



The Rise of the Corporatocracy

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We all have a feeling that something is not quite right any more. We know there is a creeping colonisation of public life by corporations because we know a slow motion coup d'état is taking place by transnational organisations facilitated by our political leaders. The incontrovertible proof stares at us in the face every day with wave after wave of financial, economic, social and ecological crisis.

A clear and troublesome picture of corporate power has emerged in recent years where rising inequality is now simply the distinction of expanding corporate activity and those being left behind.

A study in 2000 by Corporate Watch, Global Policy Forum and the Institute for Policy Studies (IPS) revealed some alarming facts about a rising corporatocracy that should have been brought to heel by western government's years ago. Instead, corporations are now literally at the helm.

At the turn of the millennia this study confirmed that whilst there were around 40,000 worldwide corporations, just 200 had true global reach and influence. These colossal organisations, many larger than national economies controlled well over one quarter of global economic activity whilst 80 per cent of the world's population were either left out completely, marginalised or were net losers as a direct result of their activities.¹

The decade long IPS study made for very uncomfortable reading. The most alarming amongst a long list of culpability is that as corporate profits soared – wealth concentration followed, and it did so in an environment of stagnating workers wages.

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For perspective, the report highlighted that of the 100 largest economies in the world, 51 were corporations; only 49 were countries. Wal-Mart for example, was bigger than 161 countries. Mitsubishi was larger than the fourth most populous nation on earth: Indonesia. General Motors was bigger than Denmark. Ford was bigger than South Africa.

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You might find it something of a surprise to learn that these same 200 global corporations employed less than one third of one per cent of the world's people – just 18.8 million.

Trading, automobiles, banking, retailing and electronics are where most corporate concentration accumulates and even then one third of all trade is transactions among various units of the same corporation.

By 2012, the top 25 corporations in the world were earning \$177,000 per second with Wal-Mart's annual revenue having risen to \$470 billion.

Today the outlook is even worse. Three mathematicians at Zurich Polytechnic Institute published a quite remarkable in-depth report on transnational corporations (TNCs) according to their connections to other TNCs. Beginning with a data base that has now grown to 43,000 corporations, they refine the ownership connections, up and downstream and highlight the most interconnected of these companies. Finally, they arrive at a "core" of 147 companies that now controls an astonishing 40 per cent of the economic value of the entire sample and therefore, global trade.

In little more than a decade, TNCs share of the global market place has increased dramatically whilst competition fell by almost the same factor.

And yet, armed with such damning and conclusive information, the situation continues to deteriorate as politicians abandon any fragments of morality in favour of lucrative revolving door careers leaving entire nations with little more than the hollowed out remains of once thriving economies based on manufacturing and the corpse of democracy.

In the late 1970's the share of economic value going to labour in the form of wages in Europe was around 70 per cent of GDP. Over the decades there has been a dire shift. Capital has had a very favourable 10 per cent rise in returns and by contrast labour a 10 per cent fall. With an economy worth €13 trillion, the loss to an already stretched working and middle class is €1.3 trillion a year. Shareholders used to be content with returns of say 3 or 4 per cent but now demand near on double digit returns or the CEO is ousted. The consequence being that corporations want to win no matter what the cost.

In Susan George's "State of Corporations" the observation is made that

"From the mid-1990s, the largest American banking, securities, insurance and accounting transnational corporations joined forces and, employing 3000 people, spent \$5 billion to get rid of all the New Deal laws passed under the Roosevelt administration in the 1930s - the very laws that had protected the American economy for over sixty years. Through this collective lobbying push, they won total freedom to remove any money-losing assets from their balance-sheets and move them into "shadow" banks that appeared nowhere on their balance sheets. They became free to create and trade hundreds of billions worth of toxic derivative products, such as bundles of sub-prime mortgages, with no regulation whatever."²

The peak of their collective effort was a global implosion of the finance industry in 2008 and eight years later its lingering state of decline now threatens the Great Depression of 1929 as the longest running recession in history - already the slowest recovery ever recorded.

In the US alone, over 10 million families had their homes repossessed and according to *Bloomberg*, \$14.5 trillion, or 33%, of the value of the world's companies and nearly 14% of US GDP was wiped out by the crisis. This forgets the effects on developing and third world

economies where \$3.3 trillion of promised aid remains just that – promised and unpaid.

In the era of “too big to fail and jail” virtually no one was brought to heel or sent to prison for such devastating crimes. Today, the banking industry is almost totally out of control. Daily derivative trading is now a third greater than at the peak of the 2008 crisis. Fraud, rigging, insider dealing and money laundering reach a new summit of lawlessness each day. In the top twenty of global corporations, five are banks.

In the meantime, learning from previous successes, corporate lobbyists now termed “expert committees” meet daily with EU Commission officials to hammer out a trade deal whilst almost no consumer or environmental organisations are represented. Civil society is excluded, as are their representatives in the guise of MEP’s with the illusion of democracy fading fast.

