Topic 10

Regimes of Accumulation: Theory and History

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

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

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

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

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

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

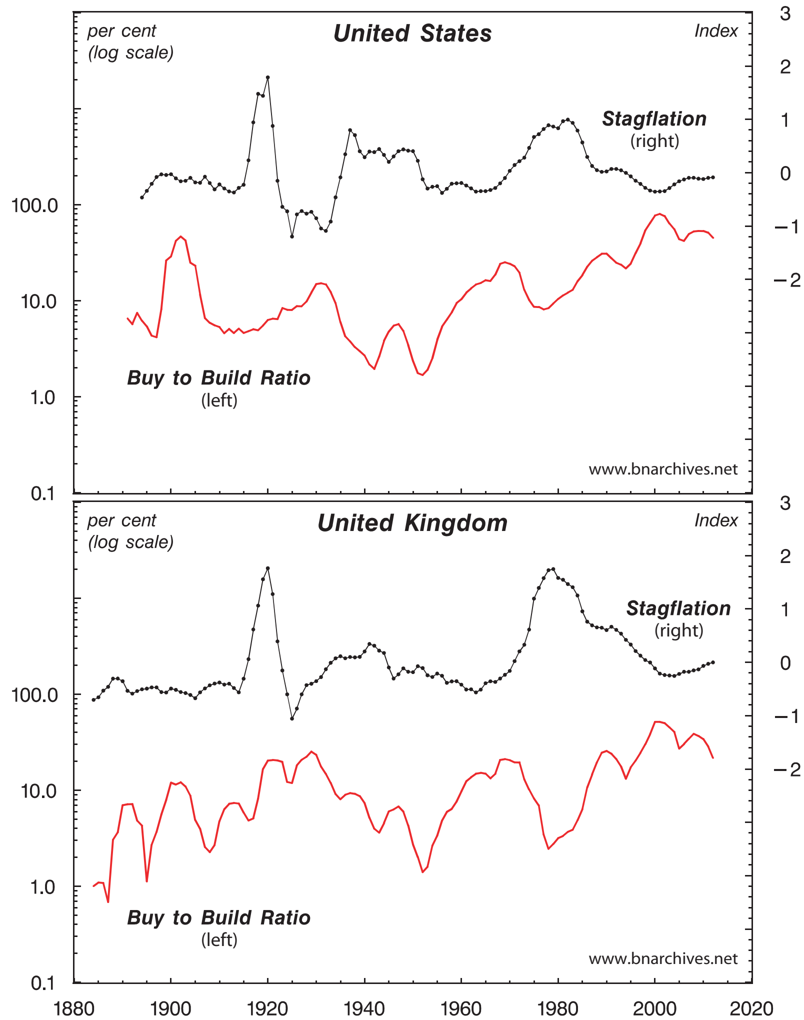

FIGURE 1 Breadth and Depth in the US and the UK

NOTE: Series show annual data smoothed as five-year trailing averages. The buy-to-build ratio denotes expenditures on mergers and acquisitions expressed as a percentage of gross fixed capital formation. Stagflation is the average of: (1) the standardized deviations from the average of the rate of unemployment; and (2) the standardized deviation from the average rate of inflation of the GDP implicit price deflator. The deviations were standardized by deducting from each year the arithmetic mean of the series over the whole period, then dividing the result by the same arithmetic mean. The last data points are for 2012.

SOURCE: Joseph Francis, The Buy-to-Build Indicator: New Estimates for Britain and the United States, *Review of Capital as Power*, 2013, Vol. 1, No. 1, pp. 63-72. (http://bnarchives.yorku.ca/381/).

