Neoliberal imperialism, corporate feudalism and the contemporary origins of dirty money

Amiya Kumar Bagchi,
Institute of Development Studies Kolkata
Idsk1@vsnl.net
www.idsk.org

Primitive accumulation under capitalism involved the generation and circulation of considerable amounts of dirty money. From the time of Henry the Navigator of Portugal in the 15th century, enslaving human beings, piracy in the open seas and attacks on the realms of people who had caused no harm to the attackers have played a major role in the process of primitive accumulation. Queen Elizabeth I of England had shares in the piratical ventures of Francis Drake, John Hawkins and other heroes of English history. Even when England was not formally at war with Spain, these sea captains ventured out with the specific objective of plundering the Spanish galleons laden with treasure obtained from the mines of Mexico and Peru. And, of course, the pages of the story of the Spanish conquest of the Americas and the Caribbean are spattered with the blood of innocents, in their thousands and millions.

Among the circle of the European kingdoms and oligarchies, a code of mutually recognized international law came to govern the relations between states, especially after the treaty of 1648, formally ending the Thirty Years War. But that stamp of legality did not prevent the blood-letting between the major combatants in the succeeding centuries (Bagchi, 2005, chapter 4). Capitalism has always been red in tooth and claw, perhaps more so in the colonies than in its homeland. But the twentieth century witnessed the most turbulent river of blood flowing across the face of Continental Europe. Beyond Europe, no legal restrictions, other than some agreed formula for dividing up the spoils from the loot of the non-white lands, were recognized in the imperialist assault (led by European powers and the USA but joined by Japan from the 1890s) against non-European peoples.

From the beginning of the triumphant march of capitalism, resources flowed from the lands Europeans conquered to the heartland of capitalism, the Netherlands, Britain and France, and thence to the overseas settlements of Europeans such as the USA, Australia, Canada and New Zealand. Most of that money was dirty since it was not earned in fair exchange but as he fruit of slave labour and tribute extracted as the self-ransoming of the conquered peoples (Marx, 1867/1886, chapters XXV-XXXIII; Dobb, 1946; Bagchi, 1972a, 1982, 2002, 2005; Patnaik, 2005). The centuries long, systematic transfer of the surplus from the Third World to G7 countries and their close allies is yet to be recognized by mainstream economists and historians, but for the last forty years or so, some types of money transfer have forced themselves on the attention of even the watchdogs of capitalism.

A considerable amount of work has been done by economists associated with the IMF, World Bank, the Institute of International Economics and independent researchers such as James Boyce, Léonce Ndikumana (Boyce and Ndikumana, 2000; Ndikumana and Boyce, 2002), Raymond Baker (Baker, 1999; Baker and Dawson et al., 2003), Jennifer Nordin (Baker and Nordin, 2005), Patricia Adams (2005a, 2005b) and others enquiring into capital flight and money-laundering.

Baker has classified dirty money into three categories, criminal, corrupt and commercial and regards the commercial route much more important than the two others. In order to understand the causality, however, we need a more fleshed-out political economy framework than his idea that these origins are loopholes in the free-market system. If we mean by the free-market system the actually existing capitalism with an overarching imperial order, then capitalism and generation of dirty money have been more or less synonymous. Take, for example, two of the props of capitalist competition associated with its use of the state system. Arms trade has always involved corrupt or non-transparent relations between governments and arms manufacturers and arms traders. A second prop, espionage and subversion of hostile states have always involved the handing out of money that must not be publicly accounted for. Both these fountains of dirty money have become gushers from the time the Cold War began and have been spouting even bigger streams since the fall of the Soviet Union. It was recently revealed that the annual budget of the CIA is $44 billion, which is more than three times the annual defence expenditure of the Government of India and more than the total military expenditure of most countries other than Japan and China. The USA's own military expenditure, of course, now amounts to around 47 per cent of the global military expenditure of a trillion US dollars.

Neo-liberalism and the surge of capital flight and dirty money

Neoliberlism arose as a project of imperialism to counter the increased power of the working classes of the metropolitan countries on the one hand and the Third World countries on the other. Near full employment in the metropolitan countries and social welfare measures had increased the bargaining power of the workers in Europe. An anti-worker ideology was nourished by trashing the achievements of welfare states. Simultaneously, the lessons of history were negated in persuading and bullying Third World countries with semi-feudal social structures to give up those kinds of measures of state patronage and state action which had promoted industrialization in Western Europe and its overseas offshoots. Economic liberalization to comprehend also deregulation of the financial sector became a major weapon in this neoliberal imperialist enterprise.

