Chapter 1

Mise-en-scène: *the injustices of wealth*

> What thoughtful rich people call the problem of poverty, thoughtful poor people call with equal justice a problem of riches.
>
> (R.H. Tawney 1914)

The world is riven by social injustices, and there are numerous individuals, groups, political parties and social movements whose commitment and dedication to challenging what Chilean poet Pablo Neruda (2004, p. 1) called 'organised social misery' is a constant inspiration. But no challenge that lacks a grounded understanding of how wealth is accumulated within society, and by whom, is ever likely to make more than a marginal dent in the status quo. Nor will it shift accumulation's lethal trajectory of oppression, dispossession, environmental degradation and life-robbing inequalities. At best, it may slow the processes through which elites extract value from society every minute of every day; at worst, it may unwittingly further the concentration of political and economic power, marginalisation, exclusion and looting that such extraction entails.

The relative ease with which elites have deflected mounting popular protest over the growing worldwide gulf between rich and poor, and the injustices that this reflects, is illustrative. Protests by Occupy! and other movements have forced acknowledgment of the problem by just about everyone from President Obama to the corporate head honchos who gather every year at the World Economic Forum. The International Monetary Fund (IMF) and the Organization for Economic Co-operation and Development (OECD), both bastions of neoliberalism, have now similarly 'discovered' inequality as an 'issue'. Some policy changes have been made: both the IMF and the OECD have jettisoned years of defending inequality as necessary to economic growth and now argue that it poses a barrier. Long-standing demands that taxes on the rich be slashed have also been modified to endorse progressive taxation as an appropriate policy response to inequality. So, too, the damaging impacts of inequality

on the fabric of society, scrupulously documented by academics such as Richard Wilkinson and Kate Pickett (2009), have now been acknowledged.

Three cheers for all that! Except that, even as the IMF sheds crocodile tears over the 'dark shadow' that inequality is casting over the global economy, it continues to impose austerity measures on Greece and other countries. Except that what counts as 'excessive inequality' keeps shifting in the wrong direction. (Today it is asked whether an average wage differential between CEOs and workers of 300:1 is acceptable, whereas as recently as the 1970s a ratio of 20:1 was considered out of line.)[1] Except that inequality is still viewed primarily as a problem of poverty and the poor rather than of riches and the rich, an explanation that conveniently deflects attention from the role that wealth creation plays in *creating* inequality (Dorling 2010; Sayer 2015). Except that the structural causes of inequality remain unexamined and unchallenged. Everything changes so that nothing changes.

1.1 Gattopardo politics

Dissembling and damage control are to be expected from the likes of the IMF, which, as architect and chief enforcer of structural adjustment, has form on inequality. But much of the noise around inequality emanating from the mainstream Left also amounts to what academics (and self-styled 'bourgeois radicals') Ewald Engelen and Karel Williams (2014, p. 1771) describe as 'guaranteed inaction', whereby 'society can recognise the problem of growing inequality without any prospect of effective redress'.

An emblematic case in point is the response of the left-leaning French economist Thomas Piketty, whose 600-page doorstopper of a book, entitled *Capital in the Twenty-First Century*, hit the bestseller lists in 2014. Largely based on research undertaken over the previous decade with his colleague, Emmanuel Saez, Piketty exhaustively documents the historical data on income inequalities in 20 countries, citing a blizzard of statistics to dismantle claims that capitalism spreads wealth rather than concentrates it.

Piketty observes that, since 1700, capital (a term he uses as a synonym for 'wealth') has typically shown a pre-tax return of 4–5 per cent a year – far higher than the average growth of the economy as a whole (*The Economist* 2014a). Piketty boils this down to what he calls 'the first fundamental law of capitalism': namely, that 'the private rate of return on capital (r) tends to be significantly higher for long periods of time than the rate of growth of income and output (g)'. So, if wealth

grows at 5 per cent but the economy grows only at 1 per cent, the rich have gains of 4 per cent which they can use to make more wealth. The result, over time, is that the wealth of the rich just accumulates and accumulates. In the absence of wars (which destroy wealth) or major redistributive initiatives, those who have wealth therefore tend to get wealthier, generating ever greater inequality, which simply snowballs over time as the wealthy become 'more and more dominant over those who own nothing but their labour'. Or, as Piketty (2014, p. 571) puts it, 'The past devours the future.'

The direction of travel is thus towards a return of 'patrimonial capitalism' marked by 'terrifying' inequalities of wealth and income, where the rich are rich largely because they have inherited large fortunes. Piketty's suggested solution is an 80 per cent rate of taxation on incomes over $1 million and the introduction of a global wealth tax (Hear! Hear!).