Regimes of Differential Accumulation

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

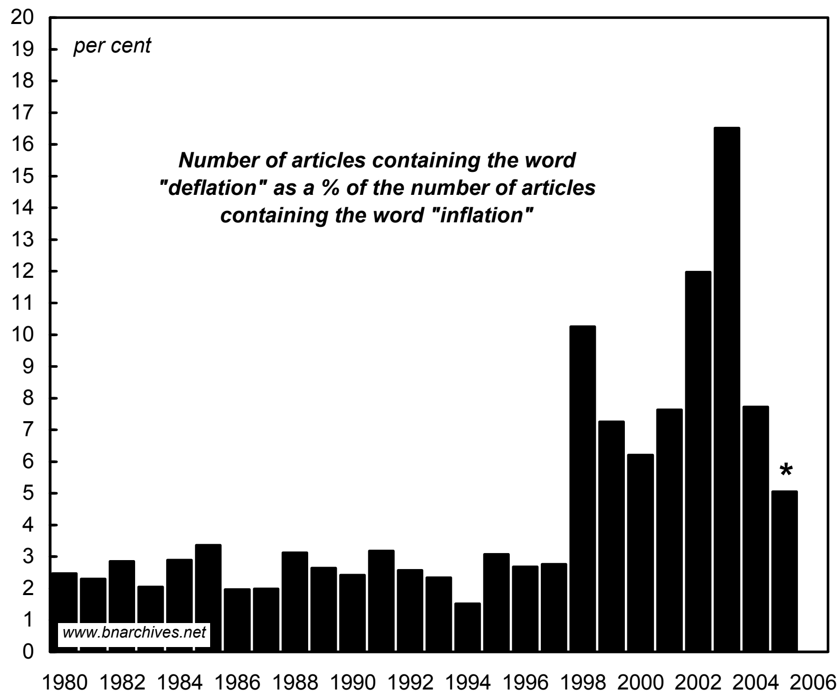

FIGURE 2 The Threat of Deflation

* January-April.

SOURCE: Updated from Shimshon Bichler and Jonathan Nitzan, Dominant Capital and the New Wars, *Journal of World Systems Research*, 2004, Vol. 10, No. 2 (August), Figure 8, p. 292 (http://bnarchives.yorku.ca/1/). Original data are from *Business Source Premier*.

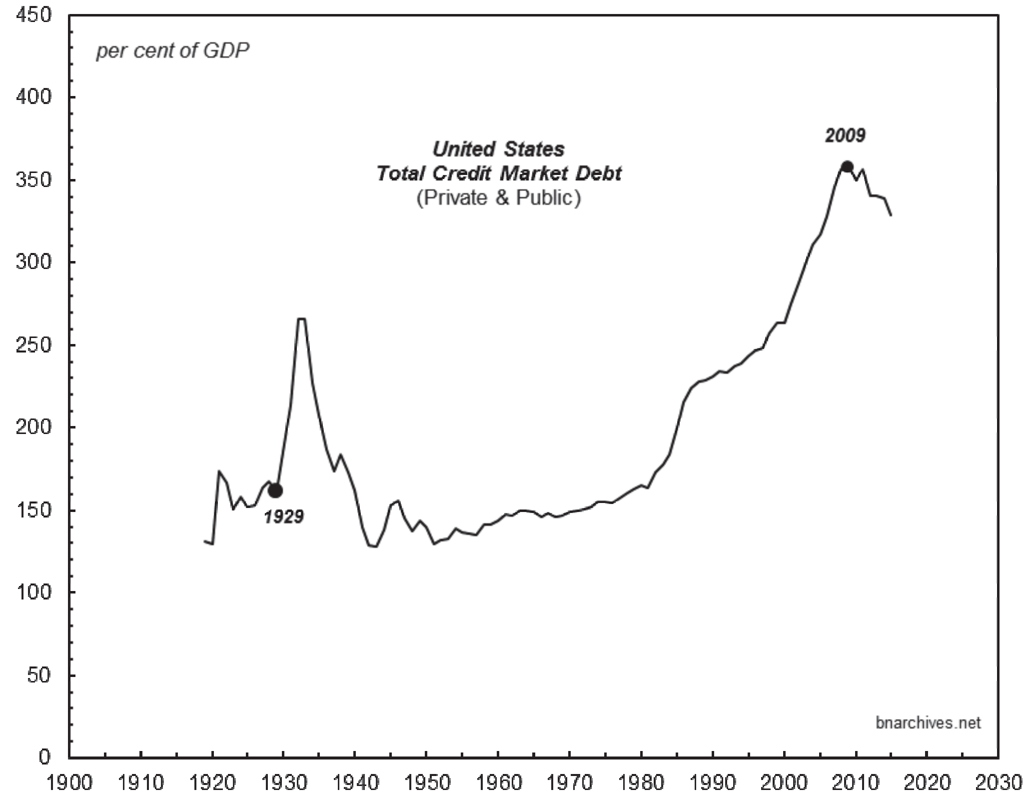

FIGURE 3 **The Debt Load**

SOURCE: Updated from Shimshon Bichler and Jonathan Nitzan, Dominant Capital and the New Wars, *Journal of World Systems Research*, 2004, Vol. 10, No. 2 (August), Figure 9, p. 295 (http://bnarchives.yorku.ca/1/). Debt data until 1951 are from the Bank Credit Analyst Research Group; data from 1952 onward are from the Federal Reserve Board through Global Insight (series code: FL894104005). GDP data until 1928 are from Global Financial Data; data from 1929 onward are from the U.S. Department of Commerce through Global Insight afterward (series code: GDP). The last data point is for 2015.

Don't Worry About Deflation: Soothing Statements, 2002

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

Financial Times columnist Samuel Britton

'Deflation is an overblown worry.'

