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Dr. Girish Jakhotiya

1. Seven Types of Corruption

There is not a single country on earth, free from corruption. For as long as the human mind continues to manipulate for whatsoever the reason, corruption will reign. On an average, we can comfortably state that it is corruption, responsible for at least 50% of the probability of the socio-economic collapse. The reasons and degree, the shape and impact of corruption varies from country to country. My study, experience and observation have helped me conclude that there are seven kinds of corruption today, impacting human life, and consequentially ruining the world very fast. **These seven types of corruption are:**

1. Ideological Corruption
2. Economic Corruption
3. Cultural Corruption
4. Educational Corruption
5. Social Corruption
6. Political Corruption
7. Technological Corruption

Ideological corruption is the root cause of all the other six types of corruption. It is spreading very fast across the globe. Wrong, damaging and rigid ideologies must be replaced by right, strengthening and flexible ones and rapidly so. The table below is indicative of the impact each type of corruption has on the value drivers of economy along with names of corresponding countries:

Type of Corruption	Value Drivers of economy	Countries facing this problem
Economic	Material Benefits and Resources	USA, Japan, India, Russia, Brazil
Cultural	Cultural Maturity and Flexibility	Saudi Arabia, South Africa
Educational	Competency Development	India, China, Italy, Saudi Arabia
Social	Social Maturity and Cooperation	South Korea, Germany, China
Political	Public Governance	Italy, India, China, Russia, Indonesia
Technological	Productivity and Security	France, Saudi Arabia, USA

The ideological root in conjunction with the type of corruption unfolds as follows:

Table 2	
Type of Corruption	The Ideological Root
Economic	<ul style="list-style-type: none"> ➤ Economic Modelling ➤ Philosophy of capitalism vs. communism
Cultural	<ul style="list-style-type: none"> ➤ Racial supremacy ➤ Religious supremacy
Educational	<ul style="list-style-type: none"> ➤ Professional Decay ➤ Limited intellectual freedom ➤ Vision of leaders ➤ Caste system ➤ Resource allocation precedence
Social	<ul style="list-style-type: none"> ➤ Social rigidity ➤ Misplaced Governmental priorities ➤ Social arrogance and superiority
Political	<ul style="list-style-type: none"> ➤ Born to rule – Dynastic Politics ➤ Curtailed political freedom ➤ Politics is not everyone’s game
Technological	<ul style="list-style-type: none"> ➤ Technology at any cost ➤ Technology prerogative of developed countries ➤ Technology barred for poor countries

Ideological corruption is a direct result of wrongly, convolutedly, or inadequately defining the ‘lifetime’ goal for a human being. There are quite a few psychological and cultural studies made available to us, which attempt at addressing the various dimensions of a human’s thought process. As is apparent, both, the communist as well as the capitalist exploit people. The capitalist does it through his control on productive resources and market while the communist utilizes his anti-entrepreneurial approach. Ultimately, they both prove to be corrupt and damaging for humanity. This is exhibited as follows:

