The Need for Crowding out Capitalism and Collective Capital Formation

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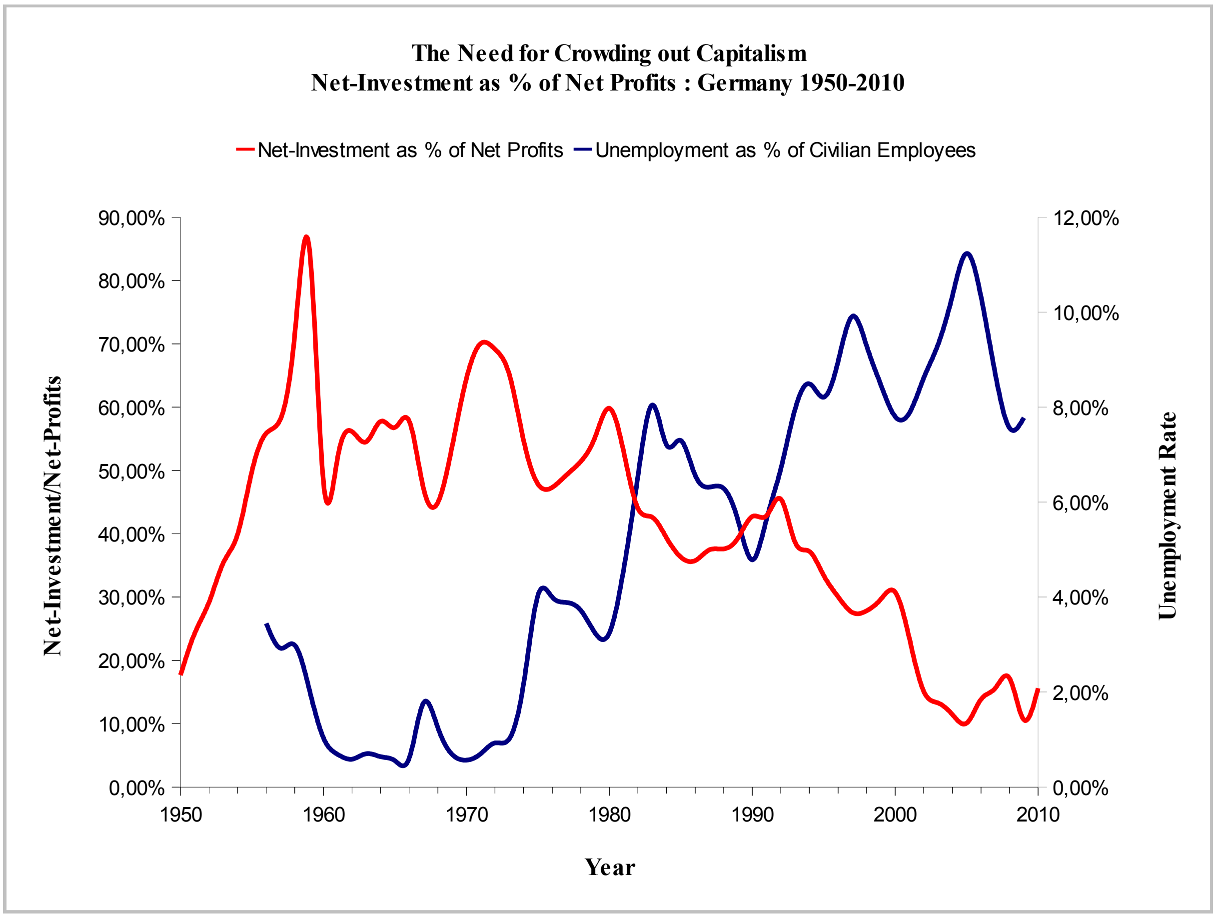
Figure 1: The Need for Crowding out Capitalism



