

# The Rise of Inequality and Cronyism in Western Nations

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*Over the past 4 decades, there has been a major increase regarding wage inequality and unequal property ownership occurring mainly in the Western countries. This relates to the neoliberal era launched by US president Ronald Reagan (1981-89) and his ally in London, prime minister Margaret Thatcher (1979-90).*

Neoliberalism has in effect meant large-scale exploitation by Western elites of the general public. There had long been income inequality in the US, but during the last 40 years it has grown wider there than in any other country. For example in 2013, the chief executives of 350 US companies earned on average \$11.7 million that year, while the annual wage of the typical American worker was \$35,293. (1)

The average income of corporate executives was almost 800 times higher than American workers on the minimum wage, \$7.25 an hour. The situation was not much better in Britain. Record-breaking levels of inequality occurred in Britain during the 1980s under prime minister Thatcher, especially from 1985, which was her most telling legacy.

These events were not restricted to the US and Britain, but spread to countries across the West and even further afield. After World War II, investment from America and the industrial European nations was shifted to exploit Asian and Latin American states, as the Western powers sought cheaper production in the form of labour and rich natural resources. Washington supported the fascist-style regimes in Spain (Franco) and Portugal (Salazar), and collaborated with Nazi officers like Reinhard Gehlen, Walter Rauff and Otto Skorzeny, in the Cold War stand-off with Soviet Russia.

Skorzeny, an SS lieutenant-colonel, insisted that the American authorities had helped him to escape from prison on 27 July 1948 in Darmstadt, western Germany (2). Five years before, Skorzeny had played a leading role in freeing Mussolini from a mountain-top Italian prison, at the Hotel Campo Imperatore, less than 70 miles from Rome. Skorzeny became a personal favourite of Hitler, one of his most trusted soldiers.

As late as 29 March 1945, Hitler was singling out Skorzeny for praise; during their final meeting on the previous date mentioned, Hitler spotted Skorzeny in the corridor of the Reich Chancellery in Berlin and warmly shook his hand, thanking him profusely for his wartime actions. The journalist Martin A. Lee wrote that after the war, "The CIA was particularly interested in his [Skorzeny's] services". British officials reported that Skorzeny was "working for U.S. intelligence" which involved "building a sabotage organization". (3)

From the late 1980s, the export of Western investment was directed towards central and eastern European states. There the multinational corporations installed their plants and factories, employed workers on low wages, and began to export to the markets of the countries of their origins, be it America or England. The outsourcing of labour and displacement of manufacturing had repercussions for the labour market, and contributed to the rise in inequality.

These developments eroded the morale of the ordinary worker, along with the trade unions and leftist parties who were supposed to represent the workers' interests. One of the weaknesses of the left has been its splintering into different categories (socialist, social democrat, Marxist-Leninist, etc.), and how the leftist groups have a tendency to squabble among themselves.

Because of changes in society, attacks by its adversaries and political infighting, the parties of the left in Europe and elsewhere have mostly fragmented or disappeared. There is not a great deal to distinguish between what remains. In 2009 Marxist historian Eric Hobsbawm admitted in an interview, "there is no longer a left as there once was". (4)

On 12 November 1999 president Bill Clinton, an enthusiastic supporter of liberalism and neoliberal policies, signed into law the Gramm-Leach-Bliley Act. The objective of this legislation was to reduce government control over industry and banking, through enacting wide-scale deregulation, which would increase the strength of private enterprises in the market.

By passing the Gramm-Leach-Bliley Act, president Clinton allowed the Glass-Steagall Act (The Banking Act) to be repealed. The Glass-Steagall Act had been approved by the US Congress in 1933, at the height of the Great Depression, in order to prevent the banking offences that contributed to the Wall Street Crash of 1929. Alan Greenspan, who from 1987 to 2006 was chairman of the Federal Reserve (America's central banking system) believed the Glass-Steagall Act was "obsolete and outdated". Clinton it seems agreed with him.

One of America's largest energy firms, Enron, held great influence in Washington from the end of the 1980s onward. At one time or another, over 250 members of the US Congress were receiving financial donations from Enron, and George W. Bush was the biggest recipient of Enron contributions (5). Bush received various funding from Enron, during his campaign to be the governor of Texas in the mid-1990s, and in his bid to become the US president a few years later.

Bush was a close friend of Kenneth Lay, the Enron chairman and founder. Lay was indicted by an American grand jury for fraud in July 2004, with Enron having filed for bankruptcy in December 2001 because of deliberate financial mismanagement. At the time it was the largest bankruptcy in America's history.

Among Enron's stockholders was Donald Rumsfeld, the US Secretary of Defense; Bush's top

adviser, Karl Rove; Linda Fisher, a Bush administration official; Peter Fisher, the Treasury Undersecretary; and Robert Zoellick, a future Deputy Secretary of State under Bush (6). Zoellick held a number of posts, from 1989 to 1993, in the presidential cabinet of Bush's father, George H. W. Bush.