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

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

Financial expert Adrian Douglas

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

Fed Chairman Alan Greenspan

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

Former member of the Federal Reserve Board, Angell Wayne,

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

Nobel Laureate Milton Friedman

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

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

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

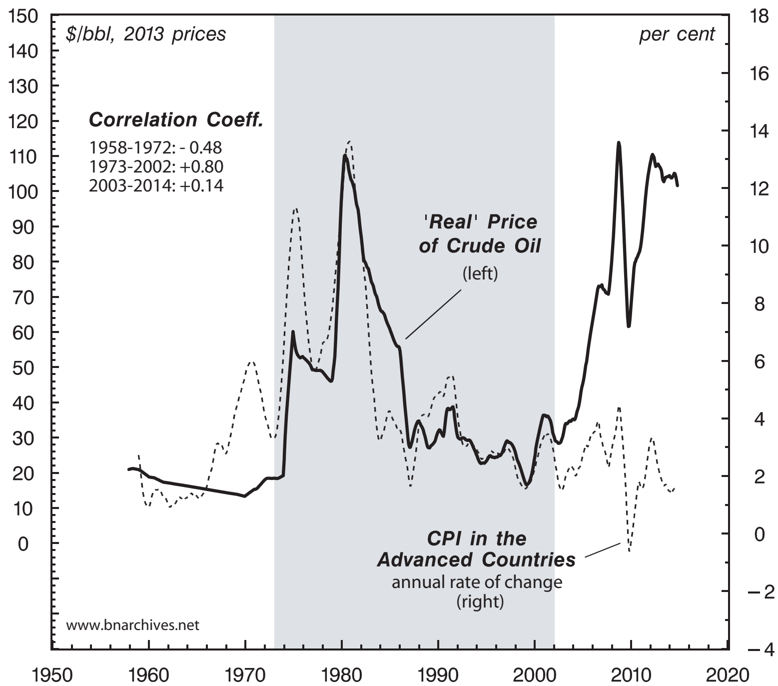


FIGURE 4 Inflation and the Price of Oil

NOTE: Series show monthly data smoothed as 12-month trailing averages. The ‘real’ price of crude oil is the dollar price deflated by the U.S. CPI. The last data points are September 2014 for CPI inflation and October 2014 for the ‘real’ price of crude oil.

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

(Taken from Bichler, Shimshon, and Jonathan Nitzan. 2015. Still About Oil? *Real-World Economics Review* (70, February): 72 (http://bnarchives.yorku.ca/432/).

Imperialism

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

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

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

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

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

Zbigniew Brzezinski, former National Security Advisor to Jimmy Carter

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

Thomas Friedman, *New York Times*

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

Ellen Meiksins Wood

The Invasion of Iraq

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

The Economist, Septmeber 14, 2002

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

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

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

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

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

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

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

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

The Conventional Wisdom

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

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

From Jonathan Nitzan and Shimshon Bichler, 2003. It's All About Oil. *News From Within* Vol. XIX, No 1, January 2003, pp. 8-11 (http://bnarchives.yorku.ca/38/).

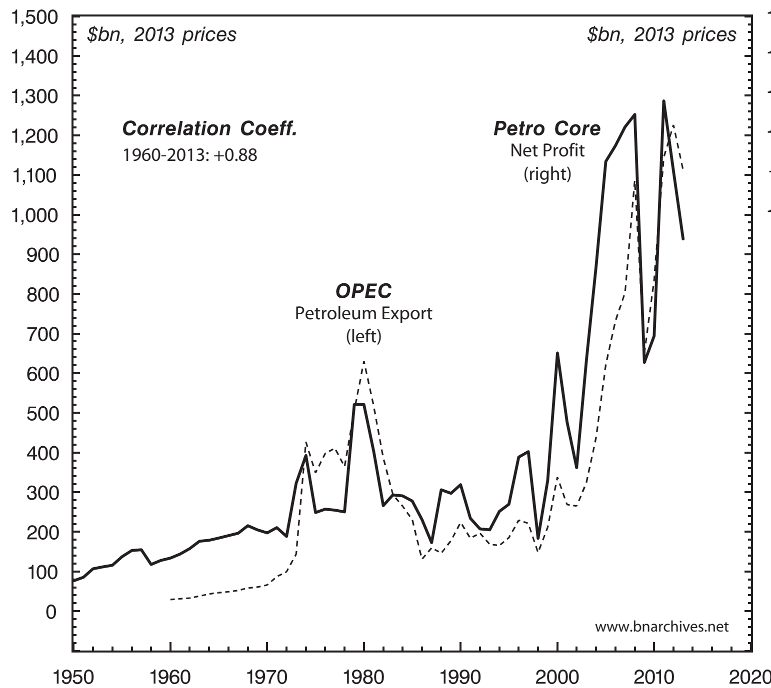


FIGURE 5 OPEC and the Petro Core

NOTE: Series show annual data. The Petro-Core consists of British Petroleum (BP-Amoco since 1998), Chevron (with Texaco since 2001), Exxon (ExxonMobil since 1999), Mobil (till 1998), Royal-Dutch/Shell and Texaco (till 2000). Company changes are due to merger. Data are deflated by the U.S. implicit price deflator. The last data points are for 2013.

