POWER CAPITALISM AND DEMOCRACY

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Part I

Capitalism

I. Capitalism: their defining features

The global capitalist system and oligopolistic transnational corporations (TC) operating as its main agents, are one of the central issues addressed in this book. The cognitive and evaluative view sustained by its author rejects the orthodox dogma which markets regulate themselves getting spontaneously positions of efficiency and long term stability. By opposition the latest historical and empirical evidence suggests that Global markets do not regulate themselves, they do not succeed in efficiency, nor equity, and neither in environmental sustainability. The TC are the main agents operating outside the regulatory channels of political national or supranational systems and generate market structures that only reflect the positions of power of the contracting parties.

To achieve or provide national economic systems with minimum standards of efficiency, equity and sustainability, it is necessary that global markets are regulated by the political power of the concerted democratic states on a global scale for that purpose. The authoritarian and compulsory allocation of resources imposed by the centrally planned economies has been also a failed post-war experience. In both cases, the orthodoxy of the current market and the economies authoritatively planned of post post-war, what was missing was the action of democratic societies endowed with mechanisms of representation and citizen participation that would ensure those conditions of efficiency, social justice and environmental sustainability in the function of markets. These conditions require the presence of political powers that direct, encourage, regulate and adjust the functioning of markets, offsetting the current power asymmetries which are seriously attacking the very existence of Western democracies and impeding the survival of the world’s poorest regions.

The title of this book has aimed to summarize in three words "power, capitalism and democracy", the dramatic interaction between the principles, values, practices and institutions of capitalism and the democracy and the power games that emerge in such interaction.

This work attempts to establish minimum theoretical and historical frameworks that take into account the nature of these two subsystems in contemporary societies, and suggests the urgent need for a strengthening of democratic forms that directs and sets limits on the game rules of capitalism and overwhelming deployment of the main players that, in this global era, are the TC.

Within this overall framework, this chapter seeks to explore schematically capitalism from the standpoint of the features that characterized it. This scan from the beginning proposes some all-encompassing notions to allow a joint consideration of the vicissitudes of capitalism and democracy, in the contemporary era.

The first all-encompassing notion is the power, whose conceptual contents deepen in one of the parts of this book, and the second is the Aristotelian notion of justice, both distributive and commutative, which cuts across the analyses of capitalism and democracy.

Capitalism is an economic market subsystem driven by the logic of capital, which first most specific feature is turned into commodities not only the products of human labour, but also the factors and conditions of production. All these factors of production are subordinated to the power of capitalist which controls the money and technological knowledge supplies in order to produce goods, profit, and expand the capital.

A second specific feature of capitalism is its instrumental rationality of efficiency-type, based on economic calculation by the application of accounting methods and the preparation of balance sheets. Until all strategic factors of production did not become owned by legally free people and, acquired a market price, it had not been possible to award them a price, and therefore express their accounting value through a balance. The possibility of precise calculation was the foundation of a more rational behaviour by owners of capital. This rationale of instrumental kind was placed in the service of profit and capital accumulation, so that the latter (the capital) can be defined as a general purchasing accounting power, able to control the productive power increasingly effective, conferred by the mastery of technique.

A third specific feature of capitalism is the mechanism competition as a means to regulate the overall process of resource allocation. Competitive forms depend heavily of the structure of the markets which in the course of the system's history has been characterized by an undeniable prevalence of oligopolistic and oligopsonic forms. The ideal or "perfect" forms of capitalist markets strongly disseminated and legitimized by the models of the dominant academic theory, assume that none of the contracting parties have enough power to influence significantly the prices or quantities traded. In other words, the ideal markets presented by these models ignore the asymmetries of power that may unduly skew the process of resource allocation. In contrast, real markets that have existed historically have always been crossed by these asymmetries.

A fourth specific feature that accompanied the rise of capitalism was the remodeling capacity of contemporary societies through the emergence of the class structure that is proper. The fundamental social classes studied by classical economists and Marx, are made by the owners of strategic productive resources that are traded in markets. They are the landowners who receive income, financiers who perceived interests, capital owners who perceived gains, and human work capacity owners who receive wages. The political economy treaties of the classics (Smith, Ricardo and Malthus) were structured on this basis that Marx then took to develop his theories of exploitation, surplus value and class struggle.