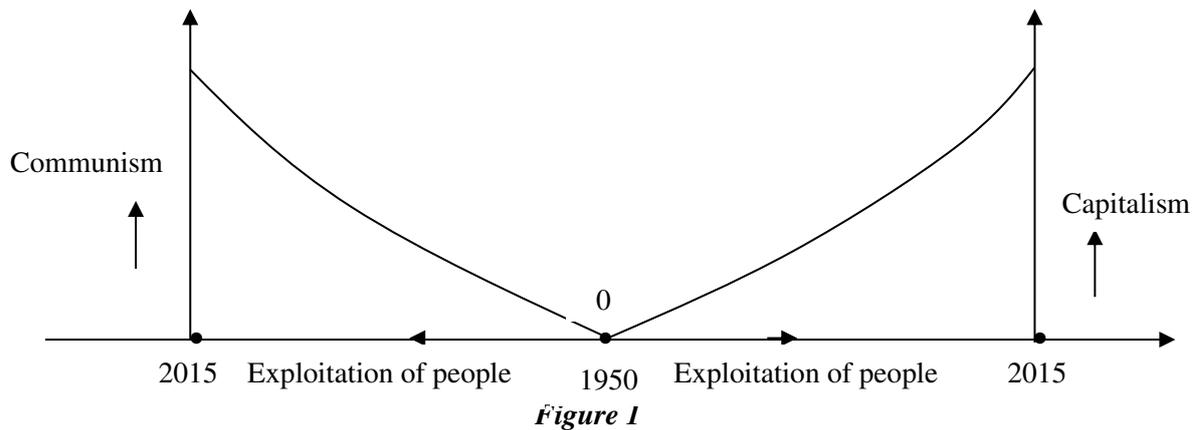


Table 3	
Communism – Russian Economy	Capitalism – American Economy
Excessive Communist control on entrepreneurial freedom and freedom of behaviour	Excessive Capitalist control on resources and markets
↓	↓
Corruption through systems	Corruption through market
↓	↓
Government runs the system	Government doesn't control market
↓	↓
Members in government are rich	Members in government are rich
<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">↘</div> <div style="text-align: center;">People are poor</div> <div style="text-align: center;">↙</div> </div>	

Both, communism and capitalism promote and practice all seven types of corruption as detailed hereinafter:

Table 4		
Types of Corruption	Communism	Capitalism
Ideological	Here, all are and must be equal. There has to be a ceiling on desires and creation of wealth. Everything mandatorily must be owned, planned and executed by the government. Freedom of entrepreneurship in the private sector remains highly restricted. <i>[Communist activists and leaders become ringmasters and their people - - helpless stooges.]</i>	As for capitalism it's the Market that can and which does decide on the performance of the economy and its constituents. Survival of the fittest leads to higher benchmarks of productivity. <i>[Market players turn into monsters and people become prey.]</i>

Economic	<p>In communism the Rate of economic growth is very slow. Salaries here are equal but poor. Economic resources are used by government and only a select few entrepreneurs from the private sector and that for their own advantage. <i>[The economy becomes sick and people turn poorer. Communist activists, government bureaucrats and select entrepreneurs become outrageously rich.]</i></p>	<p>Economic resources are controlled and exploited by capitalists. The average income of the common man stagnates, prices increase, and taxes too. <i>[The common man becomes poorer and more helpless. The gap between rich and poor widens.]</i></p>
Cultural	<p>Communism invites inefficiency and promotes that culture. It is all about leaders masterminding every decision and restricting any individual thought process. <i>[Masses become poorer while the Communist dictatorship flourishes. The semblance of any innovation vanishes.]</i></p>	<p>Capitalism sponsors consumerism and constant borrowing. <i>[Here people are perpetually engaged with loans and debt servicing with their savings dipping into the negative.]</i></p>
Educational	<p>Education is provided cheap by the government and the quality thus is much compromised. <i>[Skills are meagre and pitiable and the concept of timely updating is almost bleak. The economy loses its competitive advantage. Technology starts getting redundant and it results in tech-theft from other sources.]</i></p>	<p>Capitalism champions private education which is very costly. Capitalists opt to create ‘process robots’. <i>[90% of people stagnate due to limited skills and very restricted salaries.]</i></p>
Social	<p>The entire society is purposefully kept isolated from the world so as to curb individual tendency to excel in any domain, and in that optic hamper acquisition of the latest socio-technical developments. <i>[The society becomes inactive. It resists every good change.]</i></p>	<p>Capitalists attempt to engage their society, the major part of it, into non-economic, non-scientific activities. <i>[The society is thus largely divided into very rich and very poor. Eventually the poor resign to their fate, sunk in their destitute reality]</i></p>

	<i>It loses out on the socio-economic front.]</i>	<i>with a manifest lack of desire to think rationally.]</i>
Political	Members of the Communist Party engage in rent-seeking at every opportunity. They control and exploit every possible office of governance. <i>[Communist activists, leaders and bureaucrats become phenomenally rich obliterating any obstacle that possibly could challenge their dominance.]</i>	Politicians serve capitalists. Every economy and industry related decision is taken to favour capitalists. <i>[In fact both, the ruling party and the opposition unite to serve the capitalists. True democracy is quite an eyewash.]</i>
Technological	The thumb rule is to resist any new technology. The Communist party heavyweights explore newer technologies in foreign lands for their illegal business ventures. As for their country they maintain their strategy of non-acceptance of newer or better technology, thus creating a vicious cycle of 'low output - low income - low saving - low investment technology loop. <i>[The entire economy remains backward. People lose their employability.]</i>	Technology is patented by a few capitalists and their businesses. Capitalists use second hand technology in poorer countries. Multinational corporations ruthlessly shift technology from one country to another with the aim to increase shareholder wealth. <i>[The royalty taken for the use of patents is very high. The common man cannot afford this royalty and thus resigns to remain backward.]</i>

2. Systematic conduct of capitalist corruption

Crony capitalists exploit economies very systematically. USA and Europe have experienced this for many decades. By the time they recognized this exploitation, the situation was already way out of hand. Crony capitalists have a plan and generally use a step by step approach and capture all the economic policies and processes even in most advanced democratic countries like the US, France, England, Italy like this:

Step 1: They make a big propaganda about economic growth priorities, shortage of resources and a great future based on liberalization.