After undergoing centuries of exploitation, most newly independent countries launched programmes of development. From almost the beginning of this enterprise, raucous supporters of the free market system, led by such economists as Peter Bauer and Milton Friedman and followed by Jagdish Bhagwati, Ian Little, Tibor Scitovsky and M. F. Scott (Little, Scitovsky and Scott, 1970) were out to discredit those efforts. But the fact remains that by most indices, the developing countries did far better in respect of

economic and human development between 1960 and 1980 than they had done under colonial rule and they have done since the 1980s.

Most of these countries had not, however, undergone any social transformation and they were ruled by politicians or military dictators connected to the dominant class of landlords and a nascent capitalist class, which often collaborated with foreign businessmen and governments. So it was relatively easy to ensnare the countries in a debt trap when the easy liquidity provided by the petrodollars of the 1970s became expensive as the US Federal Reserve raised its interest rates after Ronald Reagan came to power. As the businessmen, politicians and top bureaucrats came to read the signs of the impending crisis, they began transferring millions and billions of dollars abroad. The governments borrowed money and they were almost at once transferred abroad by using legal and illegal methods, in a sequence that has been compared to a revolving door. In a capitalist economy public expenditures are often converted into private assets. But in this case the private assets are held abroad on a permanent basis and the growth rate of the economy is damped.

The neoliberal order facilitated this robbery by domestic operators or foreign firms with a presence in the developing country in several ways. First, the tax rates on the rich were lowered on the fallacious argument that this would lead to higher rates of private saving and investment. Secondly, by outlawing controls over business investment, it made the government even less capable of gathering information about these illegal transfers. Thirdly, by valorizing business-friendly governments (remember Roberto Campos of Brazil, Tansu Cillar in Turkey, Domingo Cavallo in Argentina and a host of other figures who made a direct transition from the IMF or World Bank to the office of finance or prime minister), it rendered crony capitalism as acceptable normality. Fourthly, by dictating that there should be no public regulation of interest rates, it exposed the whole credit system a victim of unpredictable turbulence. In the context of the USA, this was a major factor behind the Savings & Loans debacle. In the context of Third World countries, it rendered glittering and hollow real estate markets increasingly attractive for lending agencies until foreign investors began behaving like nervous Nellies and brought about the conjoint phenomena of a currency crisis, a banki8ng crisis and a severe downturn of the economy. Fifthly, in a world of footloose and licentious capital, a lot of Third World capital sought to escape to the heaven of the presumed stability of the USA, UK or Switzerland. Moreover, politicians went out of their way to create or bless tax havens (such as Mauritius in the case of India) either deliberately to favour their corrupt constituents or in the fond hope that capital escaping through that route would come back to its home base.

One of the chief instruments for enriching the rich and facilitating transfers of public resources to big companies and eventually to transnational corporations was the slogan and policy of privatization. As structural adjustment programmes were imposed on debt-trapped countries and as their currency values went through the floor, they had to sell their public enterprises that had been built up in the 1950s to1970s, or sometimes even from an earlier period.

Apart from that kind of coercion, the internal collaborators of neoliberalism often pressurized their own governments to hand out outrageously high profits to transnational corporations on the false argument that only big transnational corporations had the resources and the technology to build up the needed infrastructure such as power or water supply or highways. One of the most notorious illustrations of robbing of the public exchequer occurred when the Enron Corporation muscled its way into the Indian power sector with the active support of the neoliberal economic reformers who are still in important positions of the current UPA government. The story of the murky deals has been told many times (see, for example, Purkayastha and Prashad, 2002; Prayas Energy Group. 2005). The first deal of Enron for setting up the Dabhol Power Corporation with the Maharashtra government and the Maharashtra State Electricity Board (MSEB) was struck in 1993 under pressure from and hasty clearance by the Central government. In 1994 the government of India signed the Counter Guarantee assuring a 16 per cent rate of return to Dabhol Power Corporation. Experts in the power sector and for once, the World Bank itself had pointed out that the cost of power as negotiated with the Dabhol Corporation would be much higher than the alternatives available from local vendors (between three and four times the price of electricity prevailing in the market at that time)[1] and the terms of the agreement would render the MSEB bankrupt. The new Shiv Sena government of Maharashtra, coming to power in 1995 at first wanted to scrap the agreement but was later persuaded not only to go ahead with the project but allowed it to be extended to an even bigger capacity. It was revealed later that the Dabhol Corporation (or Enron) had spent $20 million for facilitating the contracts. Apart from the guaranteed rate of return, one peculiar feature of the Power Purchase Agreement was that the MSEB would have to pay for power up to the point where 85% of the capacity of plant even if latter cannot use that power. This contract at once pushed the MSEB and the Maharashtra government to the point of insolvency and the MSEB rescinded the agreement. Enron brought in very little of the promised FDI: 80% or more of the capital was lent by Indian term-lending institutions. The bankruptcy of Enron and the closure of the Dabhol plant did not provide any relief to the Indian people because it threatened to render the two major public sector banks unviable. Moreover, General Electric (GE) and Bechtel, the two partners of Enron in this venture, —one of which bought up the stake of Enron in Dabhol for the paltry sum of $20 million (the same amount that Enron had spent as grease money for obtaining the contract)— took the MSEB repeatedly to international tribunals for obtaining compensation for rescinding the agreement.