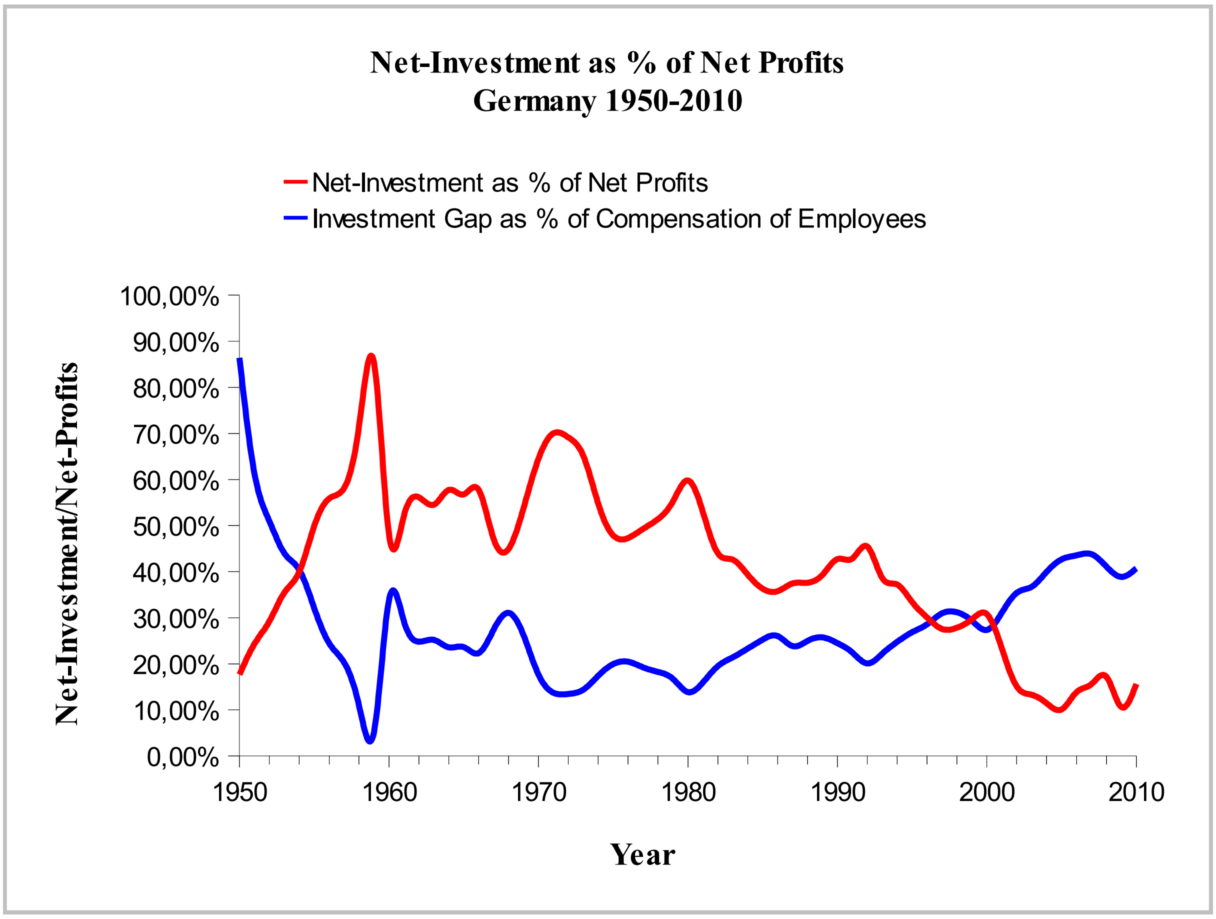
Source: OECD and Federal Statistical Office, own calculations.

The **Figure 1** above shows the typical pattern of financial capitalism for the case of Germany. After WWII and the currency reform of 1948 there was - after an adjustment period of a couple of years - a relatively high use of net profits for new net investment which led to a period of full employment. However, with maturating capitalism it became more profitable to export capital instead of facing trade unions demanding economic democracy.

The decline of the percentage of net profits used for new investment is strongly negatively correlated with the increase of unemployment. The decisions of finance capital and the monetary authorities, in particular the German Central Bank led to severe recessions. The ups and downs of the red curve are not the results of the economic machine but are the decisions of the German finance capitalists. Rudolf Hilferding in his *Finance Capital* (1910) has brilliantly analysed these monopoly capitalistic strategies.

