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The Roots of the War in

Iraq

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12. Jeremy Rifkin 'Economia all'idrogeno' [Mondadori, 2002] p.61
13. E. Todd op. cit pp.71-2
14. F.F. Clairmont op. cit
15. So F.F. Clairmont called them in the article quoted above.
16. Faisal Islam op. cit
17. Jeremy Rifkin op. cit p.94
18. Faisal Islam ibid
19. Faisal Islam ibid

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The Roots of the War in Iraq

The USA consumes 19.5 million barrels of oil a day, some 26% of the world's consumption. More than half (9.8 million) originates in order from: Saudi Arabia, Mexico, Canada, Venezuela, Nigeria and Iraq. Iraq, after Saudi Arabia, possesses the worlds greatest oil reserves and a barrel of its oil costs 5 dollars to produce, whilst that of Texas costs 15 dollars. (1)

Moreover, the American economy is living through the worst recession since the Second World War. Last April, when only a few months earlier, according to many analysts, the first consistent signs of economic recovery were evident, industrial production suffered a 0.5% decrease in comparison with a 0.4% decrease for March 2002.

To give measure to the depth of the crisis, the degree of use of the means of production has reduced to 74.4% for industry as a whole and to 72.5% for the manufacturing sector, a decrease of some 13 percentage points in comparison with 2000 when the maximum peak was reached and some 7% compared with the average of the last 30 years.

Taking account of this data, the economic reasons behind the USA's attack on Iraq become evident. This is also confirmed by the behaviour of their occupying troops. Under their occupation, the most unbelievable devastation took place. The museum in Baghdad, one of the most important in the world, was attacked and looted. The stores of foodstuffs under the UN's Oil for Food programme were also looted. Presidential buildings, offices and even the hospitals were looted without the Marines batting an eyelid. But nobody has been allowed anywhere near the Ministry of Oil. Moreover, after having bombed Iraq with every type of bomb, intelligent, stupid or otherwise, cluster or graphite, and after having bombarded it with every type of bullet, including plutonium tipped, and after reducing Iraq to a heap of rubble, everyone expected that the army of the greatest power in the world - the first in the history of humanity to make "humanitarian" wars "for the export of democracy" - would at least repair essential services, since the distribution of drinkable water and electricity were destroyed by the bombing. Instead, more than one month after the dissolution of the Iraqi regime, there is not a trace of drinkable water or electricity either in Baghdad or elsewhere and work to restore them is neither underway nor even planned. Instead great care has been taken of the oil wells which were carefully avoided during the bombardments and swiftly reactivated after damage done during fighting or by fires started by retreating Iraqi soldiers. The monetary reserves of Iraq's Central Bank were also immediately protected by the Marines.

In light of this, according to many analysts from differing schools of thought, the attack on Iraq was determined by two fundamental reasons: its strategic importance, given the correct forecast that the maximum peak of oil extraction could be reached within the next decade, and the more immediate reason, to guarantee by force its imperialist interests against the current cyclical crisis, in order to increase American industrial production to maintain its competitiveness and to award contracts to US companies for the reconstruction of Iraq.

Owing to its reducing competitiveness, despite the fact that the dollar has suffered a devaluation of around 28% from October 2000 in comparison with the Euro, the deficit of the US balance of trade has kept growing at around 10% a year and the overall value of its imports is now 42% greater than its exports.(2)

Increasingly there have been frequent press revelations about the business interests of the presidential lobby. Undoubtedly, these are of considerable importance. From Bush and Rumsfeld to Condoleeza Rice, many of the presidential team have key positions on the board of directors of those multinationals which, even before the war broke out, were assigned orders for the reconstruction of Iraq.

As is the case with all fairy tales, the belief that the attack on Iraq was motivated by a desire to export democracy or eliminate the weapons of mass destruction from the hands of evil Sadam remains the belief only of children - though not all of then - and those adults naive enough to believe it.

Understanding that the war on Iraq is caused, on the one hand, by the necessity to ensure abundant and cheap sources of energy to the USA, and on the other as an anti-cyclical manoeuvre to strengthen their economy, only illuminated the contingent causes of the war and leaves in the shade the fundamental contradictions which provoked it. More specifically, the war against Iraq represents a greater and greater escalation towards an economy based on the parasitical appropriation

the longer term, however, Iraq being only one of the large oil producers in the world, nothing could prevent Saudi Arabia or Russia, to name only two large oil producers, from becoming commercial partners in the Euro zone, in order to denominate their international trade in the Euro and break away from the road which the USA currently controls, which determines the price of black gold.