There are now attempts to restart the Dabhol plant although it has lost much of its original capacity and it is not certain that it will run economically. In the typical fashion of neoliberal governments complicit with imperialism, the government of India has been strangely reluctant to fight the claims of GE and Bechtel. There are precedents in US legal history for fighting claims for what have been rightly termed ‘odious debts’ (Adams, 2005a and 2005b). In 1923, for example, Justice Taft of US Supreme Court disallowed the claim of the Royal Bank of Canada against the Costa Rican government on the ground that the loans had been extended to the former dictator of Costa Rica and

[1] The cost would also go up all the time because the feedstock would be mostly imported naphtha and natural gas and the rupee was expected to depreciate against the dollar over time.

his brother for their personal and criminal ends and not for the benefit of the people of Costa Rica. But such precedents are now not invoked in the courts of the USA and other major capitalist countries.

As a result of the peculiarity that even private, often illegally contracted debts have to be honoured as a sovereign debt by the Third World countries many poor countries have spent large fractions of their exports and GDP on repaying these criminal or odious debts over the last twenty or more years and yet have seen their total external debts getting larger. To take an example at random, over the period 1986-2001, Ecuador paid US$40.8 billion in interest principal repayments on its external public debt, whereas new disbursements were $30.5 billion. In 2001, Ecuador's external debt came to US $14.3 billion for a population of 12 million. Debt service payments amounted to 9.6% of GDP, eating away most of the national investible surplus (CDES, 2002, p. 5). One typical example of how this kind of accumulation of debt took place was the sale of four ships by Norway to a joint sector Ecuadoran company, with a part subvention by the Norwegian government, primarily to help the Norwegian shipping industry; the rest of the money was lent to the private company by an export credit consortium. When the Ecuadoran company folded up (in 1987), the Ecuadoran government took over the responsibility for the debt. 'Over 15 years and seven agreements, the debt rose from its initial amount of US$ 13.6 million to total US$ 50 million, even though Ecuador paid US$ 14 million' (CDES, 2002, 'Prologue'). In the Citizen's Inquiry that was mounted in Ecuador, it was revealed that Norway had not followed its own legal procedures for assessing the viability of the project of the Ecuadoran firm making the purchase nor was due diligence exercised in subsequent agreements. This is an instance of the regular practice of double standards by the advanced capitalist countries, and Norway is by no means the worst offender in this respect. Double standards were also evident in allowing transnational drug companies to export many drugs to developing countries or set up processing factories for them even though they had been banned in the USA or other home bases of those companies.

During the twentieth century, international laws relating to treatment of foreign nationals, human rights, the conduct of war and a host of other matters relating to people and their lives and livelihood were codified and they were systematically violated throughout the century by the imperialist powers. What is new under the dispensation of planetary imperialism proclaimed by the USA is that the government of the latter has repeatedly stated its intention to disregard all laws that it perceives to be against its own interest and proceeded to practise that doctrine with impunity. Thus when money is deposited in US banks by its favoured dictators, it is protected as private property, but when the dictator or regime, themn the money and the dictator comes under a legal interdict.

Planetary imperialism has led to an enormous increase in international and domestic inequality (Bagchi, 2005, chapters 22 and 23; Jomo, 2006). The trashing of all developmental efforts in most developing countries, the plunder of public assets by private entities in those countries and in the ex-Soviet lands of Eurasia, the systematic attacks against trade union rights and social security of workers and the growth of what has been called 'corporate feudalism' have been some of the major components of that

phenomenon. Economists have paid some attention to economies of scale and scope and network effects favouring the growth of economic concentration. But the effect of centralization and its enormous acceleration after the burgeoning of a market for firms in an increasingly deregulated global stock and money markets have not received as much attention as it should have done.

Financial liberalization has allowed bigger firms, or firms with a bigger access to credit, to grab firms which were more efficient in their operation. The outcome of the spate of bank mergers is perhaps the best illustration of they have led neither to better customer service nor to cost-saving but have netted the merger operators large capital gains in one form or another. In the process it has also led to a shortening of the investment horizon and further worsened the global deflation of the last twenty-five years.

In the gambler's ruin problem, in the long run, the person starting with a smaller capital generally faces ruin. Moreover, in the context of the stock market, a risk-neutral investor will generally face bankruptcy at some time and an investor without any collateral to offer will be forced out of the market (Merton and Samuelson, 1974).