The trend observed for Germany is typical for other European and Western Countries. It is the result of the high concentration of productive wealth in the hands of a few. The response of labour must be, to take over the control of the profits which are the results of labour. Those profits have to be reinvested in order to maintain and increase the productivity of labour and to prevent unemployment. The obligation for the labour movement is to create the democratic institutions to introduce collective capital formation via workers earnings investment funds and other means and to assure the control of investments in the economy.

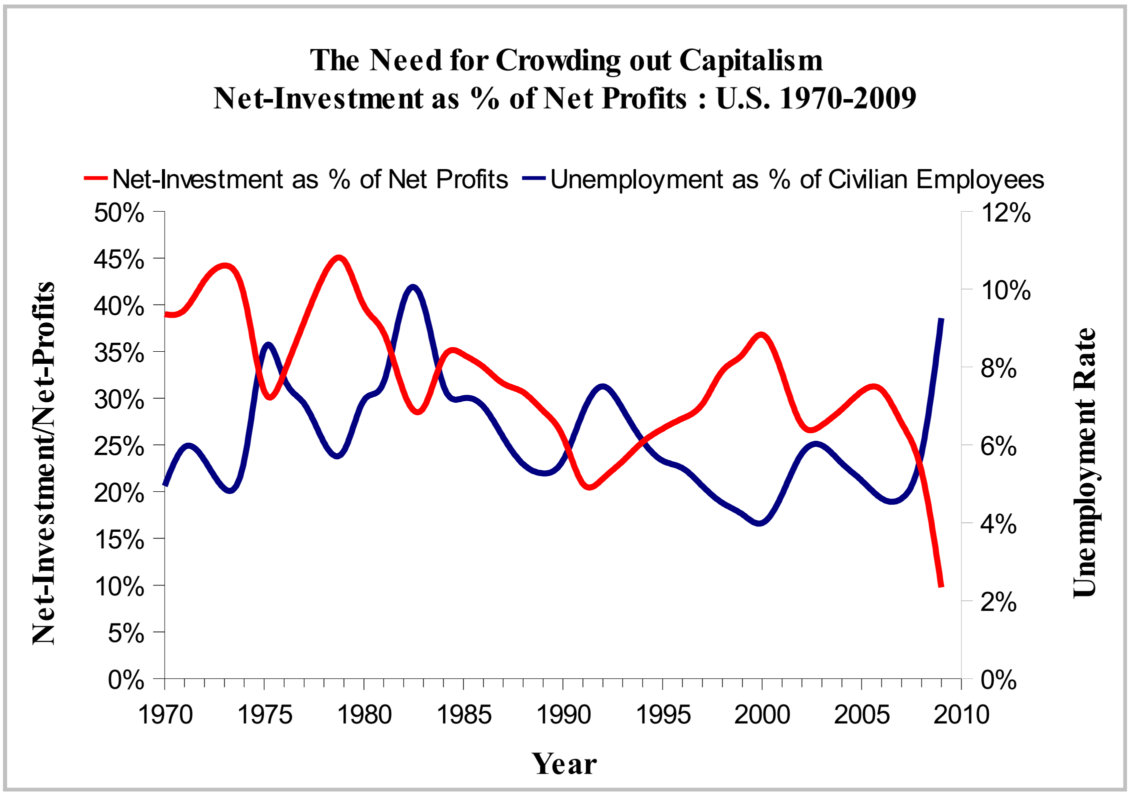
Figure 2: The Investment Gap as Part of the Compensation of Employees



The second Figure shows that the investment gap (the part of net profits which is not reinvested) as part of the compensation of employees is increasing in the case of Germany for 40 years by now. It is high time that the labour movement takes action and that the left political parties recognize that it is not over-accumulation (over-investment) which creates the economic miseries but the misuse of the returns to capital for capitalist imperialist strategies and capitalist consumption instead of being used for the improvements of working conditions. The capitalist mode of production has to be overcome. Collective capital formation is the essential element in this as it breaks the *ultima ratio* of the capitalists, the supply of capital.