A fifth specific feature of capitalism is the increasing power of the owners of capital over all other social classes. The power structure generated by capitalism is based on being dissociated to the pre-capitalism productive forms (feudal domains and medieval guilds for example) and have become in goods all the factors and conditions of production. The first condition to meet in capitalist societies is to have the capital required to acquire these factors and production conditions in the market. Those who control capital have a monopoly of productive power that excludes owners of some particular productive factor and maybe even the access to the other required resources. Although it is obvious, this is not enough to be isolated as a private owner of production factors (natural resources, expertise, human capacity for work, etc.). Production is necessary to have access to ownership of capital.

Capital is purchasing power that can be expressed and measured in money. Consequently, the generating source of the money (financial capital, credit) is a starting point for the expansion of productive capital. Financial capital in modern banking was used as a way to convert wealth into capital. Wealth (e.g. land and other real estate securities used as real guarantees) appears as the main source from which private bankers were creating credit, namely amounts of purchasing power capable of being converted into productive capital. Alongside some big, private European financial-firms, banking powers are specialized in financing public activities of states and managing their currencies. The first central bank to achieve such functions was founded in England in the late seventeenth century to serve the British Crown

Capital, when exercised in the markets, allows the creation of productive power. When capital gains a means of production to produce goods and resell, it becomes productive capital.

Therefore is not enough to be the owner of the wealth to reach the productive power if that wealth is not first converted into productive capital. For example the most powerful landowners in pre-capitalist societies eventually entered the rules of capitalism: renting, selling or giving as security portions of their land to access to the general purchasing power. Only with of such power they could acquire the other factors of production (tools, free workers, etc.) that allow them to produce those lands. But, by accepting these rules, themselves became capitalist entrepreneurs. Moreover these large landowners, if they wanted access to consumer goods they could not produce on their own land also had to go to the market and have a general purchasing power as a result. Without that money-capital, not only they would have been unable to produce, but they also would have been unable to expand and diversify their consumption.

The sixth specific characteristic of capitalism is the existence of a social class deprived of any form of wealth, separated from all means of production, and life being dominated only by capacity for work. Here is the more important nexus between capitalism and democracy: because that social class is legally free and not part of the slave and servile social relations that characterized the emergence of economic systems before the rise of capitalism. The existence of such "free" citizen (as opposed to "slave" or "servile") is subject, however, to the more general mechanism of domination of capitalism consistent in creating shortages through monopoly control of the means of production and life required both to produce and to consume.

This feature is central to the theory of exploitation and class struggle made by Marx on the basis of classical economic theory. Along with Marx other theoretical or liberal historians as Max Weber recognized the essential character of that mechanism of domination. This mechanism is consistent with the criteria of commutative justice on which capitalism works, but it is not with the criteria of distributive justice that seeks to rely on the democratic process. The starting point on which capitalist systems work is social inequality.

Still, the development of the capitalist productive power has required increasing qualifications of employees that contributed to improve their living conditions. The expansion of technical progress inherent in the growth of the productive power of labour has improved the lives of many employees who have higher levels of education, leading to the emergence of middle classes consisting of civil servants, liberal professions, etc. whose incomes are inaccurately labelled by academic theory as "human capital".

A seventh specific feature of capitalism is that created two parallel and interdependent processes, one that promoted expansion of production of fixed assets increasing average labour productivity and per capita GDP and the other that promoted the production of exchange values subjected to the logic of the industrial and financial capital. The cycle of production assets remained controlled by the producer capital cycle inventories. Capitalism starts with money, acquiring inputs, controlling the production technique, generating an additional product, and reselling it a profit. So a double effect emerged: capital increased (purchasing power applied to the actual production of exchange values) expressed in monetary units and the social product expressed in physic units of use values increased as a result.

This duality of the capitalist order, combined with the Aristotelian notions of exchange values and use values was highlighted by the classics and Marx who used to make different versions of the theories of value. For Marx this distinction associated with notions of abstract labour values producer and concrete work producing use values on the other.