Step 2: The government joins in and starts promoting growth slogans endorsing the need for capital, technology, entrepreneurship and innovation.

Step 3: A few of the crony capitalists (mostly those close to politicians and bureaucrats) declare their willingness to invest in various types of industries which are into making vital goods and public infrastructure. Such a declaration is politically promoted and the media too participates in the overall propaganda.

Step 4: Politicians and capitalists by using names and sporting statements of well-known experts (on the pay-roll of capitalists) showcase big dreams of employment, infrastructure and higher productivity in the service sector. A naive and disunited lot of people feel encouraged and charged-up at the big promise lurking on the horizon. Of course, the media hammering further excites the cause. And understandably the critiques, a minority, are either neglected or wiped out.

Step 5: After creating a social and economic euphoria, politicians, crony capitalists and bureaucrats along with their ‘paid’ experts start conducting the following activities either simultaneously or consecutively:

- (i) Sale of inefficient and subsequently even profitable public sector enterprises at the lowest possible price to capitalists
- (ii) Privatisation of public infrastructure
- (iii) Private and foreign investment in the most critical of industries such as power, water, pharmaceuticals, seeds, irrigation, transportation, education, medical treatment etc.
- (iv) Speedy privatization of the activities and projects in all types of mines and natural resources (Environmentalists are either bribed or threatened or wiped out.)
- (v) Corporatization of agriculture and of all other agro-based industries and services.
- (vi) Encouragement to multinational corporations to enter the line of businesses otherwise restricted to smaller enterprises.

Step 6: The naive common man gets impressed by the overall economic activism promoted by the government. Members from the opposition parties too seek to join hands with the ruling party in rent-seeking. Under the guidance and compulsion imposed by crony capitalists, many key laws and regulations are either revised or abolished to the final advantage of the crony capitalists.

Step 7: Under the cover of ‘Public Private Partnership’ (PPP) or Special Economic Zone or partial privatization, the crony capitalists manage to get excessively higher price for their output and services, profiting from exemption of taxes (at the cost of immature, inexperienced tax-payers), manipulated figures of capital investment, royalty, project longevity, uncertain costs etc.

Step 8: Gradually subsidies, preferences, allowances, free services and protection of the poor are reduced and condensed. This of course is done in the name of deficit or fiscal correction. In effect, this correction is done for no reason other than favouring crony capitalists.

Step 9: Genuine, ethical capitalists are harassed by politicians, bureaucrats and so called environmentalists. This is also done with the purpose of creating monopolies for the crony capitalists. Quite a few initiatives from public sector enterprises are either delayed or rejected by politicians seeking to favour crony capitalists.

Step 10: Those endowed with better contemporary skills or those close to politicians and bureaucrats or some who are well united, start grabbing the fruits of privatization, liberation and globalization. These very people being vocal use all types of media and support crony capitalists and their initiatives. The raw, weak, disunited folk lose out in this race and gradually get entrapped into a vicious cycle of ‘negative growth’.

Step 11: The government publicizes misleading socio-economic parameters indicating economic growth. Some of the excessively manipulated parameters are (i) poverty control (ii) rate of inflation (iii) rate of growth in gross domestic product (iv) rate of fiscal growth and fiscal deficit (v) rate of growth in the sectors of manufacturing, service and agriculture (vi) rate of reduction in unemployment (vii) rate of trade surplus or deficit (viii) rate of environment control. It must be noted that most of these parameters are ‘statistical averages’ and hence do not truly define the exact state of affairs of the middle-class, lower middle-class and poor.

Step 12: The neo-rich gradually surface everywhere. They promote consumerism, misplaced economic priorities and all of socio-economic manipulations. They use all types of social media to propagate wrong theories and confuse people at large. The neo-rich also become shareholders or lenders of corporations run by crony capitalists. Ultimately the neo-rich and the crony capitalists gradually form into a well-networked global community. It is this community which then systematically exploits the global capital and commodity markets.