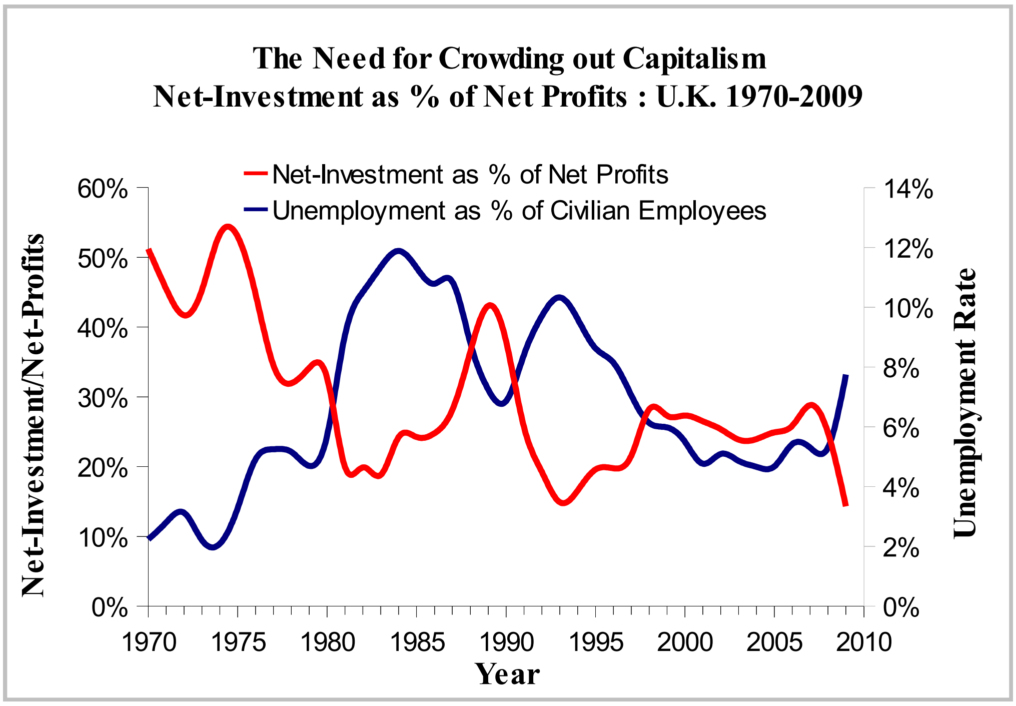
Further Evidence from other Western Economies

