

Contemporary Global Capitalism Is “Crony Capitalism”

By [Rod Driver](#)

Global Research, February 11, 2021

Region: [USA](#)

Theme: [Global Economy](#)

All Global Research articles **can be read in 27 languages by activating the “Translate Website”** drop down menu on the top banner of our home page (Desktop version).

“We foreign bankers are in favor of free markets when we’re out to make a buck and believe in the state when we are about to lose a buck.” (Anonymous foreign banker(1))

The Success of Mixed Economies

A full discussion of how rich countries developed would require a whole book, so I shall simply highlight a few basic principles. The world’s advanced nations have achieved their current level of development using what is known as a mixed economy. This has three main parts. First, huge investment by the government in public services, such as education, healthcare and social safety nets. Second, a system of trade, where private businesses sell goods and services to each other, the public and the government. Third, government support for big business. This post will focus on this third part. The mainstream media tend to focus on the role of private businesses in creating wealth, whilst downplaying the other two parts. This is propaganda. As we shall see, the role of government is crucial.

There is an additional reason for the success of advanced nations. That is, their role in ‘stealing’ from poor countries. I will not discuss that in this post.

The Biggest Welfare Scroungers are Big Business

A subsidy is when a government provides some assistance to a business. This can take many forms. Giving a company a tax-break is a subsidy. If a government does not charge tax on aviation fuel, this is a subsidy to the airline industry. Purchases of weapons by the government subsidise many high-tech industries. Sending your soldiers to protect oil pipelines is a subsidy to the oil industry. When the US and British governments lend money to poor countries and insist that it has to be spent on exports from US or British companies, this is a subsidy to those companies. Government spending on research which leads to profitable products sold by private companies is a huge subsidy. Governments in rich countries have subsidised almost every major corporation at some point.(2)

It is estimated that the US government spends at least \$800 billion dollars subsidising the biggest US corporations each year.(3) It has helped to finance the development of the aerospace, biotech, nuclear, electronics, synthetics, space communications, mineral exploration, computing and many other industries. The government, and therefore the taxpayer, covers much of the costs and takes many of the risks, then hands the profits to

private companies. Many of the recipients of these subsidies dominate their industries, make big profits and pay large amounts to shareholders and senior executives. America's oil, gas and mining corporations are among the most profitable in the world, yet they receive tax breaks and other subsidies worth billions of dollars. The big agricultural companies, particularly rice, wheat, corn, cotton and soybeans, receive some of the biggest subsidies, totaling approximately \$30 billion each year in the US. One-tenth of the farms, usually the biggest, get three-quarters of the subsidies. Similarly, studies of European farming show that most of the subsidies go to a small number of the biggest farms.(4)

In Britain, a 2013 report entitled 'The Great Train Robbery'(5) showed how private rail companies took big subsidies from the government and paid substantial amounts to executives and shareholders. The billionaire, Richard Branson, received almost £3billion in subsidies for the West Coast Line between 1997 and 2012. Shareholders took over £500 million in dividends. Without the subsidies, the companies would have lost money. In fact there are additional, hidden subsidies, that amount to £30 billion for all of the train companies.

Most advanced nations have similar systems of government support for big business. We saw this in banking, where banks in many countries were bailed out by their governments in 2008 because the financial system was in danger of collapsing, and some of the biggest companies were in danger of going bust due to their gambling and fraudulent activities in the previous few years. This is like an insurance policy valued at over \$40 billion per year in the US (maybe much more), which allows the banks to take extreme risks, knowing that someone else will pay for it when it all goes wrong. Many of the world's biggest businesses would have gone bust at some point in the past if they had not been bailed out by their government. The academic, Noam Chomsky, uses the expression 'really existing capitalism'(6) to describe this system based on government support for big business. Others use the term 'crony capitalism'.

Business as an Extension of Government

The connection between governments and some of the biggest corporations is so strong that it can sometimes be hard to know where one ends and the other begins. We have already seen in earlier posts that personnel move seamlessly between business and government. The software that enables Google to search through trillions of items on the internet is the same technology that enables the US spy agency, the NSA, to illegally analyse trillions of items of electronic communications.(7) The US government provides huge assistance with research to help make US companies dominant, and government-to-government lobbying to enable them to gain a foothold in other countries. Many big companies obtain guaranteed contracts with the government. Noam Chomsky has explained that these contracts are yet another form of government subsidy.(8) This even involves funding things for which there is initially no demand, such as early electronic components, like transistors after world war 2. This is particularly noticeable with military contracts, aeroplanes, and technology companies. As we saw in earlier posts about the weapons industry, governments often overpay for these contracts by large amounts.