Corporations now place their profits in ultra low or no tax jurisdictions and their losses in high-tax ones, where an estimated \$32 trillion is shielded from making any contribution to the societies they extract their wealth from with little or no scrutiny from government’s.

What we now have is anarchy by very rich and powerful corporations.

The roll call of shame is never-ending – auto manufacturers, banking, pharmaceutical, food manufacturers, energy industries to name few.

Epic financial crimes, monumental tax evasion, ecological damage on an industrial scale and non-stop illegal wars to ensure a never-ending resource supply is a shameful system based on corporate greed. In its wake we now have 1920’s style rampant inequality and rising poverty reminiscent of the era of Dickens. All of this somehow is the new normal.³

Steal a loaf of bread and it’s prison for you, loot an entire country and it’s a Knighthood. For instance, the British public believes as a result of a long, malicious class-war style political campaign, that benefit fraud is a huge social problem. A recent poll by the workers union TUC showed people believe that 27% of the welfare budget is fraudulently claimed. The figure is in fact 0.7%. As it turns out benefit underpayments by the government outweighs benefit fraud.

Contrast that with one of Britain’s biggest fraudsters – HSBC. In a few short years it has been caught laundering billions of ill-gotten gains on behalf of dictators and despots, international gangsters, traffickers, drug barons, murderers and every other criminal down a particularly odious food chain. It was also caught red-handed in the huge Swiss tax evasion scandal benefitting corporations before we even got to hear of the Panama Papers. The Conservatives gave its boss Stephen Green a plum ministerial role as trade minister in 2011 and he sits in the House of Lords as a Tory peer in an irony lost on themselves and the media.⁴

Globalisation has continually compounded corporate power and consolidated its influential reach on global governance. Again, trade deals such as TTP and TTIP where entire continents are subjected to corporate domination are evidence of that, but their reach has a more sinister outcome. Corporate lobbyists who now have unprecedented privilege granted by global decision makers to sideline sovereign regulations designed to protect citizen rights and the environment have infiltrated the United Nations.

The UN has a special section for corporations called the “Global Compact” founded about fifteen years ago by Kofi Annan and the then President of Nestle. To become a member, a corporation need only sign on for fifteen principles in the areas of human or labour rights and the environment.⁵

The corporations of the Global Compact added themselves to members of the World Business Council for Sustainable Development and other trade bodies such as the Chambers of Commerce. When the UN held its “environmental” conference in Rio 2012, business completely dominated proceedings for the first time. Corporate interests now have a disproportionality high level of political influence on a truly global scale.

A good example would be Cecilia Malmstrom, the lead EU Trade Commissioner of the TTIP negotiations between Europe and the US. She was questioned by a reporter from The Independent a few months back on why she continued her persistent promotion of the deal against such massive public opposition, her response was: “I do not take my mandate from the European people.”⁶

Just a few weeks ago we discover that the European Parliament voted in favour of the “Trade Secrets Protection Directive” – a law that gives corporations alarming new superpowers to prosecute and criminalise whistleblowers, journalists, and news organisations that publish leaked internal documents.

Democracy is now on the verge of going from farce to tragedy as a direct result of the indomitable rise of corporate power.

As Dr. Paul Craig Roberts former Assistant Secretary of the US Treasury for Economic Policy and associate editor of the Wall Street Journal put it recently “politically powerful corporations have gained the power in Western “democracies” to sacrifice the welfare of all populations to corporate greed for profit regardless of the cost to peoples, countries, and societies. American “democratic capitalism” is total and irredeemable. TTIP gives corporations unaccountable power over governments and peoples”

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We now live in an era where the fetid reality between rich and poor is demonstrated no better than the rapidly rising inequality of wealth distribution. In 1976 America, the top 1% earned 9 per cent of the national wealth. Thirty years later and their take of national wealth has almost tripled to 24 per cent.⁷

One of the greatest challenges of our time is to understand the influence of transnational corporations over public policy and how we can engineer a form of capitalism that benefits a wider range of people whilst wrestling social and environmental injustice back into the safe arms of a fully functional democracy.

Currently, the only thing left in opposition now is a general public under siege who protest in cities across Europe and America and present petitions to their respective governments representing millions of citizens. These are the same people who have to pay for all this (legalised) criminality in lost services, employment and savings, yet remain unheard.

[Graham Vanbergen](#)'s business career culminated in a senior executive Board position in one of Britain's largest privately owned property portfolio's owned by the world's largest financial institution of its type; at one point managing over 11,000 units. Today, he is the contributing editor of truepublica.org.uk, owner of a commercial blogging news service and a regular contributor to a number of renowned news and political outlets.

Notes:

1. The rise of corporations – Global Policy Forum
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10. Head of EU TTIP negotiations quote
11. Wealth inequality in America – VIDEO

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