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**The New Mercantilism and the crisis of global capitalism:
 Elements for discussion**

Blandine LAPERCHE
 Associate Professor in Economics.
 Director of Research ULCO

Research Unit on Industry and Innovation
 University of Littoral Côte d’Opale –France
<http://rii.univ-littoral.fr>

Research Network on Innovation
<http://rii.univ-littoral.fr>

Address : MRSH –Lab.RII
 21, Quai de la Citadelle
 59140 Dunkerque –France
 Tel: 00 33 3 28 23 71 48
 Fax: 00 33 3 28 23 71 10
 Email: laperche@univ-littoral.fr

Dimitri UZUNIDIS
 Professor of Economics
 TUC & ULCO

Research Unit on Industry and Innovation
 University of Littoral Côte d’Opale
<http://rii.univ-littoral.fr>

Research Network on Innovation
<http://rii.univ-littoral.fr>

Address: MRSH - Lab.RII
 21, Quai de la Citadelle
 59140 Dunkerque- France
 Tel: 00 33 3 28 23 71 35
 Fax: 00 33 3 28 23 71 10
 Email : uzunidis@univ-littoral.fr

Abstract: How to understand the current crisis which is decisive at the World level? In this paper, following the thought of Joan Robinson, we first present the content of the definition of “new mercantilism”, and we then explain how these practices have helped and supported what we commonly call globalization. According to the authors, the current economic crisis can be linked with mercantilist practices. As a matter of fact, globalization, because of the internal and external barriers that capitalism had to face, has quickly been driven by finance. The latter, supplying the “virtual economy”, has become -because of its shortcomings- a cause of depreciation and destruction of capital in excess. And after? What can be the future of the “world economy”? Some paths are presented in conclusion, with the aim of opening the discussion.

Key words: Joan Robinson, New Mercantilism, Globalization, Global Firm, Crisis, Financialization

Introduction

The crisis of finance that roughly triggered off in 2008 raises several issues for economists. Is it an adjustment effect, or the beginnings of major restructurings? Is it the result of a major weakness of the model of expansion of capitalism that has prevailed since the 1970s or the outcome of this process? Is it a national “problem” exported throughout the world, or would the world be not big enough to solve a problem that was posed to it?...Some consider that the system of organization of economic (and political) international relations based on “laissez-faire” would constitute the best - perhaps even the only- answer to the multiplication of conflicting interests and objectives (Williamson J, 1990, 2003; Clift, 2003). For others, this system would be an «extravagant» recognition of a legal and institutional framework which real aims are far from materializing the need for a new development of the global economy and society (Naím, 2000; Rodrik, 2003; Stiglitz, 2008, Cimoli et al., 2009). They rely on theoretical arguments, but also on historical and current facts, that question the well-founded character of the liberal policies advocated by international institutions. They consider that the global economy obeys to rules favouring the interests of powerful economies, firstly the one of the United States of America and give expression to the supremacy of the decisional power of multinational firms and of financial markets.

According to us, the history (and the current developments) of the economic thought argue in this sense. In this paper, we have chosen to discuss the current – inevitably global – crisis, by referring to the work of Joan Robinson and more particularly to the concept of «new mercantilism» that she presented in her inaugural lecture at Cambridge University in 1966 (Robinson, 1973) but which is also analysed in many others of her work to which we refer in this paper. The central hypothesis lies in the fact that the global economy is made of a set of national economies and of private actors having unequal economic, financial and political power.

The critical method adopted by Joan Robinson¹ to present the partisan content of the neo-classical approach often refers to international economic relations in her vision of economy. But this post-keynesian conquest of the enrichment (or impoverishment) process of an economy due to international trade (or finance, or cross-border investment) materialized brutally in the face of liberal orthodoxy which reduced international facts to mere flows or utilisation of goods. It is important to underline the fact that in Joan Robinson’s science, history and politics shape economic players’ choices, functions and activity. Without spelling it out, the National State – a political organisation, an economic agent and a regulator – is omnipresent in J. Robinson’s international economics: through her long flashbacks to historical facts, Joan Robinson stands up for the

¹ Joan Robinson (1903-1983) is very often depicted as a non conformist and original thinker. “Always impatient with dogmas, constantly fighting for new unorthodox ideas, relentlessly attacking established beliefs, she acquired a sort of vocation to economic heresies” (Pasinetti, 2007, p.101). For presentation of the work and life of Joan Robinson’s, see also Harcourt (2001, 2007) and *Innovations Cahiers d’Economie de l’Innovation* (2001).

argument of the evolution of international relations by confronting diverging and unequally powerful national interests, both political and economic. She also emphasizes the particular and unavoidable part played by one nation's economic power on the economic development and positioning in the international relations of other nations.

In 1966, the British author clearly questioned a lot of issues regarding the economic power of certain countries based on the economic power of their firms; so far, international economists have not been able (or willing) to answer such questions. « Since the total market does not grow fast enough to make room for all, each government feels it a worthy and commendable aim to increase its own share in world activity for the benefit of its own people » (Robinson, 1973, p.5). Or, even later: « The principle of labour division is useful for justifying policies which go against the effort produced by the periphery to develop their industry » (Robinson, 1980, p.142, our translation). The consequence of unequal economic relations is that while some are becoming richer, others are getting poorer, even if the global demand is increasing. This old economic law has its roots in the political sphere of the constitution of national economies.

If the growth of international markets is not sufficient to absorb global exports, each economic power will attempt to achieve a surplus of its balance of payments. Such is the "new mercantilism" which brings the United States face to face with Europe and Japan and resembles the 18th century when England (poor in labour and land) became richer thanks to trade, notably sea trade, and to State intervention (Kindleberger, 1975). Joan Robinson simply showed, using a didactic method, how « One man's good fortune is another man's bad fortune ». It is easier for powerful economies to defend their own interests and impose an « international division of labour ». Means of defence are evolving, but the principles are still the same. It is true that in order to understand the subtlety of new mercantilism, today's economists have to abandon their usual tools for a moment (free-trade hypotheses and models). They must also accept to see the world through the prism of its history.

