Capital Dialectics
ECONOMICS | FINANCE | GEOPOLITICS

# An Introduction to Capital Dialectics:

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· The period from about 1980 onwards was an unusually benign one for the owners of capital. We appear to be in a transition period to a less favorable environment.

· Capital Dialectics identifies nine fault lines that developed over the past 40 years or so that will need to be addressed: Excessive leverage; the growing impotence of stabilization policy; demographic change; wealth disparities; the environment's capacity to absorb growth; incentive structures and institutional arrangements; exchange rate misalignment; geopolitics and the conflict between labour and capital. Policy pertaining to these fault lines will largely determine capital market and economic outcomes in the coming decades.

· Our research focuses on the core drivers of economic and capital market outcomes such as valuation/price; liquidity, growth, and profitability through the prism of these fault lines.

## CAPITAL DIALECTICS: THE RATIONALE

This report is intended as an introduction to "Capital Dialectics", the monthly subscription publication. The major theme of Capital Dialectics is that the world economy and capital markets are transitioning from a period that was abnormally favorable to the owners of capital to one which will be far less benign. This change will produce opportunities to make outsized returns on capital but also presents risks, with the potential for tremendous wealth destruction.

"Dialectics" is a discourse between parties holding different points of view but wishing to establish the truth through means of reasoned argument without recourse to hyperbole and rhetoric. At the heart of dialectics is a solution, derived from a thesis about an issue; an antithesis – the reaction to the issue – that leads to a synthesis or the solution. Capital markets thrive on differences of opinion that in turn lead to differing perceptions of value and therefore price. Capital Dialectics sets out to engage with readers on subjects and issues, the response to which will determine economic and capital market outcomes.

This report offers a stylized description of the period from 1980 onwards, that produced tremendous real returns to the holders of financial and real assets. It then identifies nine fault lines that developed during the period. These fault lines will need to be addressed by policy makers going forward. Some of this change is already evident and underway. The policy response to these fault lines and understanding the implications for capital will, in our view, be the key to successfully navigating capital markets in the coming decades.

## INTRODUCTION

There is a strong tendency to view the recent past as "normal" even if, in the broader context of history, it is exceptional.

Inevitably, most investment and business professionals are heavily influenced by events that have taken place during the formative years of their careers. The older among us consequently tend to operate in a paradigm formed through our experiences of the past 20 or 30 years. Younger professionals have an even shorter measure of what constitutes "normal". In some cases, institutional memory may extend that framework back in time, but this is increasingly unusual. There is therefore an overwhelming tendency to view the recent past as the norm, even if it in fact stands out in the broader context of history as being decidedly exceptional.

The purpose of Capital Dialectics is to challenge the perceptions that we have grown used to taking for granted.

We would argue that the economic and capital market environment of the last four decades has, in many ways, been abnormal and assumptions based upon the continuation of such an environment will not necessarily stand one in good stead in the coming decades. The purpose of Capital Dialectics is to help businesses, policy makers and investors navigate the coming years by challenging the perceptions that we have grown used to taking for granted.

This introduction to the company and its product is intended to explain how we believe the world will change in the coming few years and decades, and why these changes will have a dramatic impact on employment and capital.

## THE ABNORMAL "NORMAL" 1980-2008

**The election of Ronald Regan and Margaret Thatcher to power perhaps marked the start of an exceptional benign period for capital.**

Many factors have combined in recent decades to produce a period that was incredibly conducive to investment and favorable to capital. By their very nature, epochs tend to go unrecognized at their start and end, becoming apparent only in retrospect. While any number of dates and events could be conjured up as hailing the beginning of the recent "golden age for capital", we would proffer the early 1980s, with the political changes in the United States and the UK marking a shift to a more benevolent political environment for capital.

**The fall of the Soviet Union produced a Unipolar world, dramatic decline in geopolitical friction and a substantial lowering of unproductive military expenditure.**

The fall of the Berlin Wall and the collapse of the Soviet Union brought about, in effect, a unipolar world. The military hegemony of the United States was undisputed. The reunification of Germany added to the forces driving European nations together under the auspices of the European Union. Eastern European countries were rapidly absorbed into the Western European sphere of influence. NATO and the EU expended eastward unchecked by an impoverished Russia. China, an emerging economy in the early 1990s, was militarily weak, and American led security arrangements in the Indo-Pacific were unchallenged. Africa, having been the destination of proxy wars stemming from Soviet-American rivalry, was largely left alone. Latin America for the most part embraced globalization but with mixed results. The result was a substantial "peace dividend" as defense expenditure fell as a percentage of GDP.

