least of the capitalist world. The displacement of the USA as the world's leading power, the gradual displacement of the dollar as the world's first reserve currency, the emergence of alternative monetary system/s and even the return to the gold-standard in a given area or world-wide, the profound change that the capitalist productive system based on fossil energy must undergo, the very complexities of technological transfer, among others, give a greater degree of certainty of a profound change at least of capitalism.

The pillars of capitalism of the last 50 years were shaped by the creation of money-debt and the dollar as the dominant currency, creating a new additional monetary context.

The traditional pillars of capitalism were capitalist governmentality, with a central axis of economic character, with an economy based on production and consumption, plus the entire security structure (Danger Culture), represented by armed forces, police, services intelligence, etc. By conforming as the central structure of the appropriation mechanism to the monetary system based on money-debt, a new tentacle is created that arises from the economic aspect of capitalist governmentality, which is the monetary system. In turn, this new tentacle generates changes in the governmentality itself, going from capitalist governmentality to corporate governmentality. The responsibility of state planning is given to the private sector, the priorities of the state become the priorities of the big companies and a whole new scenario is configured, where the central axis of capitalism becomes this new tentacle, the monetary system based on money-debt. The displacement of production, formerly the central economic axis of capitalism and of appropriation, is displaced by financial speculation and indirect appropriation through the financial system.

By changing the mechanism of appropriation of capitalism in the era of corporate governmentality from the productive empire to the financialised empire for greater debt issuance. The dependence of the dollar-debt domain directly affects the other two pillars in which current capitalism is sustained such as; corporate governance and its security system, since both require the financing of money-debt (dollar) and of its international recognition, to be able to maintain itself in time. Which in turn depends on the level of confidence in the US economy and weak recognition in other international exchange currencies or the constitution of gold reserves made by other economies.

A weak dollar, the product of:

- a A high interest cost due to the level of US indebtedness.
- b An abandonment of the use of the dollar by strong global economies (Russia, Turkey, Iran and China). These two points have a chained effect on US Treasury

bonds which will force them to offer higher interest rates and, in turn, a higher cost of debt financing.

- c The crisis of the capitalist productive system, based on fossil fuels, which will force an energy transition.
- d The effects on damage already caused to the environment, climate change and the effects on resources as a whole and in particular on water.
- e The strong financing of American military structure
- f Dependence on products and resources from abroad
- g the never before seen levels of concentration of wealth and inequality and the precariousness of workers and their families, who predict that current generations will live worse than the previous one.

The holders of investments in dollars are currently virtual rich, insofar as they do not transfer these investments to productive or physical assets (gold) and real poor to remain with the investments in dollars, since the dollar will be transformed into a secondary currency, as is the pound sterling today.

All these elements foresee serious difficulties and, in the coming years, the end of the Anglo-American Financial Empire in particular, and all kinds of serious difficulties for the world in general. It is also to be expected, that the Empire in its final years will adopt desperate, unpredictable and immeasurable measures of appropriation and geopolitical relocation.

It would seem that society is in the initial period of a new conformation of a governmentality in a multipolar world, where the events of the next decade will set the foundations of this new governmentality and ultimately, shape it.

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Notes

- 1 Plus value, rate of surplus value, necessary labour and surplus labour [Marx, (2017), pp.280–294].
- 2 Kondratieff, N.D. (1922) “The world economy and its conditions during and after the war” Moscow.
- 3 Polanyi already expressed it this way in 1944, “for the representative of economic liberalism, the idea of freedom translates into a pure and simple allegation of free enterprise - which is currently reduced to fiction by the harsh reality of the gigantic monopolies and their princely power” [Polanyi, (2016), p.418’.
- 4 Coase (1937).
- 5 Williamson (1985).
- 6 This note is author’s own: right with the judicial apparatus.
- 7 This footnote is separate and is not included in the bibliographical citation: Rothstein, B. (2003) ‘The decline of social capital’, Chapter 2: *Social Capital in the Social Democratic State. The Swedish Model and Civil Society*, Círculo de lectores, S. A. Spain.
- 8 New Pension System in Chile inaugurated in 1980, through the 3,500 and 3,501 Law Decrees.
- 9 This footnote is separate and is not included in the bibliographical citation: Duménil and Lévy (2003).
- 10 A clear example of appropriation of research or technology by private companies, among many others, was in the US, when this new corporate governance was established: when “the most decisive advances in pharmaceutical research had been financed by the National Institute of Health in collaboration with pharmaceutical companies. However, in 1978 companies were allowed to receive all the benefits of exploiting patent rights without returning any amount to the state” [Harvey, (2007), p.61], that is to say, an industry clearly subsidised by the state.
- 11 Garcia Olivares et al. (2012).
- 12 “A proper historical comparison strongly suggests that 1974 ushered in a profound slowdown in the whole of the economy of the North, punctuated only by an 8-10- year following the double crises of 1981” [Freeman, (2019), p. 7].
- 13 According to Johnson (2004), p.170. It is estimated a total of between 700 and 800 bases at present.