Chomsky has been writing and speaking about the role of government in supporting big business for many years, but has been mostly ignored by the mainstream media. However, Mariana Mazzucato wrote a book in 2013 called 'The Entrepreneurial State',(9) which has attracted mainstream attention. In it, she debunks the myth that private business is the source of most innovation, pointing out, for example, that in the US, 75% of new drugs come

from state-funded investment and research.

Neoliberalism – Crony Capitalism is being used to destroy the US, Britain and many other countries

The close relationship between government and corporations can take many forms. If governments choose to use their power to limit the worst excesses of business, then business can be forced to operate in a way that primarily benefits society. This has been the case for many years in some European countries, and perhaps Britain and the US were closer to this system during the years 1945-1970.

At the other extreme, government can be ‘captured’ by business. We have seen in earlier posts, about corruption and lobbying, that big companies bribe governments, particularly in the US, to manipulate policy. The extreme system that has developed is usually known as neoliberalism. The key aspects of neoliberalism are as follows:

- Huge global companies pursue their own profits, irrespective of the downsides to society.
- They have too much influence over politics, so the government helps them extract ever more wealth from the economy.
- They have the power to exploit customers, suppliers, staff, governments and the environment.
- They effectively operate outside the law. They are able to commit crime after crime with no punishment worse than a fine.

The US and Britain in the 21st Century are examples of this type of extreme system, and some other advanced nations are heading in this direction. President Trump and his corporate cronies were openly rigging the economy to benefit themselves. In Britain in 2020, there was widespread evidence of corruption in the awarding of contracts for personal protective equipment in hospitals. The more neoliberal Britain and the US become, the more wealth the rich are able to extract, and the more problems we see. For example, millions of people were already using food banks before 2020, and that number has increased hugely during the Coronavirus lockdowns.(10) More and more people are finding it difficult to make ends meet, whilst the wealth of the world’s richest people is increasing dramatically.

Even the most ardent supporters of capitalism, such as Milton Friedman, believed that companies had to operate without deception or fraud, and should conform to the basic rules of society according to the law and to ethical custom.(11) Mainstream commentators, such as the former governor of the Bank of England, Mark Carney, have commented on how the relationship between the government and big business has changed for the worse.(12) The extreme focus on profit (which some people call the ‘greed economy’) is destroying our societies.

Extreme economic systems do not work

All over the world, those countries that have neglected government provision of basic services have fared badly. Governments in South America and Africa were ‘encouraged’ to spend very little on basic services (discussed in later posts) with disastrous consequences for the poorest parts of their populations. The same is true in Greece, where the government has been forced to cut basic services (this is known as austerity) since 2010.(13)

Other countries that focused too much on the government control of the economy, whilst neglecting private businesses (sometimes described as communist) were only partly successful. Russia before 1989 is a good example. It provided education, healthcare, homes and jobs for almost everyone, but the variety of consumer goods available in Russia was much less than in Western nations. British and American television frequently showed Russians queuing for bread, but people in Russia in the 1980s were surprised to discover that there were homeless people in New York. They were so surprised that they thought it must be propaganda by their government.(14)

It was recognised many years ago that extreme economic systems do not work very well. In 1953 an influential report stated “Both capitalism and communism in their raw forms had failed.”(15) The evidence suggests that there is no single, best economic system. Each country’s economy is different from every other country, and any one country’s economy needs to evolve and adapt over time as circumstances change.

Benign Government and Industrialisation Is The Key

Real wealth begins when governments ensure that everyone has food, a home, healthcare, education, energy, clean water and sanitation, social safety nets, a fire service, the rule of law and equal rights for everyone. There are then two main ideas that have enabled nations to become extremely prosperous in the last few hundred years. The first is industrialisation. This means replacing human and animal labour with machines. The second is specialisation. This means getting each worker to do a single task over and over again very efficiently, and is associated with production lines in factories. These ideas are not directly related to capitalism. They have all been used in communist countries. Private companies are very good at providing lots of consumer goods, and allow people to experiment with products and business ideas, but they are not the most important ingredient in the functioning of an advanced nation. As we will see in later posts, they have a poor track record in getting people out of poverty.

Mainstream Journalists and Economics Lecturers Don’t Understand that the Economic System in Britain and the US is Crony Capitalism

When people use the term ‘capitalism’, they give the impression that it is a well-defined system. In fact it is a general term meaning the private (as opposed to government) ownership of business, and the right of those with money to make profits. There have been big debates about whether private businesses should be able to own essential industries such as the water supply, or whether those industries should be controlled by the government. There have also been debates about what the laws should be concerning how those businesses operate.