These effects were compounded by the typical investment advisor's tendency to play safe by betting on the stocks that are rising. Again, much of that rise can be deliberate propaganda by investment advisors in favour of their bigger clients, since many such firms also act as investment consultants for bigger firms. In addition, it was found by Gompers and Metrick (2001) that between 1980 and 1996, large institutional investors doubled their share of the holding of US equities, from 26 per cent in 1080 to 53 per cent in 1996. This increase by itself accounted for nearly 50 per cent of the increase in prices of large company stocks relative to small company stocks. Some of the implications of the much greater presence of large institutional investors have been spelled out as follows:

> Many of these institutional investors are themselves index funds, which hold stocks in the S&P 500 Index. Many more are pension and mutual funds whose managers are evaluated on their performance relative to the S&P Index, and therefore focus on holding S&P stocks to 'control' the so-called tracking error, the deviation of their performance from that of the Index. Still other institutional investors prefer S&P stocks because they have high liquidity and hence are cheap to trade. The superior performance of U.S. stocks, and in particular of the largest stocks in the S&P Index, may perhaps be attributed to the growing demand for these stocks by institutional investors, who buy them up from individuals with effectively lower valuations (Shleifer, 2000, p. 181).

The increase in prices of many large company stocks was also deliberately engineered in the 1990s through deliberate accounting fraud of which Enron, WorldCom and several other apparently dynamic, multi-billion dollar companies were beneficiaries during the 1990s boom[2]. But while the overpricing of large companies lasted (and that overpricing

[2] On the numerous ways in which corporate firms cheated the government, the general public and the ordinary shareholders during and before the end-of-the-century boom in the US stock market, see Krugman, 2002.

is still continuing according to many specialists), it enormously facilitated take-overs and IPOs by the large companies and accelerated the processes of both centralization and concentration of capital.

In this paper, we have primarily sketched the operations in the stock market in the era of globalization that have fostered further increases in concentration of economic power. Very similar processes have operated in currency markets. There is the same absence of substitute currencies that fouls up the arbitrage transactions, there is the same preference for apparently stronger currencies on the part of big currency traders, there is the same herd instinct on the part of institutional investors, including the so-called hedge funds, pension funds and mutual funds. On top of all that, there is a straightforward political factor acting on 'investor sentiment', that is likely to bring into disfavour currencies of regimes that are frowned upon by the US and other G7 governments.

In the globalized financial markets, the US-based credit rating agencies, such as Standard & Poors and Moody's, decide the fates of whole economies by upgrading or downgrading their currencies or the securities of their governments and their leading firms. This insidious game goes on despite the fact that they have proved to be false prophets in many crises such as the Asian financial crisis of 1997-98. In the era since the inauguration of the WTO regime, another principal means of keeping the LDC governments and their firms in line has been the institution of anti-dumping measures and complaints before the dispute settlement authority of the WTO.

The efforts of large corporations to grab more resources by altering the working of some basic institutions or creating new institutions were not simply happenstances, or the seizing of opportunities as they came up. There is plenty of circumstantial and direct evidence that they planned and conspired to bring about those changes. Many famous economists collaborated in this effort and provided ideological support for it. The fallacious McKinnon-Shaw theory of so-called financial repression, the theory of options pricing anchored in the fundamentals to be revealed by the working of futures markets and the Jensen-Meckling theory of the shareholder-as-king firm, the Chicago school backing of excessive prices of pharmaceutical products on the ground of high costs of development of new products and finally the theory of rational expectations ensuring optimal working of capitalist economies without public intervention were all fabricated between 1971 and 1978, exactly the period in which it appeared that the power of the working class and the aspirations of developing countries had grown to unacceptable levels.

Drahos and Braithwaite (2002) have now documented the chronology of planning and conspiring by big corporations that finally led to the creation of the World Trade Organization, the body that, in the name of free trade, gives the widest licence to corporations to monopolize trade, production, knowledge and the natural resources of the world. Even George Orwell, that supreme creator of distopias, could not have imagined the torrent of doublespeak that has issued from the fervent supporters of the WTO and polluted the discourse of all policies relating to the economy, education, health and innovation. Drahos and Braithwaite's chronology of key events starts with the

appointment of Edmund Pratt as the CEO and Chairman of Pfizer, one of the biggest drugs and pharmaceuticals companies in the world. In the USA, any interest group, and, of course, businessmen acting for their own firm or as members of a business association can legally employ lobbyists for influencing official decisions. Both the major parties have to demonstrate that they are favouring US business through their policies. This political fact has to be kept in mind if we have to understand the sequence of events leading to the formation of the WTO.