The time when the American economy was managed through the uncontested domination of the dollar has ended forever. The war against Iraq, as that against Serbia and Afghanistan before it, is proof of this.

Contrary to whatever Bush maintains, the war has nothing to do with terrorism. Terrorism is not the cause. It's roots are rather in the contingent reasons for the economic crisis and the war represents a further escalation of this crisis. We are now in a new phase of a longer period of the crisis where increasing violence will decide who will take direct control of the production and distribution of oil.

The process of the formation of financial income will dominate the world, a world in which the master will no longer be democracy but increasing exploitation and more and more subjugation.

Giorgio Paolucci

Footnotes

1. See 'Il serbatoio dell'economia americana' by P. Pescalli in *Il Manifesto*, March 22nd, 2003
2. See 'Vivere a credito…' by F.F. Clairmont, Le Monde Diplomatique, April 4th, 2003
3. See 'Il dominio della Finanza', Prometeo, Series V, No. 14
4. Emmanuel Todd, Dopo l'imperio (Marco Tropea [ed]), Milan, 2003, p.90
5. ibid pp.92-3
6. 'Gli Usa? Un pallone gonfiato' Interview between E. Todd and Marco d'Eramo in *Il Manifesto,* April 4th, 2003
7. Faisal Islam 'When it comes to the global oil trade the dollar reigns supreme' *The Observer*, February 23rd, 2003
8. F.F. Clairmont op. cit.
9. ibid
10. ibid
11. G. Chiesa and M. Villari 'Superclan' [Feltrinelli, 2003] p.120

They have started to look again at the denomination of the price of oil, or at least that part destined for Europe, in Euros. In October 2000, the Iraqi government was the first to take the historical decision to denominate its oil price in Euros. As a result the increased value of the Euro showed that the decision had been a good one since it was translated into an increase of around 30% of the flow of goods and services in the oil for food programme managed by the UN. Immediately after, Jordan launched a proposal of a bilateral agreement with Iraq to denominate all of their commercial transactions in Euros. Following this Russia, possibly the largest oil producing nation, started negotiations with Germany for a trade agreement to denominate the price of its exports in Euros, considering the greatest part of its external trade, which recently reached a volume equal to 50 billion dollars is with Europe. Recently China too has announced it has started to restructure its reserves in foreign currency, bringing its quota in Euros from 5% to 20%, the same level of its commercial trade with the euro zone.

In a phase of crisis such as this, a radical change in the oil market jeopardises any possibility of raising American demand and supply. In fact, the re-evaluation of the Euro, annulling as it does, the consequential effects of the increase in the price of oil on the competitiveness of European products, does not allow the USA the recovery of productivity needed from it's national industries, and therefore in the last resort, of any recovery of domestic demand. To remedy this would mean the price of oil would have to reach stratospheric levels, but this would also hit the US again and the greenback would be devalued in proportion with the current deficit and the budget deficit, but this would mean the definitive sunset on the supremacy of the dollar. In face of such a perspective, in fact, the flow of foreign capital would slow down in an even more definitive way than is already happening now, irremediably jeopardising the system of financing the debt, which, as we have seen, finances military expenses, the real pillar on which uncontested American hegemony rests.

For America therefore, the only way out of this dilemma, a course which could be fatal, is to prevent the strengthening of the movement towards the Euro and free itself completely from oil imports so that whatever price oil reaches, it's economy doesn't suffer as a result.

The break-up of the monopoly of the dollar can only happen with the direct appropriation of the source of production of oil. In the brief period of their control of the oil fields of Iraq their current deficit has decreased, and this can give a breath to the asphyxiated American economy. In

of surplus value through the expansion of the production of fictitious capital. Added to this is the appropriation of further surplus value realised from the systematic robbery which has taken place with the use of military strength.

A Step Back

Those economists and bourgeois intellectuals who oppose the idea that capitalism is an historical product and as such is transitory, are thrown into a timorous panic, a true and proper horror, as Marx would say, that induces them to distort reality and to remove all references to anything that reminds them of capitalism's transitory nature.

