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Geopolitical Dislocation as a Product of the Financialisation of Economy. Lessons From Europe

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Extended Abstract

1. THE GREAT METAMORPHOSE - In parallel to the multilocation of production an analogous process is investing the financial sector. There are deep similarities; in both cases we experience the disintegration of company activities and their geographical dispersal. Besides the economies of scope, the multinational corporations make use of transfer prices among the different subsidiaries, so as to maximise profit. Sometimes the multiplication of firms is simply a multi-addressing operation, that is the creation of shell companies whose only task is to ease the flow of capitals to the offshore world. This is an archipelagus of Chinese boxes, developed to make the access to a company's data and shareholders' identities like an assault course.

It is the last effect of the commodification of money capital, once separated from the underlying economic value. This causes the breaking of the traditional relationship between finance and real economy, that is to say the creation and management of money values is freed from the creation and management of tangible goods and services. The result is a modification of the traditional cycle of capital accumulation as described by Marx: money is transformed into commodity, commodity is re-transformed into money, the accumulation in the financial sector taking place only at the end of the economic cycle, to start again in the real sector with the beginning of a new cycle (Ruffolo and Sylos Labini, 2012). Now, the geographical specialisation in all countries and at the global scale of finance and production triggered in the last thirty years an uninterrupted process of accumulation in both sectors. That is a double growth, but not in the same places, so provoking a phenomenon of economic specialisation at an unprecedented scale.

This made it possible the entering in the industrial age of a number of third world countries, albeit in a context of neo-colonisation. In the multinational restructuring of production the use values gained on the periphery of the world system may be fully transformed into exchange values only in the financial core of the system. This is why the systemic centre developed a limited number of global financial centres monopolising all strong currencies, means of capital conservation, transfer facilities and opportunities of short-term profit.

Money itself is a highly mobile asset, so the values gained this way are not stocked in the centre. They are parked – at least formally – in the offshore net. At the same time the net acts as a drain instrument for the capitals somehow withheld on the periphery. Through repeated shiftings they change dimension, shape and identity before flowing to the centre and disperse within the net. The final goal is however the multiplying of fictitious capital, as Marx pointed out. In other words, to further feed the financialisation of economy.

This global process, inducing a growing speculation/despecialisation of all regional economies, is provoking a geographical dislocation of national economic systems. These are progressively dismembered and reassembled at a higher level, however functionally linked in a global structure. In this dramatic change, there are losers and winners.

A highly interconnected structure of global dimensions acts as a great amplifier for all kinds of events, whose consequences can spread throughout the whole system in a very short time.

We have been experiencing this hard reality with the financial crisis burst out in the USA in 2007.

2. The European Condition - In Europe, notwithstanding the progress towards the unification of the continent and even the adoption of a single currency by many countries, the goal of a European financial space is farther than ever. There is no bank authority giving unity to the sector, no common stock exchange (the biggest institution, the LSE, merged with the NYMEX, so definitely shifting the world's financial core out of the continent).

As a consequence, there is no common market for capitals (Aalbers, 2009) so that the survival of single national capital markets is a weakness now revealing all its dangerousness.

The present crisis, as mentioned before, is the consequence of the process of economic transformation which is dividing the world into a hyperfinancialised core and a production periphery. Inside the UE, the divide between North Europe and the Mediterranean countries is deepening (Lops, 2013)

In the last ten years the German countries have maintained their productive capacity, the sole Germany placed itself among the exporting countries at the level of China. At the same time it has been taking up and monopolising the industrial activities from all Europe, reorganising them to the role of subcontractors.

The externalisation of productions can usually take place when the entrepreneur is facing the decision whether to invest, owing to the physical or economical obsolescence of past investments. In weak economies of relatively recent industrialisation, where there is a lack of systemic help as for fresh capitals and access to the markets, the question is a very difficult one. Once left alone facing the so called "market dynamics", as seen in the USA and in the UK, the result has been the industrial desertification of wide areas. Eventually, there might later be a new industrialising phase, but in a colonial-type condition, after a deep and painful transformation of society. It is also the experience of the south of Italy after unity (Zitara, 2011).

Some peripheral countries – Ireland, Iceland, Cyprus – tried to skip a phase in the development path traced by C. Clark, taking the way of financialisation before building a strong industry. They sought to attract international capitals and profit from it through practices at times similar to

those of the so-called Tax Havens (Palan et al, 2010). Things went badly for all, independently from the eventual membership in the Eurozone, because of investment policies that later (in a quite different market situation) proved to be wrong.

The consequences on the relative economies have however been very different, owing to the different currency position of the three countries. Iceland recovered much earlier, thanks to the fact it did not abdicate in advance to its monetary sovereignty.

3. The Dark Side of the Financial Issue - Independently from the currency used, the global economic system is constantly developing new circuits of capital trading, such as the offshore nets, centred on offshore financial centres. The chronicle of the last years is revealing how the offshore system is not geographically restricted to a few areas, but is much wider and capillary rooted than is generally reckoned. All this is suggesting that scholars turn their attention towards the relationships linking the different sectors of the economic system and the offshore world (Battisti, 2013).

Recently, such organisations have become the target of a coordinated action at international level, finalised at extinguishing their functionality as tax havens. The action underway seems to obtain some results only within the Mediterranean Europe. Maybe this is not fortuitously.

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