In this text, we will first present the content and the definition of the « new mercantilism », then we will study how these practices have contributed and supported what we commonly call globalization or global capitalism. This globalization, because of the internal barriers (the advent and the consolidation of the monopoly as a norm of enterprise) or external ones (the "globalization" of the markets of goods, services and capital) to which capitalism went against, has quickly been achieved, organized and developed by finance. The latter, nourishing the « virtual economy », has become because of its breathlessness a cause of depreciation and of destruction of capital in excess. And after? What may be the future of the « world economy » ?

The Principles of New Mercantilism

From “old” to “new” mercantilism

Mercantilism is an economic doctrine of the 16th, 17th and first half of the 18th centuries, which starts from the postulate that the power of a State relies on its stocks of precious metals such as gold and silver. It advocates economic development by the enrichment of the State by the mean of foreign trade. In a mercantilist system, the State plays a major role, through the implementation of protectionist policies building barriers and tariffs and encouraging exports. For example, in France, Colbertism is a national mercantilism based on the intervention of State in foreign trade in order to increase currency inflows through the exports of goods, with as a consequence the development of manufactures. During the 19th century, the policies of « protection for young industries » (see the German case and the propositions of F. List (1841) that depart from the perspective proposed by A. Smith that were focused on trade and the allocation of resources) are inspired by conceptions based on the economic and political power of States in international trade relations.

Nowadays, we can explain the new phase of mercantilism, by analysing the behaviour of big firms – inescapable agents in the definition of protectionist policies. As matter of fact: (1) States compete with each other, implementing direct intervention policies and tariff and non tariff protections to create wealth, which will be at the origin of internal prosperity and of power in the economic relations; (2) The emergence of new forms of competitiveness between firms lead the States to ally with big national enterprises which have productive, commercial and financial ramifications at the international level; (3) The states not only negotiate between them but also with big enterprises, which more and more behave as States, forming alliances with each other (4) Private agents (enterprises, banks, financial institutions) can be seen as “producers” of norms. Multinational corporations not only redefine and reorganize international exchanges by the way of their networks and strategies, but they also introduce new models of governance, as well as new rules and principles in the places where they act (within and outside the markets); J.K. Galbraith explains in this vein in his recent book how, due to the lobbying power of big corporations, the (American) State has become a “predator” (Galbraith, 2008). Competition thus becomes global and systemic, and the relations between firms and States are part of this new mercantilism, governed by a global framework of accumulation benefiting to the most powerful economic centers of interest, being private or public (see also Strange, 1995).

Already in her early writings, J. Robinson analyzed how individual countries sought to increase their employment at the expense of their trading partners by increasing the trade balance. This is notably the case of a chapter in *Essays in the Theory of Employment* (1947) “*Beggar-My-Neighbour Remedies for Unemployment*” (1973, pp.229-240). In this chapter, she considered four

means of increasing the trade balance (exchange depreciation, reduction in wages, subsidies to export and restriction of imports by means of tariffs and quotas) and studied their impact on employment. Focusing on situations of less than full employment, she in fact explained the *raison d'être* of protectionist measures (from a national point of view) when all countries are playing the “beggar my neighbour” game as well as the global negative impact of such a game played by all countries. “In times of general unemployment a game of beggar-my-neighbour is played between the nations, each one endeavouring to throw a larger share of the burden upon the others. As soon as one succeeds in increasing its trade balance at the expense of the rest, others retaliate, and the total volume of international trade sinks continuously, relatively to the total volume of world activity. Political, strategic and sentimental considerations add fuel to the fire, and the flames of economic nationalism blaze ever higher and higher” (Robinson, 1973, p.229; see also Blecker, 2007).

For Joan Robinson, Mercantilism is natural because an economy of market and private enterprise is most of the time an economy of buyers. Such an economy comes up against the insufficiency of effective demand. The excess situation (defined by the excess in the supply capacity in terms of capital, money and goods with respect to the solvent demand), as Marx (1867 and subsequent) and Schumpeter (1975) cleverly demonstrated, means that firms have to continuously renew their production process : renovate the supply, reduce costs and open new markets. They must therefore export. Joan Robinson showed without difficulty that the capitalist world is always, in a way, a buyers' market, in the sense that the production capacity exceeds what can be sold for a profit (1973, p.5). A situation in which demand exceeds what firms can physically produce and sell is often a precarious one. The resulting investment and recruitment increase production capacities to the point where they achieve excess production. The evolution of the capitalist society is conditioned by the forecasts made by the entrepreneurs. Profitable areas are rapidly saturated by new investors entering them in large numbers. Competition and the short-sightedness of entrepreneurs together with opaque markets and the retention of any type of information lead as much to excess production as to monopoly. Foreign economies represent opportunities needing to be sized rapidly in order to maintain and increase profits.

Joan Robinson acknowledged Rosa Luxembour's work on economic imperialism (1951) as a significant improvement on the economic orthodoxy: the expansion of capitalism to new territories has made it possible to form a capital partly funded by the value produced there and partly by loans granted by the old capitalist countries. The incentive to invest comes from the fact that those new territories are, in a way, stocks of goods which either do not exist in the old countries or can be produced at lower costs. Foreign countries in the pre-capitalist stage, taken as markets and new opportunities for investment, offer new outlets to the old industries and save them from the

contractions arising from insufficient demand. By adjusting this approach to the facts of her era, our author defined, described and analysed new mercantilism.