SOURCE: OPEC Statistical Bulletin 2014, Table 2.4: OPEC Members' Values of Petroleum Exports (for OPEC's petroleum exports) http://www.opec.org/library/Annual%20Statistical%20Bulletin/interactive/current/FileZ/XL/T24.XLS. U.S. Department of Commerce, Bureau of Economic Analysis through Data Insight (series code: PDIGDP for the U.S. GDP deflator). *Fortune* and Compustat through WRDS (for the Petro-Core's net profit).

(Taken from Bichler, Shimshon, and Jonathan Nitzan. 2015. Still About Oil? *Real-World Economics Review* (70, February): 58 (http://bnarchives.yorku.ca/432/).

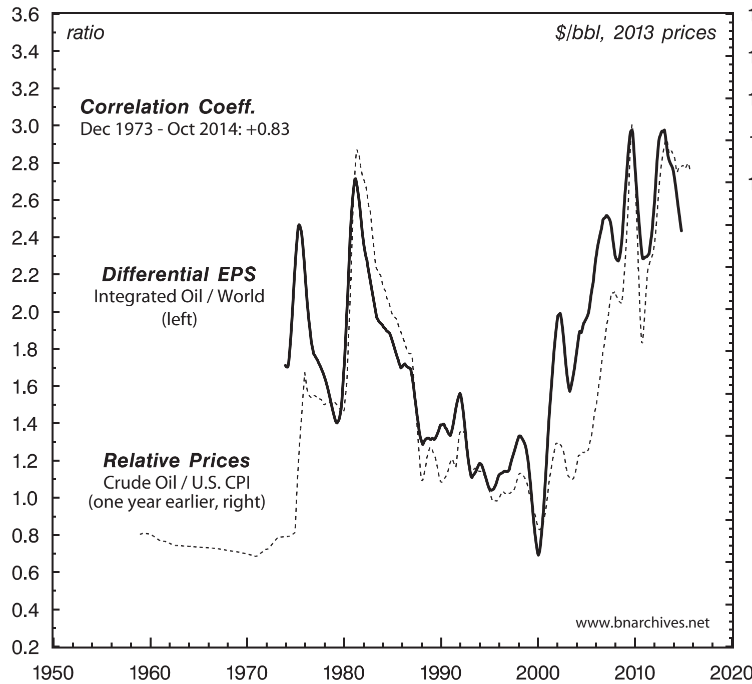


FIGURE 6 Differential Earnings per Share and the Relative Price of Crude Oil

NOTE: Series show monthly data smoothed as 12-month trailing averages. EPS denotes earnings per share and is calculated by dividing the stock price index by the price-earnings ratio. Differential EPS is calculated by dividing the EPS of the integrated oil index by the EPS of the world index. The relative price of oil is the average crude price deflated by the U.S. CPI. The last data points are October 2014 for the differential EPS and August 2014 for the relative price of oil.

SOURCE: Datastream (series codes: TOTMKWD(PI) and TOTMKWD(PE) for the price index and price-earnings ratio of all listed firms, respectively; OILINWD(PI) and OILINWD(PE) for the price index and price-earnings ratio of all listed integrated oil firms, respectively). IMF International Financial Statistics through Data Insight (series codes: L76AA&Z@C001 for the average price of crude oil; L64@C111for the U.S. CPI).

(Taken from Bichler, Shimshon, and Jonathan Nitzan. 2015. Still About Oil? *Real-World Economics Review* (70, February): 60 (http://bnarchives.yorku.ca/432/).