Thorstein Veblen also start from that duality of capitalism to distinguish two human characteristic types of capitalist civilization: businessmen who controlled the monetary power measured by the exchange value and the technicians and engineers subordinate to the first promoted the production of technique applied to the production of usable goods (use values). The American thinker founder of institutionalism suggested that capital cycles expressed in value did not represent the production cycle expressed in physical or technical units.

After the emergence of Marxism, labour theory of value was replaced by value utilitarian-marginalist theories promoted by the neoclassical tendencies (schools of Lausanne, Cambridge, and Austrian). In models of perfect competition under steady overall balance, the profit category disappears, replaced somewhat by the remuneration to the business work. And it removes also the primary incentive and rationale for the existence of capital. It removes any reference to social classes and the conditions of social inequality that underlie the functioning of the capitalist order. With its stylized models of "pure theory", these tendencies shielded economic science and disassociated themselves from the other social sciences. They have played an important legitimizing function of the capitalist economic subsystem.

An eighth specific feature of the capitalist system, derived from the above distinctions, is that dissociates the structure of human capabilities and needs (expressed in specific use values ) of the composition of demand (expressed in purchasing power units). The first depends on the particular conditions historically determined of the human development and the second depends on the distribution of personal or family income. This distribution in turn depends on the functional distribution of the income corresponding to the specific forms taken by the class structure (income from real estate, interest of finance capital, wage labour and productive capital gains). The more unequal the distribution of ownership of strategic economic resources (land, financial resources, human skills, access to more efficient production methods), the greater the inequality in the distribution of personal and family income. The wages of labour are the only income of the functional classification involving both remuneration to property (functional distribution) and income paid to individuals (personal delivery). This is because the ownership or workforce capacity, be it qualified or not, is a personal quality. This property cannot be alienated separately from the effort made by the personal bearer of the same. In contrast, what characterizes other forms of property, is that it is inextricably linked to specific people and is transferable across markets.

A ninth specific feature of capitalism is its inherently dynamic nature, characterized by a permanent (although cyclical) expansion of its productive power, which makes it a "positive sum game", where at least theoretically all participants in the market game they may be gained simultaneously. This expansion process began in the late eighteenth century with the British Industrial Revolution.

Until the beginning of the contemporary era, market economies lacked that self-expanded reproduction mechanism that characterizes capitalism. It is true that there was growth in previous historical periods but only with capitalism and expansion of productive power did it became part of the intimate nature of contemporary economic systems.

A tenth specific feature of capitalism, perhaps the most important from the standpoint of the ethical standards that had previously regulated markets, is legitimizing a social scale of the profit motive. This is essential and will be developed in some detail.

The ethical justification of the profit motive stems directly from their ability to generate economic growth. According to the "golden rule" of economic liberalism, the profit motive of the producers involved selfish behaviour in the market sphere was following an alleged greater prosperity and general welfare. Therefore, justice was understood (in its ancient and medieval sense) as the virtue practiced with respect to others because the "cake" of production grew for all and potentially could achieve poverty eradication. Selfishness of the producers exercised in markets is thus justified by allowing profit thanks to the mechanism of the permanent increase in the mass of products to be distributed.

If a product growing at a high enough rate was possible that the living standards of all were improved, (reduction of absolute poverty) still left would be the distribution of wealth and income will become more uneven. Apparently all they won and improved their living conditions, although social strata distances increase more and more. The limits for the continuation of this process are given by environmental sustainability. But nobody thought of that issue until the end of the twentieth century.

During ancient and medieval ages when the social product did not grow (or did imperceptibly) the profit and interest were considered as inherently sinful categories. Aristotle introduced the distinction between use values ​​and exchange values, but subordinated the use of the latter to the requirements to obtain the first. His notion was naturally chrematistic and necessary/proper to those agents (from humble artisans to major landlords) which were selling to buy, the aim being to obtain concrete use values, these assets were subsistence or luxury items. In contrast he realized that there was also a lucrative chrematistic proper of the merchants, who came to the market with money and bought to re-sell, in order to profit and accumulate. Lenders in turn are not required to give a commercial or productive detour, simply they gave money today for obtaining a big amount of money tomorrow. In a society without economic growth, the money was considered sterile and request payment of interest on loans implied a reprehensible usury.