However, those debates tend to present private companies as separate from government, and to ignore the real-world role of governments helping those companies to make profits. Executives and shareholders of the biggest companies do not want you to understand how really existing capitalism works. They want you to believe that big companies are dynamic risk-takers who deserve immense rewards if they are successful. Most mainstream journalists (and many economics lecturers) writing about capitalism have fallen for this propaganda, and repeat it themselves with little questioning. They are aware that crony capitalism exists in other countries, but they fail to understand how widespread it is in the US and Britain.

*

Note to readers: please click the share buttons above or below. Forward this article to your email lists. Crosspost on your blog site, internet forums. etc.

This article was first posted at medium.com/elephantsintheroom

Rod Driver is a part-time academic who is particularly interested in de-bunking modern-day US and British propaganda, and explaining war, terrorism, economics and poverty, without the nonsense in the mainstream media.

Sources

Noam Chomsky, 'Can human civilization survive really existing capitalism', talk given at University College, Dublin, 2013, at https://www.youtube.com/watch?v=_uuYjUxf6Uk

Notes

1) George Hatch, 'Argentina's banking woes aren't likely to lead to system's collapse, experts say', Wall Street Journal, May 24, 1985

2) Ruigrock and Van Tulder, cited in Deconstructing Laissez-Faire, at www-tech.mit.edu/V120/N1/col1guest.1c.html

3) Mark Zepezauer, *Take The Rich Off Welfare*

4) Crispin Dowler and Lawrence Carter, 'Common Agricultural Policy: Rich List receive millions in EU subsidies', Greenpeace, 29 Sep 2016, at <https://unearthed.greenpeace.org/2016/09/29/common-agricultural-policy-millions-eu-subsidies-go-rich-landowners/>

5) Aditya Chakraborty, 'The truth about Richard Branson's Virgin Rail profits', theGuardian, 10 Jun2013, at <https://www.theguardian.com/commentisfree/2013/jun/10/truth-richard-branson-virgin-rail-profits>

6) Noam Chomsky, 'Can civilization survive really existing capitalism', 2013 University College Dublin Philosophy Society, 3 April 2013, at https://www.youtube.com/watch?v=_uuYjUxf6Uk

Some writers have labeled this system as 'corporatism', although the exact meaning of the term is debated.

7) Julian Assange, *When Google Met Wikileaks*, 2014

8) Chomsky - talk Can human civilization survive really existing capitalism - 2013

9) Mariana Mazzucato, *The Entrepreneurial State: Debunking Public vs Private Sector Myths*, 2013

10) Danielle Zoellner, 'Americans join mile-long queues at food banks across the US as thousands face hunger during pandemic', Independent, 25 Nov 2020, at <https://www.independent.co.uk/news/world/americas/coronavirus-food-banks-thanksgiving-poverty-b1761426.html>

<https://www.statista.com/statistics/382695/uk-foodbank-users/>

- 11) Peter Prevos and Ian Watson, 'Milton Friedman on Corporate Social Responsibility', Lucid Manager, 16 July 2020, at <https://lucidmanager.org/management/milton-friedman-corporate-social-responsibility/>
- 12) Mark Carney, 'How we get what we value – From Moral to Market Sentiments', The Reith Lectures, at <https://www.bbc.co.uk/sounds/play/m000py8t>

Mark cites Thomas Hobbes

- 13) Oxfam, The True Cost of Austerity and Inequality: Greece case study, Sep 2013, at https://www-cdn.oxfam.org/s3fs-public/file_attachments/cs-true-cost-austerity-inequality-greece-120913-en_0.pdf
- 14) Anelaukas, V. (1999) *Discovering America As It Is*, Clarity Press (For an insight into Russian perceptions of the US)
- 15) R. Dahl and C. Lindblom, 'Politics, Economy and Welfare: Planning and Politico-Economic Systems Resolved into Basic Social Processes', cited in David Harvey, *A Brief History of Neoliberalism*, p.10

Featured image is from Black Agenda Report

The original source of this article is Global Research
Copyright © [Rod Driver](#), Global Research, 2021

[Comment on Global Research Articles on our Facebook page](#)

[Become a Member of Global Research](#)

Articles by: [Rod Driver](#)

Disclaimer: The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: publications@globalresearch.ca

www.globalresearch.ca contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: publications@globalresearch.ca