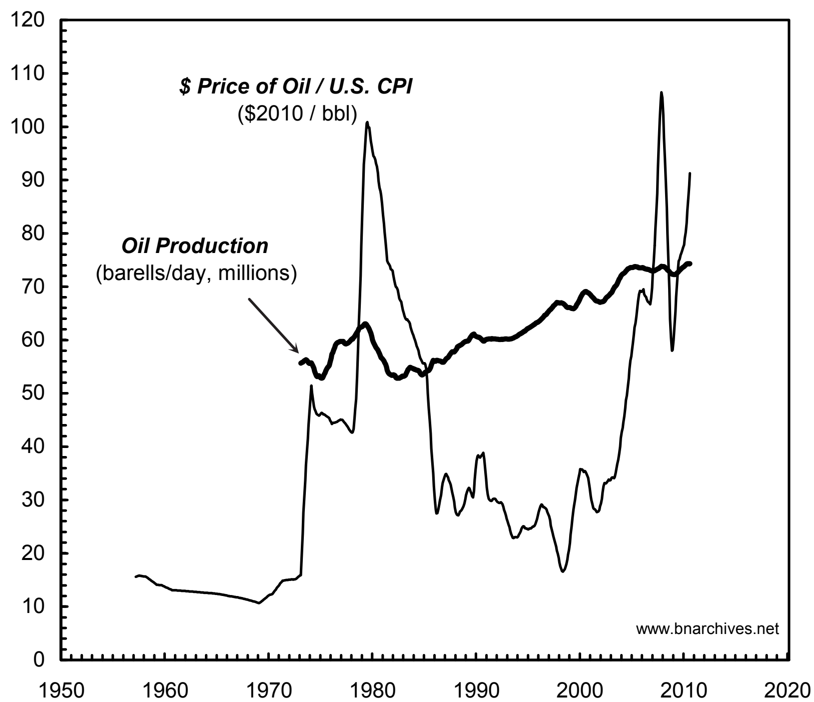


FIGURE 7 Oil: World Production and Price

NOTE: Series are smoothed as 12-month moving averages. Last data points are May 2011.

SOURCE: Energy Information Administration (http://www.eia.gov/totalenergy/data/monthly/query/mer_data.asp?table=T11.01B); IMF *International Financial Statistics*; U.S. Department of Commerce through Global Insight (series codes L76AA&Z@C001 for the price of crude oil; L64@C111 for the U.S. CPI).

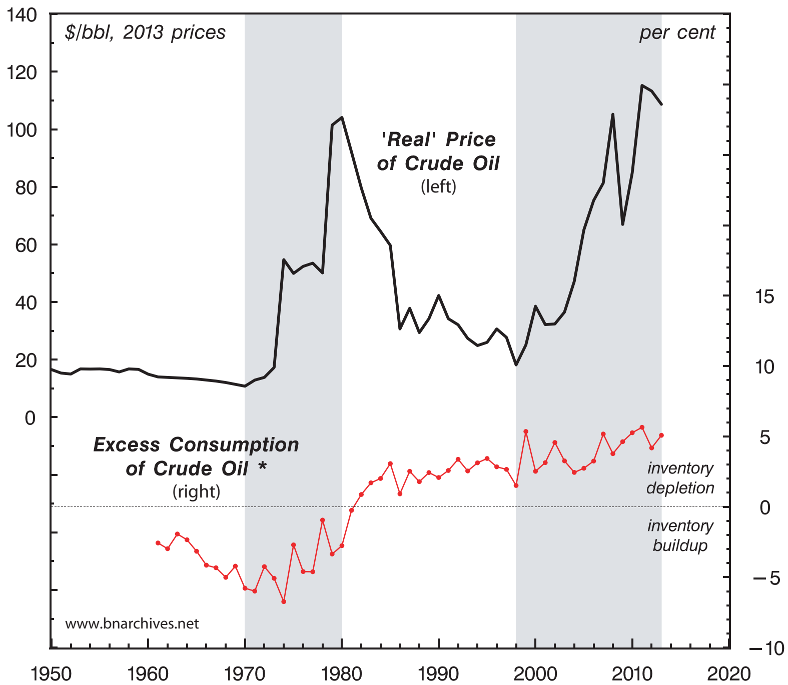


FIGURE 8 "Scarcity" and the Real Price of Oil

* Excess consumption of crude oil is the difference between world consumption and world production, expressed as a per cent share of the average of world consumption and world production.

NOTE: Series show annual data. Consumption and production of crude oil include crude oil, tight oil, oil sands and NGLs (the liquid content of natural gas where this is recovered separately); they exclude liquid fuels from other sources such as biomass and derivatives of coal and natural gas. The 'real' price of crude oil is the dollar price deflated by the U.S. CPI. The last data points are for 2013

SOURCE: *BP Statistical Review of World Energy,* April 2014 and earlier issues (for oil consumption and production). IMF International Financial Statistics through Data Insight (series codes: L76AA&Z@C001 for the average price of crude oil; L64@C111for the U.S. CPI).

