The Growing Web of Global Capital

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Global investments and mergers are growing at an astounding rate and reflect the emergence of a transnational capitalist class. This class is primarily focused on world accumulation rather than national markets. To accommodate their never-ending search for profits new financial structures are being built. An important development towards this goal is the changing nature of global stock markets as a tool for transnational investments and speculation.

A key new strategy developing among transnational investors is to diversify across industries regardless of where the corporate headquarters may be. Says Greg Smith, chief investment strategist for Prudential Securities, "The really interesting companies are world-class at what they do, the fact that they are American or Scandinavian is a side issue."(1) Not all industries have established world integration, but auto, telecommunications, media, technology, pharmaceuticals and energy are truly global in nature. This pattern will spread as transnational capital seeks new areas for investment and growth. As pointed out by Stefano Cavaglia, head of equity strategy at Brinson Partners, "The world has changed, and the industry dimension matters more now than the country dimension." (2)

Making this all possible are the new tools of financial information and production. Communication technology and the Internet has made possible a borderless world economy and a 24-hour electronic global stock market. Nationally based stock markets are experiencing common pressures and opportunities, and move up and down in closer coordination than ever before. Not since the Great Depression have markets responded together to the degree they move today. This underlines their global character, because the same transnational investment banks and firms are involved at the same time in similar industries and markets throughout the world.

Markets are also merging in Europe where 11 nations now share the same stock exchange and interest rates. But even with this level of integration Sweden's OM Group shocked the business community when they made a hostile $1.19 billion bid to takeover the London Stock Exchange. The OM Group has one of the world's most efficient and inexpensive electronic trading system. Still, the Frankfurt-based Deutsche Borse will probably either merge with or takeover the London exchange. Either way, the ongoing process of constructing a common financial market is on the agenda for transnational capital.

The rise of global markets has meant a shrinking role for the U.S. stock market. From 1970 to 1999 market capitalization in the U.S. grew by 2,425%, but non-U.S. growth surged to 4,999%. This lowered U.S. domination from 66% of the total down to 49% of the world's $32 trillion in market capitalization. (3)

Another factor pushing stock investments in global industrial sectors is the pace of cross-border mergers. In the last decade there has been $494.2 billion invested in transnational mergers, with about 75% of these taking place among corporations in the same business. (4) This is another aspect of the emerging transnational class. This fundamental process of building globalized corporations creates the foundation for worldwide stock investments.

Although the majority of multinational corporations are not thoroughly transnationalized in terms of their ownership, nonetheless their accumulation is based on a global strategy of production, labor, and markets. Below is a chart of some of the largest U.S. corporations with more than half of their revenues from abroad. (5) It's clear that even an investor with an "American" strategy who only puts money into U.S. headquartered corporations on the U.S. stock exchange still becomes part of the global economy.

COMPANY	**FOREIGN REVENUES**
Tupperware	84.8%
AFLAC	80.1%
Colgate-Palmolive	72.3%
Texaco	72.2%
Exxon Mobil	70.8%
Halliburton	67.9%
Texas Instruments	67.8%
Avon Products	65.8%
Coca-Cola	61.7%
McDonalds	61.6%
Dow Chemical	60.5%
Gillette	60.1%
Bestfoods	58.4%
IBM	57.5%
Motorola	57.4%
NCR	57.1%

In Standard & Poor's index of 500 stocks 80% have revenues from abroad, and there are 185 major U.S. funds with 70% or more of their assets in North American corporations with substantial foreign earnings. (6) Local conditions are still important, and matters such as tax rates, currency exchange rates, and political stability are all taken into account. But such factors are also balanced against global market positions, transnational corporate alliances, and how each investment fits into a worldwide accumulation strategy.

The value of currencies is an example of this balancing act between national and international concerns. Investors need information on how much revenue is generated in the home market as well as how much comes from other currency blocks. Volatility in the foreign exchange market means you can pick the right stock but in the wrong currency. Since transnational speculators move about $1.7 trillion in currency everyday a sudden devaluation can ruin a solid investment. Such an international run caused the Asian crash bankrupting thousands of nationally based companies.

As global structures become more widespread and entrenched pressures build to push capital further along the transnational path of development. The force of the new system creates the conditions for further changes by which corporations need to compete and survive. Therefore we see changing methods of investment, ownership and decision making. Progressive movements need to consider how local conflicts are challenged by the growing power of the transnational capitalist class. Politics may be national by nature, but to be relevant they must respond to changing global conditions.

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1. Farrell, Christorper, "The New Global Investor," Business Week, September 11, 2000, page 160.
2. Ibid
3. Ibid, page 162.
4. Ibid
5. Der Hovanesian, Mara, "So Who Needs Foreign Investing?," Business Week, September 11, 2000. Page 166.
6. Ibid, page 167.