**The Dollar standard; the removal of capital controls and floating exchange rates facilitated the globalization of capital.**

Following the collapse of the gold-reserve standard in 1971, the world moved onto a Dollar Standard as US military domination was matched by economic hegemony. The developing world embraced the Dollar Standard, earning dollars through increasingly easy access to the American consumer market. To this was added increasing flows of direct and portfolio investment as capital controls were dismantled. Europe embarked on a long journey towards monetary union, albeit one where different actors had differing motivations. The result was a currency union offering the prospect of stability. Those developed countries, outside the Euroarea, the UK, Canada, and Australia for example, opted for floating exchange rates.

**Paul Volker's war on inflation set in motion the trend for leverage.**

The appointment of Paul Volker to the Chairmanship of the Federal Reserve Board in 1979 marked the start of another prevailing trend that defined the golden age: the end of an inflationary era and the move to disinflation. To achieve this, however, a heavy price was paid, not least in Lain America, but also by labour in the developed world through high unemployment. The fall in inflation and the consequent fall in borrowing costs has had some obvious and some less obvious consequences. The trend towards the "financialization" of the world economy was set in motion. The assumption embedded in most peoples' minds now, and therefore their models, is that both inflation and interest rates remain low.

**Ideologically, the Anglo-Saxon model, encapsulated by the Washington Consensus - enjoyed unrivaled supremacy.**

The triumph of the Western Powers over the Soviet Union was also reflected in the dominance of market economics over planning – at least in the West. For much of the past forty years it has been assumed that for those countries that had not yet "seen the light" it was only a matter of time. Neo-liberalism, as perhaps best represented by the "Washington consensus", ruled the roost. Formerly socialist parties adopted a centrist economic agenda. Fiscal prudence, privatization, and market liberalization were the creed of the time. Industrial policy lost favour in the Anglo-Saxon economies and was rolled back elsewhere too.

**Trade liberalization led to Global Value Chains and the rise of MNC's.**

Trade flourished as tariff rates fell, particularly among lower and middle-income countries. Trade grew from 36% of world GDP in 1986 to 61% in 2008. The GATT was replaced by WTO in 1995 overseeing a multilateral approach to trade policy. International investment grew and multinational corporations became the dominant form of business structure. Global Value Chains (GVCs) replaced single location production.

**Corporate profit growth outperformed growth in GDP.**

Corporate profits rose spectacularly, outperforming nominal GDP growth, as access to world markets improved efficiency, shareholder value became the mantra of corporate governance and technology facilitated greater scale efficiencies. Within the corporate sector, financialization, enhanced the importance and profitability of the financial sector.

**"The great moderation" fuelled a belief in economic policy making.**

As the world economy grew with the "peace dividend", the gains from trade and technological innovation, so faith in policy makers grew too. The "great moderation" in both inflation and economic cyclicality was hailed as marking an end to the boom bust cycle. Progress in information gathering; economic policy theory; and implementation led to a belief that economies could be made to operate at full capacity.

**Multilateralism and central bank independence became pillars of the policy structure.**

The esteem in which multilateral organizations and central banks were held grew too. The independence of central banks was seen as a guarantee of de-politicized monetary policy. Multilateralism ensured that a rules-based order prevailed in international trade, cross-border investment, and international relations.

**IT fuelled productivity gains.**

Benign technological progress produced productivity gains and changed the nature of the workplace and communication. Email replaced fax machines, mobile communication became normal and the internet changed the nature of many marketplaces. An assumption of increasing returns from technology is now commonplace.

**Economic growth led to dramatic poverty alleviation**

The proportion of the world's population living in poverty, as measured and defined by the World Bank, fell from over 40% to just 10% between 1985 and 2015. Real Per capita GDP rose from USD6,245 in 1983 to nearly USD11K in 2018 (measured in 2011 dollar values) and the world economy expanded from USD 13 trillion in 1985 to USD 86 trillion in 2018.