As soon as a buyers' economy is in place, the closing down of borders worldwide is not only reprehensible but above all, unbearable. That policy is bad, not from the point of view of the assumed superiority of free trade, but because gaining market share in the export of goods and capital is as beneficial to the capitalists as to the workers. In order to understand the difference between free trade and new mercantilism, Joan Robinson notes that, as full employment is not guaranteed, profit and employment levels could be higher at all times in a capitalist country if exports increased more rapidly than imports. "The trading nations have always been mercantilist at heart". To champion the adoption of free trade policies, one must mention that the advantage of abolishing foreign trade barriers is, for the national exporters, greater than the disadvantage of lifting their own national trade barriers (1980, p.92).

New Mercantilism against the debtors

New mercantilism, just like the old one, is a system which impoverishes debtors. At all times, the most powerful economies (the ones with foreign accounts showing a surplus and/or with a common currency used as legal tender for international transactions) pour their surpluses (goods and capital) into other countries while carefully selecting their purchases from those countries. Thus, they further their own national economies and levels of employment. And then when their savings surpluses (a tendency to save money greater than the unit) irrigate economies in need of capital, they take no further interest in their debtors' long term solvency. The logical solution would be to increase their own imports and improve the terms of the transactions for basic products, while helping to develop an industrial and processing activity aimed at exporting, etc. Nothing of the kind : except if under pressure (see the case of the OPEC), the mercantilist paradox means that creditors should make a profit from their loans, and thus they demand repayment while not really wanting it. Raw material producing (and exporting) countries are imposed competitive market laws and must face the substitution products of the rich countries while having to import under the law of monopoly (the price of manufactured goods is determined based on their total cost price plus a markup). This paradox leads debtors into the spiral of debt and the crisis of getting back out of the red: in order to be able to maintain their access to funding sources and eventually reduce the yearly and overall burden of their debt, bankrupt economies must conform to their lenders' financial and political conditions. If rich countries really wanted to develop poor economies, they would try to encourage alternative activities and promote imports. But this would go against new mercantilism as "the rules for international economic relations are moulded to suit the views of the country that is then the most powerful" (1973, p.13).

This tendency towards impoverishment is aggravated by two structural factors which condition international exchanges: international pricing and the demand for imports by developing countries. Here again, imperfect competition, and therefore complementarity, is the rule. The prices of manufactured products exported by rich countries or sold by multinational corporations on international markets are determined by the monopolies so that all costs are covered and a substantial net profit is made; prices and sales are regulated by the volumes introduced into the market (the volume sold is whatever quantities that can be absorbed by the market providing the anticipated profit is achieved). On the other hand, the rural populations in developing countries sell their products to intermediaries who take advantage of the seasonal fluctuations in the supply, and especially as the agricultural produce and raw materials exported by Third World countries are faced with a sticky demand (inflexibility) from industrialised countries. However, the imports of manufactured products, and especially of arms, by Third World countries lead to incompressible expenses, which increases the need for funds, increases the power of multinational corporations in the trade and production activities of those countries, diverts part of the national demand, creates inflationary tensions and reduces their capacity to export. It is obvious that there is no economic machinery to achieve market equilibrium. The economic machinery falls into step with political relations of a very antagonistic nature (this is demonstrated by the deteriorating terms of exchange of basic products). Joan Robinson pointed out that the OPEC case is very unlikely to recur in other sectors.

We can state with R. Harrod (1957) that trade between developed and developing countries may only be profitable to both parties if the unused savings of the former are transferred to the latter and used for financing internal investment or for buying capital goods and technological products from industrialised countries. But the multiplying effects in developing countries may be distorted if the investors who profit by the savings surplus are in fact the giant internationalized monopolistic corporations. The latter "only show their patriotism towards capitalism globally speaking and make no distinction at all between domestic and foreign production" (1980, p.92) and use their profits as they see fit, either repatriating them or investing them here and there. It is therefore obvious that "new mercantilism" is shortsighted, just like investors and capitalism in general. Crises are due to the low real demand, that which could have come from developing countries in the seventies. Instead of helping the other countries to produce and export, to get into debt and to reimburse, to meet the basic needs of their populations and to improve their standard of living and their incomes in an environment of growth in the solvent demand, the rich countries preferred to compete in shrinking, fluctuating and uncertain markets and even adjusted international law to the immediate interests of multinational corporations (both firms and banks) at the expense of their own levels of employment and of the standards of living of their fellow citizens.

New Mercantilism and Globalization

New mercantilism as an engine of globalization

Joan Robinson's "new mercantilism" is limited by the restraints of the sixties and seventies: governments then concerned about levels of employment and maintaining growth in a buyers' economy tried to achieve a positive balance of trade. As a good Keynesian or post-Keynesian economist, the author developed her argumentation to the strategic and economic impact of big corporations but only progressively while taking care not to depart from the essential, i.e. the role of the States and international organisations in the management and evolution of new mercantilist relations. The overaccumulation of capital in rich countries generated by the foreseeable developments of the buyers' economy was the reason why the crisis of the seventies "restored the pre-Keynesian orthodoxy as the conventional wisdom concerning economic policy both national and international " (1984, p.252, our translation). The "opening of borders" was therefore regarded as being one of the remedies of the inflation which was caused in the sixties by a sharp increase in profits not used in industry and by rising costs. This arguable theory regarding the causes of inflation should not distort our neo-Robinsonian perception of mercantilism. Let's just say that, if in a monopolistic environment compensation of the workforce increases more rapidly than productivity, industrialists will be prompted to increase selling prices; on condition that trade unions are powerful, the labour disputes aimed at protecting the purchasing power will bring about new wage increases.