For this reason, the month of August 1971 is rarely remembered even by the most careful analysts, yet this is the date that marks a fundamental turn in the history of modern capitalism. In August 1971, the then president of the USA, Nixon, reported that the 1944 Bretton Woods agreement had been nullified, an agreement whereby the dollar was set at a fixed relationship of 35 dollars for each ounce of gold. The dollar was now set to be the basis of the new system of international payments.

With this the USA, the dominant industrial power to emerge from the Second World War, assured a greater facility for the circulation of their commodities and their capital on the international markets, and accordingly assured the possibility of expanding the mass of resulting extra-profit from the positions of monopoly their enterprises occupied in many of the productive sectors.

With the Bretton Woods accord, in short, the dollar definitively supplanted the pound in the system of international finance, and partly also supplanted gold. The Federal Reserve was thus assured control and governance of the principal macroeconomic variables of almost the entire global economy. Moreover the Federal Reserve was the bank of the country which constituted 50% of the global GDP. For every year of the 1950's and '60's the system worked so well that those countries which gravitated to the sphere of American influence year after year recorded record rates of growth , often, as in Italy, in the years of the famous boom, even up to two figures. At that time also, bourgeois economists, dazzled by such substantial rates of growth, decreed that the cyclical course of the capitalist economy had finally ended whilst the exultant Keynesians endlessly celebrated the death of Marxism.

However, they forgot that the contradictions of the capitalist system are not an invention of Marx but belong as much to capitalism as the heart belongs to every living animal. And as the heart ultimately cannot avoid death, so is capitalism incapable of liberating itself from its contradictions.

In fact towards the end of the 1960's, the mighty industrial power of America started to lose it's strength, and it's average rate of profit began to fall. Their answer was increasingly for the Federal Reserve to finance the national debt, as a result of the growth of military expenditure for the war in Vietnam, and to compensate for the reduction of exports due to increasing international competition by stimulating domestic demand. It started to cheat by printing dollars to their full value without linking them to the correspondent gold reserves as established by Bretton Woods. They printed so many dollars that even the blind could see what was going on. When people started turning up at the Federal Reserve asking for their dollars to be converted to gold, they found hung above the counter the decree signed by Nixon annulling the 1944 agreement. The system of fixed exchange of convertibility of the dollar with gold was liquidated. No currency existed that had the capacity to substitute itself for that of the USA. Theoretically a return to the gold standard would have been possible but, in practice given the massive volume of international exchange, in reality a return to the system which existed before the Second World War was impossible.

The prices of almost all raw materials, starting with the price of oil, were denominated in dollars. The national debts of nations were denominated in dollars, their production and exports were denominated in dollars and the reserves held by their central banks were all in dollars. Moreover, the USA remained as always the greatest economic and military power and the only bulwark capable of containing and eventually opposing the feared Russian bear. Therefore the system of fixed exchange was liquidated, and the dollar remained the more widespread means of international payment. And so for the first time in the history of modern capitalism an incontrovertible bank note assumed the role that until then had only belonged to noble metals.

Once fixed parity with gold had been abandoned. The base of reference for determining the quantity value of the mass of monetary denominations in dollars which emanated from the Federal Reserve was determined in reality by oil, or, to be more precise, the price of oil. From this the USA drew an enormous advantage. During this period the USA imported less than 30% of their national oil requirements.

profit of these same companies in the first quarter of 2001 has subsequently passed this, increasing from 8.7 billion dollars in the first quarter of 2000 to 12 billion dollars, with a 38% increase in three months alone. The growth of profits of the large oil companies is in clear contrast with the average reduction of the 43% net profits recorded by the other 1400 American firms in the first quarter of 2001" (17)

But what is worse is that whilst in the past the devaluation of the dollar devalued debt, and the flow of capital from abroad kept on flowing with constant regularity, this time they have found an alternative that has allowed their holders of capital to switch investments to alternative shores, as is shown by the fact that foreign assets are declining; from their maximum peak reached in 2000, today they are not above 500 billion dollars. For the first time, after the overturning of the Bretton Woods accord, the spell which enabled the dollar to maintain its huge commercial deficit and its high value is broken and the mechanism of financing the debt (printing dollars and their by products without any coverage) is showing it's first cracks. 'For a long time,' observes Faisal Islam, 'everything worked smoothly. The oil industry was born in Texas, and so developed in dollars. The complex web of supply chains, distribution, and futures markets, all run off the central rock that is the US dollar. But now there is the Euro.' (18)

And with the Euro everything has changed, starting with the oil market.