**As an owner of capital there was little not to like, and asset prices performed to reflect this.**

The growth in the economy was more than matched by the performance of asset markets. Falling interest rates drove an unprecedented bull market in fixed income instruments from the early 1980s onwards with yields hitting new lows in the Covid-induced recession. The price of equities rose to reflect both lower discount rates and rising profitability but were augmented by share buy-backs and increased cheap leverage which we call "balance sheet optimization". Lower borrowing costs and rising disposable income resulted in rapid rises in the property market. As an owner of capital there was little not to like about the world order from 1980 to 2008.

### *The nine fault lines as drivers of change.*

**A number of fault lines have developed over the past few decades.**

If the above somewhat simplified and stylized description of the world from 1980 onwards sounds a little too Panglossian, then maybe that is because it is. We identify nine fault lines that have developed during the post 1980 period, which in our view, will be major drivers of economies and capital markets going forward: Geopolitical instability; inter-generational schisms; the conflict between labour and capital; the changing demography; the environment's capacity for economic growth; corporate ethics and institutional arrangements; exchange rate misalignment, the growing impotence of stabilization policy and the limits of leverage.

### *1) Geopolitical Instability*

**The rise of China, with a competing economic and political system has brought the unipolar world to an end.**

Geopolitically, the size of China's population meant that even a modicum of economic success would make her a power of global proportions. China has leveraged the globalization trend to great effect. In the two decades since China joined the World Trade Organization, her per capital GDP has grown from one thousand dollars to ten thousand bringing her into line with the global average. This has been enough to make China the second largest economy in the world and the dominant regional economy in Asia.

**China's military power is there to support her territorial claims.**

With economic might has come military power and an assertiveness to re-make the international order in a way more to her liking and better suited to her interests. China's territorial claims and action in the South and East China sea and the Himalayas show she is both revisionist and expansionist.

**The commodity boom of the 2000s reinvigorated Russia and the EU potential forms a fourth global power.**

China's industrialization produced a commodity boom that redistributed wealth towards commodity producers including Russia. Conflict in Libya, Syria and the Ukraine show that Russia has not disappeared from the international stage and is willing to pursue what she sees as her national interest overseas militarily. Closer political and economic union in Europe has not yet produced an EU federal state nor a military union, but the EU is an actor on the international stage with pretentions to super-power status. Furthermore, the EU seems prepared to act in her own interests irrespective of American interests making it the fourth super-power – at least from an economic perspective.

**Demographics suggest Nigeria and sub-Saharan Africa will exert significant influence going forward...**

**...the very success of globalization has ended the unipolar world that in many ways facilitated it.**

Going forward, demographics suggest that India should be added to the list as a further pole and should the African Union develop further into a coherent bloc, it too may well command greater economic power in future decades. Even without the AU, Nigeria has the potential to be a continental super-power in the coming decades. Climate change perhaps poses the biggest risk to this outcome.

The world is morphing, therefore, from the unipolar world of 1989 (when history was supposed at an end) to a multipolar one, with the power gap between the four poles, potentially at least, closing. The implications of a multipolar world for trade; international investment; multilateral institutions; the global monetary system; and fiscal stability will surely alter the investment and business environment very substantially.

The very success of globalization in a unipolar world has therefore, it could be argued, created, to a large extent the multipolar world we are moving into now. Whether globalization survives in a period of great power rivalry, with a clash of both value systems and economic systems will likely be a key determinant of economic and capital a market performance, both absolute and relative in coming decades.

**The ramifications for capital management and economic outcomes could be very servere.**

For economies and capital markets we see a number of ramifications. The fall in defense expenditure as a percentage of GDP is likely at an end and will reverse adding to pressure on fiscal positions. The assumption that capital can flow relatively smoothly around the world, unimpacted by geopolitical concerns, probably no longer holds true. Investing and trade will become increasingly politicized and geoeconomics policies will play a greater part in curtailing or influencing capital and trade flows. Increasingly, countries and companies will find themselves, potentially having to choose between competing powers in areas such as technology standards (techno--nationalism) and trade groupings.

*2) Factor conflict: Labour versus Capital*

**The gains from trade were not equally shared: In developed economies capital gained at the expense of labour.**

The economic impact of globalization has been socially divisive. As economic theory would suggest, the introduction of 750 million low cost Chinese workers into the global economy in a very short space of time has had a deflating impact on the price of labour in high-cost economies. The early 1980s saw, and was some extent defined by, the diminution of power of organized labour in the western world which helped facilitate outsourcing and offshoring to the benefit of the owners of capital.