So far so good. Picketty's law (r > g) succinctly encapsulates what we knew or already suspected: namely, that capitalism is an engine that remorselessly generates inequality. But challenging this inequality requires digging deeper. What are the structures that enable the wealthy to get their wealth in the first place? And, critically, what enables them to hold on to it? Piketty unfortunately only skims the surface.

A case in point is his treatment of 'capital' as merely valued objects. Under this definition, the hunting spears of an Amazonian tribe or the shed in a suburban garden are considered to be no different from the shares in a joint stock company or options on a future oil contract (Kunkel 2014). But they clearly *are* different: they may all constitute forms of wealth but they do not all constitute forms of 'capital'. For 'capital' is not a 'thing': it is a process, a set of constantly evolving and contested social, economic and political relationships that enable money to be used to make more money. The spear is not capital when used to kill an animal for the family cooking pot, any more than money, land, houses and industrial plant and equipment are capital when they are used to satisfy human needs without making profits. Quite the opposite. In fact, when they are not being used productively as part of a process of accumulation, they are the very antithesis of capital.

Geographer David Harvey (2014) observes that Piketty's *Capital* is not really a book about capital at all. By treating capital as a 'thing', Piketty (in common with many others) leaves out all that is important if inequality is to be confronted: class, relations of production, the political and legal infrastructures that underpin accumulation, the

daily finessing of patterns of wealth extraction, unequal exchange and, critically, the distribution of political and economic power. The engine of inequality remains unexamined and thus unchallenged.

Piketty also seems reluctant to probe what might constitute a plausible political strategy for confronting the rich and dismantling their 'constructed institutions' of extraction. He advocates talking truth to power as the means of achieving change, albeit gloomily admitting that his call for a wealth tax is unlikely to be put into practice as long as it is the rich that he is talking to. As Ewald Engelen and Karel Williams (2014, p. 1771) of the Centre for Research on Socio-Cultural Change (CRESC) remark, this 'political reticence' renders Piketty's approach less effective than it might otherwise be as a means of actually redressing inequality: 'The rich can sleep soundly in their beds with Professor Piketty on our bookshelves.'

1.2 Honouring capital's ghosts

Clearly there is a need to probe beyond Piketty's blizzard of statistics. Such figures certainly provide a rough and ready measure of the extent to which elites have constructed institutions that extract value from society, and of the operational efficiency of such extractive institutions (see Box 1.1 'Global looting – a snapshot'). But without a deeper analysis of how value is created, the figures have little or no explanatory power and thus offer little in the way of action that would pose an effective challenge to inequality. Knowing that 1.5 million people in the US, the richest country in the world, and a billion more in the rest of the world live on less than $2 a day while Bill Gates, co-founder of Microsoft and (for the past sixteen years) the world's richest man, rakes in $140 a second (Live-Counter 2015) without having to lift a finger is a cause for anger: but it tells us little or nothing about the processes that enable Gates and other billionaires to accumulate their wealth or the relationship between those processes and the poverty of others. Indeed, without an analysis that places accumulation at its centre, inequality statistics can serve as a wake-up call to some but do not themselves challenge the growing gulf between the haves and the have-nots. Even calls for progressive taxation (a no-brainer as a tool for disempowering the rich, but only a limited tool) arguably threaten to become a regressive end-of-pipe 'solution' that perpetuates the violence of capital while retrospectively compensating a few of those from whom capital has looted, mainly in those richer countries where the wealth extracted historically from around the globe is currently concentrated.

Box 1.1 Global looting – a snapshot

In country after country, the incomes of the rich are skyrocketing, while those of poorer people stagnate or plummet; and the lion's share of global wealth is increasingly concentrated in fewer and fewer hands. Mainstream economists insist that inequality is simply one of the growing pains of economic development. The message is 'Be patient, a rising tide will lift all boats'.

For those billions of people who don't have a boat, such talk is cruelly cynical nonsense. Trickle down is not working – and never has. Instead of trickling down to irrigate all of society, wealth is gushing up, concentrating in the hands of the few.

Numerous reports now document the statistics of the global wealth gap. Although such data reveals little (and disguises much) about the social processes through which wealth is accumulated by the few, it does provide a snapshot of how effectively elites have, in the words of journalist Will Hutton, 'constructed institutions that extract value from the rest of society'. It is through that lens that the data is best viewed.

