

Centralization of Wealth and Global Financial Apartheid

By Maxim Nikolenko.

The maintenance of a system which centralizes wealth has been a crucial goal of the economic and military powers in the post-World War II era, a time when it became no longer appropriate for imperialists to physically colonize the inhabitants of the third world, the 'unpeople' as British diplomatic writer George Orwell described them. One reason for the departure from a doctrine of unconcealed imperialism is highlighted in the book *Freedom Next Time*, by the renowned investigative journalist John Pilger who writes: "One of the difficulties for proud imperialists in the immediate post-war period was that Hitler and fascism, and all their ideas of racial and cultural superiority, had left a legacy of guilt by association. The Nazis had been proud imperialists, too." (1) Thus following the capitulation of 'Nazi imperialists' in Europe, the homogeneity of military interventionism for the acquisition of resources has been greatly diversified with financial interventionism, aimed at facilitating the accomplishment of the same goal. A system of racial apartheid, which narrowed control over global wealth to a small circle of 'master race' industrialists, has gradually been replaced by a 'market-tested' brand of identity politics. 'The White Man's Burden' to enlighten the uncivilized in Africa and elsewhere, as an ideological principle of the capitalist-minded liberal establishments, has long been substituted with a gospel of 'diversity.' (2) The financial apartheid today has less to do with race or gender, and has a lot much to do with class. Therefore, a "historic mission" of the formerly subjugated peoples, warned Frantz Fanon half a century ago, is the promotion of "a capitalism rampant though camouflage." (3) Conspicuously, it is vital to look with precision at the model of 'capitalism' which is offered for promotion, and the kinds of camouflage used to entrench the system into societies. However, the successful globalization of such 'capitalism' through the means of financial interventionism is parallel with the globalization of financial apartheid, a system more concealed and complex than a bare structure of racial apartheid, formerly

practiced before the second-half of the 20th century.

The new “free market” empire

The Second World War caused vast devastation and financial ruin to the imperial houses of Europe. The only major military and economic power which was left spared from destruction; in fact, reaping vast benefits from the war; was the United States. At the dawn of the post-war recovery, the United States became the world’s largest Empire, comprising 40% of the world’s Gross Domestic Product, and a military capability to annihilate the entire population of mankind. (4) Strategic planners within the United States certainly did not undervalue this. They crafted detailed and sophisticated plans to reorganize the world, so it would serve the ‘American national interest.’ Each region of the world has its ‘function’ on the map of that ‘national interest’. The purpose of Southeast Asia, for instance, was to provide resources for the reconstruction efforts of its former colonial masters. The post-war economic miracle in Europe served the interests of American Empire, though the capitals of European powers were not expected to surpass the dominance of the Capitol Hill in Washington. The strategic function of Africa, in contrast, was to be “exploited.” (5)

Maintaining human beings in a state of exploitation, however, was proving rather difficult. The 1960s was an exceptionally harsh period for the “proud imperialists”, as decolonization was spearheading across Africa and Asia, while movements in the United States began challenging the system which protected power. In a recent conversation with former presidential candidate Hillary Clinton, the editor-in-chief of a ‘left-wing’ media outlet Vox, Ezra Klein, took a moment to discuss Clinton’s experience of that decade. He admired her career of pragmatism and her will to “work within systems” in a “radical era” when people were “interested in upending systems.” (6) Apparently, the “work within systems” had ‘radically’ reduced injustices that existed during the “radical era.” Indeed, the hierarchical distribution of wealth on the mere basis of skin color has ended, but we should look very carefully at the extent to which working within the system reduces its fundamentally entrenched tyranny. In our case, the tyrannical nature of a system is entrenched in

its elitist and imperialist instincts.