Step 13: Crony capitalists in the underdeveloped and developing countries are a species apart and the most dangerous at that. Illiterate, poor and disunited common folk simply cannot oppose these crony rent-seekers. Crony capitalists from the poor countries join in hands with their counterparts from developed countries and together they endeavour to loot economies of the poor countries. In order to smoothly and successfully work out such a collaboration they use the services of local religious and political leaders to keep the poor people engaged into some sort of cultural, political and religious activity.

Step 14: Crony capitalists focus to deteriorate the public administration system, judicial system and political system so badly such that the entire systemic structure works solely for their

benefit. Funds provided by the mafia, engagement of the terrorists to eliminate honest institutions and individuals, bogus establishments created to siphon off funds, black money deposited in the foreign banks are some of the routine almost ritualistic actions undertaken by these cronies.

Step 15: The most devastating tool used by crony capitalists is their singularly executed exercise of ‘ideological corruption’. They are known to go to any extent in engaging intelligent ideologues from various walks of life, be they economists, environmentalists, philosophers, scientists etc. It is a mind-boggling combination of ideological corruption and corrupting of ideologues. They finance costly elections participated by all types of political parties and oblige them. On the other side, they perpetually see that the primary needs of common people are not fully satisfied. If the common man is entrenched such that he has to remain fully engaged to satisfy his daily needs and priorities, he would have little or no time left for developmental thinking or for plotting to rebel.

Crony capitalists use diverse ideological slogans or catchphrases (through political, cultural and bureaucratic processes) in different countries, to confuse and engage the credulous masses.

A few examples can be narrated here:

Country	Slogan
USA	The era of consumerism, the engine of America calls for consumption to allow the economy to spin!
China	The Chinese spirit is in hard work without the fruit in sight!
Saudi Arabia	The holy Quran is all encompassing. The almighty has mercy for all.
India	Worthy to lead the life of an ascetic, who enters this world with nothing and prepares to go much the same way!
Russia	Communism has no special ones; all are equal and of course the state above all.
England	Mini nation state but a mega power engine to have walked this earth dropping its stamp and legacy over all it ruled.
France	Democracy and socialism have nothing in common but one word ‘equality’ ... while democracy seeks equality in liberty; socialism seeks equality in restraint and servitude – in the words of Alexis de Tocqueville, France’s celebrated political scientist and historian
Italy	Life is Beautiful attitude; the epicurean in the Italian reigns supreme!

Indonesia	The unwritten maxim for the Indonesians would be to -- agree to sacrifice today for a better tomorrow.
Brazil	Tomorrow holds a promise on the global platform. So, sweat it out today and follow your leader.
South Korea	Through hardship to the stars. Market and capitalism both are for real.
Germany	We can prove our mettle; we have the nerve!
South Africa	Spare no trouble and the future will stand tall for you!

In almost every country, crony capitalists, using their well-designed network, keep the credulous masses engaged in non-productive activities with their philosophizing gimmicks. Few know the reality while most remain ignorant, disunited forming a weak minority.

3. Crony capitalism and socio-economic collapse of the globe

Along with religious and cultural fundamentalism, crony capitalism too has been instrumental in the socio-economic deterioration of the global community. Five most destructive impacts of this ‘cronyism’ may be described as follows:

1. Loss of belief in true entrepreneurship: Even the brightest graduates from the best of management institutes believe today that crony capitalism is ‘smart capitalism’. If we are to study from the more popular books on wealth creation, they all craftily suggest the same shortcuts used by the crony capitalists. The fall-out or the result of the ‘loss of belief in true entrepreneurship’ is a serious deterioration of the socio-economic systems of developed countries like USA. Sadly and surprisingly, even the brightest brains from American institutes could not prevent or stop this deterioration. Most Nobel Prize winning economists are from developed countries. Though many of their econometric algorithms could address micro issues independently they could not capture the problem in totality. This was partly so, as economic mathematics was deployed only for process excellence. It became secondary to the process. We know for a fact that process excellence was invariably used for wealth maximization not considering any aspect of equitable, sustainable and inclusive participation in the wealth creation process. A very visible and disturbing example of this so-called ‘process excellence’ is private equity, derivatives and venture capital applied through deceptive methods of financial engineering.