The period of strong growth following the Second World War, marked by the growth of employment, changed the political relations of power in industrialized countries. The increase in the nominal wage rates weakens the competitive position of a country. The lessons drawn by industrialised countries from the crisis of the 1920s-1930s and of the Keynesian years after 1945, made that this increase in the costs did not lead to protectionist waves and painful disputes between mercantilist nations that would have ensued from important devaluation of currencies and from the closing of national markets to foreign countries. Anyway, large economies were so much linked with each other through trade, investments and finance that any massive protectionist policy would have lost its efficiency (external credit balance with a reduction of national demand in a context where all big countries would have act in the same way), unless accepting a situation of deflation and of endless crisis.

To avoid recession, the remedial measures recommended by the world monetary authorities consisted in credit cuts, an old cure, thus causing sufficient activity shrinkage to reduce imports and sufficient unemployment to frustrate wage claims. This method maintained the power of financial authorities over industry. "Moreover, we were used, in the old days of free-trade, to make deficits

nations swallow this bitter medicine, and there is some *schadenfreude* in seeing us drink it now” (1973, p.10). This preeminence of financial matters over production growth worldwide, will later induce Joan Robinson to say that in the sixties “uncontrolled movement of capital became a major destabilising factor” and to stress that the IMF was totally inadequate for its specific task of protecting national economies against external shocks (1977b, in 1984).

If we follow the author’s reasoning, the nature, the extent, the strengths and weaknesses of new mercantilism cannot be understood outside the global framework of international relations. As a matter of fact, after WWII, it all started with the expansion of the commercial and monetary forms of American capitalism. During the 19th century and until the beginning of the 20th century, Britain was the warehouse, the workshop and the bank of the then expanding colonial capitalism. Her balance of payments, her technology and her money were the organisers of international activity and spread capitalism to the remotest parts of the world. The economic and political globe would revolve because the free-trade hypotheses were indeed not confirmed. The American opposition to the British power caused a strong questioning of the commercial, institutional and military organization throughout the world. Are the Big Depression and WWII not the consequences of the economic and political oppositions between the old and the new mercantilist nations?

The American driving force of the new mercantilism

The fact that a powerful nation directs and organises international relations (even each country’s internal relations) is worth thinking over. Joan Robinson emphasized the fact that during the fifties until the mid sixties the political and economic power of the United States was such that the country funded a major part of the world in the form of “butter and guns”.

During this period, The US dollar established itself as the means of payment accepted by all. This placed the United states of America as the engine of the global economy (Wallerstein, 1984): its goods surplus first and then its capital surplus inundated European and Asian economies; its wars and its disagreements with communist countries fixed the international techno-military norms. Its global currency allowed the USA to export more capital than the surplus of its trade balance would have permitted, and even to bear growing deficits of its budget and its balance of payments. International trade could be achieved and paid in this way and central banks of other countries could make reserves. The use of US dollar as a currency reserve and the ceaseless outflows of capital have created abundant international liquidities that have financed international trade.

The growing competition pressure from Japan and west Germany that were questioning the American supremacy in international economic relations, the failure of IMF Special drawing rights, and the end of the gold-dollar standard in 1971 provoked entropy within the enlarged world that had been structured during more than two decades by the United States of America. The inflationist

upsurge of the beginning of the 1970s was followed by a period of stagflation with a strong growth of unemployment due to the increase in the cost of energy, but also of the reduction of a standardised demand in rich countries. In the same time, poor countries fell into structural deficits (caused by the rise of the cost of the imports) and the cumulative indebtedness through a growing resort to credit obtained on the Eurodollars market.

The rationalisation and opening policies implemented to face inflation gave new impetus to the expansion of big firms, and first of all of the American ones. If globalization is defined as being the fact that the needs and aspirations of the big firms, in terms of markets and profits, can only be met and achieved in a context of commercial relations covering the whole world, Joan Robinson's thesis leads us to hold the opinion that globalization, as we see it today, is only the relative metamorphosis of "new mercantilism". "Sadistic" deflationary policies (*dixit* Keynes) have been combined with policies focused on reducing customs duties, relaxing foreign exchange controls and increasing foreign trade. In this highly competitive international environment a major crisis was avoided but globalization seems to be going together with established inequalities among both countries and individuals for the benefit of the multi-national corporations which "are forced to make profits taking only their own interest into account" (Robinson, 1979, p.143). These multinational corporations have thus become the secular arm of the superpowers in their fight to capture the largest market shares and also the major part of the production resources feeding their industries.

The New Mercantilist Reason

The building of a liberal legal framework of accumulation

Public policies of liberalization and of rationalization of capital, goods and services markets have given the possibility for big enterprises to implement global financial, productive and commercial strategies. Big enterprises have since the possibility to manage their financial, industrial, technological and, often, human asset at the global level; they adapt to national economic and political rules which tend to simplify and to adapt to foreign investors expectations. Globalization and the global strategies of firms give the possibility to get round the obstacles of profit making. Thus, the legal framework promoting and protecting the "freedom to undertake" takes a growing importance. The legal framework of accumulation means the coherent set of coercive rules, of forms, modalities and means of competition and of cooperation between economic agents, which aim to organize public and private economic activities at the global level without obvious discrimination and preferential treatment (Uzunidis, 2005).

These rules may be new (for example the respect by all countries of free circulation of capital or the protection of capital ownership) or old. However, in a context of multilateral agreements, they

are imperative for all signatory countries (for example the most-favoured-nation clause). In this context of setting of supranational rules, it is clear that all countries have to revise their regulations to make their legal systems compatible with the international law. This liberal legal framework of accumulation is a framework presenting the way how “economic liberalism”, becoming real, favours the new mercantilism of the powerful economies.