The U.S. Economy 1970 – 2010



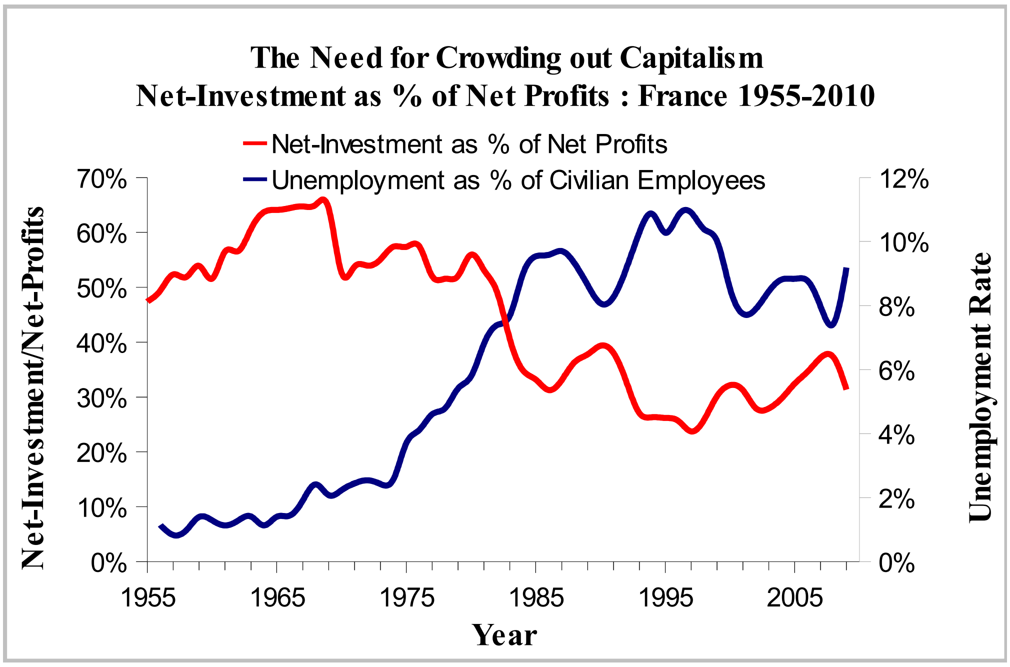
Sources: OECD

The UK Economy 1970 – 2010

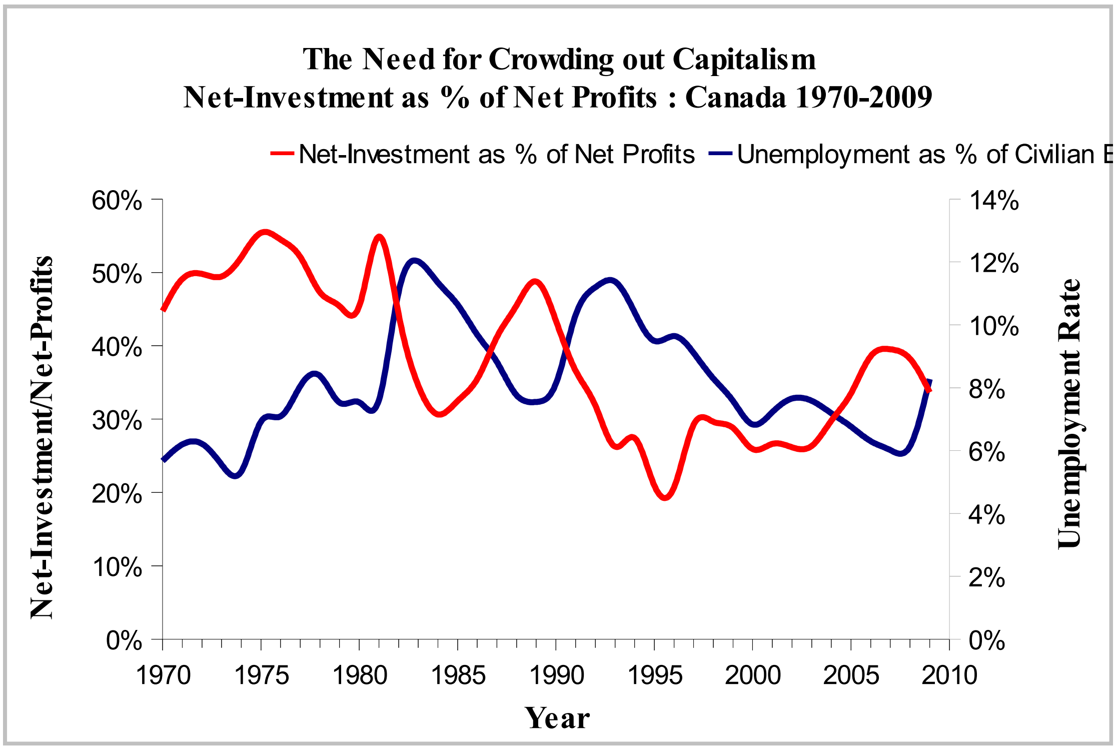


The French Economy 1955 – 2010