These activities are considered sinful and contrary to the natural order because economic systems were, for all practical purposes, what today would be called "zero-sum game", in which what someone gain can only come from what others lost. Indeed, the global social product did not grow or accompanying imperceptibly in the best growth of the population. In terms of market transactions, a fair price that enabled him to leave each side with an equivalent value that had surrendered, and that made possible equivalence reproduce the economic system in the same way as in previous cycles, ensuring a balanced coexistence of all contracting parties. Such fair price was what allowed the validity of what Aristotle called reparative or commutative justice.

In ancient, medieval, and even in modern and contemporary times (until the advent of Keynesian macroeconomics), there were no methods of measuring social product or its growth rate and, as a result, appropriate compilations of data required for such finish. Verification of commutative justice assumed (quite justifiably before the Industrial Revolution) that the product did not grow and the price just could not be supported by the systematic pursuit of profit by traders and usury by lenders. At the end of each transaction, each part should be able to restart the cycle of production and exchange. In this field of voluntary contracts, an arithmetic property ruled which was referred to as an exchange value of the objects exchanged, regardless of the social hierarchy of the contractors.

That is why the contributions of Aristotle economic science within the framework of his theory of justice and in the sphere of trade commutative justice (also called remedial) should compensate the excesses in more or less each exchange relationship through fair price criteria. During the medieval period they continued to accept these precepts, consolidated and integrated organically to Catholic doctrine by the Aristotelian-Thomism. This vision of a fair price continued until the rise of the profound ethical change and moral introduced in the modern era (religious reform, the discovery of America, and formation of national states). Those merchants and lenders who always won in commerce or on-credit were considered immoral because they are devoted exclusively to make money without apparent limits.

The market fell into the orbit of moral philosophy because justice demanded that the exchange of each transaction both parties able to maintain the initial equity, and justice was to give everyone "his own", which belonged before and after each market operation to continue to interact economically. One consequence of this zero-sum game, (called simple reproduction by Marx and circular flow by Schumpeter) was any repeatedly injustice in the exchange implied a sinful attitude socially reprehensible. Commutative justice for Aristotle was one virtue practiced respect for others, and personal ethics could not differ from the ethics of markets.

This view of economic systems changed dramatically since the First Industrial Revolution, which gave birth to the capitalism understood as specified economic system. The functioning of the markets no longer a zero-sum game and became a positive-sum game. Contemporary science of political economy at that time was born from the hand of Adam Smith.

For Adam Smith, considered the founding father of modern economics, the two essential terms of this new positive-sum game were increased productivity labour and the growth of the markets. This was the visible and measurable process that could feed back expansively, but the mechanisms that were enabling what was going on were the technical and social division of labour. The technical division of labour (occurring within companies) generated more supply per worker, and required more expanded markets for placing the offer. And the social division of labour (markets expansion) generated a demand which stimulated increased supply and required increases in labour productivity. One of the most important forms of social division of labour was free international trade and the importance of the theory of absolute advantages of trade developed by Adam Smith.

Capitalism not only dissociates personal ethics (altruism, virtue practiced towards the other) of market ethics (egoism, competitive attitude towards the other). Smith also subordinated "natural chrematistic" to "profit chrematistic." Producers who are protagonists of the system no longer sell to buy produce and consume, but they buy for profit and accumulate capital.

Thus, the principle of equality of consideration on which the premodern notion of commutative justice was based is no longer applicable in a society where economic growth generates a social surplus that is appropriate in the form of profit or gain. In societies without growth ruled the value of labour theory crystallized in the goods exchanged, which was consistent with a static society, where the terms of trade should leave people in a position to restart the production cycle, which was reproduced without modifications.

In a society with output growth and corporate profits, where the positions and situations of the contracting parties are clearly asymmetric and changing, no equality considerations exist that can be determined in each particular transaction. Prices depend on the quantities demanded and offered, and, at the level of the economy as a whole, the composition of demand for consumer goods depends on the distribution of personal income. Market justice depends of distributive justice that prevails in the society as a whole.

