

## Corporatocracy

Multi-National Corporations (MNCs) do have enormous financial and political influence, for example through sponsorships of community projects and financing of the United States of America's presidential elections, without which these elections will not be possible.

The social and political advantages of these sponsorships are so essential and influential that societies tolerate MNCs' immoral behaviour, like bribing bankers, politicians and regulators. An example of such corrupting influence is the role of bankers, credit rating managers, property valuers, auditors and regulators in the asset bubble and collapse of the banking system during 2008.

Perkins calls this mutual beneficial network of corrupt relationships, corporatocracy.

The outcome of the collapse was austerity, especially for homeowners. The Federal Reserve Bank of the USA bailed out banks that sold high-risk Wealth Management Products (WMPs), e.g. derivatives and 2nd order debentures without accounting for default. These debentures are similar instruments on which the Masterbond pyramid scheme defaulted on during the 1990's in South Africa.

Thousands of homeowners in the USA lost their homes causing them and their families' great insecurity and despair, some even committed suicide. Despite gross mismanagement of funds and outdated risk assessment models, some bankers were paid bonuses and officials of some regulating agencies landed highly paid jobs with the same banks they were assessing for possible default. The latter mentioned are "back door" and conflict of interest, part of the repertoire of almost 50 shades and/or forms of corruption.

### IN CHINA

There are parallels between the USA and Chinese banking practices. China is a country with very low interest rates on savings and limited investment alternatives other than bank deposits, property and WMPs. Employers do not offer social security benefits to their employees, e.g. no pension schemes, no medical care and no disability benefits.

The cap on the outflow of money per investor to foreign markets is US\$50 000. In this context, Chinese bankers are selling high risk WMPs to the (fast increasing) middle class that are desperate to make much needed provision for their future. These products are short term and rolled over before their maturity dates, creating



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massive pyramid schemes due to collapse (Rickards).

Financial warlords are controlling regulators and politicians. These warlords are driving over investment in infrastructure facilities for which there are no demand, are vacant and deliver a negative return on investment, but from whom they as developers, are profiting. These role players are locked in a knot of interdependent and inter-related mutual obligations. The operating language of this network is what some people call "forward" (bribes) and "backward" kickbacks in which the warlords are the kingpins.

Consumption drives American and investment Chinese economic growth. In both countries, banks entice citizens into either overinvestment and/or excessive consumption in the form of either high-risk investments and/or too easily obtainable credit.

Since the USA's Great Depression of the 1930, their economic and banking systems have failed severely and repeatedly and are due to collapse again. Vested interests of bankers, politicians and regulators are preventing weaknesses in these systems to be addressed. The vulnerable, e.g. the homeless, the poor and the unemployed, are paying for the greed of the corporatocracy.

Both USA and Chinese economic and banking systems are unsustainable. The Chinese banking system is similar to and even more parasitic than the more sophisticated and deceptive American system. "Bankers' parasitic behaviour, the result of a cultural phase transition, is entirely characteristic of a society nearing collapse" (Rickards).

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