**The limits on wealth and income inequality that a democratic system tolerates may have been reached.**

The flip side of the higher proportion of GDP being accounted for by corporate profits, which was a key driver of asset prices, is a lower proportion going to labour in the form of wages. As incomes for the lower quintiles of the labour force have stagnated in developed economies so the political backlash has increased. There is a growing sense that the limits of wealth and income inequality that a democratic system imposes have been reached. The rise of populism in western democracies has coincided with the growth of income and wealth disparities.
Furthermore, even in China, where voter intentions are not an issue but where the CPC's mandate has been defined by its ability to deliver higher living standards, there has been a move to emphasize National rejuvenation above raw improvement in living standards, a function in part of the skew in income and wealth distribution.

**The concern for owners of capital must surely be that the legal and fiscal framework they find themselves operating in the coming decades will be less benign that in the past 40 years.**

The concern for owners of capital must surely be that the legal and fiscal framework they find themselves operating in the coming decades will be less benign that in the past 40 years. Labour law and property law might tilt towards the worker and the tenant and away from the entrepreneur and the landlord. While competition between countries has helped lower the tax burden on companies, multilateral action aimed at reversing this is already evident. A higher tax burden on capital relative to labour is a distinct possibility going forward.

**The pattern of manufacturing activity and trade within the global economy has become associated with the division of income between labour and capital.**

The conflict between labour and capital is inextricably bound up in the distribution of various types of economic activity around the world, in particularly manufacturing. The gains from trade were not evenly shared either between countries of within them. From the 1980s onwards, the world divided between countries that ran persistent current account surpluses and those that ran perennial deficits. Those in the former camp tended to be beneficiaries of either out-sized deposits of hydrocarbons or pervasive, mercantilist industrial policies: Those in the later camp, tended to be laissez-fair, market economies.

**Global manufacturing has become more concentrated in mercantilist economies**

Within economies, gross (prior to state redistribution) income inequality rose substantially, and this has been as true in communist China as it has been in the capitalist United States. As manufacturing has been hollowed out in much of the developed world, manufacturing has become concentrated in a few, industrial policy dominated countries. The four large mercantilist manufacturers (China, Germany, Japan and South Korea) saw their share of global manufacturing value added rise from 32% in 2004 to 45% in 2018 – 1.6x their weight in global GDP. This concentration, while efficient in a static sense, has led to a level of economic interdependence compatible only with a unipolar world. Furthermore, the dynamic efficiencies tend towards greater concentration.

Conflicting interests, real or perceived, between labour and capital will therefore have both an international dimension, linked to the breakdown of the unipolar world, and potentially shape domestic economic agenda. This has the potential to diminish overall economic welfare and alter its distribution.

**Many exchange rates have not been allowed to float freely, producing serious fault lines in the global economy.**

*3) Exchange rate misalignment.*

For all the talk of free markets and floating exchange rates many rates have been fixed or managed in a way that has perpetuated trade imbalances. The most important of all exchange rates, the RMB/USD exchange rate, has been fixed or managed throughout the period.
The single European currency, and the ERM before it, has not allowed necessary adjustments withing the Eurozone and has distorted international economic interaction outside it.
Most of the developing world followed a Dollar standard, with other parts adopting a Euro peg. Hence, cross boarder flows of capital to finance trade imbalances have continued to mount, creating systemic jurisdictional risk. The exchange rate fault lines that have been built have the potential to redistribute significant wealth if or when they break.

**Asset prices have become the object of monetary policy**

*4) Inter-generational conflict stemming from wealth inequality*

As central banks have had to pursue more and more unorthodox policy in order to meet inflation targets, high asset prices (collateral prices) have become the object of monetary policy. It seems apparent that, in the eyes of central bankers, a sharp or prolonged and substantial fall in financial asset prices is incompatible now with economic growth, full employment or even the solvency of the financial system.

**Asset price inflation has accentuated the generational wealth divided with political ramifications.**

The rise in asset prices benefited the existing owners, but at the expense of those either too poor or too young to have owned them. The inter-generational wealth gap is becoming a major source of social friction. The excessive returns earned for example on fixed income assets during the last 40 years have facilitated old age income provision for the generation that were doing the majority of their saving during those years. For the next generation, those that have entered the work force post 2008, accumulating an equivalent pension pot, given current returns available on risk free or low risk financial assets, is a near impossibility with substantially higher contributions.