The US Trade Act, incorporating the Jackson-Vanek Amendment linking trade to intellectual property was passed in 1974. In 1979 Pratt was appointed to the Advisory Committee on Trade Negotiations (ACTN). He became its Chairman in 1981. In 1984, the 'International Intellectual Property Alliance [was] formed to represent US copyright-based industries….It represent[ed] approximately 1500 US companies' (Drahos and Braithwaite, 2002, p. xi). In March 1986, the Intellectual Property Committee was co-founded by Pfizer and IBM. The IPC then began intense lobbying in all major developed country groups, including European Union, Japan, Canada and Australia and persuaded them to join in the campaign to link trade and intellectual property rights on a wide-ranging basis. In the meantime, the process of softening up of developing countries under US leadership was well under way. In 1984, the US Trade Act was amended to include intellectual property right violation as a ground for retaliation under its clause 301. This clause was invoked against South Korea in 1985 for alleged IPR violation. In 1989, the US Trade Representative, on the recommendation of the Motion Picture Association of America and the Intellectual Property Alliance, used clause Special 301 of the US Trade Act to target 'problem countries', including Brazil, India, Mexico, China, Egypt, Korea, Saudi Arabia, Taiwan (Province of China) and Thailand (Ibid., p. xiv). Some of these countries had been opposing the inclusion of IPR in trade-related clauses during the ongoing Uruguay Round negotiations to revise the GATT agreement.

But the resistance of most of the developing countries had been worn down through other instruments wielded by financial liberalization and structural adjustment programmes. By 1982 practically all the major counties of Latin America, Sub-Saharan Africa and some countries of Asia as well were caught in a debt trap. The initiatives of the G7 countries and the IMF and the World Bank were directed towards ensuring that the transnational banks based in G7 Countries received their tons of flesh despite plain bad banking and that the indebted countries did not get out of their debt peonage. Side by side, there were lobbies in the resisting countries trying to push them into the kind of debt trap that would force their governments to toe the line laid down by the Washington twins. In India, this lobbying and policies resulting from them started in earnest during the period when Rajiv Gandhi was the Prime Minister of India (Bagchi, 1985/2002). That bore its fruit by 1990 and by June 1991, India had signed an IMF memorandum, promising wide-ranging economic reforms. By 1990, officials in the Indian Ministry of Commerce were actively lobbying for both the devaluation of the rupee, and changes in the Indian Patents Act of 1970. The latter piece of legislation had provided opportunities for Indian companies to produce and market new goods via the route of process innovations. The Commerce Ministry document relating to the recommended devaluation was leaked out and

precipitated the balance of payments crisis that provided the final justification for the structural adjustment programme initiated in 1991.

I turn finally to the use of naked violence as a major factor creating the conditions for corporate feudalism. The typically barbaric nature of the conduct of war by the successive governments of the USA in Vietnam in those times, and Iraq, Kosovo, and Afghanistan in more recent times is illustrated by the statement of a US army major who was involved in the bombing of Hue, the old imperial city of Vietnam, to utter ruin. When he was asked why they had done it, his reply was: 'We had to destroy it in order to save it' (McWilliams and Piotrowski, 1997, p. 209). Eventually protests by students and other sectors of civil society against the senseless slaughter of the Vietnamese, and increasingly of young American forced the US government to bring down the number of its troops. As the secret negotiations for ending the US-Vietnam war dragged on,, the US government continued its barbaric destruction of lives, villages, cities and forests of Vietnam and the neighbouring countries. After a peace agreement signed on 27 January 1973, the US government withdrew its troops. The heavily armed but demoralized soldiers of the puppet regime of South Vietnam tried to carry on the fight for another two years, but the final collapse of the regime began in January 1975. In April 1975, the liberation forces entered Saigon, the capital of South Vietnam in triumph and without any resistance.

While the US government apparently lost the war, its war aims were hugely successful. It was able to 'roll back' communism, preventing it from spreading to Thailand, and effectively blocking the path of sustainable, self-reliant development in the whole region by not only bombing the people back to 'stone age' but destroying the environment with chemicals, bombs and land mines.

In their determination to come out as the victor in the contest with what they regarded as a world-wide Communist conspiracy to dominate the world, successive US governments, with explicit or tacit support of most other advanced capitalist countries, have used all instruments of subversion and armed aggression against any country in which they have sensed the possibility of establishment of a regime that will not be subservient to the dictates of global capital. It is with that objective they have sustained the kings of Saudi Arabia as the fountainhead of Islamic fundamentalism throughout the Middle East (Achcar, 2002, chapter 2; Prashad, 2002, chapter 4). Of course, the fact that Saudi Arabia possesses the largest reserves of easily exploitable oil in the world has been a critical factor in the US support for the regime. Saudi Arabia being the country in which the holiest shrine of Islam, namely, the Qaaba of Mecca is located, and of which the Saudi king claims to be the protector, was also important as a major locale for fighting secular Arab nationalism, typified by Gamal Abdel Nasser of Egypt. Nasserism was crushed by the successive victories of Israel, as the citadel of imperialism, against Egypt and its other neighbours such as Jordan and Syria. Two events of the 1970s further underlined the importance of Saudi Arabia as a loyal ally of US imperialism in the region. One was the Iranian revolution of 1979, in which the Shah of Iran was thrown out and Ayatolla Ruhollah Khomeini, a fundamentalist but anti-Western and anti-Soviet cleric came to assume the reins of power.