The administration of the younger Bush (2001–09) was influenced by Wall Street money. Bush continued where his predecessor Clinton had left off, by expanding the deregulation to sectors of the US economy. The risk-taking and speculative actions of real estate brokers, assisted by the deregulation, increased between 2002 and 2007. There was no proper inhibition or control over the flow of cash. Super banks were created which took trillions of dollars of loans from each other on a regular basis, and also from central banks.

The explosion of the financial bubble was not unexpected, and it finally began to burst in the first half of 2007. In July the same year, European banks recorded losses on contracts relating to subprime mortgages (7). The default on the mortgages signalled a meltdown, affecting loans to companies, credit cards, and other transactions. The Wall Street banks and financial institutions were in serious trouble by 2008.

President Bush resorted to bailing them out with US taxpayer money, to the bitterness of much of the population. Bush dispensed with billions of dollars of taxpayer income, on some occasions without letting the Congress know of what he was doing (8). The Federal Reserve, headquartered in Washington, did not inform the American people as to who the beneficiaries were of the bailout. Nor did the bankers reveal how much cash they received.

Already in 2007 Lloyd Blankfein, chairman of one of America's biggest banks (Goldman Sachs), reportedly received a bonus that year of nearly \$68 million as the crisis was deepening (9). Blankfein possessed shares worth over half a billion dollars. The financial collapse of 2007–08 undermined the order of the liberal West. It affected the sovereign debts of EU and NATO countries, which served to damage the confidence placed in the US.

America's position as the global superpower has been declining since its military attack against Iraq (10), the 20th anniversary of which has just passed. The failure to discover weapons of mass destruction (WMDs), which had always been a dubious allegation, along with the complete destabilisation of Iraq and the surrounding Middle East, caused permanent damage to Washington's reputation.

Looking back 20 years later, the failed invasion of Iraq may well have proved a turning point in US affairs, marking the watershed between the years of happy prosperity for Washington which preceded 2003, to the later years of mounting uncertainty and trouble. The inability to subdue Iraq resulted in an erosion of US power in the Middle East, which continues to the present, borne out by the improvement in relations between Iran and Saudi Arabia, the latter traditionally a key American ally. These occurrences can only be viewed with alarm in Washington.

Recently, through attempts to maintain its hegemony and stall the decline, we witness dangerous and rather desperate acts by the Americans; such as sending aerial vehicles and vessels across the seas that flow beside Russia and China, who are nuclear powers and possess large militaries. Regarding the attacks on the Nord Stream gas pipelines, which occurred 6 months ago, the motive and available evidence points to the Americans having firm involvement in the sabotage of the pipelines – most probably with at least tacit support from fervently anti-Russian NATO states like Britain.

Motive alone is very suggestive. When a criminal act is perpetrated, a good police detective will usually look for motive, as in who stands to benefit from the crime. In this case the leading Western powers, for their own political reasons, undoubtedly desired the sabotaging of Nord Stream. President Joe Biden said just over a year ago that the Americans would stop Nord Stream “one way or another”. (11)

The manipulation of Washington has increased over the past few decades. In 1971 there were 171 lobby groups in America, professional lobbyists who try to influence the US government and politicians. A decade later, in 1981 the number of lobby groups in America had risen to 2,500. By 2007 there were 14,816 lobbyists in the country, and the number has remained quite stable through to today. (12)

There has never been real transparency with the US lobbying industry, who the lobbyists and clients are, how much money is involved and what it is used for. In 2013, it became known that about \$3.2 million of lobbyist cash was used to bribe US congressmen (13). The lobbyists concentrated in Washington craft legislation with the money they give to politicians, and so the US can hardly be called a democracy.

The system relating to election campaigning in the US, by its nature, makes politicians favourable to the banks and multinational firms. This evolution of the American system became more acute with the collapse of communism 3 decades ago, a development which strengthened the myth about “American exceptionalism”. (14)

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## Notes

1 “CEOs at big U.S. companies paid 331 times average worker”, Inter Press Service, [16 April 2014](https://www.ipsnews.com/2014/04/16-04-2014/)

2 Martin A. Lee, *The Beast Reawakens* (Routledge; 1st edition, 12 October 1999) p. 43

3 Ibid.

4 Luiz Alberto Moniz Bandeira, *The World Disorder: US Hegemony, Proxy Wars, Terrorism and Humanitarian Catastrophes* (Springer; 1st edition, 4 February 2019) p. 28

5 Ibid., p. 31

6 “15 Bush officials owned Enron stock”, Irish Examiner, [12 January 2002](https://www.examiner.ie/12-january-2002/)

7 Bandeira, *The World Disorder*, p. 32

8 Ibid.

9 "Goldman's Blankfein collects \$68 million bonus", CNN, [21 December 2007](#)

10 Bandeira, The World Disorder, p. 35

11 "Ukraine War: Will 'Nordic-Bomb' hurt America's stakes & reputation in Europe as it battles Russia?" Eurasian Times, [17 February 2023](#)

12 "Number of registered active lobbyists in the United States from 2000 to 2022", Statista, [25 January 2023](#)

13 Bandeira, The World Disorder, p. 36

14 Ibid., p. 34

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