**The implication for the managers of capital are manifold**

The implication for the managers of capital are manifold. Capital related taxes can be expected to rise. The voting behavior of a generation that does not own capital can hardly be expected to be pro-business. What interest do a younger generation of renters have in protecting and enhancing property rights if they deem ownership as out of reach? The whole merit of liability-based savings in so far as they relate to old age income provision, which represent the biggest pool of capital, may well be challenged.

**Some of the change in institutional behavior has had positive effect on growth and wealth creation.**

### *5) Corporate & economic institutions' ethics; incentive structures and behavior.*

The change in the nature of economic institutions has been a defining feature of the period since the 1980s. Some of this change has had an extremely positive influence of wealth creation and economic growth. In the corporate sector, the professionalization of management has perhaps led to better decision making; internationalization has brought about economies of scale; and a focus on shareholder value has at times led to genuinely greater capital efficiency.

The rise in importance of the financial sector relative to the "productive sector" has been one trend – driven in large part by greater financial savings and the trend towards greater leverage, but also by the need for risk diversification as globalization has added to the complexity of the economic structure and hence the growth of derivatives. The internationalization of companies has been a second trend stemming from globalization and the rise of the global supply chain, as well as market liberalization which has brought greater access to international markets. The largest Companies have all but lost a sense of national identity.

**Others have led to problems of agency, short termism and conflicts of interest.**

What some would describe as a move from "stake holder capitalism to shareholder capitalism" has also generated short-termism in economic decision making. Excessive share buy-backs; a lack of investment in intangible assets with long term value creating potential; and remuneration through short term performance pay are examples of what has gone wrong potentially. How the greater scrutiny and politization of capital impacts company performance and the perception of corporate value will be a key determinant of capital market returns going forward.

Economic growth has exacerbated environmental damage in the view of many.

*6) Environmental capacity for economic growth.*

As David Attenborough famously said, “Anyone who thinks they can have infinite growth on a planet with finite resources is either a madman or an economist.” While many will challenge this quasi-Malthusian approach, the desire to “green the economy” will likely be a major trend in coming years. The questioning of the environments ability to accommodate never ending economic growth obviously challenges some of the core assumptions around which modern economics is based – where growth is assumed to be the answer to most ills.

Environmentally, in the view of many, the past few decades of rapid global growth have been a disaster.  Carbon dioxide emissions have risen from 20 billion tonnes in 1980 to 37 billion tonnes now. Eight billion of that increase has come from China with another 5 billion from India and the rest of Asia pacific. The EU and the UK have collectively shrunk their emissions by a little over 1 billion tonnes. If such divergent trends were present in a unipolar world, marked by international collaboration and multilateralism, what can we expect in a multipolar world defined by great power rivalry?

The transformation of the economy away from hydrocarbons will have geopolitical as well as corporate implications.

Environmental protection and decarbonization will have ramifications for global geopolitics as countries that are hydrocarbon dependent suffer from a dramatic terms of trade shock.  At the corporate level, “stranded assets”, those that used to have a high worth that is now diminished, will impact balance sheet solvency with ramifications for the financial system. Equally, the opportunities presented for new technology and investment will potentially be gargantuan. The replacement of large quantities of the global capital stock orientated towards the extraction, trade, distribution and use of hydrocarbons will quite possibly be of a size without previous precedent.

Favourable demographics have provided to tailwind to growth...

*7) Demographics*

Favorable demographics has been a major driver of economic growth and a major influence on strategic business planning and asset prices. Liability driven saving, particularly old age income provision, has been a key component of savings behavior with dramatic implications for investors and the performance of financial assets.

..neither the Western welfare state nor China's society has not been stress-tested against a change in demographic profile but it will be.

The highly indebted economy that we have today has not been stress-tested against deteriorating demographic trends: Nor has the state funded welfare system prevalent in Western democracies. Between 1980 and 2020 1.4 billion people were added to the world's working age population (WAP) a growth of 90%+ or a Compound annual growth rate (Cagr) of 1.7%. The Cagr will likely drop to just 0.3% for the coming four decades, with nearly all the growth coming from Sub-Saharan Africa and South Asia. China will see its WAP fall by more than a quarter - even in a fairly optimistic scenario - over that time frame. Dependency ratios will rise and test the social and economic structures of society in ways few people are currently thinking about.