The US support for religious fundamentalism in its fight against any kind of progressive regime in the Third World was again evident in the sequence of events that led ultimately to the US aggression against Afghanistan in 2002. The Mujahideen had been nursed with money, arms and military training, and after the progressive, left-wing regime had been overthrown by the Taliban and the warlords with publicly displayed brutality, the Taliban regime was promptly recognized by the Western powers. It was only when the terrorist activities of Al-Qaeda directly impinged on US interests that the government of that country began moving against the Taliban regime.

The US-led attack against Iraq, beginning on 20 March 2003, demonstrated for the entire world to see the total contempt of the US government for all provisions of international law that had evolved in Europe from the days of Erasmus and Hugo Grotius. The USA had used the fig leaf of sanction by a docile United Nations for its first war against Iraq (in 1991) and even for its war against Afghanistan. But the USA and its allies dispensed with that approval in waging its 2003 war against Iraq. In fact, the US administration shares with Israel the distinction of having violated or voted against the largest number of UN resolutions since the 1970s (Blum, chapter 20, 'The US versus the World at the United Nations').

The neo-conservatives of the USA want to impose 'democracy' everywhere without caring about how many people they kill in the process. All the major leaders of the Clinton and Bush administrations have proclaimed that they would attack any country without bothering about the violation of international law (Blum, 2002; Prestowitz, 2003). In recent years, the US administration has 'rejected or weakened several landmark treaties, including the ban on use of landmines, the ban on trade in small arms, the comprehensive test ban treaty, the ABM treaty, the chemical warfare treaty, the biological warfare treaty, the [nuclear] nonproliferation treaty, the International Criminal Court, and others' (Prestowitz, 2003, p. 144). Yet it has gone to war on the allegation that countries belonging to the so-called 'axis of evil', such as Iraq, Iran or North Korea possess or are about to develop weapons of mass destruction. The overwhelming armed superiority of the USA in relation to that of all the other powers inspires the confidence of its rulers that it can impose its will on the rest of the world regardless of their own wishes.

The WTO has been the final weapon in the armoury of corporate feudalism and the power of the G7 countries to treat workers of all countries and farmers in developing as costlessly disposable sources of profit. It is now well documented that the WTO was created through the deliberate conspiracy of the USA and other G7 countries, orchestrated by big transnational corporations such as Pfizer.

Capitalism, of course, is all the time throwing up its own contradictions and facing renewed resistance in various forms. The US-based transnational corporations in the automobile industry and in pharmaceutical industries are facing serious trouble. The former are losing market shares to the Japanese and Korean companies. The latter are

reaping the benefits of unethical practices, their preference for spending money on manipulative advertisements rather than on research and the vigilance of a few conscientious editors of the leading medical journals.

The clearest signs of resistance against US planetary ambitions are the upsurge of leftist movements in major Latin American countries, the repeated demonstrations against Anglo-US warmongering and the protests mounted against the WTO, IMF and the World Economic Forum. The history of Argentina since the 1970s clearly demonstrates the connection of dirty money with neoliberalism, and the possibility of challenging the power of the IMF and its clients when a government determined to give priority to the 'social debt' rather than the dubiously accumulated foreign debt takes up the reins. As is well known, Argentina continued to be the darling of the US administration when a military dictatorship as sinister as the Pinochet dictatorship of Chile seized the government from a democratically elected government. When that government was toppled by popular struggle, unfortunately a government that was controlled by businessmen enamoured of the neoliberal ideology came to power. Carlos Menem and his associates soon became both corrupt and authoritarian. With publicly expressed blessings of the IMF and the top financiers of the world, he and his Finance Minister, Cavallo, proceeded to dollarize the economy and privatize major public enterprises, often ironically handing them over to state-controlled firms based in Spain and Italy. Dollarization and neoliberalism landed Argentina in a situation of economic meltdown from 2000. After a repeated series of bullying by the IMF and further impoverishment through austerity measures, the Argentineans elected Néstor Kirchner as their President in preference to Menem. Kirchner proceeded to deal firmly with the IMF. 'The Argentinean government succeeded in taking the issue of resolving disputes with the private international creditors off the table in its dealings with the Fund. This was a considerable break from the Fund's historical as the effective coordinator and enforcer of private international debt restructuring. Consequently, in an unusual move of dissent, eight members of the 24-member IMF Executive Board abstained from giving their approval of Argentina's September 2003 standby package' (Cooper and Momani, 2005). (These eight members included Italy, Japan and Britain: Ibid, p. 319n30). But Argentina showed that there is no TINA in entering into tough negotiations with the IMF as many of us in India had urged in 1991. By putting the interests of Argentineans ahead of the holders of external debt, Argentina has become the fastest growing Latin American economy in recent times.