The Crisis, the Euro and the War

Last year, one of the US ambassadors to Saudi Arabia described the state of the relationship between the two countries:

'One of the major things the Saudis have historically done, in part out of friendship with the United States, is to insist that oil continues to be priced in dollars. Therefore, the US Treasury can print money and buy oil, which is an advantage no other country has. With the emergence of other currencies and with strains in the relationship, I wonder whether there will not again be, as there have been in the past, people in Saudi Arabia who raise the question of why they should be so kind to the United States.' (19)

The Euro zone is one of the greatest oil importers in the world, and at the same time the Middle East imports 45% of its imports from Europe. Why, then, should they keep the price of oil in dollars when they have to change the currency in order to buy from Europe? This is not only a problem of Saudi Arabia but for almost all oil-exporting countries.

The inversion of the tendency

For every year of the '90's however, financing the debt did not run into problems, but instead, 'the volume of assets from private foreign capital made a huge leap from the early years of the '90's, and reached a maximum of 1000 billion dollars in 2000' (14). But, the 'twin imbalances' (15) which are made up of the current deficit and the budget deficit, and contrast as ever with the real economic and industrial value of the shares quoted on Wall Street, and their capitalisation of the stock exchange, means that at a certain point investors will get frightened. The shares and their derivatives reached their maximum price in March 2000, as a result of the new technology shares, that expression of the new economy, but one after the other they collapsed together with the price of stocks. At the same time the price of the dollar fell. For the first time, the devaluation of the dollar has been welcomed as a salvation by the American monetary authorities and has been provoked by them. They believed that devaluation would bring a recovery of competitiveness of American products on the world markets and at the same time the devaluation of the debt would contribute to loosening the vice of the double deficit and the dependence of the USA on foreign countries. As in the 1970's, it was hoped that devaluation would again put in motion the American economy by unloading its costs on the whole world economy. For the USA, in fact, as Faisal Islam has observed: 'As keeper of the global currency there is always the last ditch resort to devaluation, which forces other countries' exporters to pay for US economic distress. It's probably the nearest thing to a 'free lunch' in global economics' (16)

But this time things have not gone according to expectations. The devaluation of the dollar coincides with various interventions, (the war on Afghanistan, the provocations of Sharon in Jerusalem and the resumption of the Palestinian intafada) all of which were designed to raise the price of oil with the objective on the one hand to diminish the competitiveness of the largest oil exporting countries, and on the other to avoid the devaluation of the dollar and the subsequent uncontrollable avalanche which could destroy the system of financing foreign debt. But this time the commercial deficit has continued to grow, and it is not possible to re-launch the industrial productive apparatus. The only enterprises that have made a profit have been the oil companies, those that are most interested in preserving the existing order, with its implicit necessity of maintaining the price of oil above that of the market.

'The net profits of these companies have grown by 16 billion dollars in 1999 to 40 billion in 2000 with an 146% increase in a year. The net

When, in little over a year, the price of oil jumped from 4 to 40 dollars per barrel with the complicity of Saudi Arabia and Israel, this was manna from heaven for the USA. Their industrial apparatus, thanks to the effect that the price of oil had had on the structural costs compared with that of its competitors, recorded a notable recovery of competitiveness. More importantly a considerable part of the monetary mass previously issued, rather than flowing back to the USA, was instead absorbed by the increase in the price of oil. In this way the devaluation of the dollar could be controlled in order to favour the devaluation of the debt without inflation overwhelming the American economic and financial system. Inflation reached 20-30% of the annual base, and even then it was absorbed, although with some difficulty, whilst it dragged Europe down for a much longer time and put the dollar dependent countries of Latin America literally on their knees, where in some cases inflation rose to more than 100% of its monthly base.

In this way, the cost of the American crisis was unloaded on the whole world economy and the USA, thanks to the narrow connection established between the dollar and oil, were assured of a source of income no longer just merely dependent on the growth and superior strength of their means of production, but on their financial system. It was in the wake of this, in fact, in the last part of the 1970's and the first part of the 1980's that Britain smoothed the way towards the so-called deregulation of the financial markets and the liberalisation of the production of finance capital, especially that of fictitious capital (which the Roosevelt legislation had strongly tied to the growth of industrial investments) using it to finance and sustain aggregate demand as well as productive investments.