Demographic trends point to a dramatic redistribution of economic activity towards Africa and South Asia in the coming decades. Areas related to demographics that we explore include their impact on savings behavior and asset prices; on industry location and global value chains; and economic growth and corporate profitability.

The moderation in inflation and economic cyclicality during the 80s and 90s was seen as a victory for stabilization policy.

### *8) The growing impotence of stabilization policy*

The great moderation in both inflation and economic cyclicality had, in the view of many, a positive impact on the long run growth prospects of the global economy. Against a background of stable prices, factors of production could be more efficiently allocated as distorting signals sent by excessive price rises were diminished.
The prevention of wild variations in economic output, enabled companies and households to run their businesses in a less precautionary, and therefore more efficient, manner. By their nature many of these benefits were one-off with natural limitations: there is only so much leverage that can be put into a balance sheet and there is only so much that can be gained from a reallocation of resources to a more efficient frontier. However, faith in the ability of policy makers, particularly central banks through monetary policy, to limit the loss of output incurred by economic cycles, engendered a confidence that was reflected in corporate and household behavior.

Since then, every down cycle has required more drastic action to reflate economies.

In ever down cycle since 1990/1, however, the efficacy of monetary policy appears to have diminished. The ever-greater cuts in interest rates and increases in central bank balance sheets required to re-start a stalled economy has led to a growing belief that monetary policy has become impotent. In addition, the unintended consequences of extreme monetary policy have become more evident. At the same time, growing Government indebtedness, and more importantly the growth of unfunded off-balance sheet government liabilities, call into question the sustainability of fiscal policy.

**A sea-changing reappraisal of how stabilization policy works and is implemented is underway.**

The next few decades are likely to see a sea-changing reappraisal of how stabilization policy works; its objectives and the tools that can be used to implement it. This will likely have far reaching consequences for the banking system, for example, and the operation of fractional reserve banking. The very nature of money will likely change with universal digital sovereign currencies, and technology will potentially facilitate the widespread use of alternative means of exchange from crypto currencies to government debt.

### *9) The rise of Leverage*

**The moderation in inflation and cyclicality coupled with extreme monetary policy has encouraged and facilitated greater borrowing.**

Accompanying the changing demographics, the growing impotence of monetary policy and the great moderation of inflation and cyclicality has been the rise in financial leverage. While ultra-low interest rates have been a great facilitator of higher levels of borrowing, issues of agency and incentive structures; the social contract between governments and their populations; corporate behavior; and consumer preferences have been motivational drivers. According to the Institute of International Finance, global debt hit USD255 trillion in 2019 bringing the debt to GDP ratio to 342%. The COVID induced recession will no doubt add substantially to the stock of global debt.

**Leverage is now a political as well as a financial problem.**

In contrast to the first great globalization from 1870-1914, which saw public sector debt in advanced economies fall from about 50% of GDP to a little over 20%, the period from 1980 onwards has seen public debt rise rapidly: from a post WW2 low of about 30% in the md-70s to over 100% now. Unlike in previous periods, corporates and households too have leveraged up. The implications of this indebtedness are many: a growing portion of income (government, corporate and household) is transferred from borrowers to creditors; the soundness of the debt is increasing dependent on an absence of cyclical disruptions to incomes. Tension between debtors and creditors is likely to rise and the politicization of debt is likely to increase.

The nine fault lines provide a framework in which to analyse drivers of economic and capital market outcomes, such as liquidity and profit growth.

## CONCLUSION

The nine fault lines identified, briefly outlined above, provide a framework in which to analysis the traditional drivers of asset prices and the economy. Some countries and sectors will be more impacted than others by the policies required to overcome the structural impediments to long term sustainable performance.

“Capital Dialectics” is published with the purpose of helping investors navigate the big themes that will define the coming decades. Our intent is to provide rigorous, impartial analysis of the changing environment our clients find themselves operating in. This naturally tends to challenge the preconceptions that have been formed by recent experience. In doing so, we hope to stimulate debate, not for its own sake, but with the express purpose of producing better investment decisions and an efficient long-term allocation of capital.