"Dis-Accumulation" on a World Scale: Pillage, Plunder and Wealth

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Over the past 30 years, wealth has grown exponentially and has become increasingly concentrated foremost in the upper .01%, then the .1%, followed by the 1% and the upper 10% – 20%.

The large scale, long-term concentration of wealth has continued through booms and busts of the real economy, the financial and IT crises. Wealth grew despite long-term economic recessions and stagnation, because the so-called recovery programs imposed austerity on 80% of the households while transferring public revenues to the rich.

The so-called 'crises of capitalism' has neither reversed nor prevented the emergence of an international class of billionaires who acquire, merge and invest in each other's activities. The growth of wealth has been accompanied by the pillage of accumulated profits from productive sectors which are stored as wealth not investment capital.

The dispossession of capital and its conversion to private wealth subsequently led to the rapid expansion of the financial and real estate sector. Capital accumulation of profits has been the source of private accumulation of wealth at the expense of wages, salaries, public welfare, and state revenues.

The growth of private wealth at the expense of productive investments is a world-wide phenomenon which has been facilitated by an international network of banks, political leaders and 'regulators' centered in the United States and England.

The single most important aspect of private wealth accumulation on a world-scale is criminal behavior by the elites in multiple locations and involves the violation of multiple laws and regulations.

The Chain of Illegality: From Exploitation of Labor to the Pillage of the Nation

The original source of private wealth is the exploitation of labor by capital,of which a small percentage of the profits are reinvested in expanding production in the 'home market' or overseas. The bulk of the profits are transferred into financial networks which in turn illicitly channel the funds into overseas accounts.

The movements of profits 'overseas' takes multiple forms (transfer pricing, phony invoices, etc.) and they are primarily converted to private wealth. These 'international movements' of profits are largely composed of mega-thievery or plunder by political and business leaders from 'developing countries'. According to the Financial Times (17/11/14, p2). *"Up to $1 trillion (dollars) is being taken out of developing countries every year through a web of corrupt activities involving anonymous shell companies that typically hide the identity of* *their true owners*". (my emphasis)

The $1 trillion of stolen profits and revenues from the 'developing countries' (Africa, Asia, South America) are part of a "corruption chain" which is organized, managed and facilitated by the major financial institutions in the US and UK. According to a World Bank report in 2011 "70 percent of the biggest corruption cases between 1980 and 2010 involved anonymous shell companies. The US and UK were among the jurisdictions most frequently used to incorporate legal entities that held proceeds of corruption" (Financial Times, 17/11/14, p2.).

This process of "taking out" or pillage of developing countries feeds into rent seeking, conspicuous consumption and other non-productive activity in the 'developed countries' or more accurately the imperialist states. The principle beneficiaries of the pillage of 'developing countries' by the local elites are their counterparts in the top 1% of the imperial countries, who control, direct and manage the financial, real estate and luxury sectors of their economies.

The very same financial institutions in the imperial countries (and their related accountancy, legal and consultancy arms) facilitate the pillage of trillions from the 'developed' countries to offshore sites, via massive tax evasion operations, hoarding wealth instead of investing profits or paying taxes to the public treasury.

Long-term, large scale pillage and tax evasion depends on the central role, at both ends of the world economy, of the financial sector. This results in the 'imbalance of the economy' – predominance of finance capital as the final arbiter on how 'profits' are disposed.

The extremely narrow membership in the dominant financial sectors means that its growth will result in greater inequalities between classes. A disproportionate share of wealth will accrue to those whopillage the revenues and profits of the productive sector. As a result so-called 'productive capitalists' hasten to join and lay claims to membership in the financial sector.

The links between 'productive' and 'fictitious' capital or financial swindle capital, defy any attempt to find a progressive sector within the dominant classes. But the effort to enter the charmed circle of the dominant financial 1% is fraught with dangers and risks . . . because the financial sector has a very dynamic and super-active capacity for swindles.

The entire process of de-capitalizing the economy is underwritten in the US by the financial elite's controls over the executive branch of government, especially the 'regulatory'and enforcement agencies -Security Exchange Commission, the Treasury and Justice Departments.

Financial institutions facilitate the inflow of trillions of dollars from the kleptocrats in the developing countries as well as the outflow of trillions of dollars by multi-nationals to off-shore tax havens. In both instances the banks are key instruments in the process of dis-accumulation of capital by dispossessing nations and treasuries of revenues and productive investments.

The 'hoarding' of MNC profits in offshore shell companies does not in any way prevent speculative activity and large scale swindles in the for-ex, equity and real estate markets. On the contrary, the boom in high-end real estate in London, New York and Paris, and the high growth of luxury goods sales, reflects the concentration of wealth in the top .01%, .1% and 1%. They are the beneficiaries of 'no risk'pillage of wealth in developing countries, receiving lucrative commissions and fees in laundering the illicit inflows of wealth and outflows by tax dodging multi-nationals.