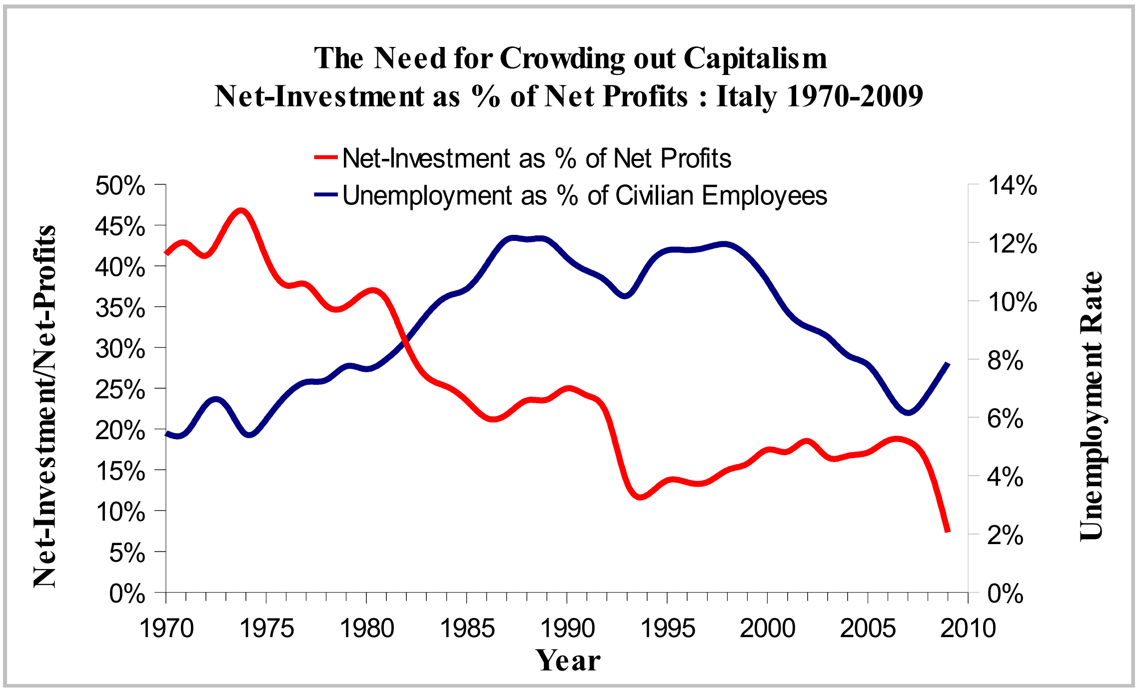
When the French ratio of net investment/profits is somewhat above the average of Western countries this is due to a stronger growth of the labour force. The same is true for Canada.