The new empire was not to repeat the mistakes of its predecessors. “The American Empire is of a new type, is that its mission – its “manifest destiny” as it were – is the global spread and institutionalization of capitalism.” (7) A set of reforms for a “free market” empire were implemented during the Nixon administration. The gold standard was abandoned in 1971, when the dollar was a major currency of global trade, thus making its value fluctuate, solely depending on the decisions of the US Treasury. The fluctuating exchange rates of all the remaining global currencies were adjusted to the exchange rate of the US dollar. (8) It was a dramatic acquisition of power over the global financial system. While the rest of the world is required to maintain “balance of payments” and scrap enough ‘dollars’ to cover the imports of foreign-made goods, the United States can easily overcome such limitations by printing more currency. Furthermore, the new system premises that foreign currencies can easily default on their debt. The American economy and its dollar, in contrast, can’t default without shattering an entire global financial system.

In the 1980s, a decade of the presidency of Ronald Reagan in the United States and Prime Minister Margaret Thatcher in Britain, further reforms had been introduced, constructing a new symbiosis between the elected governments and the unelected, unchecked institutions of private power – corporations. An intrusion of private power into the public services such as healthcare, was the new relationship, camouflaged under a doctrine of “free market” principles. The reality, however, greatly contradicts these principles. The most powerful private entities and their bourgeoisie had become recipients of public funds. The “savage cuts” to social programs – as measures to enforce the free market orthodoxy – did not decrease public spending. Quoting Noam Chomsky’s analysis of Britain: “Industry and finance are benefiting nicely... (from such) policy choices. And to top it off, public spending after seventeen years of Thatcherite gospel was the same 42.25% of GDP that it was when she took over.”(9)

Global trade retains a close relationship between governments and private corporations as well. With new reforms, it became a conventional practice for the

leadership of a country to negotiate deals with foreign governments, primarily on the behalf of private corporations at home. The arms industry is an obvious example. While controlled by private corporations such as Lockheed Martin, Raytheon, Boeing, and General Dynamics, it relies greatly on the government to spearhead profitable deals. Thus, a recent \$109.7 billion arms package, negotiated by Trump administration with the war criminal monarchy of Saudi Arabia, set “defense stocks at record highs”, according to a published piece on CNN Money. (10) On another side of the spectrum, the arms package ensured the continuation of the Saudi-led war and the famine-creating blockade of the 28 million citizens of Yemen. In other words, the elected American government had negotiated a deal for the profit-oriented American-based corporate entities, with full awareness of the destruction it would bring to the lives of millions of human beings, whose deaths and suffering is ‘collateral damage’ of defense stocks and profit.

Returning to the renaissance period of such ‘free market’ practices, countries of the third world were encouraged to implement the gospel. Liberalization of their markets, however, was to be exercised with a zealous approach. All the mechanisms of protectionism were to be abolished, allowing a compliant minority of local bourgeoisie and the Northern corporations’ full control over the economy. Brazil is a good example of such an approach. Noam Chomsky described it well; quoting Gerald Haine’s work *The Americanization of Brazil*, where the author stated that from 1945 the United States used Brazil as a “testing area for modern scientific methods of industrial development based solidly on capitalism.” This was done with a notion, explains Chomsky, that “the people of Brazil would benefit” from such a system. “I need not describe”, he further stated, “how they benefited as Brazil became ‘the Latin American darling of the international business community’ under military rule, in the words of the business press, while the World Bank reported that two-thirds of the population did not have enough food for normal physical activity.” (11)

Decades after the military rule ended, Brazil was struck by another wave of market liberalism. After coming to power in 2016, in what can really be described as a ‘soft coup’ against the President Dilma Rousseff and her Workers Party, President Michel

Temer had unveiled an unprecedented privatization spree, aiming to raise \$28 billion by the end of 2018, through selling “airports, oil blocks, hydropower plants, and other strategic government-owned entities” to foreign and local investors.(12) To facilitate the exploitation of workers, a “regressive” labor reform bill has been ratified, altering “more than a hundred clauses in Brazil’s Consolidated Labor Law.” This was after the government successfully ratified a Constitutional Amendment which enforces a 20-year cap on public spending. The Amendment was described by an independent expert of the United Nations Human Rights Council, Philip Alston, as “completely inappropriate.”(13) The European and American investors, in the meantime, are “buying opportunities amidst the chaos.”(14)

Indeed, market interventionism, camouflaged in ‘reforms for economic revival’, achieves what military conquest did a century ago. There is a term for such a concealed imperialism: the ‘Washington consensus’, or neoliberalism. Promoted by Washington and Wall Street, as well as its financial institutions of World Bank and the International Monetary Fund, the system’s primary purpose is to maintain a dominant share of the world’s wealth and resources under the control of private entities based in the United States and other industrialized powers of the Global North. Compliant elites in the Global South are also reaping benefits for their cooperation.