The Inverted Pyramid of Wealth

A small army of accountants, political fixers, corporate lawyers, publicists, financial scribblers, consultants and real estate promoters make-up the next 15% of the beneficiaries of the pillage economies. Below them are the 30% upper and lower middle classes who experience tenuous affluence subject to the economic shocks, 'market volatility and risks of downward mobility. Below them, the majority of wage, salaried and small business classes experience declining incomes, downward mobility, rising risks of mortgage foreclosure, job-loss and destitution among the bottom 30%.

Despite wide variations in the class structure between 'developing' neo-colonial and developed imperial states, the top 1% across national boundaries has forged economic, personal, educational, and social ties. They attend the same elite schools, own multiple private residences in similar high end neighborhoods, and share private bankers, money launderers and financial advisors. Each elite group has their own national police and military security systems, as well as political influentials who also co-operate and collaborate to ensure impunity and to defend the illegal financial flows for a cut of the wealth….

The investigatory authorities of each developed country tend to specialize in prosecuting rival financial institutions and banks, occasionally levying fines – never imprisonment – for the most egregious swindles that threatens the 'confidence' of the defrauded investors.

Yet the basic structure of the pillage economy, continues unaffected – in fact thrives – because the 'show' of 'oversight' and judicial 'charges' neutralizes public indignation and outrage.

The Decisive Role of Dis-Accumulation in the World Economy

While orthodox economists elaborate mathematical models that have no relationship to the operations, agencies and performance of the economy and ignore the real elite actors which operate the economy, Leftist economists similarly operate with theoretical premises about capital and labor, profits and capital accumulation, crises and stagnation, which ignore the centrality of pillage, dis-accumulation, and the dynamic growth of wealth by the international 1%.

The research center, the Capital Financial Integrity Group provides a vast array of data documenting the trillion dollar illicit financial flows which now dominate the world economy.

US MNCs have 'hoarded' over $1.5 trillion dollars in overseas shell companies, 'dead capital', to avoid taxes and to speculate in stocks, bonds and real estate.

Mexico's ruling elite organizes massive illicit financial flows, mostly laundered by US banks, ranging from $91 billion in 2007 to $68.5 billion in 2010. The massive increase in illicit financial flows is greatly facilitated by the de-regulation of the economy resulting from the North American Free Trade Agreement (NAFTA). Contrary to most leftist critics the main beneficiaries of NAFTA are not Canadian mine owners or US agro-business or auto manufacturers- it is the US and Canadian financial and real estate money launderers.

From 1960 to 2010 the Brazilian 1% pillaged over $400 billion dollars. These illicit financial flows are laundered in New York, Miami, London, Switzerland and Montevideo. In recent years the rate of pillage has accelerate: between 2000 -2012 illicit financial flows averaged $14.7 billion a year. And under the self-styled 'Worker's Party" (PT) regime of Lula DaSilva and Dilma Rousseff, $33.7 billion in illicit outflows were laundered annually – 1.5% of the GDP. Much of the pillage is carried out by private and public "entrepreneurs" in the so-called "dynamic" economic sectors of agro-minerals, energy and manufacturing via 'trade mispricing', import overpricing and export underpricing invoices.

According to a study published in the Wall Street Journal, (10/15/12), China's elite's illicit financial flows top $225 billion a year – 3% of national economic output. China's 1%, the business-political elite, finance their children's overseas private education, providing them with half million dollar condos. Illicit flows allow Chinese 'investors' to dominate the luxury real estate markets in Toronto, Vancouver, New York and London. They hoard funds in overseas shell companies. The Chinese corporate kleptocrats are the leaders in the drive to deregulate China's financial markets – to legalize the outflows.

The scale and scope of China's elite pillage has provoked popular outrage that threatens the entire capitalist structure – provoking a major anti-corruption campaign spearheaded by China's President Xi Jinping. Thousands of millionaire officials and business people have been jailed, causing a sharp decline in the sales of the world's luxury manufacturers.

India's capitalists- as kleptocrats – have long played a major role in de-capitalizing the economy. According to the Financial Times (11/24/14, p3) the Indian elite's illicit financial flows totaled $343 billion dollars from 2002 to 2011. The Indian Finance Ministry immediately threw up a smoke screen on behalf of the 1%, claiming the Indian elite had only $1.46 billion in Swiss accounts. Most of India's wealthy have taken up with holing their illicit wealth to Dubai, Singapore, the Cayman and Virgin Islands as well as London

India's neo-liberal policies eased the illegal outflows. Massive corruption accompanied the privatization of public firms and the allocation of multi-billion dollar assets such as mobile phones, coal fields and energy.