The Canadian Economy 1970 – 2010

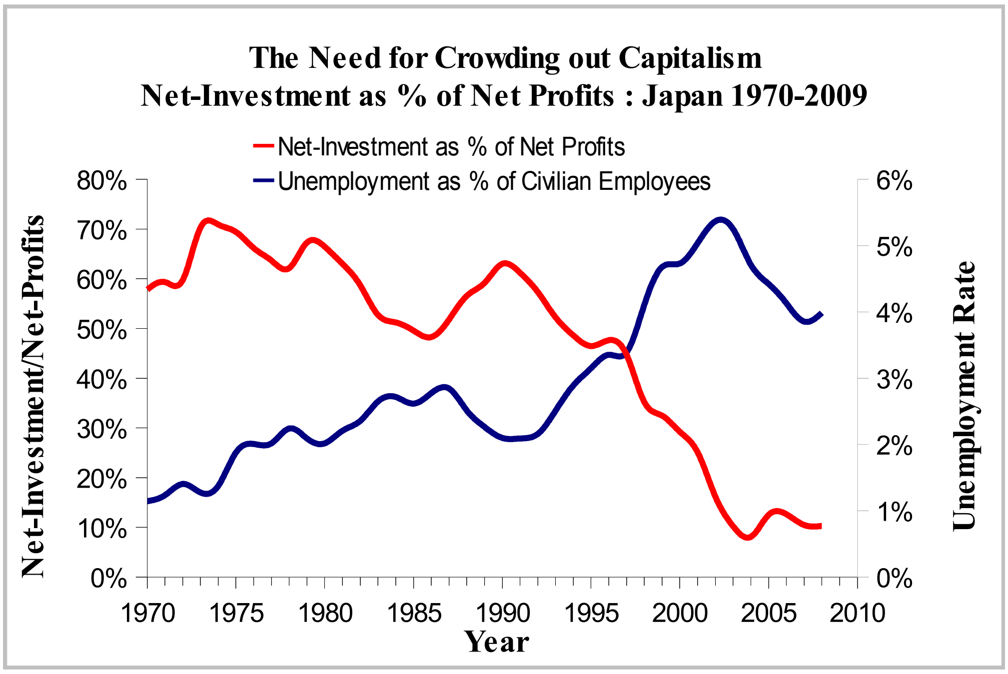


The Italian Economy 1970 – 2010



Sources: OECD

The Japanese Economy 1970 – 2010

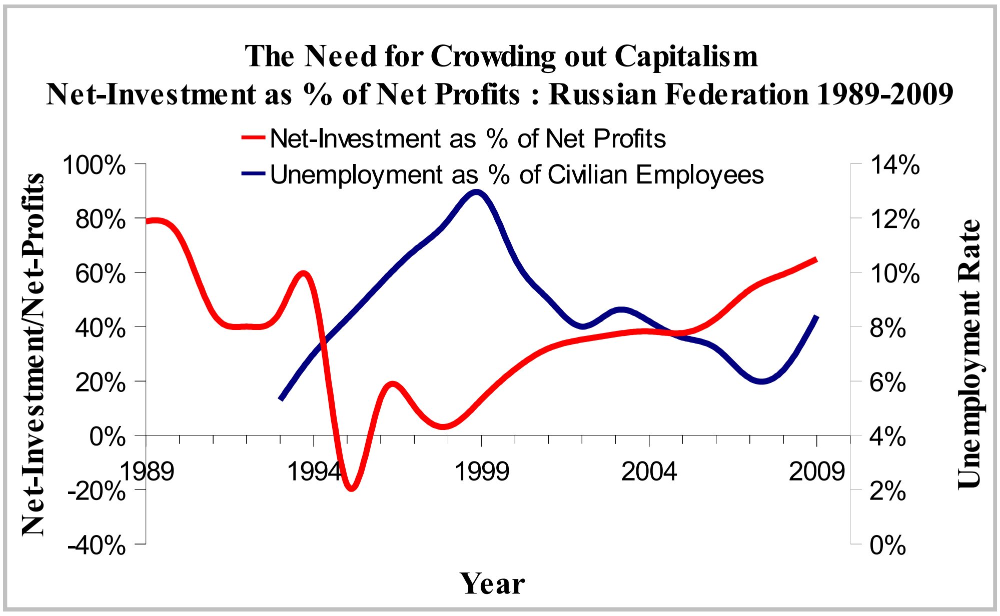


Sources: OECD

Some of the BRICS Economies

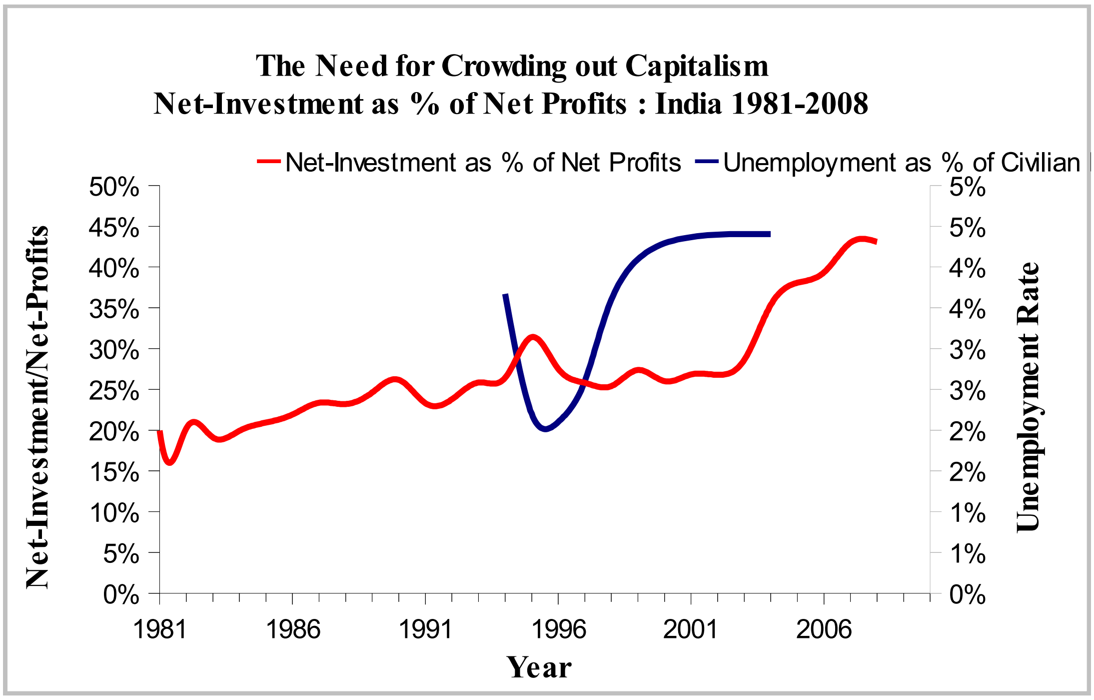
In the BRICS economies the trend is quite different. Unfortunately the data is not very good.