In India, starting with the ministerial efforts of the NDA government at the Centre, the Central government under the UPA dispensation also has proceeded to install a regime for money laundering and the enriching of the super-rich and their hangers-on as speculators and stockjobbers. Mauritius has been legally recognized as the tax haven for the rich. The Central government has abolished the long-term capital gains tax, especially for transactions in the stock market. Exporters are legally allowed to keep their earnings abroad for six months. The short-term capital gains tax for stock market operations has also been brought down to derisory levels. The attempt of the Reserve Bank of India (RBI) to disallow sub-accounts of FIIs and participatory notes, whose ownership cannot be determined by their very construction, and to exercise strict vigilance over the hedge

funds which escape all regulation was summarily brushed aside, in the name of encouraging FII inflows (see GOI, 2005; and for the dissenting note of the RBI, RBID, 2005). The neoliberal virus spread from the USA, but the rich and the state apparatuses they control have been enthusiastic disseminators of that virus.

The genesis of dirty money is deeply connected with the operation of neoliberal imperialism itself and only a struggle for an alternative global economic order can begin to address the root causes of their continual outpouring to the detriment of living conditions of the majority of the world's poor.

References

Adams, Patricia. 2005a. *Corruption in High and Not-So-High Places* (http://www.probeinternational.org/probeint/Odious Debts/Odious Debts, accessed on 6/12/05

Adams, Patricia. 2005b. *Loose Lending, Corruption and the Third World's Environmental Legacy* (http://www.probeinternational.org/probeint/Odious Debts/Odious Debts, accessed on 10/12/2005)

Bagchi, A. K. 1972. *Private Investment in India 1900-1939*, Cambridge, Cambridge University Press.

Bagchi, A. K. 1972a. Some international foundations of capitalist growth and underdevelopment, *Economic and Political Weekly*, 7(31-33), August.

Bagchi, A. K. 1982. *The Political Economy of Underdevelopment*, Cambridge, Cambridge University Press.

Bagchi, Amiya K. 1985/2002. Hijacking the Indian economy, *The Herald Review*, May; reprinted with a postscript, *Journal of the Department of Economics***,** Rabindra Bharati University.

Bagchi, A. K.1998. 'Development', in Kurz and Salvadori, 1998, pp.213-217.

Bagchi, A. K. 2002. The other side of foreign investment by imperial powers: Transfer of surplus from colonies, *Economic and Political Weekly*, 37(28), 2229-38.

Bagchi, A. K. 2005. *Perilous Passage: Mankind and the Global Ascendancy of Capital*, Lanham, Maryland, Rowman & Littlefield.

Baker, Raymond W. 1999. The biggest loophole in the freemarket system, *The Washington Quarterly*, 22(4), Autumn, 29-46.

Baker, Raymond W., Brionne Dawson, Ilya Shulman and Clint Brewer. 2003. *Dirty Money and Its Policy Effects*, Washington, D. C., Centre for International Policy.

Baker, Raymond and Jennifer Nordin. 2005. While dirty flows, the poor stay poor, *International Herald Tribune*, 13 April.

Baran, Paul A., and Sweezy, Paul M.1966. *Monopoly Capital: An essay on the American economic and social order***,** New York, Monthly Review Press.

Barberis, N. and Thaler, R. 2003. 'A survey of behavioural finance'**,** in the *Handbook of the Economics of Finance*, vol.1, edited by G. Constantinides, M. Harrison and R. Stulz, Amsterdam, Elsevier.

Boyce, James K. and Léonce Ndikumana. 2000. *Is Africa a net creditor?*

New Estimates of Capital Flight from Severely Indebted Sub-Saharan African Countries, 1970-1996, Department of Economics and Political Economy Research Institute, University of Massachusetts, Amherst.

Bradley, Caroline. 1990/1994. Corporate control: Markets and rules, *Modern Law Review*, vol. 53; reprinted in Wheeler, 1994, 180-207.

Bratton, Jr., William W. 1981/1994. The new economic theory of the firm: Critical perspectives from history, *Stanford Law Review***,** vol. 1; reprinted in Wheeler, 1994, 117-179.