After 1945, the United States had become, by far, the strongest competitor, and exercised their influence to promote agreements on customs tariffs: GATT, IMF, among others. But they did not object at all to tariff walls when their own industries were facing Japan’s strong competition (Robinson, 1984, p.56 ; see also Baldwin, 1995). In prolongation of this perception of things, we cannot believe what the "gnomes" in the State Departments of Trade and international trade and financial institutions (not to mention the media experts) want to instil into us: global markets decide, judge and sanction. With Joan Robinson’s permission, we will say that the implementation by the World Trade Organisation (WTO) and the International Monetary Fund (IMF) of a set of rules to ensure the international activities of firms, banks and other financial and trade institutions is certainly at the source of a transnational legal framework of accumulation and profit. But this legal framework which is essential for the organisation of the world has been produced by tensions and political compromises between influential states, in their own relations and in their relations with poorer countries. The aim is to create, somehow or other, the required conditions (measured in terms of return on capital invested) for using the excess capital accumulated for more than thirty years by the North American, European and Far-Eastern economies (Uzunidis, 1999, p.153).

The application of this legal, liberal and transnational accumulation framework illustrates the prime objective of a big mercantilist country through international institutions: to preserve the economic power of its big industrial and financial firms to ensure, in return, its own legitimacy as a global power. In 1979, our author wrote that a "multinational corporation has its head office in one of the very developed countries (...), and expects some form of protection from its government while it is not really part of a national economy" (Robinson, 1980, p.8).

Thus, the national economy (in the case of a powerful one) has to expand worldwide, in one way or another : it must appropriate, through butter and guns, new regulatory spaces for the profit of its multinational corporations; Western powers, and especially the United States, exercise a considerable influence over Third-World governmental policies, either directly or through international institutions such as the World Bank and the International Monetary Fund in which they have a majority, as well as through the countless branches of international finance (Robinson, 1980, p.8).

A finance-based new mercantilism

Today, more than ever, the financial results of big international firms prevail over the keynesian and national action engaged by the States. Economic integration, especially between countries industrialised by the mechanisms identified above, has made it possible for the big firms to have access to solvent private and public demand quick to react with diversification and renewal, as well as with abundant savings and exceptionally abundant scientific and technical resources. Third World countries (and also the industrially devastated areas in Northern countries) on the other hand appear as resource reserves (standardised labour, raw materials, etc.) and economic crisis absorbers (cost reductions, securitisation of local industrial assets). According to the UN and the World Bank, at the end of the 20th century, the richest 20% countries of the world (all of them member states of the OECD !) monopolised 86% of the world's negotiable wealth, and the 20% poorest countries only 1%. 1.5 billion people in the world live on less than US\$1 per day (World Bank, 2009). As Joan Robinson had predicted, unequal development among countries has been perfectly achieved and institutionalised.

The two main features of present new mercantilism are that a) international economic relations are dealt with by financiers; b) disputes between national economies are settled within the international organisations. "(...) The confusion between financial wealth and means of production has never been elicited". And, further, "the form of accumulation depends on the identity of those who control the capital intended for its funding" (Robinson, 1980, pp.16-17). The financial deregulation produced by the external and internal policies of the powerful countries and propagated worldwide by the IMF directives, combined with the reduction of tariff barriers, allows the unceasing flow of capital both ways, thus making all investment and growth process more fragile. In this context global production and trade strategies cannot be dissociated from the fluctuations of capital markets. The confusion and panic which often seize financial circles causes crises which immediately have repercussions throughout the production and employment sphere. Derivative instruments (futures, swaps, options,...), which were in theory supposed to protect speculators from the risk of brutal fluctuations in interest and exchange rates, have themselves become an object of speculation. Finance is therefore becoming dangerous for the whole structure of accumulation since it is difficult to master and especially because it must not be retained: the ghost of substantial deflation hangs over economies; as the buyers' economy is on its last legs, it must renovate even by undermining its own foundations (those built by substantial solvent demand).

Starting from the principle revealed by Joan Robinson that the nature of capitalist accumulation has it that meeting the futile desires of some should prevail over meeting the urgent needs of the masses (Robinson, 1984, p.58), the diktats of the finance sector increase the risk taken by firms on

markets with very small expansion. Capital tied-up is very costly for two reasons: the growing need for innovation to renew the supply for a well-defined solvency of global markets increases the cost of investment; stock exchange and monetary fluctuations make it impossible to foresee the results of production and marketing activities for the firms for necessarily new and diversified goods and services. The answer to this situation is the global concentration of the ownership of capital (mergers, acquisitions, reciprocal shareholding). In order to protect themselves and increase their power in markets, big firms implement portfolio diversification strategies and agree as much as they can to pool and share the risks of investing into technological research and development, production and even the capture of more substantial market shares.

New mercantilist reason is prompted by the choice to uphold accumulation in open economies (and then it will only be a question of applying supply policies: of cost reductions and of privatising procedures for the appropriation of productive resources). But, reasonably, this choice primarily benefits big firms with a global scope. Thus, it is normal that intervention by industrialised states should extend beyond national borders and impose tariffs on other economies (especially the weakest ones). In the name of free trade, new mercantilist powers protect themselves and try to impose their rights to the rest of the world, whereas poor countries in savings and qualified labour are dragged down in poverty and de-structuration of their economy. The integration of poor countries in the new mercantilist regime is favoured by the alignment of national political regimes with the economic imperatives of industrial countries. The legal, liberal, global framework of accumulation has emerged and was implemented from these considerations: a) liberal for “the others”, b) global for big enterprises, markets in expansion and finance and c) legal and protector for new mercantilist powerful states.