Indonesia, – percentage-wise is the leader in the outflow of illicit flows – fully 23% of annual output. The 1% elite of foreign and domestic capitalists, plunders natural resources, timber, metals, agriculture and dis-accumulates. Profits flow to foreign accounts in Tokyo, Hong Kong, Singapore, Sydney, Los Angeles, London and Amsterdam.

Ethiopia, with per-capita income of $365 dollars, is the site of vast pillage by its ruling elite. From 2000 to 2009, over $11.7 billion dollars in illicit financial flow was laundered mostly by US banks. These outflows enriched the Ethiopian and the US 1% and provoked famine for Ethiopia's 90%.

Conclusion

The illicit financial flows surpass the capital invested in productive activity. The process of dis-accumulation of capital through relocation is channeled to overseas shell corporations and private bank accounts and beyond into financial holdings and real estate. The accumulation of private wealth exceeds the sums invested in productive activity generating investments and wages. Massive perpetual tax evasion means higher regressive taxes on consumers (VAT) and wage and salaried workers, reductions in social services, and austerity budgets targeting food, family and fuel subsidies

The past thirty years of deregulated capitalism and financial liberalization, is a product of the financial takeover of state regulatory agencies. The signing of free trade agreements has provided the framework for large scale long-term illicit financial flows.

While illicit financial flows have financed some productive activities, the bulk has vastly expanded the financial sector. The absorption of illicit flows by the financial elite has led to greater inequalities of wealth between the 1% – 10% and the rest of the labor force.

Illicit earnings via mega swindles among the largest and most respected US and EU banks, has curtailed the amount of capital which is available for production, profits, wages and taxes. The circuits of illicit capital flows militate against any form of long-term economic development – outside of the wealth absorbing elites which control both the financial and political centers of decision-making.

The growth and ascendancy of financial elites which pillage public treasuries, resources and productive activity, is the result of an eminently political process. The origins of de-regulation, free trade and the promotion of illicit flows are all made possible by state authorities.

First and foremost, finance capital conquered state power – with the cooperation of "productive capital". The peaceful transition reflected the interlocking directorates between banks and industry, aided and abetted by public officials rotating between government and investment houses.

The entire African continent was pillaged by billionaire rulers, many former nationalist politicians (South Africa), ex-guerilla and 'liberation leaders' (Angola, Mozambique, Guinea Bissau), in collaboration with US, EU, Chinese, Russian and Israeli oligarchs. Trillions of dollars were laundered by bankers in London, New York, Zurich, Tel Aviv and Paris. Growth of the commodity sector bolstered Africa's decade long expanding GDP – and the mega-outflows of illicit earnings.

World-wide, billionaires multiplied profits 'received', but wages, salaries, pensions and health coverage declined! Swindles multiplied as outflows accelerated in both directions. The higher the growth in China, India, Indonesia and South Korea the bigger and more pervasive the corruption and outflows of wealth-led by "Communist" neo-liberals in China, Indian "free marketers" and Russian "economic reformers".

The World Bank's and IMF's proposed "*economic reforms*" 'freed' the incipient political kleptocrats of controls and unleashed two-sided illicit financial flows – laundering funds from abroad and establishing trillion dollar offshore tax dodging citadels.

Illicit swindles dwarfed earnings from 'capital accumulation'. The relations between capital and labor were framed by the organization and policies dictated by the directors and operators of the trillion-dollar financial networks based on the pillage of treasuries and the wealth of nations.

The center of China's growth is shifting from manufacturing and the exploitation of labor, to real estate and "financial services", as worker's demand and secure double-digit increases in wages. The exploiters of labor turned predators of the national treasury. Under the pretext of "stimulating" the construction sector, real estate speculators in tow with Communist Party officials, absconded with over a trillion dollars from 2009 to 2014. According to Jonathan Anderson of the Emerging Advisors Group "over a trillion dollars" has gone missing in China in the past five years (Financial Times, 28/11/14, p 1.).

Factories still produce, agro-business still exports, the paper value of high tech companies has risen into the high billions, but the ruling 1% of the system stands or falls with the illicit financial flows drawn from the pillage of treasuries. To replenish pillaged treasuries, regimes insist on perpetual 'austerity' for the 90%: greater pillage for the 1%, less public revenues for health care which results in more epidemics. Less funds for pensions means later retirement– work til you die.

The plunder of the economy is accompanied by unending wars – because war contracts are a major source of illicit financial flows. Plunder oligarchs share with militarists a deep and abiding belief inpillage of countries and destruction of productive resources. The one reinforces the other in an eternal embrace – defied only by insurgents who embrace a moral economy and who proclaim the need for a totalchange – a new civilization.