The figures for income tell a dismal story. In 1992 the UN Development Programme (UNDP) produced a diagram depicting how just over 80 per cent of total world income went to the top fifth of the world's people, while the bottom fifth got a paltry 1.5 per cent. The resulting 'champagne glass' image became a symbol of the vast gap between rich and poor. In 2007 researchers at the United Nations Children's Fund (UNICEF) revisited the figures and found that the percentages had barely shifted, despite global economic output doubling in the intervening years. The UNICEF researchers concluded that 'it would take more than eight centuries (855 years to be exact) for the bottom billion to have ten percent of global income'. Warren Buffett, one of the world's richest men (the vast majority of the world's super-rich are men and white) is candid: 'There's class warfare, all right, but it's my class, the rich class, that's making war, and we're winning.'

And income is only part of the inequality story. In many countries, inequalities in accumulated wealth are even wider than those in income, and they are growing. Oxfam calculates that, in 2013, just 85 people – the number of people you could get into just one London double-decker bus – controlled as much wealth as the bottom half of the world's adult population. A year later, the same amount of wealth was controlled by just 67 people.

The wealth gap between the richest and poorest countries is also growing. During the colonial period from 1820 to 1911, the income gap between the richest countries and the poorest countries widened

from 3:1 to 11:1. By 1950, at a time when many countries were achieving independence, it was 35:1. Post-independence, the gap has not narrowed but increased: in 1999 the United Nations Development Programme estimated it was 79:1.

Looting is the only word for this process.

Source: Hildyard 2015

To give inequality numbers any meaning requires uncovering, understanding, exposing and organising against the many-stranded forms of wealth extraction that are invisible in graphs and computer models. The 'shining pin on which … billionaires pirouette' (to use the image of Booker Prize-winning Indian novelist and activist Arundhati Roy (2014)) is a product of thousands of everyday acts of exploitation of humans and non-humans, and of resistance to them. As Roy records, even the merely relatively rich who make up the new middle class of India

> live side by side with spirits of the netherworld, the poltergeists of dead rivers, dry wells, bald mountains, and denuded forests; the ghosts of 250,000 debt-ridden farmers who have killed themselves, and the 800 million who have been impoverished and dispossessed to make way for us.
> (Roy 2014, p. 12)

These 'ghosts of capitalism' are to be found wherever relationships are being forged that enable accumulation. They haunt the shiny new factories of China's free trade zones where low-waged workers produce iPads to make Apple's shareholders rich (Froud *et al.* 2012). Their blood inks the international free trade agreements – from NAFTA (Brennan 2015) to the proposed US–EU Transatlantic Trade and Investment Partnership (Hilary 2014) – that strip away labour rights and environmental controls, drive down wages and massively concentrate and enhance corporate power. They stalk the offices of the accountancy firms that pore over tax laws to find loopholes for their corporate clients (Sikka 2012). They lurk within the trillions of dollars of derivatives contracts that magic money out of money (Hildyard 2008). They are present everywhere in the myriad, interconnected processes of enclosure, dismantling, reconstruction, abstraction, quantification, monetisation and commodification that, historically and in the future, make it possible to appropriate the unpaid work of both non-humans and humans (Lohmann 2015).

Much work has been done over the years by academics and activ-

MAD0261_HILDYARD_v1.indd 6 20/04/2016 10:58

ists to honour the lives of these ever-present spectres by illuminating the broad processes of wealth extraction that are responsible for their impoverishment, dispossession, exploitation and demise. As Karl Marx (2010) scrupulously documented over a century ago, wealth is extracted upwards because capitalists pay workers for only a fraction of the value they create through their labour – and snaffle the rest. Other means of extraction include rent and interest. These forms of looting – aka 'capitalism' – are now the institutionalised order in most countries around the world.

It takes hard political work to build the social, legal and economic infrastructure that embeds such forms of extraction to the point where they are assumed to be 'normal'. As long as capital expands, that hard work is never done. Labour must not only be commodified where it is not commodified, but new ways must be found to squeeze more profit from it; previously unexploited forms of social solidarity must be transformed into a form that can yield profit; existing markets must be nurtured and new markets created; old forms of rent expanded and new income streams created from which rents can be extracted; property rights upheld and established in areas where property has not previously been recognised; and so on. A constantly watchful eye is therefore essential if these new forms of financial extraction are to be blocked, short-circuited, deflected or unsettled.

So when the World Bank, the G20 group of nations, the World Economic Forum, the OECD and other well-known enablers of wealth extraction start to organise to promote greater private-sector involvement in 'infrastructure', with plans to spend $50–70 trillion over the next fifteen years on programmes aimed at expanding capital, activists' alarm bells should begin to ring. How are roads, bridges, hospitals, ports and railways being eyed up by finance? What bevels and polishes the lens through which they are viewed? How is infrastructure being transformed into 'assets' that will yield the returns now demanded by investors? How much wealth is already being extracted by finance from infrastructure? And how? What role do Public–Private Partnerships (PPPs), now being pushed throughout the global South as the 'solution' to a claimed infrastructure funding deficit, play in the extraction process? And why now? What does the reconfiguration of infrastructure tell us about the vulnerabilities of capital?

