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Planetary Offensive Against Social Security

Alejandro Teitelbaum

According to the times, cultures, civilisations and the social-economic situation, the "problem" that old people entail is "solved" in different ways. Some nomadic people left the old people at the edge of the road and certain sedentary people took them away from the village and abandoned them with some food and water. But also in all ages, different peoples, recognising the virtues of old age, such as experience and wisdom, have cared for and respected the old.

Modern societies invented retirement, with diverse systems that range from providing a few crumbs of bread to the old when they can no longer work and are at the cemetery doors (if they did not die before in their jobs) to provide them with a relatively comfortable remuneration when they can still enjoy life a little, resting and / or taking care of the things that interest them.

Monopoly Capital

But for a few years there has been a widespread offensive against social security. The explanation is that as a result of the concentration and accumulation of capital, large oligopolies and monopolies were formed whose financial base was consolidated from the end of the 19th century and the beginning of the 20th century with the merger of industrial capital and financial capital.

The current hegemony of financial capital is the result of a profound change in the world economy from the 1970s onwards, a moment that marks the end of the Welfare State, characterised by mass production and mass consumption, driven by the increase in real wages, and by the generalisation of social security and other social benefits. It is what economists call the "Fordist" model, of Keynesian inspiration, characterised in production by chain work (Taylorism), initiated in the United States and extended to Europe especially after World War II.
The weakening of the welfare state model was due to several factors, including two: Post-war reconstruction, which served as an engine for economic expansion, came to an end, and mass consumption tended to stagnate or decrease as well as shareholder value. The oil shock of the early 1970s also had a negative effect. In order to give new impetus to the capitalist economy and reverse the declining trend in the rates of return, it was necessary to incorporate new technologies (robotics, electronics, information technology) into industrial and service sectors, which required large capital investments.

Someone had to pay the bill. Hence, the times of austerity and sacrifices—freezing of wages and pensions, worsening working conditions, increasing unemployment, deterioration of public services, etc.—that accompanied the industrial reconversion begins. At the same time, the technological revolution in the more developed countries boosted the growth of the services sector along with the displacement of a part of traditional industry to peripheral countries, where wages were—and are—far lower.

Under conditions of accelerated globalisation, the owners of economic and political power worldwide—with their vision of "world economy" and "global market"—bet on the second alternative (low wages, low levels of occupation, liquidation of social security, low prices for raw materials, etc.)

The Globalization of Supply-Side Capitalism and the Suppression of Demand

With the incorporation of new technologies, productivity increased enormously; that is, with the same human labour production became much greater. Two possibilities were then opened. One was to foster mass consumption of traditional goods and new goods on a planetary scale—with an expansive wage policy, a social policy in the style of the Welfare State, a reduced workday—depending on productivity gains to tend to a situation of full employment—and fair international prices for raw materials and products of poor countries. The other was to maintain and increase profit margins while keeping low wages, employment levels and prices of products from Third World countries.

The first option would have been feasible in a system of national economies, in which production and consumption takes place primarily within the territory and then the de facto social pact between the capitalists and the wage earners as consumers is possible. But in the new "globalised" system, production goes to a global market of "financially-sound customers" and is no longer interested in the purchasing power of the population of production areas.

Under conditions of accelerated globalisation, the owners of economic and political power worldwide—with their vision of "world economy" and "global market"—bet on the second alternative (low wages, low levels of occupation, liquidation of social security, low prices for raw materials, etc.) to raise their profit rate. This option resulted in accentuating social inequalities within each country and internationally. The idea of a public service and of the irrevocable right to essential goods to live with a minimum of dignity, was replaced by the assertion that everything must be subject to market laws.[1] Low economic growth rates then prevailed, because a relatively narrow market imposed limits on production and the phenomenon of large masses of idle capital arose, for they could not be productively invested.

Primacy of the Globalization of Speculative Financial Capital

But for the owners of these capitals (people, banks, financial institutions) it was not conceivable to leave them idled without making them produce. Thus, the role of finance at the service of the economy, intervening in the production and consumption process (with credits, loans, etc.) was relegated by the new role of financial capital: producing profits without participating in the production process.