Behind this free-trade discourse and behind international regulations, new mercantilist powers organize in a unilateral or bilateral manner the global economic area within which they compete. The dialectic of competition/cooperation not only apply to multinational corporations; it is first of all the result of the political will which express the economic need of big national economies. “ (...) And a large nation, with a large internal market within the orbit the orbit of its political control, has important economic advantages over a small one. The small nation has to weigh the prospects of gain from specialisation against the security of home production for home consumption, while the large nation can enjoy a great deal of both” (J. Robinson, 1973, p.5). Thirty five years later, J; Stiglitz (2002, p.308) comes back on this unequal power : “the countries of the developing world don’t stop asking why the United States, when confronted to an economic crisis, opt for expansionary budgetary and monetary policies, whereas when they themselves face this situation, they are expected to do the exact opposite”.

The germs of new mercantilism crisis

Internal and external limits: global market and monopoly

The crisis of 2008 may be analysed as the central crisis of new mercantilism. This one has reached its external and internal limits. The external limits of the expansion of capitalism is reached with the formation of a global capitalism system which encompasses all national economics and which legal framework dominates. During a period of fifteen years (from 1990 to 2005), the dismantling of state regulated economies of Eastern Europe has increase some more the external boundary of capitalism. However the buyers' economy and the monopolist norm have quickly absorbed the benefits drawn from the opening of new markets (all the more so since the structures, the categories and the market functions have rapidly been established in these countries).

Monopoly is the internal limit to the expansion of capitalism. The development of the firm up to the point it has achieved a monopolistic or quasi monopolistic position represents a naturel trend of capitalism to Joan Robinson (Uzunidis, Laperche, 2004). In 1971, Joan Robinson wrote "A firm's desire to grow has characterized capitalism from the beginning; to tell the truth, has it been otherwise, capitalism would never have existed" (1972, p.170, our tranlation). This statement results from the long methodological progression of the author's thinking from her early days with Marshall and Pigou to imperfect competition (1933) –which implies that one has to start from monopoly to be able to understand the definition of prices and profits in imperfect markets –to the questioning of each individual assumption underlying the liberal analysis of competition. The interest she took in the economic reality and in "historic time" – not logical time –draws her towards the Marxist and Schumpeterian analysis of the concentration/centralisation process of capital: "Where competition is fiercen there has to be a tendency towards monopoly, which often stops at the oligopoly stage when a smaller number of firms prefer armed neutrality to the final fight for hegemony" (1972, p.170, our translation). Joan Robinson also explains that "Marshall Dilemma", meaning the co-existence of increasing returns in industry with the lasting assumptions of pure and perfect competition should have been solved this way: The right way to avoid Marshall's dilemma consisted in doing the exact opposite to Pigou's proposition (i.e. revealing an "optimum size" of the firm). "Successful firms accumulate capital and swallow up unsuccessful ones. Most corporations keep growing and many competitive branches tend to a situation in which the market is dominated by one company or a number of small companies" (1984, p.39, our translation).

Through mergers and acquisitions, the formation of monopoly as a norm of enterprise also means the prevalence of the intensive development of capitalism over its extensive one. Nowadays, The main structural economic unit and at the same time the internal frontiers of this economic

system is the global firm. The global firm is a big corporation (most often multinational, multiproducts, multiactivities and multifunctions) which constitutes a nerve centre from which production processes develop. After concentrating its production means, defining and breaking down production into individual operations and constituting collective of workers directly controllable, the firm's technostructure currently becomes a centre of organization and of management of its de-concentrated resources (Laperche, 2006).

A global firm is a firm which organization is integrated by multiple informational and financial flows and which structures are largely de-concentrated: it is a "network firm", with multiple subsidiaries, partnerships, subcontractors and co-contractors and constituted in a holding company. It acts at the global level and its strategy combines a techno-financial orientation with the objective of production rationalisation. It means that the final production and the production processes of the firm are at the origin of two combined global strategies: one dominated by technology and finance (R&D intensive technology, orientated toward permanent innovation, technological and financial speculation); one directed toward rationalisation (large series quite standardised aiming at the management and the reduction of costs). The big corporation integrates in a "value chain" (R&D, logistics, innovation and financial engineering, production, assembling, commercialisation, services) all the fragmented activities achieved worldwide. The possibilities and de-concentrated management (through finance and information technology) and the advantages offered by the States condition the location of activities.

In a context where the external limit of capitalism has been reached, innovation, that is to say the constant renewal of production and markets, is a vital issue for big firms. The current keyword of the innovation process is the one of network. Complex networks associate large firms, start-ups, universities, public and private research, funding institutions, consultancy and specialised business services, etc. dedicated to the innovation process. The importance taken by networks in economics reveals the necessity for collaboration, which is due to the complexity, the cost and the risk of the innovation process. The growing burden on financial investment for the organisation of productive activities implies cooperation between firms and institutions to facilitate continuous, "permanent" development of profitable new goods and services. It thus explains the renewal of the entrepreneur's function (notably "intrapreneurship", spin-offs and outsourcing) as well as the invention of new organizational and inter-organizational modes (alliances, partnerships, networks, clusters) (see Laperche and Uzunidis, 2008a). The growing importance of networks ensues from the imperious necessity to renew the supply in a context where markets are shortened in comparison to the amount of capital already accumulated. Networks give the possibility to move back the internal barrier that question their development. But in the same time, the growing productive but also financial relationships existing between big firms reinforce the tendency towards monopoly and

raise the barriers to accumulation. This is the reason why financial (speculative) activities take a growing place in the firm's activities.

Financial exuberance as the only response of the economic system.