2. Damage to the social frame of the economy: In most countries, the social frame of their respective economies is badly damaged today. Crony capitalists are the least within the framework to bother about the living standards of disadvantaged communities. A large portion

of the population in Africa and in Asia suffers today from serious problems related to their primary needs. Migrants in most economies suffer from isolation as local governments seem to ignore them. Societies are mostly being divided into 'haves' and 'have-nots'. The 'have-nots' are unfortunately resorting to unfair means of livelihood. Quite a few among the youngsters involved in the 'ISIS Design' are just basically poor Muslims who were denied any economic assistance. Crony capitalists from rich, oil producing countries fuel and instigate war between Shias and Sunnis. This artificially created conflict in the Islamic world may sound the death knell for many small Islamic countries. The world is rapidly getting divided into two zones, the powerful and the weak. The all recent issue of Muslim migrants trying to penetrate European countries may prove to be a doggedly irreparable social situation.

3. Inviting a bigger evil – 'militant communism': In poor countries like Myanmar, Vietnam and Nigeria and in developing countries like India and Brazil, militant communism is sprouting on the backdrop of 'bluntly active crony capitalism'. The cronies are devouring most of the public welfare schemes by putting up bogus trusts and schemes. The Naxalite movement of India has taken an ugly turn and has now become an outlawed, anti-national movement, controlled by militant communists. The impoverished, underprivileged tribal folk of India are used as mere pawns in serving the nefarious designs of these communists who very often have crony capitalists at the helm. The land with all of its natural resources available is the only thing of interest to the cronies which is in possession of the tribal people; certainly not their well-being. A replica of this scenario can be seen in Russia where again the cronies bribe communist activists to fulfil their own economic goals. Why Russia could possibly be the most ideal example of the destructive nexus that seethes between crony capitalists and militant communists. China and North Korea are yet other instances where you can find government sponsored crony capitalism and where the ruling party with its government are the self-approved and self-legalized militants! For nearly three decades, the communists ruled West Bengal and Kerala, two very sensitive states in India by nurturing militant labour unions. Militant communism is in fact a direct and lasting outcome of crony capitalism. This can be explained as follows:

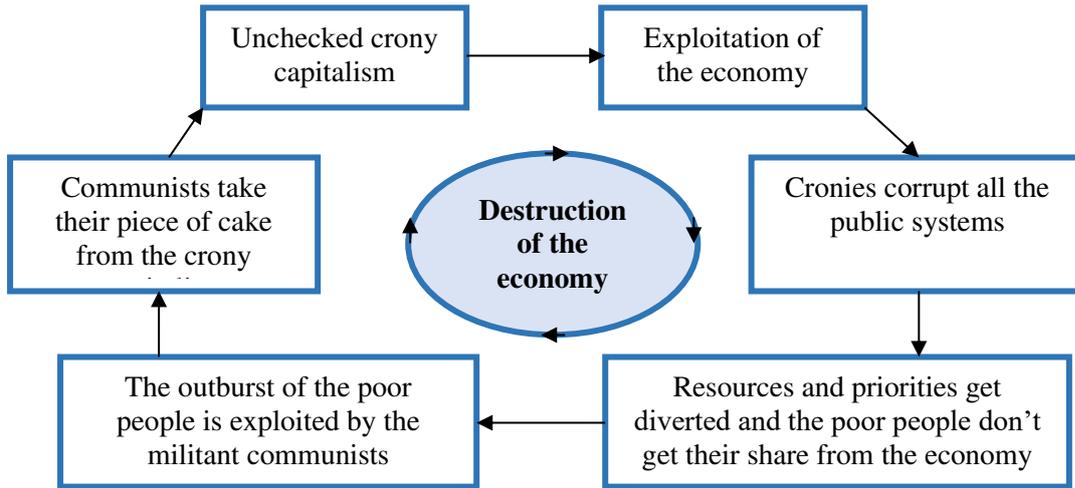


Figure 2

Militant communism and crony capitalists gradually damage the public institutions, which ultimately destroy the support required by the poor. The end of 19th century and the first half of 20th century saw the downfall of the public institutions in Russia. Ironically Russia became a military power but without any empowerment of its people. As a result, the erstwhile Union of the Soviet Socialist Republic (USSR) got Balkanized and fragmented into Russia and other CIS countries. Back in the days of the cold war and before the fall of the Berlin Wall, Poland and East Germany too were blaring examples of ‘communism sponsored by capitalism’.