The Russian Economy 1989 – 2010

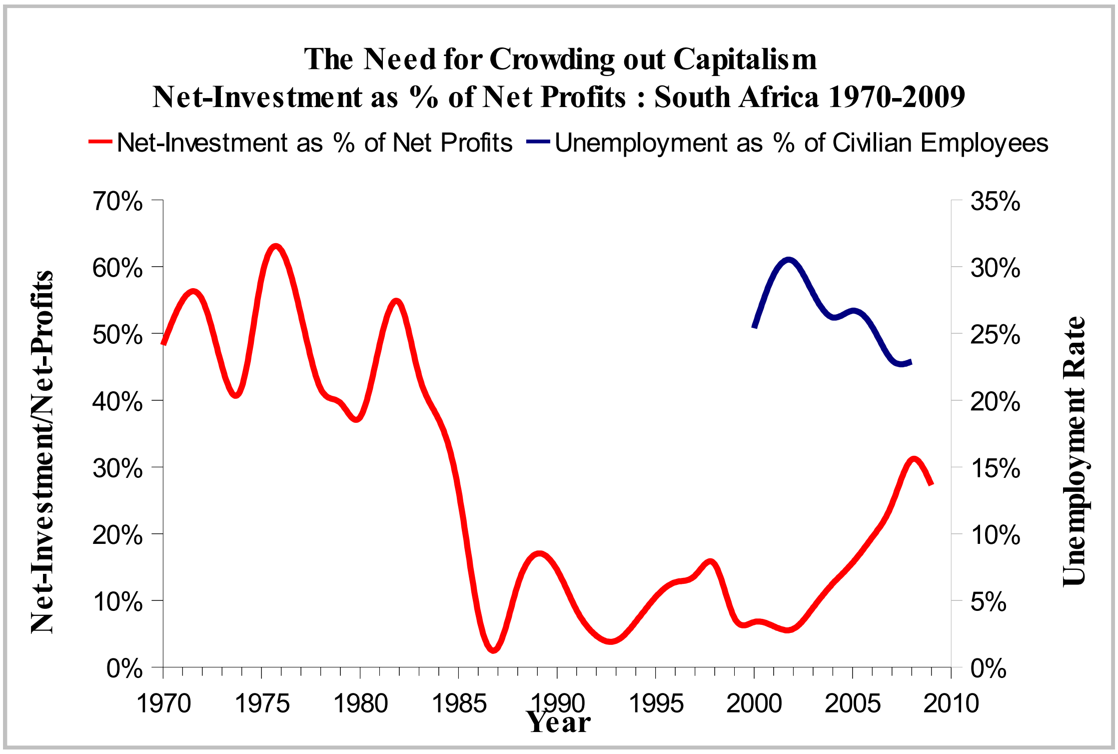


Sources: OECD, UN, Worldbank

The Indian Economy 1989 – 2010



The South African Economy 1970 – 2009



Sources: OECD, UN, Worldbank