The challenge is not only to understand the mechanisms through which infrastructure is being reconfigured to extract wealth: equally important is to think through how activists might best respond. Policy change is clearly critical, but policy proposals without a plausible

political strategy for confronting institutionalised wealth extraction (of which 'infrastructure' is only one example) have little purchase if they are not part of a deeper, critical assessment of why elites are able to get away with accumulation. Is activists' work inadequate only because activists don't shout loudly enough against iniquities, or produce enough bullet-pointed reports outlining proposals for change? Or are there also perhaps more promising ways of building or strengthening ways of living that respect the collective right of all (not just the few) to decent livelihoods? What oppositional strategies genuinely unsettle elite power instead of making it stronger?

1.3 A road map for what is to follow

These and other questions weave their way through this book. Its immediate focus is infrastructure, but the book is also intended as a modest, practical contribution to encouraging both wider understanding of the evolving institutional means through which elites accumulate wealth at society's expense and more critical reflection on ways of organising against capital. Here is a road map to the rest of the book:

Chapter 2 starts with a concrete example of infrastructure-as-extraction – a detailed case study of Lesotho's Queen 'Mamohato Memorial Hospital, built and operated by a private sector consortium under a Public–Private Partnership (PPP) contract. The chapter traces the flows of money into and out of the project – and highlights who benefits from them. It argues that the PPP arrangement clearly serves to extract considerable wealth from one of the poorest countries in the world and siphon part of it to the elite 1% of the global rich. And, before any lawyers start typing out libel writs, let it be emphasised that there is no suggestion of any dodgy dealing here. On the contrary: the central concern is that the extraction is entirely lawful.

Chapter 3 builds on the Lesotho example to explore how finance views infrastructure and the ways in which infrastructure is being reworked to provide what finance seeks of it: stable, contracted income streams. One focus is on the contractual arrangements that investors are putting in place through Public–Private Partnerships to ensure guaranteed (yes, guaranteed) high rates of profit. Even though the state remains the major financier and operator of public services, the relatively small space that has now been opened up for private investors has enabled finance to construct a multi-billion-dollar extraction machine, with major ramifications for inequality.

Chapter 4 looks beyond PPPs at other investment vehicles that are being used or developed to extract wealth, directly or indirectly, from the activities that surround the funding, construction and operation of infrastructure – and attempts to quantify the amount of money now being extracted. The trajectory is not only towards increased inequality: it is also profoundly undemocratic, elitist and unstable. Undemocratic because a handful of fund managers now increasingly determine what gets financed and what does not. Elitist because the facilities that would most benefit the poor do not get built. And unstable because infrastructure-as-asset-class is a bubble that is set to burst.

Chapter 5 seeks to understand the structural forces behind the emergence of infrastructure-as-asset-class and the vulnerabilities of capital that these reveal. It takes a global tour of the massive infrastructure corridors that are being planned to enable further economies of scale in the extraction, transportation and production of resources and consumer goods by compressing space by time. It argues that dominant forms of industrial capital cannot easily expand without massive expenditure on these corridors. But the planners' plans are bumping up against the frontiers of traditional infrastructure finance. The money simply is not available without tapping a wider pool of finance beyond the state, private banks and multilateral institutions: global capital markets are the target source, Public–Private Partnerships the inducement, and infrastructure-as-asset-class the currently favoured (if often faltering) means of delivery.

Chapter 6 reflects on the challenges that the reconfiguration of infrastructure poses for activism. The push for greater private sector involvement in financing and operating infrastructure has sparked resistance from many quarters, including trade unions, environmental and human rights campaigners, and other social movements. But in many instances, such responses are weakened by the hollowing out of many of the traditional cross-cutting, community-embedded vehicles for mobilising for social change. Instead, advocacy is increasingly channelled through consultancies or single-issue, non-governmental organisations, many of which have become quasi-corporate franchises whose relationship to their political base is primarily driven by fund-raising. As a result, it is difficult to move beyond 'reformist reforms' (which tend to undermine long-term movement-building) so as to push instead for 'non-reformist reforms' (which open up strategic space for genuine change). Challenging the trajectory of contemporary infrastructure

finance – and the inequalities and injustices it gives rise to – is likely to be more fruitful where it is part of a wider effort to build or strengthen commons-focused resistance to accumulation.

Note

1 In 2014 the biggest gap in the US was at media company Discovery Communications, where CEO David Zaslav earned $156.1 million, nearly 1,951 times the firm's median salary of $80,000 (Che 2015).