This last aspect is basically specified in two ways. One is that institutional investors, pension fund managers, insurance companies, collective investment schemes and investment funds buy shares in industrial, commercial and service

[1] In the report of the United Nations High Commissioner for Human Rights (document E / CN.4 / Sub.2 / 2002/9 of June 25, 2002) it is said, with reference to trade in services, that a foreign private investment may result in the provision of two-level services, one for the healthy and rich and the other for the poor and sick, the loss of personnel specialised in public services, an excessive insistence on the commercial objectives at the expense of the social objectives and an increasingly large and powerful private sector that can threaten the government's role as the actor responsible for human rights (page 3 of the Spanish version).

companies.[2] In this way, these financial groups intervene in the policy decisions of companies so that their investments produce the expected high returns, imposing short-term strategies on companies. The other way in which the role of speculative financial capital grows is that financial groups (investment funds, etc.) speculate (for example with so-called derivative financial products). The same occurs with industrial, commercial and services companies, by speculating with part of their earnings, instead of making productive investments.

This is how the practice of obtaining benefits became the new normal, by creating financial products or acquiring existing ones and making speculative operations with them. In addition to traditional financial products (stocks and bonds), many others were created. These include derivative financial products, which are papers whose value depends on or "derives" from an underlying asset and are placed for speculative purposes in financial markets. The underlying assets can be a good (raw materials and food: oil, copper, corn, soybeans, etc.), a financial asset (a currency) or even a basket of financial assets.

This is how the prices of raw materials and essential foods no longer depend only on supply and demand but on the price of these speculative papers and in this way food can increase (and indeed increase) in an inconsiderate way to the detriment of the population and for the benefit of speculators. For example, when it is announced that biofuels will be manufactured, speculators "anticipate" that the price of agricultural products (traditionally destined for food) will increase and then the financial paper (a derivative product) that represents them will be higher, which has an impact on the actual price the consumer pays for food. Investments in financial products involve various levels of risk. In the hope of hedging these risks, a complex series of financial products that increasingly inflate the bubble and further distance it from the real economy have been developed.

With this "international economy of speculation", the accumulation of large capital was accelerated in a few hands, especially at the expense of workers, retirees and small savers.

Chesnais writes:

... financial investors, as well as central banks, finally believed that they had a miraculous technique that shielded the banking system against risk: widespread securitisation. What is this securitisation? It consists of "transforming the credits in the hands of credit establishments, financial companies, insurance companies or commercial companies (client accounts) into negotiable securities". These titles have bizarre names but they must be mentioned. In the first place are the RMDS (Residential Mortgage Backed Securities), attached to real estate loans. Then there are the CDS (Credit Default Swaps), credit derivatives that carry the transfer with interest and high commissions of the risk linked to the possession of obligations of companies (these CDS were instruments of risk coverage, but became instruments of speculative placements). Finally, there are the CDOs (Collateralised Debt Obligations), which are "securities derived from securities" that involve two successive securitisation operations and total opacity on the composition of the "synthetic product".[3]

The permanent base of the capitalist economy is productive capital, without which financial capital could not exist.

Michel Drouin, for his part, writes:

The development of international capital flows, driven by the deregulation and almost general stratification of financial markets, made the 1980s the decade of financial globalisation… Operations in transactions in goods and services became autonomous; that is, they were stirred not by the logic of current transactions but by that of capital movements.

[2] Investment funds collect funds from pension funds, companies, insurance companies, individuals, etc., and use them in the purchase of industrial, commercial or service companies, which they keep if they are highly profitable or for strategic reasons or, if they are deficient or unprofitable, they "clean them up" by laying off workers and then selling them with a considerable profit margin. Purchases are made using the so-called Leverage Buy-out (LBO), which consists on financing the purchase with part of its own capital (generally 30%) and another part (the remaining 70%) with bank loans, guaranteed with the assets of the acquired company. It is estimated that investment funds have around 350 billion dollars worldwide to invest and in Europe alone have collected seventy-two billion dollars from pension funds and large fortunes.

[3] 3 François Chesnais, El fin de un ciclo. Alcance y rumbo de la crisis financiera. Publicado en castellano en Herramienta Nº 39, Buenos Aires, octubre 2008 y en francés en Inprecor Nº 541-542, Paris, septiembre/octubre 2008.