An eleventh specific feature of capitalism is that people are identified as owners (person-thing). For recalcitrant neoliberals like Hayek, for example, the only valid is commutative justice, where people are identified only by the things that trade (including money). The distribution of power, honour, education, is in terms of purchasing power wielded previously and can, to a significant degree purchased from the market. For example Nozick defines human freedom in terms of ownership of both himself and the objects you have. Therefore, in the institutions of capitalism, distributive justice in society it is predetermined by the structure of the property and expressed in quantitative terms in the markets.

Commutative justice is founded on a relationship between merchandise goods and men related to each by the goods they possess. The status of owner that is a man-thing relationship dominates personhood. The market is blind to personal qualitative conditions that are unique and not transferable.

In contrast, distributive justice in its original Aristotelian sense is based on a person-person relationship, in which men related to each other according to the dignitaries who recognize their peers. These dignities or merits socially recognized and institutionalized are something close to now we call human rights and legally binding citizens. The recognition that the other members of the community were generated from these dignities them correlative obligations or commitments. This way of conceiving rights (which in the ancient world was reserved only for citizens, excluding slaves, women, foreigners, etc.) involved simultaneously recognize the obligations and duties with which they were correlated. For some people, it was necessary to assume obligations or duties that were correlative of those rights.

A final notable feature of capitalism is that the development of its productive power has generated two unbalanced purposes. The first has been the growth and centralization of market power wielded by the companies under forms of monopoly and oligopoly. The second has been a trend towards concentration of ownership and therefore functional and personal distribution of income.

It is worth noting the eminently political sphere where are debated the precepts and criteria of what is meant by distributive justice. Returning to Aristotle, unlike commutative justice looking at things and not people, distributive justice look at the people and their merits. For the rights of Greek citizens, they were not identified with human rights (Slaves were human beings without the status of citizenship). On the contrary, contemporary democracy aims to extend citizens' rights and obligations to all human beings. The principle of equality is in the foundation of modern and contemporary democratic citizenship.

The important of the Aristotelian theory of justice lies in the claim that the political regime determines the criteria of distributive justice. Once these criteria are part of policies and institutions are rooted in cultural institutions they will be reflected in the criteria of commutative justice which operates in the markets.

If the political criteria of democracy prevail over the economic criteria of the market, the status of citizen prevails over the status of owner. In democratic political system where the citizens were free and equal will operate a form of distributive justice that should end prevail over forms of commutative (in)justice which has prevailed in contemporary capitalist societies.

Globalized capitalism of the XXI century

Twenty-first century capitalism is characterized by the trans-nationalization of large financial and productive capital. Iinternational capitalism and transnational capitalism expressions are not synonymous. International capitalism is framed within the system of international relations promoted and regulated by nation states, while transnational capitalism is a new system of transnational relations which partially escape beyond the control of nation states

The globalized capitalism expression includes this distinction and accentuates the global nature of the trans-nationalization. The leading actors of transnational capitalism are corporations whose transnational production of goods or services is located in multiple regions of the planet. This form of capital differs from that studied the theoreticians of imperialism (Hobson, Hilferding, Lenin, etc.) that include production processes and products that might be called global.

All these processes in the structure of ownership and management of transnational capital are unprecedented in the history of capitalism. Capital during the late nineteenth and early twentieth centuries included without doubt important capital flows but were aimed at promoting a certain type of trade.

The main structure of this trade is the export of commodities from the peripheral or colonial regions to developed countries in exchange for manufactured goods which they sold on those peripheral regions. Let's say, at that time, international investment had "real" objectives and were serving an international center-periphery trade. Industrial centers exported manufactures to the peripheries in exchange for primary products (mining, ranching of temperate climate and agriculture of tropical climate) than those sold them.

Unlike those processes, global product trade is a significant degree of intra-industry and intra type. A very high proportion of this trade takes place between their own industrialized centers, or between them and the emerging economies of Asia. Another part of that trade is with the peripheral countries but is a much more diversified traffic of pieces, parts and components for global products.