The dollarisation of the international markets

In the course of time, as a result of the connections of the dollar to the price of oil, an extremely refined system of the appropriation of parasitical surplus value has emerged through the expansion of financial income which is now one of the bases of the entire world economy. It's success has been so dazzling that the majority of economists see it as a definitive confirmation of the theses of the school of monetarism and neo-liberalism according to which surplus value is produced in the phase of the circulation of commodities and comes therefore from the money which represents it, from printing dollars and its derivatives, or the derivatives of whatever property title was denominated in dollars. This is seen as the same thing as the production of commodities. Obviously this thesis is entirely false as is shown by the fact that not everyone can print money, having as a base of reference for the value of their currency only their production of commodities and not, as in the case of the US, the price of oil produced by themselves and other countries. Only the USA prints dollars and transfers them to those countries which have to buy raw-materials - above all oil - on the different international markets, not from the USA. In return, the USA receives in exchange a flood of international currency with which it can buy concrete commodities on the international markets. At the same time, the USA, with no credible alternative to the dollar, give in exchange for those dollars which return to the USA neither proper commodities nor other dollars but by-products, financial derivatives of their own national debt (such as Treasury notes) or private debt (bonds) or other by-products (such as Options etc.).

On the other hand, the bourgeoisie of those countries which produce oil own many of these dollars, contrary to what many of their supporters, who hold them forth as shining-lights in the fight against imperialism, think. In fact they draw enormous profits from this system, both because they have an implicit common interest with the USA in potentially maintaining a higher price of oil than the market and they reinvest in shares denominated in dollars, without facing any particular risks. In this way they get consistent speculative earnings, since, due to the flow of dollars, the American capitalisation of the financial markets is in constant growth. The success of this form of accumulation is based not on the production of commodities but on the production and circulation of fictitious capital, and its prolonged life has induced the belief that capitalism has succeeded in escaping the contradictions of the laws of the tendency of the rate of profit to fall and that this law has been neutralised. In reality the rate of profit does continue to fall because there is no production of new surplus value, only a form of parasitical appropriation . A similar thing happened after Christopher Columbus discovered America. Economic historians describe the flow of wealth coming in from the new continent as a rain of gold and silver that fell on the roofs of Spain. And the Spanish really believed that all it would take would be to climb on the roofs and pick up the gold and silver and turn it into coins to ensure for themselves all they needed. The merchants of the rest of Europe disdained from receiving it in exchange for their commodities. Things being so, however, it was enough for the Spanish to maintain a tight grip over America because the abundance perpetuated over time and so the Spaniards appropriated an increasing part of the gold and silver to strengthen their army and their fleet. But they forgot - as Galiani had already noticed - that 'nothing has a value in itself' and that the value of everything comes from the labour incorporated in it. In general it is not the coin, even if it is pure

bridges, ports and airports, schools, aqueducts, sewerage plants, dikes, waste dumps, navigable canals and energy - is in such a state of decay that it is urgent to invest 1,300 billion dollars over the next five years for maintenance only. The ASCE report refers to the 33% of national roads which are below standard, a cost to the taxpayers every year of 5.8 billion dollars. The bridges aren't in a much better situation. 29% are obsolete or structurally deficient, and according to the situation, it would be necessary to spend 10.6 billion dollars per annum for approximately the next 20 years in order to modernise them...The school buildings are ageing and overcrowded. ASCE states that 75% of scholastic infrastructure is inadequate for educational needs...The 54,000 aqueducts are antiquated and are becoming a source of pollution, many of the 16,000 sewerage systems are on the verge of collapse, some are more than 100 years old and are no longer properly functioning. In reality the financing of the maintenance of the national sewerage system is insufficient to the tune of 12 billion dollars a year.' (12)

Thirdly, it has been confirmed, and could not have been otherwise, given the fact that profits are directed more towards the expansion of speculative activities than the productive base, that there is a dreadful concentration of wealth in only a few hands.