The financial sphere based its development on its pursuit of profit ensuing from the variation in the prices of its own instruments. The speculative nature of this growth logic allows us to speak of the emergence of an international economy of speculation.[4]

With this "international economy of speculation", the accumulation of large capital in a few hands was accelerated, especially at the expense of workers, retirees and small savers.

In the case of financial capital participations (pension funds, insurance companies, investment funds, banks, etc.) in industries and services, the high income that these capitals demand and obtain is based on the degradation of labour conditions in such industries and services. A well-known phenomenon is that shares rise as soon as companies announce layoffs. These are the schemes in which transnational capital maintained and maintains a high profit rate and an accelerated rate of accumulation and concentration despite slow economic growth and the existence of a restricted market.[5]

The permanent base of the capitalist economy is productive capital, without which financial capital could not exist. For this reason, large transnational capital not only plays the main role in the financial system but also participates in productive activities in the most diverse spheres: from the extraction of raw materials to the provision of all kinds of services (Banks, insurance, health, communications, information, pension funds, etc.) through the production of a wide variety of merchandise: immediate consumption goods such as food, durable goods such as automobiles, etc. and also in the sphere of research at all levels, especially in advanced technology: electronics, genetic engineering, etc.

The enormous accumulation of benefits by parasitic financial capital is intended to be justified by theorising about money and other financial products being value creators. But the problem is that money is not a value; it only represents a value, and that value is created strictly in the real economy. Money by itself cannot generate value and produce income. Thus, in addition to the traditional expropriation of labour's value practiced by capital in the realm of the real economy (obtaining surplus value), the expropriation of value carried out by speculative financial capital without participating in the realm of the real economy has been incorporated.

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Privatisation and the Financialisation of Social Security

One of the ways that allows transnational financial capital to parasitically appropriate the fruits of other people's labour, that is, without intervening in the production process, is the privatisation of social security, which private pension funds have taken over through the substitution of part of the salary or other remuneration that the personnel of large companies is credited by receiving shares or stock options of the same company, etc., which are different schemes used to steal or embezzle, as economists Labarde and Maris write.[6]

Employees, faced with the prospect of having an insufficient retirement fund in the public system—which is already a reality given the current public policies on the matter—tend to put as much or as little as they can save in private

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[4] Michel Drouin, Le système financier international, Edit. Armand Colin, Paris, enero 2001.

[5] In an article published in the daily Le Monde on 5-6 / 9/2004 (Eric Le Boucher, Les multinationales sur leur tas d'or- The multinationals on their pile of gold) it is said that no event - wars, attacks, etc. .- reduces the benefits of transnational corporations on their own funds: 15% in the United States, 12% in France. To that end, all means are valid at lowering costs if necessary. In total, 374 companies from the Standard & Poors index have 555 billion dollars of reserves in their chests. Those reserves increased 11% in 2004 compared to 2003 and, despite the recession of 2001, doubled since 1999, according to Bussines Week magazine. Bouygues, Exxon, Intel and British Telecom have massively repurchased their shares to raise their value. It is a world phenomenon. The result is that the financial means of companies exceed their needs and the rate of their self-financing increases: 115% in the United States, 110% in Germany and 130% in Japan ... Companies could increase jobs and wages, But is not the case…

[6] Philippe Labarde y Bernard Maris, La bourse ou la vie, la grand manipulation des petits actionnaires, edit. Albin Michel, Paris, mayo 2000. Véase también Michel Husson, Les fausses promesses de l'épargne salariale, en Le Monde Diplomatique, febrero 2000 y Whitney Tilson, Stock options, perverse incentives, en www.fool.com/news/foth/2002/foth020403.htm, 03/04/02.

pension funds. Thus, they increase the speculative financial capital on the one hand and, on the other, they subject themselves to the risk of losing their savings. For example, in the United States, the transnational energy giant Enron filed for bankruptcy recognising a debt of 40 billion dollars and left its staff (12,000 people) on the street. Additionally, it stripped them of the pension capital of their retirement, invested in company shares. In other bankruptcies of large banks or transnational financial groups, thousands of small savers have seen the fruit of many years of effort and even deprivation evaporate.