The power of the multinational corporations derives not only from their capacity to differentiate prices and take advantage of production factors, as was shown by Joan Robinson in *The Economics of Imperfect Competition* (1933), but also from their financial power: "Marshall explained that growth is due to the scale economies which give a company a competitive edge by reducing its production costs. This is important where technology requires substantial and indivisible investment, but, in general, the advantage the firm takes of its size lies in the size itself – i.e. the financial power. In the days of Marshall, every single firm operated within a specific industry and had the required related know-how and commercial networks. But nowadays big corporations can switch from one industry to the other using their own experts or by taking over a smaller company already in that industry. The modern development of conglomerates clearly shows that what makes it possible for firms, which are already significant, to expand is the financial power rather than the technical dimension" (1972, p.171-172, our translation). Joan Robinson said: "The abundance of financial resources, on the one hand, allows them to take advantage of the specific assets of the various national economies; the big firms create subsidiaries in many countries and employ workers and managers of many nationalities. They have developed into independent entities, and some are even larger and more powerful than many nations, but the large capitalist firms consider it their duty to 'maximise their profits' by looking for cheap labour wherever they can find it" (1984, p. 53). Moreover, it facilitates stronger potential innovation and thus the imposition of barriers into markets: "Designing new goods is very important for innovation. In this field, big firms, which have abundant capital, have a big advantage. They can fund research teams and test large numbers of innovations in the hope that one of them will eventually stand out as the best" (*ibid*, p.51). This analysis by Joan Robinson seems very modern even if some aspects should be adjusted to account for the current strategies of the big firms.

Currently, the capitalist production is organized as if the power of an enterprise on the market (through the networks it builds and organizes) was a more important factor of economic power (and of centralisation of the ownership of capital) than the power ensuing from its own (scientific, technical, industrial and financial) patrimony. However, this market power results from its financial capacity (ownership of financial assets and capital mobilization) and its information potential. By information potential, we mean the set of scientific technical, industrial, financial, commercial, political, sociological etc. information, to which a firm may access or circulate on the market. Information and finance joined together are used to constitute and manage the groups of works

geographically fragmented and physically distant: investments in the relations of interindustrial cooperation, in the protection of the technological patrimony, in the appropriation of scientific knowledge and in the conception of new goods and in the coordination of activities through information technology.

The raising of the level of capital centralisation results from the reduction of intra and international trade barriers and from the access to sources of savings (banks, stock markets, subsidies). Big firms are the first to benefit by this new context and thus become global. Through cooperation agreements (of a cartel form) or through mergers, these firms try to increase their power on international markets. Their growth strategies currently reshape the sectors of services, finance and technology. Networks emerge as substitute to mere commercial transactions between independent firms. They aim at protecting them against the fluctuations of markets and against the risks ensuing from it. They give the possibility to the most powerful ones to increase their size by swallowing competitors and small innovative firms. This dimension strategy is accompanied by a strategy focused on the reinforcement of the innovation potential and of the financial capacities of the firm (Laperche and Uzunidis, 2008b; Serfati, 2008). The financial profit fills in the lower profitability of production and commercial activities. Big firms implement strategies of development and diversification of their financial portfolio. They benefit from short term marketization of the global finance in order to avoid a shortage of liquidity. The long term capital immobilization is costly and risky (in case of failure of the projects). Financial capital has become the structuring form of capital centralisation: in 2007, the value of financial assets was 11 more important than the worldwide GDP; 6 banks were controlling 90% of international financial activities.

The crisis of 2008 has shown the importance of speculation and is a structural crisis. Up to now, capitalism had the possibility to resort to four means (separated or combined) to overcome a situation of crisis: a) transfer of production towards countries or regions where the costs of production are lower; b) technological innovation; c) transfer of the activity in another sector in order to develop the markets where the profit has a satisfactory level; d) rush toward finance by the closure of production units and the orientation toward short-term investments. Since about thirty years, capital has chosen the fourth path, progressively escaping from the spheres of production and of circulation. The limits have for a short moment been overcome by household debts.

Economic relations “materialize” in the “financial economy” (securities), the “virtual economy” (derivates) and the real economy (production). The relations between these three economies are contradictory: the financial economy gives the possibility to exist to the virtual economy and the latter substitutes to the two others. As the space and the time of “new mercantilism” did not stop reducing, the virtual economy detached itself from the real economy and has even absorbed the

financial economy. In a period of doubts, of growing mistrust and of strong fluctuations on the stock market, the virtual economy enters in a state of crisis, dragging finance, commerce and production down into its fall. It is what happened in 2008. Financial institutions declared themselves insolvent only in a few months. However the crisis does not only impact the banking system and the stock markets: it spreads in the real sphere with as a consequence, the closure of production units, rationalisation and lay-offs.

The crisis of 2008 has also shown that it has not resulted from deviant behaviours or by bad choices in terms of economic policies. It is the on the contrary and endogenous consequence of the current functioning of capitalism, which expansion comes up against external and internal barriers. This disconnection between finance on the first hand and production and commerce on the second hand is also a consequence of the lack of new or renewed markets for enterprises committed in the production of goods and services. In an economy of buyers, if finance gives the possibility to the big networked firm to extend its life, at the macro-economic level, it becomes a more and more important obstacle to the emergence of a profitable activity (which would create new jobs and new revenues) able to supplant the activities of pure speculation.

Elements of conclusion: the crisis of the finance-based new mercantilism. What next?

Since more than three decades, economists have criticized the efficiency of free financial markets; the politicians accepted it though. The debate on the interconnection of the financial markets and of the system of international payments seemed to be outdated and out of place. The “Big Depression” which followed the “Roaring Twenties” did not serve as a lesson. Several economists declined the comparison because the intervention of the central banks moderated the risks of a crash that could spread to the real economy. Is history repeating itself? Yes and No. By comparison, the too much money replaced the little of money. But, the fact is that the international financial institutions lost their credibility. They didn’t know how to play the role of guardians of the temple; they let the machine be carried away. The liberal principles and the speeches advocating the neutrality of the economic policy have developed and applied since the 1980s with the supremacy of the monetarist approaches. Then, in a certain extent, they have become a reality in the Washington Consensus and after that, more moderately, in the propositions of “good governance”, while the Keynesian-inspired regulations were considered obsolete. The failure of the policies followed so far is perceived by the aggravation of inequalities and by poverty.