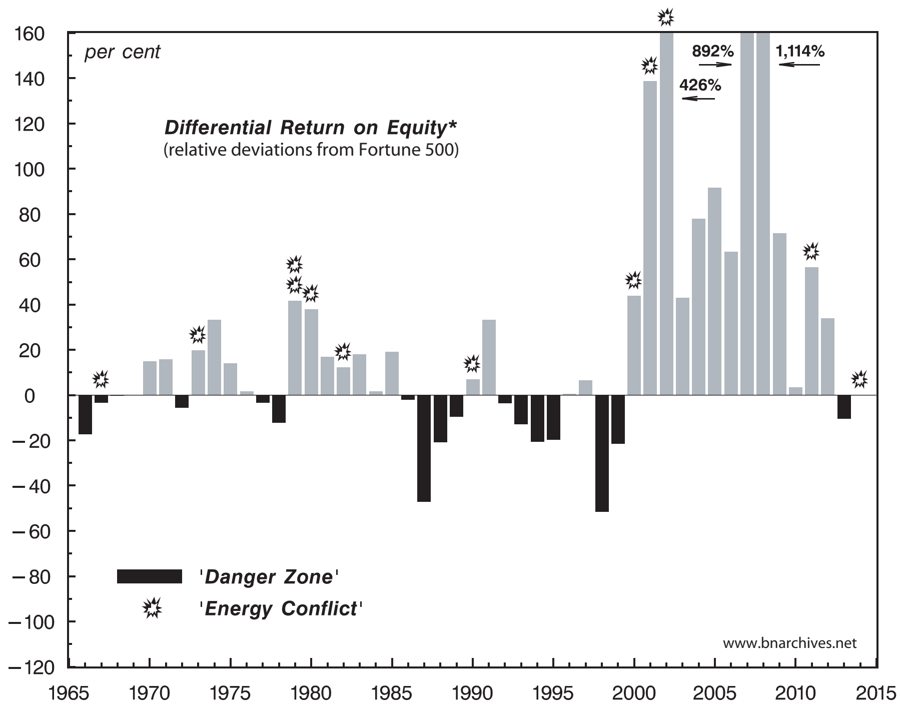
(Taken from Bichler, Shimshon, and Jonathan Nitzan. 2015. Still About Oil? *Real-World Economics Review* (70, February): 52 (http://bnarchives.yorku.ca/432/).

The New Wars: The Stylized Facts

- First, *every* energy conflict in the Middle East was preceded by a danger zone, in which the oil companies suffered differential *de*cumulation. (The only apparent exception is the 2011 Arab Spring and the outsourced wars that followed – though, in 2010, the differential return of the oil companies were pretty close to zero.)

- Second, *every* energy conflict was followed by a period during which the oil companies beat the average.

- And, third, with only one exception, in 1996-7, the oil companies *never* managed to beat the average without an Energy Conflict first taking place.



Year	Energy Conflict
1967	Israeli-Arab
1973	Israeli-Arab
1979	Lebanon / Hostages / Afghanistan
1980	Iraq-Iran
1982	2nd Invasion Lebanon
1990-1	1st Gulf War
2000	2nd Intifada
2001	9/11 / Afghanistan
2002-3	2nd Gulf War
2011	Arab Spring & outsourced wars
2014	3rd Gulf War

FIGURE 9 Energy Conflicts and Differential Profits: The Petro-Core vs. the *Fortune 500*

* Return on equity is the ratio of net profit to owners' equity. Differential return on equity is the difference between the return on equity of the Petro-Core and of the *Fortune 500*, expressed as a per cent of the return on equity of the *Fortune 500*. For 1992-93, data for *Fortune 500* companies are reported without SFAS 106 special charges. The last data point is for 2013.

NOTE: The Petro-Core consists of British Petroleum (BP-Amoco since 1998), Chevron (with Texaco since 2001), Exxon (ExxonMobil since 1999), Mobil (till 1998), Royal-Dutch/Shell and Texaco (till 2000). Company changes are due to mergers. Energy Conflicts mark the starting points of: the 1967 Arab-Israel war; the 1973 Arab-Israel war; the 1979 Iranian Revolution; the 1979 Soviet invasion of Afghanistan; the 1980 Iran-Iraq War; the 1982 second Israeli invasion of Lebanon; the 1990-91 first Gulf War; the 2000 second Palestinian Intifada; the 2001 attack of 9/11, the launching of the 'War on Terror' and the invasion of Afghanistan; the 2002-3 second Gulf War; the 2011 Arab Spring and outsourced wars; the 2014 third Gulf War.

SOURCE: *Fortune*; *Compustat* through WRDS.

(Taken from Bichler, Shimshon, and Jonathan Nitzan. 2015. Still About Oil? *Real-World Economics Review* (70, February): 64 (http://bnarchives.yorku.ca/432/).