Other similar cases followed after Enron, such as WorldCom, and the two largest US banks were implicated: Citigroup and JP Morgan Chase.[7] In the case of WorldCom, a small saver who in March 2000 bought $ 10,000 in shares found in July 2002 that his shares were worth only $ 200 (AFP Dispatch on 07/21/02). Calpers, which manages the money of 1,300,000 California officials, CalSTRS (687,000 teachers from the same State) and Lacera (132,000 Los Angeles employees) lost $ 318 million due to WorldCom's bankruptcy (more than $ 7 billion evaporated). The New York State officials pension fund ($ 112 billion in assets) lost $ 300 million in WoldCom's bankruptcy.

Governments may try to trick people in one way or another but the reality is that they have unconditionally submitted to the rules imposed by big capital.

A similar situation also occurred in some transnationals based in other countries, such as Vivendi and other transnationals in France. The Vivendi share was listed at € 141.60 on March 10, 2000 and was worth only € 9.30 on August 16, 2002. In Greece, a huge debt snowballed due to mismanagement, due to very high interest payments on debts and a disproportionate acquisition of weapons. Greece ranked fifth in the world among buyers of conventional weapons in the period 2005-2009; with 31% of these weapons procured from Germany, 24% from the United States and another 24% from France, its main creditors. The "troika" (the European Commission, the European Central Bank and the International Monetary Fund) imposed "conditionalities" on Greece, consisting of privatising a large part of the national heritage to collect billions of euros to pay creditors. The troika demanded a freeze and, in many cases, lower wages and pensions and, in general, considerably reduced social expenditures. This took place during the "progressive" government under brutal pressure and continues today with a conservative government.

All these bankruptcies, fraudulent operations, financial scandals, capital flight, etc., that have taken place in the sight and patience (and with the complicity) of governments, which did not use the control mechanisms available to them, meaning a phenomenal dispossession of resources from huge masses of the population and the concentration of these resources in the great centers of transnational economic-financial power.

In short, transnational financial capital is operating as a sucking pump for the wealth produced by labor on a world scale, which in this way is concentrated in a few hands. One of whose manifestations is what we have called the planetary offensive against social security.

Governments may try to trick people in one way or another but the reality is that they have unconditionally submitted to the rules imposed by big capital, with the endorsement of politicians, economists, union bureaucrats, etc., who have wide access to mainstream media. Hence, an "economic logic" proper of the capitalist system in its current state prevails, consisting of the systematic dispossession of the vast majority: workers, retirees, the unemployed, unemployed due to illness, etc., for the exclusive benefit of a tiny minority of big capitalists and speculators.

As regards to retirees, their situation is similar to the times when old people were taken away from the towns with little food and water. And the vast majority of workers are now in conditions reminiscent of slavery, for they are paid a salary that is barely enough to survive in exchange for being practically, at all times, available to fulfil the demands of the employer, because the workday has become elastic and truly free time has moved into the category of unattainable dreams.

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This planetary offensive against social security and workers' rights is not short-term and temporary, as some claim or believe, but is inherent to the capitalist system in its current state and is—as long as capitalism remains—irreversible, structural and permanent.

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❖ **About the author:** Alejandro Teitelbaum has been a Fellow Associate with Jus Semper since 2010. He worked for many years on the issue of human rights in the realm of global corporations and other business enterprises. As the former Permanent Representative, successively from 1985 to 2006, to the United Nations Office in Geneva, for the International Federation of Human Rights and the American Association of Jurists, he spent time toiling with the bureaucracies of the UN and member states in pursuit of an international legal framework that would harness the business activity so that it would stop violating a wide array of human rights in its sphere of influence, as is customarily the case today. As such, he witnessed how, time and time again, the bureaucracies succumbed to the will of the leading economic powers, that were adamant at maintaining the preeminence of corporate interests over their responsibility for their infringement on human rights Alejandro Teitelbaum is a Lawyer, Universidad de Buenos Aires, and a Postgraduate in International Economic Relations at the Institute of Economic and Social Development Studies, Université Paris I.

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