'In the United States, a part of the (national) income has been absorbed by 5% of the richest section of the population, from more than 15.5% in 1980 to 21.9% in 2000, and the income of the richest 20% has risen from 43.1% to 49.4%. Meanwhile 80% of the poorest sections of society have seen their incomes fall from 56.9% to 50%. The four lowest quintiles have seen their share respectively decrease from 24.7% to 22.9%, from 17.1% to 14.9%, from 10.6% to 9.0%, and from 4.5% to 3.7%. According to the classification established by Forbes magazine, in 2000 the 400 richest Americans were 10 times richer than the 400 richest in 1990, whilst the national product only doubled.' (13)

All of this, including the cuts in government expenditure on the infrastructure and on social spending, along with a reduction in wages which have stopped at the levels of the early 1970's (over 30% of salaried workers live with incomes below the lowest poverty threshold and 40 million Americans are deprived of any form of social insurance) has contributed to a reduction of domestic demand which is increasingly cited as one of the possible factors of a process of deflation, a prelude to a depression of catastrophic proportions.

'The increase of the debt,' writes Clairmont, 'is impressive: between 1964 and 2002, it increased from 10,000 billion to 30,000 billion dollars. Looking at the particular features of this mass of debt, the salient fact is the enormous growth of business debt, which increased by 53 billion to 7,620 billion, or rather 72% of American GDP' (9)

Even sustaining the growth of domestic demand which has characterised the long period of positive growth for the USA, is fed by the increase of debt. 'The dizzying growth of the debts of families shows clearly that the American consumer lives on credit. In 4 decades this indebtedness has grown from 200 billion dollars in 1964 to 7,200 billion dollars in 2002. In 1985 it represented 26% of individual income and 40% at the end of 2002.' (10)

Secondly, the increasing dependence from foreign finance has increasingly demanded more and more control of the process of the formation of the price of oil. It has been necessary to continuously strengthen the military apparatus and military spending, which was growing and had reached it's apex when the financing of the debt from foreign countries met its first difficulty. We can see this through the fact that the control of the price of oil was not enough to guarantee the supremacy of the dollar on the world market.

'The figures on the war,' writes G Chiesa, 'are impressive. In 2002 they jumped to 360 billion dollars with an increase of 19% in comparison to 2001. Moreover, it must be considered that the defence expenditure of the USA (316 billion dollars) was already twice as much (around 140 billion dollars) as that spent by China, GB, Japan, Russia, Germany and North Korea combined. The forecasts for 2003 currently stand at 400 billion dollars, with another increase of 12% forecast, since this figure doesn't include the war on Iraq. Nobody knows exactly what the final figure will be, according to the best traditions of military secrecy of the Soviet era.' (11)

In any case it will be a colossal figure. To offset a strong increase in state debt and the formation of a Federal Budget deficit of 165 billion dollars in 2002 against a surplus of 127 billion in 2001, it has brought about a radical restructuring of government expenditure with the reduction of spending on civil infrastructures and of social spending. On the state of civil infrastructures, J Rifkin writes:

'The annual relationship of the state to infrastructure, compiled for the 2001 American Society of Civil Engineers (ASCE) is, in this regard, illuminating. According to this association, the US infrastructure - roads,

gold, that gives value to the things purchased with it, but what it represents or, as with the case of bank notes, what conversion it is presumed to represent, that gives it value. And so it was that when the quantities of gold and silver put into circulation reached their height after the discovery of the new mines overseas, it was discovered that their value was not enough to purchase the commodities whose prices had, in fact, climbed steeply, opening the doors wide to one of the most catastrophic economic crises in modern history, emanating from Spain to the whole of Europe. We now see this happening in the United States with the dollarisation of the international markets for raw materials.

In the 1990's when the so-called financial globalisation of the dollarisation of the international markets reached it's apogee, E. Todd wrote in his recent work 'After Imperialism':

'The increase of the flow of capital into the United States has been astonishing; from 88 billion dollars in 1990 to 865 billions in 2001. But beyond the increasing mass of financial capital coming in, what is striking over a ten year period is the variability of the type of capital flowing in: in 1990 it was predominantly direct investment which created or above all acquired factories from abroad (55% of the total). In 1991, the purchase of shares and bonds predominated (45%). In 1991, '92, 1995, 1996 and 1997, the acquisition of Treasury Bonds were important and served to cover up the American state finance deficit. The acquisition of American shares by foreign nationals represented 192.7 billion dollars in 2000, at its height, but in the same period the purchase of bonds reached 292.9 billion dollars. If this volume of transactions were put into percentages of cash withdrawn from the US it would be 19% for shares and 30% for bonds'. (4)