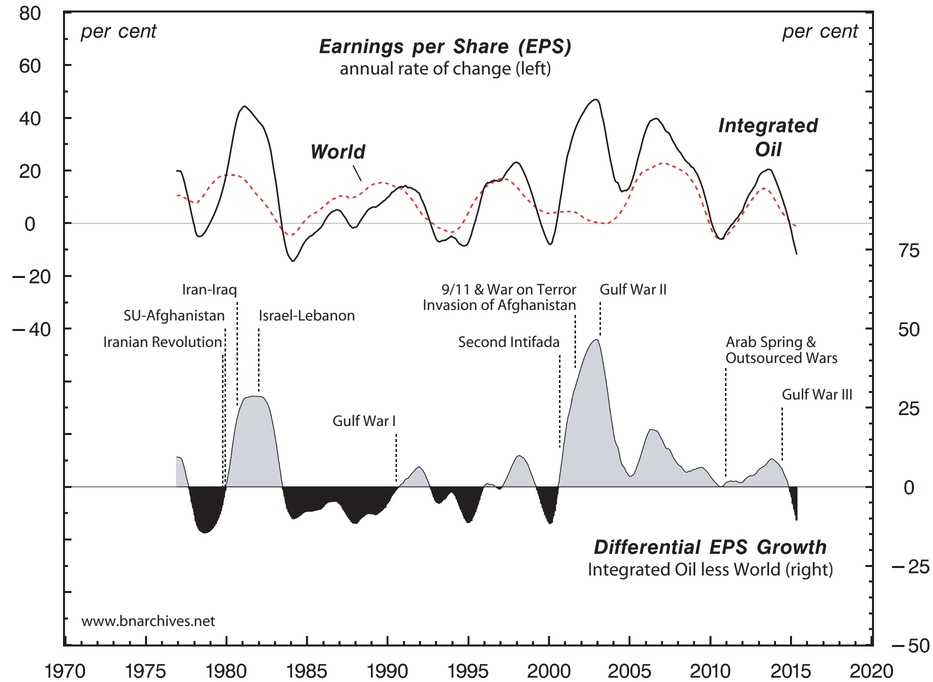


FIGURE 10 Energy Conflicts and Differential Profits: Integrated Oil Companies vs. the World

NOTE: Series show monthly data smoothed as three-year trailing averages. Earnings per share (EPS) are calculated by dividing the stock price index by the price-earnings ratio. The annual rate of change is measured relative to the corresponding month in the previous year. Differential EPS growth is calculated by subtracting the EPS growth rate of the world index from the EPS growth rate of the integrated oil index. The last data points are for May 2015.

SOURCE: Datastream (series codes: TOTMKWD(PI) and TOTMKWD(PE) for the price index and price-earnings ratio of all listed firms, respectively; OILINWD(PI) and OILINWD(PE) for the price index and price-earnings ratio of all listed integrated oil firms, respectively).

(Updated from Bichler, Shimshon, and Jonathan Nitzan. 2015. Still About Oil? *Real-World Economics Review* (70, February): 66 (http://bnarchives.yorku.ca/432/).