4. Loss of capabilities and strengths of an economy: If a country were to lose a war or a few resources, it would not amount to a whole lot of damage. But on the other hand, if it were to lose its capabilities and strengths, it would be a gargantuan task to recover its original status if at all. The US as an economy lost its research capabilities significantly since American corporations concentrated solely on shareholder value appreciation through shortcuts and gimmicks of tax planning. Italy, Greece and Brazil are some other stark examples of this ‘loss of capabilities’. While Greece has almost collapsed, Italy will take probably around two decades to regain its former glory when it prospered thanks to its ‘consumer products’. In India too, there hasn’t been any innovation worth the mention primarily since crony capitalists and the industry at large have directed their energy toward quick profits and have not concentrated on research and development activity. Right enough its record of protecting intellectual property rights is nobody’s envy. Same is the case with Chinese corporations despite the tremendous economic progress made by them. China is fast losing its entrepreneurial edge as other countries with better intellectual researches and operational efficiencies are closing down the gap. You can see the table which shows how crony capitalists destroy original capabilities with their crony activities:

<i>Table 6</i>		
Illegal Imitation →	Stolen ideas and designs →	China, North Korea
Ruthless Speculation →	Unchecked market Manipulation	Italy, America, Russia, Brazil
Illegal Capitalization →	Fictitious financial engineering →	America, France
Avoidance of Competition →	Absence of benchmarking →	India, Indonesia, South Africa

Hereunder is a table that lists countries where one or all of the five basic competencies of an economy's entrepreneurial model, have been impacted negatively because of crony capitalism:

<i>Table 7</i>	
Basic Competencies	Economies badly impacted by crony capitalism
Business Growth and Development	USA, South Korea, Indonesia, Brazil, South Africa
Strategic Cost Management	England, France, Saudi Arabia, South Korea, Japan
Employee Development and Satisfaction	China, India, Italy, Saudi Arabia, South Africa, USA, Russia
Technology, Operations and Logistics	India, Russia, Indonesia, Brazil
Capital Management	China, India, Germany, Italy, Brazil, Japan

The overall contraction of the global economy (the average rate of growth of most economies hovers around the 2.5% to 3% mark) during last decade must be attributed to crony capitalism.

5. Loss of geopolitical security: Political borders pose no barriers to the crony capitalists; they do not even bother about the geopolitical security of nations from where they operate. Wealth maximization through profiteering is their only mission, objective and aim, and they go to any length to achieve their target. The war imposed on Iraq by the US, the growing threat of Boko-Haram in Nigeria, the Chinese support to North Korea and Pakistan, Russian encroachment into Ukraine and the growing non-cooperation between Malaysia, Singapore and Indonesia are some of the recent most examples of the self-seeking meddling and intrusion by crony capitalists in sensitive political matters. Most of the wars to control oil and other natural resources have been primarily orchestrated by crony capitalists. Sadly, even the precious 'environment' has not been spared by these ruthless and unscrupulous operators. Muslims from oil producing nations are now realizing how they have been taken for a ride for the last several decades by some of the developed western countries. While the western corporations pumped out oil from these OPEC nations, they made sure that the general populace of those nations remained entrepreneurially backward. This growing realization amongst the Muslims has

resulted in anger and frustration, which translated to the recent attacks on France and other European cities. Crony capitalists from developed economies collaborate with their counterparts from the poor developing nations with a single point agenda -- maximizing their personal wealth by consuming all of the natural resources of the poorer economies.

4. Pyramid of Crony Capitalists

Today we see a global phenomenon that has emerged wherein crony capitalists collaborate with each other through a ‘pyramid of hierarchy’ or in an increasing degree of sophistication in their so-called investments. This pyramid of hierarchy is aligned with the evolution of all global economies starting with the poorer countries at the bottom and the developed economies at the top. This is well-explained by the following illustration –