A new window of opportunity emerged for the Western powers in the 1990s, following the collapse of the Soviet Union, the last standing obstacle which deterred the Empire from becoming geopolitically unipolar, with a global reach of financial institutions and ‘capitalism.’ The strategists were prepared for this, pushing forward a new structure of global commerce through the so-called ‘free trade agreements’, which are negotiated in secret from the public, the ignorant masses, as they are viewed in ‘top-down democracies’ such as the United States itself, and in totalitarian societies where a façade of democracy is absent completely. The administration of President Bill Clinton championed this new era of capitalism. A Democrat and pragmatist who, just like his wife, prefers working ‘within the system’, with a security clearance to access the negotiation rooms where that system is shaped; Bill Clinton was able to formalize the first major free trade agreement of its kind- The North

American Free Trade Agreement (NAFTA). Also during his administration, two international platforms were established, where the interests of private corporations are echoed via political negotiation by the representatives of major economic powerhouses. These international platforms are the World Trade Organization (WTO) and the G20.

Since the time when WTO and the G20 were established, a number of meetings and negotiations took place behind closed doors, with an ongoing effort to compensate any limitations presented by these 'inclusive' platforms in favor of the free trade agreements, the replicas of what President Clinton signed in 1994. Since then, The Trans-Pacific Partnership (TPP), the Transatlantic Trade and Investment Partnership (TTIP), the Trade in Services Agreement, and the Comprehensive Economic and Trade Agreement (CETA) were drafted. They might present a diverse group of names, but are unanimous in agenda, which is to incorporate the entire block of developed (mostly Western) countries under a single roof of institutionalized corporate capitalism. Since this block of nations controls a dominant share of the global Gross Domestic Product, such an alliance would cement their advantage over emerging markets such as China; indeed, a vivid attempt to formally institutionalize the global financial apartheid.

Establishing a full picture of an impact these trade agreements would have if ratified is impossible as their details are hidden from the public. Therefore, it is worth taking a closer look at NAFTA and its impact on the signatory countries.

After being established, NAFTA proved effective at demoralizing the activism of unions. While referring to a study by Cornell University Labor economist Kate Bronfenbrenner, Chomsky pointed out that "About half of union organizing efforts are disrupted by employer threats to transfer production abroad", a practice made easy and possible by the agreement. Conspicuously, "NAFTA was considered to be an effective device to diminish the threat of democracy", both at home in the United States and abroad. (15) Such a forceful suppression of public organizing facilitates the corporate power to freely exercise its profit-maximizing interests, with an unconcealed disregard for the interests of workers. The most dangerous aspect of

NAFTA, however, is that under its sphere of influence, the private capital is placed above the power of an elected government. Simply put, the corporation is able to sue the government if its profit-incentive is undermined, for example, by environmental regulations. Canada and Mexico are the main victims of such practices. Huffington Post reported in 2015 that Canada has lost six claims “paying \$170 million in damages, while Mexico has lost five cases and paid out \$204 million.” The United States, meanwhile, “has won 11 cases and has never lost a NAFTA investor-state case.” (16)

It is also worth noting that a notion of “free trade” under which NAFTA was signed resembles a mere mirage, as up to “one-half of US trade with Mexico”, points Noam Chomsky, “is reported to consist of intrafirm transactions”, a trade within the boundaries of corporate apparatuses. (17) Meanwhile, millions of Mexican farmers have lost their livelihood, as imports of subsidized GMO products have flooded their market from the United States. Uprooted from their homes, these economic refugees could either toil for meager wages in factories owned by the American corporations or flee to the country which caused their displacement. A study by the World Bank found “that the extreme rural poverty rate... (in Mexico) of 35 percent in 1992–94, before NAFTA, jumped to 55 percent in 1996–98, after NAFTA took effect.” (18) The Mexican bourgeoisie, however, collects the benefits of an ‘economic miracle’, just as the American and Canadian elites do. The agreement was a success at transferring wealth from the pockets of working classes and centralizing it among the elites, the shareholders of corporate enterprises.