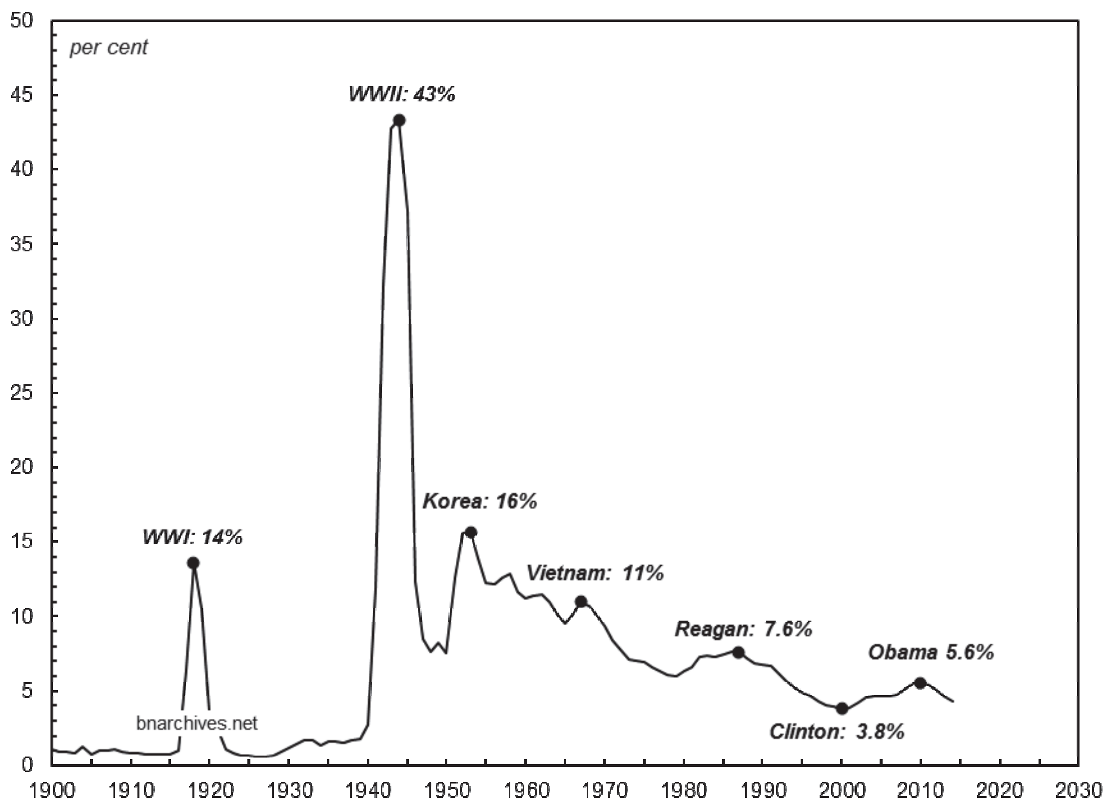


FIGURE 11 U.S. Military Spending as a Share of GDP

SOURCE: Updated from Shimshon Bichler and Jonathan Nitzan, Dominant Capital and the New Wars, *Journal of World Systems Research*, 2004, Vol. 10, No. 2 (August), Figure 16, p. 319 (http://bnarchives.yorku.ca/1/). Till 1928, data for military spending are from Nils Petter Gleditsch, *The Peace Dividend* (Amsterdam and New York: Elsevier, 1996), and data for GDP are from Global Financial Data. From 1929 onward, data are from the U.S. Department of Commerce through Global Insight (series codes: GDP for GDP; GFML for military spending).

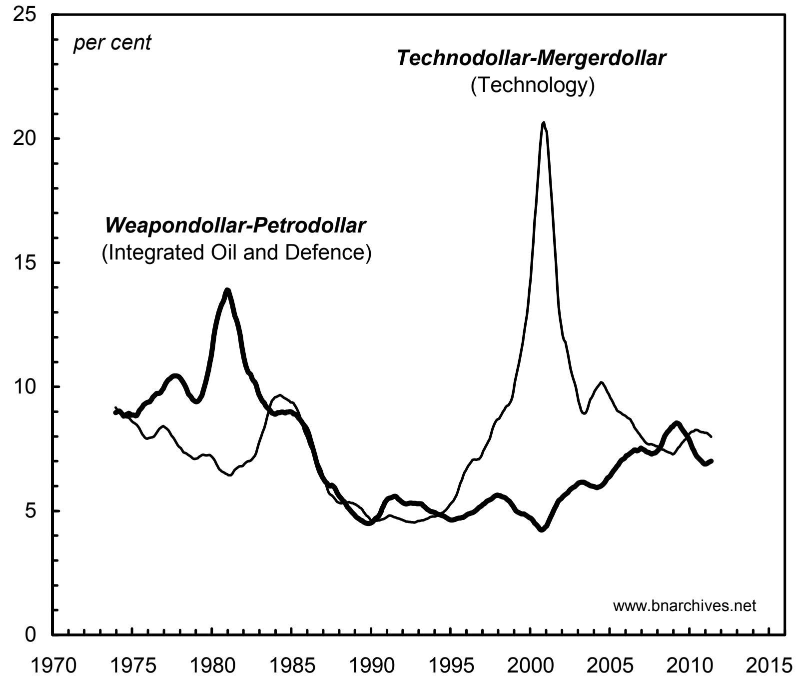


FIGURE 12 Shares of Global Market Capitalization

NOTE: Series denote monthly data shown as 12-month moving averages. The last data points are for May 2011.

SOURCE: Updated from Jonathan Nitzan and Shimshon Bichler, *The Global Political Economy of Israel* (London: Pluto Press), Figure 5.9 p. 272 (http://bnarchives.yorku.ca/8/). Original data are from Datastream (series codes: TOTMKWD for world total, OILINWD for integrated oil; AERSPWD for defence; TECNOWD for technology).

Periodicity

Period	Differential Accumulation Regime	Coalition
1970s – Mid 1980s	Depth / frequent energy conflicts	Weapon$-Petro$
Mid 1980s – 1990s	Breadth / infrequent energy conflict	Techno$-Merger$
2000s	Depth / frequent energy conflicts	Weapon$-Petro$
2010s	***?***	