Burke, J. and G. Epstein. 2003. 'Threat effects and the internationalisation of production', in Ghosh and Chandrasekhar, 2003, pp. 55-98.

CDES. 2002. *Upheaval in the Backyard: Illegitimate Debts and Human Rights: the case of Ecuador-Norway*, Quito, Centro de Derechos Económicos y Sociales (website: www.cdes.org).

Cooper, Andrew F., and Bessama Momani. 2005. Negotiating out of Argentina's financial crisis: Segmenting the international creditors, *New Political Economy*, 10(3), September, 305-320.

Dobb, Maurice Herbert. 1946. *Studies in the Development of Capitalism*, London, Routledge & Kegan Paul.

Drahos, P. and J. Braithwaite. 2003. *Information Feudalism: Who owns the knowledge economy?*, New Delhi, Oxford University Press.

Ghosh, Jayati. and C. P. Chandrasekhar (eds). 2002. *Work and Well-being in the Age of Finance***,** New Delhi, Tulika.

GOI. 2005. *Report of the Expert Group on Encouraging FII Flows and Checking the Vulnerability of Capital Markets to Speculative Flows*, Government of India, Ministry of Finance, Department of Economic Affairs, New Delhi, November.

Gompers, Paul A., and Metrick, Andrew. 2001. Institutional investors and stock prices, *Quarterly Journal of Economics*, 116 (1), 229-259.

Helleiner, Eric. 2000. *The Politicas of Global Financial Reregulation: Lessons from the Fight Against Money Laundering*, New School University, New York, Center for Economic Policy, CEPA Working Paper Series III, Working Paper No. 15, April.

Jomo, K. S. (ed). 2005. *The Great Divergence: Hegemony, Uneven Development and Global Inequality*, New Delhi, Oxford University Press.

Marx, Karl. 1867/1887. *Capital: a critical analysis of capitalist production*, Vol. I, translated from the third German edition by S. Moore and E. Aveling; reprinted, Moscow, Foreign Languages Publishing House, c. 1956.

Ndikumana, Léonce and Boyce, James K. 2002. *Public Debts and Private Assets: Explaining Capital Flight from Sub-Saharan African Countries*, Political Economy Research Institute, University of Massachusetts, Amherst.

Patnaik, Utsa. 2006. 'The free lunch: Transfers from the tropical colonies and their role in capital formation in Britain during the Industrial Revolution', pp.30-70, in Jomo K. S., *The Long Twentieth Century: Globalization under Hegemony: The Changing World Economy*, New Delhi, Oxford University Press.

Prayas Energy Group. 2005. Restarting Dabhol: Who will bear the cost? And why ? *Economic and Political Weekly*, 18 June, 2495-2499.

Rajakumar, J. Dennis. 2005. Corporate financing and investment behaviour in India, *Economic and Political Weekly*, 17 September, 4159-4165.

Kahn, R. F. (1954/1972). Some notes on liquidity preference, *Manchester School*, September; reprinted in Kahn: *Selected Essays on Employment and Growth*, Cambridge, Cambridge University Press, 72-96.

Krugman, Paul. 2002. Flavours of fraud, *New York Times*, 28 June.

Kurz, Heinz D., and Salvadori, Neri (eds). 1998. *The Elgar Companion to Classical Economics, A-K***,** Cheltenham, Elgar.

Little, I. M. D., Tibor Scitovsky and M. F. Scott. 1970. *Industry and Trade in Some Developing Countries: A Comparative Study*, New Delhi, Oxford University Press for the OECD.

RBID. 2005. *Reserve Bank of India's Dissent* in the form of a letter from Vinay Baijal, Chief General Manager, Reserve Bank of India, in GOI, 2005, pp.59-70.

Ricoy, Carlos. 1998. 'Cumulative causation', in Kurz and Salvadori, 1998, 202-208.

Shiller, Robert J. .1989. *Market Volatility*, Cambridge, MA, MIT Press.

……1999. 'Human behavior and the efficiency of the financial system', in John B. Taylor and Michael Woodford (eds). *Handbook of Macroeconomics*, vol.1, Amsterdam, Elsevier, pp.1305-1340.

…….2001. *Irrational Exuberance*, (with a new preface by the author), Princeton, Princeton University Press.

Shleifer, Andrei. 2000. *Inefficient Markets: An Introduction to Behavioural Finance*, Oxford, Clarendon Press.

Sweezy, Paul M., Huberman, Leo and Magdoff, Harry. 1970. *Vietnam: The endless war***,** New York, Monthly review Press.

Vernon, Raymond S. 1971. *Sovereignty at Bay: the multinational spread of Us enterprises***,** Harmondsworth, Middlesex, Penguin Books.

Wheeler, Sally (ed.). 1994. *The Law of the Business Enterprise: Selected Essays*, New York, Oxford University Press.