What can be deduced from this data is that essentially only the smallest part of the flow of capital coming in from foreign countries, contrary to what has been maintained for a long time by the vast majority of economists, has been turned into productive investment, whilst the rest was attracted by speculative investment. This means that the increasing capitalisation of the American financial markets corresponds neither to a proportional growth of the American means of production nor in reality to an increase in its productivity, but was rather the expression, not only of a gigantic centralisation of financial capital but also a fictitious swelling of the value of the stock exchange. This was caused by the huge influx of capital which Wall Street attracted. Todd writes: 'America had all its papers in order: the proper technology, a stronger military apparatus, the capitalisation of a strong

Stock Exchange. Apart from Japan around 1990, the capitalisation of the Stock Exchange of other Western countries appeared far less in relation to the USA. At the start, the USA, the monetary and military leader, by and large offered safe conditions for investment. Wall Street, whose definitive Stock Exchange now seems to direct those of the whole world (making it rise yesterday, fall today) started to become the pillar of the global financial system, attracting 3059 billion dollars in 1990 and 13451 billions in 1998. But in all of this there's not much to see of the physical and real sense of the notion of economic effectiveness and productivity, and the image of new technology is a mythical element. The increase in the capitalisation of the Stock Exchange, which is completely disproportionate in comparison with the real growth of the American economy, in reality, represents only an inflation of the rich. The extraction of profit inflates those incomes that are invested in the Stock Exchange, where because of the relative rarity of 'goods' to buy, shares produce a rise above their nominal value.' (5)

Moreover, the investments returned to the productive sector have not had the desired effect. Above all in the information technology, they have contributed more to the destruction of jobs and to the lowering of wages than in returning the American economy back to competitiveness. In reality investments in information technology are directed more towards the personal computer which is used especially in the service sector, rather than in industrial activity.

In an interview in 'Il Manifesto', Todd offers us a picture of the situation. 'Talking of industrial robots, computer science invested the following: in Japan there are 300 thousand industrial robots, in Europe 200-220 thousand (of which 89, 000 are in Germany) whilst in the USA there are only 97 thousand.' (6)

On the other hand, from the capitalist point of view, it would have been absurd for the contrary to have happened. The possibility of financing imports through the recycling of petrodollars has made imports from foreign countries so convenient - above all from those with a high content of variable capital, - that it's made the USA unbeatable from the point of view of national production. To increase the appropriation of surplus value in general, it is more convenient to give precedence to the production of fictitious capital and the recycling of petrodollars than to stimulate the growth of industrial production. In fact it was enough for the US to keep the price of oil high so that the monetary mass was re-valued in dollars. In this way the US widened it's economy, printing it's by products, without risking the growth of inflation. The flow of

capital increased from foreign countries, and with it came the possibility of financing both the commercial deficit, and national and private debt.

In February 2003 the economist Faisal Islam wrote in The Observer:

'Recycling so-called petrodollars, the proceeds of these high oil prices, has helped the United States run its colossal trade deficits. But the past year has seen the quiet emergence of the 'petroeuro'.

Effectively, the normal standards of economics have not applied to the US, because of the international role of the dollar. Some $3 trillion (1,880 billion) are in circulation around the world helping the US to run virtually permanent trade deficits. Two thirds of world trade is dollar - denominated. Two- thirds of central banks' official foreign exchange reserves are also dollar denominated. Dollarisation of the oil markets is one of the key drivers for this, alongside, in recent years, the performance of the US economy.' (7)

The Consequences of Dollarisation

The enormous growth of the economy has also hid numerous contradictions that sooner or later could explode. In the first place, as we've already seen, the USA has benefited from the enormous privilege of being able to determine the value (re-valuation or devaluation) of monetary movement in dollars through the control of the price of oil. They have been able to print dollars and their derivatives, finance debts owed to foreign countries and pay for their imports, all of which has been necessary due to the poor competitiveness of their productive apparatus.

'Imports, which have never stopped growing over the last 15 years, have now overtaken by 42% the value of their exports,' writes the French economist FF. Clairmont. 'It is almost impossible for this amount to be reduced since American products are scarcely competitive on the world market. They face a current deficit of 500 billion dollars, a figure that grows annually by 10%. The USA needs an influx of capital of around 2 billion dollars a day for every working day. This is 76% of the surplus of the current world balance of payments.' (8)

It doesn't end there, because this perverse mechanism is not only concerned with the current deficit but the whole American economic system. Both the public and private sector is based on the growth of debt.