Global products can be material goods or services. If they are material goods, they are produced through chains and value systems located in different continents and nations (including products such as computers, cell phones, automobiles, clothing, etc.). If they are services, they are also part of similar chains also extended in the world (debit and credit, call centers, securities and financial services, etc.).

Another specific feature of the twenty-first century global capitalism is crucially dependent on the ICT. These products and processes (as those exemplified above) would not exist if these technologies have not enabled them. It's true that the transnational production cars or clothing refers to historically existing products but the new is in production processes and supply chains and transnational value systems that enable it. Without ICT globalization of capitalism, it would not be technically feasible.  
  
In the north-north axis that globalization is expressed in the number of mergers and acquisitions between companies in the developed world, and in the north-south axis, the TC take advantage of lower costs (labor, environmental) of energy of production in peripheral regions, often settling in industrial, commercial and financial processing zones (assembly plants, call centers, financial and tax havens, etc.).

A third feature of the twenty-first century capitalism, which has been developing since the second half of the twentieth century, is the dissociation between capital ownership and management of capitalist enterprises. Joseph Schumpeter lamented the disappearance of the innovator of the great captain of industry (as James Watt in the late eighteenth century and Henry Ford in the early twentieth century), and John K. Galbraith realized a few years after about the new forms of organization of the large corporation that called technostructures. Dissociation between ownership and management was a well-known deed and established at late last century and was the preamble to the shift to the current forms of TC.

This change means transferring the business decision-making to executives of top management. Larger corporations transformed their capital shareholdings that are publicly traded. Buyers and holders of such shares are unconcerned about the management of the company and executive governing corporations must satisfy them compensating with suitable stock dividends. While the shareholders do not protest and seek to replace, the power they hold these executives it is huge. Its main loyalties are first with themselves (self-clinching soaring salaries) and, secondly, with its controlling shareholders, which leads them to the need to produce stock dividends in the short term.

Capital flows of transnational corporations are installed or passing through the national economic systems trying to create their own structures, mechanisms and processes. The structures are technical and social game rules. Technical rules refer to the production processes (and tools that these materialize) controlled by their research and development departments, and social rules are set by intergovernmental organisms and transnational privates. Intergovernmental organisms include agencies such as the IMF and GATT, and private transnational agencies that include other organizations such as Moody's or Standard and Poors are an integral part of transnational capital and they receive their funding from the corporations that evaluated themselves.

Twenty-first century capitalism has not only transnationalized corporations but has also internationalized national economies have become more open, deregulated, and privatized. Government authorities have lost fiscal tools to control the economy, and have shed public companies they controlled. Public investment has been reduced as part of the total investment, while that private-border investment both directly and Financial has increased its share.

The globalization of today's financial capital has a high speculative content, as evidenced by the fact that the annual financial capital flows are an increasing multiple of the actual flows of goods and services. Abrupt movements of financial capital flows (those in and out from a country) can bring down their exchange rates and currency reserves, as has actually happened in many economies in Asia and Latin America during the last thirty years. From 2008 Western centers have also become vulnerable to these maneuvers.

New mechanisms and financial 'products' help generate crises situations by giving false images of security lending operations that can be highly risky. For example, so-called *credit default swaps* are currency in which the payment of certain ensures financial instruments in case of default by the issuer. These claims are usually applied to public debt, private debt, and mortgage securities.

Banks, hedge funds, large insurers, etc., sell these insurances to other financiers operators who buy them on payment of a premium whereby the return on their investments are secured in event of default of the issuer.

What characterizes these and other financial mechanisms is their complexity and lack of transparency, even for the operators who handle them daily. His only motivation is the pursuit of profit in the short term irrespective of any repair on corporate social responsibility. The dogma about self-regulation is the foundation upon which aims justified this unscrupulous speculative exercise.

In the twenty-first century, this type of practice has reached levels of regularity and government acceptance that enable financial speculators obtain their profits from control of the savings from the real economy. Mechanisms and procedures of financial capital produce curious effects on the ownership structure of the capital. For example investment funds that manage resources pension and health of workers are invested in different types of private and public assets that are publicly traded.