Intrafirm transactions is the new standard of global trade. According to some specialists, half of US trade worldwide consists of centrally managed transactions, and the same is true of other industrial powers: (19) was articulated back in 1997. There is nothing to suggest that prevalence of such trade has decreased since.

The paved and nourished globalization of the multinational (mostly Western) corporations and their intrusion into the liberalized markets of developing countries is the most important aspect of the global economy in the age of neoliberalism. As it was exemplified and discussed earlier, these multinational enterprises are not

restrained by the borders of countries; they are borderless in operation, yet retain a centralized management and store the extracted wealth within the protected borders of a country that has its headquarters, thus ensuring that country an economic and military supremacy over the populations of the third world.

All the practices stated above, shine a light on how the United States and Europe have retained dominance since the end of colonialism. While the American empire no longer controls 40% of the global GDP, its multinational enterprises and their owners do hold a sizable share of global wealth, with same being relevant to other industrialized powers. According to the data from Global Wealth report released by Credit Suisse, in 2016, North America held 36.1% of the total global wealth estimated at \$255,708 billion. The total wealth of Europe is estimated at \$73,305 billion (28.6%), thus meaning the combined total of North America and Europe is 64.7%.

Extending this further, the global elite, the main beneficiary of globalization and its 'free market' façade, is mainly concentrated in the Western block of nations. The report states that there are 32 million and 931 thousand adults in the world whose total wealth exceeds \$1 million. According to them, 13 million and 554 thousand live in the United States, comprising 41.1% of the total. Adding in Canada, Europe, and its 'great allies' of Australia and New Zealand, the number of adults with over \$1 million in wealth tops 25 million and 701 thousand, constituting 78% of the total. (20)

One notable characteristic which can be applied to an overwhelming majority of elites from the countries that are encompassed in the estimate is their Caucasian background. While Caucasians from these countries make up just over 10% of the world population, a small minority within their minority represents nearly 78% of global millionaires. 'Imprecise', however, is an important aspect of that estimate. It can be concluded with the findings that such a centralized control of wealth is the product of an ongoing institutionalized racial apartheid. Such conclusions, however, come short of comprehending the intricacy of the system. The days of institutionalized apartheid in South Africa, for instance, are long gone, but the white minority still represents 55% of the country's millionaires, with the remaining 45% resembling a new generation of African capitalists, a success story of the post-

apartheid neoliberally-structured society. This new structure, though inclusive in appearance, ensures that the wealth is enclosed from the majority and is managed within the class of a minority. According to Oxfam, 3 white South African billionaires have the same wealth as the bottom 50% of country's population. (22)

A similar relationship exists between the Western elites and the rest of mankind. Not all Western individuals with excessive wealth hold a Caucasian background. The Hinduja family, for instance, is the richest in the United Kingdom, according to Forbes (23) — the owners of the real estate in London, and other businesses which extend far beyond the country's borders. The four siblings operate within a system of an empire, profiting from it greatly with their international enterprises, supporting the expansionist interests of its guardians. The globalization of capitalism through such individuals strengthens the corporate sector of a country in which they reside.

As this research demonstrates, an empire of the 21st century is indeed 'of a new kind.' Its mechanisms of control are more diverse and intricate, though far-reaching and successful in perpetuating the exploitation and poverty of societies of the third world. The enforcement of imperial might upon the defenseless people is often camouflaged in reforms, secretive agreements and deceptive gospels. The results, however, is the same as it was 100 years ago: the capitals of power still retain their dominance in the 21st century, the West still represents 64.7% of global wealth and 78% of the planet's richest people. The intricate structure of financial apartheid had guarded such dominance yesterday, protects it today, and will protect it in the future; indeed, if people will allow such to happen.

It is for the empire that is people, the proletariat majority, to decide whether such system holds any validity.

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