For more than a year now, the real-estate crisis in the United-States has transformed into a banking and monetary crisis and then, into a stock market crisis which, by contagion, has spread in Europe and the rest of the world. Weren’t the “financial drifts” unavoidable, given that the financial markets were little or not controlled at all? These drifts have been even encouraged by the

globalized finance cycle, the open markets, the privatizations and the investments aiming at answering the insatiable demand of “value acquisition by the shareholder”.

Twenty years of financial and social crises later, the model of the minimum State lauding the limited and punctual intervention of the State in the economy to optimize the efficiency and the repartition of the resources is strongly questioned. The modern economy has, however, been founded on the power of the State and of the national economy. For the mercantilists, the classics, the Keynesians, it is not possible for growth and development to be conceived without the State... Nevertheless, without the enterprise, it is! Are the active economic policies at the agenda? If yes, how to avoid this time the bureaucratic drifts?

To face the new « Big Depression », three main ways (subdivided in many others) are currently possible: a) let the capital markets act and continue to devalue any junk asset (monetary, technological and human) with as a forward consequence the economic revival based on the emergence of new technologies and activities at the risk of generating, at the end of the period, a plethora of unused capital; b) reinforce global financial regulation in the Keynesian tradition (Davidson, 2007, 2009; see also Cedrini, 2008) and even reinventing planning, which would focus on the current problems of the world, that is to say the environmental problem (Galbraith, 2008) and c) invent outside of the monetary economy, modes of co-development while the future of the humanity and its connections with the rest of the animal and plant worlds would be drawn.

However, currently, the governments of big countries, central banks and international institutions seem to consider the economic crisis as mere short term difficulties, which could be solved by the injection of liquidities in the economic circuit and by the nationalization of bank losses. The aim is to curb the devaluation of assets on the stock markets, to give back confidence to investors, while hoping the resumption of transactions on a stabilized market. However, behind this analysis, there is also a strong competition between new mercantilist nations and above all a great willingness to prolong this status. Thus, the first structural reactions to face the crisis of finance show a return of protectionism.

As economists, we owe an important recognition to the analysis of new mercantilism by J. Robinson; analysis which is in the tradition of the works on imperialism. The pessimism – or the realism- of the authors many time verified and the future stays uncertain! “The free-trade for the *others* favours the interests of the strongest competitor on global markets, and a strong competitor doesn’t care about tariffs” (1984, p.56). The European merchant powers fear the American economy. The United States try to maintain a leadership, keeping an eye on China (and Japan and Korea) and the other on the European Union. The risk lays is that the disputes opposing the merchant economies come back at the forefront of the economic and political scene: “Each nation wants a surplus”.

Protectionism consists in favouring domestic producers, whether by limitation of the entry of foreign products on national markets (quotas; health, labour, environmental standards difficult to reach) whether by artificially improving the competitiveness of local products (customs duties on imported goods or subventions to local producers). According to the World Bank, 2008 was characterized by a rise of protectionism: it counted 47 new protectionist measures, as well as the rise of anti dumping measures which aimed at preventing the entry of foreign low-costs products (World Bank, 2009). The recovery plans sketched and implemented since the beginning of 2009 in big industrialized countries feed the protectionist tendencies². As J. Robinson has well demonstrated it, countries try to prevent the massive destruction of jobs, through the exportation of their unemployment.

A stronger regional integration of economies may occur around a powerful economy. “Regionalization” may give new mercantilism a new character: international zones of fusion will be reinforced to directly increase the size of national markets and to alleviate the internal constraints of national capitalisms. As a matter of fact, regionalization offers large commercial and monetary areas to support and secure their main enterprises (which explains their disputes when dealing with international treaties). Another function of these areas consists in facilitating the commercial and political expansions of the “core economies” which compounds them. However, wouldn’t the creation a new global architecture without any hegemonic currency, without leader, increase the risk of withdrawing inside the national and regional areas and thus of multiplying the pretexts of conflict?

The current limits of the economic cycle suggest thinking of the economy according to (its) the environment, not the opposite. It would perhaps be necessary to make a success of the revolution of the thought and of the economic connections, in order to draw an environment-friendly economy and determinedly turned toward sustainable development. However, the permissive conditions of the valuation of all the scientific and technical knowledge and -all the monetary wealth- accumulated in environmental protection can appear only if the economic relationships modify. From their part, the economic relationships (and logics) change by the voluntarist political intervention, reflecting, itself, the pressure of the “social need”. Whether it is mechanisms for a development respecting the natural resources, applications of science to the production or transfers

² Today, Europe and the United States, the two actors that seem the most convinced about the benefit of free-trade, systematically resort to protectionism to protect and increase the export capacity of their enterprises. This is the case of industrial agriculture that these two actors support at the level of 1 billion Euros per day, with as a consequence the worsening of the nutritional problem at the world level, caused by the low purchase power of the (mostly agrarian) poorest populations. In the same time, they are at the forefront when dealing with the strengthening of the international laws on intellectual property rights; that is to say the protection of patents held for more than 90% by occidental firms. This appropriation of knowledge creates a durable hierarchy between industrialized countries and the rest of the world, but also within the richest countries.

of technologies within countries ..., the relationship between the human activities and nature must be revised and corrected!

It is a question of thinking about a « system of global governance » whose pertinence would be considered by its capacity to change the objective of global performance and whose efficiency would be evaluated by its ability to subject the economic to the environmental and social imperatives. In every case, the present crisis cannot be rescuing without the intervention and the application of new roles, functions and economic principles. Do not we say that the crisis is the laboratory *par excellence* of innovations?

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