These employee shareholders are actually an institutionalized source of savings which is controlled and managed by the representatives of production capital and transnational financial. Since these investment funds operate transnationally, it is in addition to the depositors of pension funds or security health institutes of peripheral country may be "owners" of shares corresponding to TC of the developed world. This is a clear social impact of globalization financial capital.

One of the key strategies of the increasing dominance of financial capital over productive capital consists of the merger of banking deposits with commercial or investment banking. The business of the commercial banks is to pay for the money that deposit their clients and charge for the loans it grants. The difference between what charges and what is ultimately paid is the gain of the commercial banks. To this is usually added other operations as credit cards, transfers, deposits, fees for funds investment and pension, brokerage, etc. Commercial banks operate with people or micro, small or medium-sized enterprises, taking care of family and personal savings, providing working capital, etc.

In contrast the business of investment banking is always in large scale. It focuses on the major TC, and financial mechanisms used by the great productive capital. It is linked to  
oligopolistic ways to compete, is dedicated to speculate by stock practices, design and execute bids of securities, manage mergers and acquisitions between TC, and to transact all kinds of public and private bonds, especially marketable traded. Their customers are always individuals or legal people who control large amounts of capital.

On the one hand, profits of commercial banks are part of the norm of everyday business of any economic system and include many so-called operations MSMEs (micro, small and medium enterprises). Furthermore, the benefits derived from investment banking operations,  
usually stock, of transnational capital and the public bonds issued by governments.

In European and the others from developing world’s economies they have distinct and separate activities and responsibilities of the banking investments compared to commercial banks.

The merger of investment banking and commercial banking or deposits led to a financial structure that led to the Great Depression of the thirties. After that collapse which had an enormous impact on the real sphere, the government of F.D. Roosevelt promoted the Banking Act or Glass-Steagall Act. This law established the separation between investment banking and deposit banking. Regulatory measures were created to control monopolistic and oligopolistic positions in all markets and prevent unfair competition between companies (Sherman Act). Finally, it banned the bankers to participate in boards of industrial corporations, commercial, and non-financial services.

The Glass Steagall Act was repealed in 1999 by the Financial Services Modernization Act or Gramm-Leach-Bliley. This return to the pre-crisis situation thirtieth year, was the prelude to the forms of transnational financial capital own twenty-first century, that led to the recession of 2008.

Western capitalism has lost competitiveness in this globalized world that the great centers of the West have contributed to create. Transnational corporations can no longer compete in their own industrialized countries for their high labor and environmental costs and to evade those expensive regulations leverage industrial, financial and commercial free zones subject to extra-territorialized standards. Also they try to participate in low labor and environmental costs stablishing themselves in the Asian countries competing against Western economies. Developed countries no longer control their transnational but rather it shows the opposite trend. Transnational capital lobbying (lobbying exercises) in parliaments of Western nations, attempts to reduce tax payments, limit the costs of social security, and reduce labor rights.

The western central economies have lost control over their own transnational corporations that refuse to comply with the most exigent tax, labor and social obligations of the developed world.

The question arises whether western democratic movements can steer the behavior of transnational capital to impose appropriate regulations and tax burdens required to avoid the complete collapse of the welfare states. If they will be able to promote public investment required to guide production processes towards clean and sustainable energy and towards strengthening the technical and social infrastructure. If they will succeed in reversing the growing inequality in the distribution of income and wealth.

US forces supporting the transnational capital grouped behind the Republican Party, they are facing a Democratic Party which is only now reacting timidly with proposals for regulation and income redistribution.

The other great battle between transnational financial capital and the of human rights and basic needs defenders it is waged today in Western Europe. So far the contest it is being lost for democratic citizen protest movements. Conservative governments of Germany, Spain and Italy on the grounds of defending the existence of the common currency are pretending to balance the fiscal accounts through the decrease in the social and infrastructure spending. The result has been that Europe is sinking into recession and social inequality.

All in all, capitalism has globalized and democratic movements are fragmented within their respective national borders. As the democratic forces will weakening social inequality and poverty rages. But we are far from witnessing the end of history.