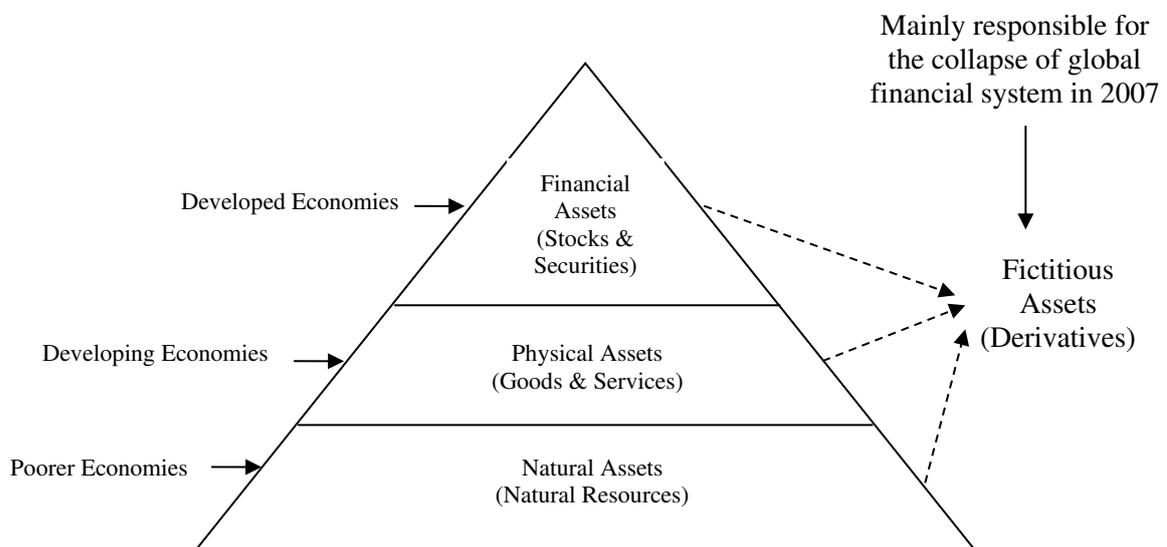


Figure 3

Of all the various abusive schemes deployed by crony capitalists, the most devastating one, causing the maximum damage is where poorer countries surrender allowing their natural resources to be exploited. Governments of these poor countries handover physical control of mines, oceans and other natural resources to ‘multinational’ crony capitalists by forging many devious relationships such as -

1. Joint ventures of Public Private Partnerships
2. Process or Distribution contracts
3. Swap deals
4. Ownership control
5. Multi-level, cross holding of shares

6. Lending of capital, technology and other resources
7. Licensing, Liaisoning, Leasing.

Derivatives or ‘fictitious assets’ as they may be referred to, have largely been wreaking havoc in the last decade of the 20th century and the first of the 21st century. The large-scale damage done to global economies is evident from the fact that they have now become increasingly interdependent and crony capitalists exploit this to easily transfer capital from one poor economy to a rich economy and vice versa. This movement of derivatives is easily facilitated by the ‘state of art’ transactional technology that is available today and also through liberalized financial regulations that exist in many global economies. The ‘nouveau riche’ class in collaboration and cooperation with crony capitalists is always seemingly in a hurry to multiply its newly acquired wealth in as less a time as possible. They do not wish to be restricted by any policies and/or laws of any country; they are vocal, influential and mobile enough to even manipulate media houses to promote and exploit their designs of wealth maximization.

Another kind of pyramid that is applicable to crony capitalists is that of employee empowerment. When offering employment, five important competencies are given credence to by the cronies:

1. ability to manage government machinery
2. ability to manage labour unions and NGOs
3. accounting and informal control
4. vendor and distributor exploitation
5. elimination of the competition

It is obvious that such a combination is not commonplace. Only a few individuals are capable of conducting these critical functions and therefore such individuals (perhaps only one percent of the entire lot) become the preferred bunch and get paid separately and very substantially. In such a scenario the ‘**employee pyramid**’ looks like the illustration below:

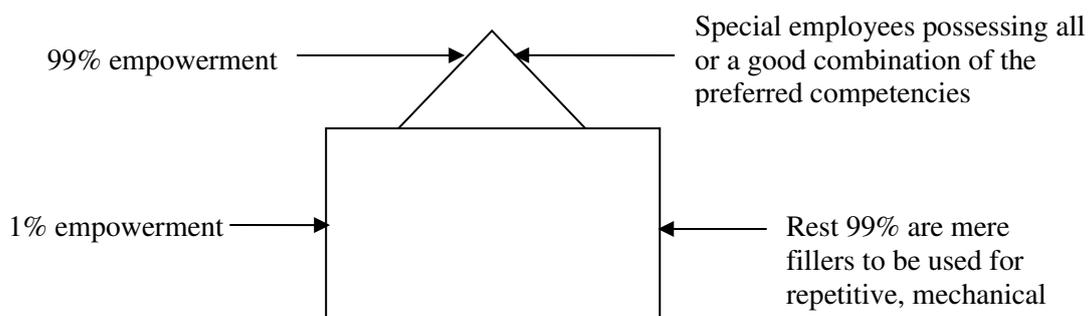


Figure 4

Corporations run by crony capitalists, by cleverly using media, know how to misguide people by creating an incorrect impression of the so-called corporate social responsibility initiatives that are implemented and executed by them. They make tall claims about employment generation and the tax revenue that is contributed by them to the government treasury. If we were to apply the concept of ‘holistic accounting’ to these corporations, we would come to realize the extent of exploitation which would easily be one hundred times the amount of any CSR contribution made by them. This is elaborated as follows:

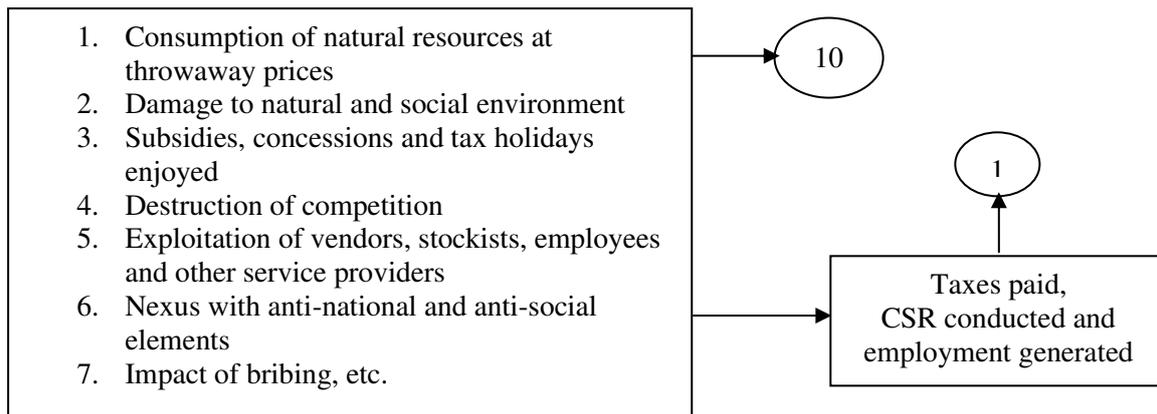


Figure 5

5. Deceit of a country at the hands of crony capitalists

Crony capitalism thrives and perpetuates essentially because their exponents, while dealing with government machinery, advocate well the parameters and approaches that, on one hand may seem idealistic, but are really quite misguiding and misleading. Their modus operandi is to get their devious methods and schemes endorsed and authenticated by economists, which these capitalists do somehow manage, by offering those learned men handsome rewards and remuneration. In support of their schemes, the cronies make claims such as -

1. The country requires fast industrial growth, automation, foreign capital and change in labour laws.
2. Subsidies to poor are unproductive. Privatization in education and other services is the need of the hour.
3. Stock Market Indices are the only true benchmark of a country’s advancement.
4. Governments ought to withdraw from all and every economic activity.

These claims almost never get contested or rarely do if at all, as the gullible and credulous masses fall prey to the cover-ups smartly carried out by capitalists. Besides, for the masses

there are no enlightened, knowledgeable, brave, alert, active and honest leaders to guide them. As a result, the total deficit in a nation's budget is smartly rather immorally attributed to expenses incurred in the direction of welfare schemes that are supposedly conducted for the poor of the nation. In reality very unfortunately, the true reason for the damage or the invisible deficit doesn't come to light although the abusive activities of crony capitalists are many times more than the welfare cost incurred for the poor.

Pro-rata measurement of the deficit which explains the un-repairable damage done by these cronies is arrived at as follows -

Illustrative Base of Deficit = 100

Number of poor people = 1,00,000

Number of crony capitalist = 1

Hence, Deficit per poor person = $(100 \div 1,00,000) = 0.001$

Deficit per crony capitalist = $(100 \div 1) = 100$

If we attempt to quantify (based on reliable data) the secondary (unaccounted or invisible) impact of crony capitalism on the economy, the deficit contributed by one crony capitalist could be much more. With every extra rupee of advantage availed by the crony capitalists, the poor lose proportionate budgetary support required for their upliftment. This may be explained by the following illustration:

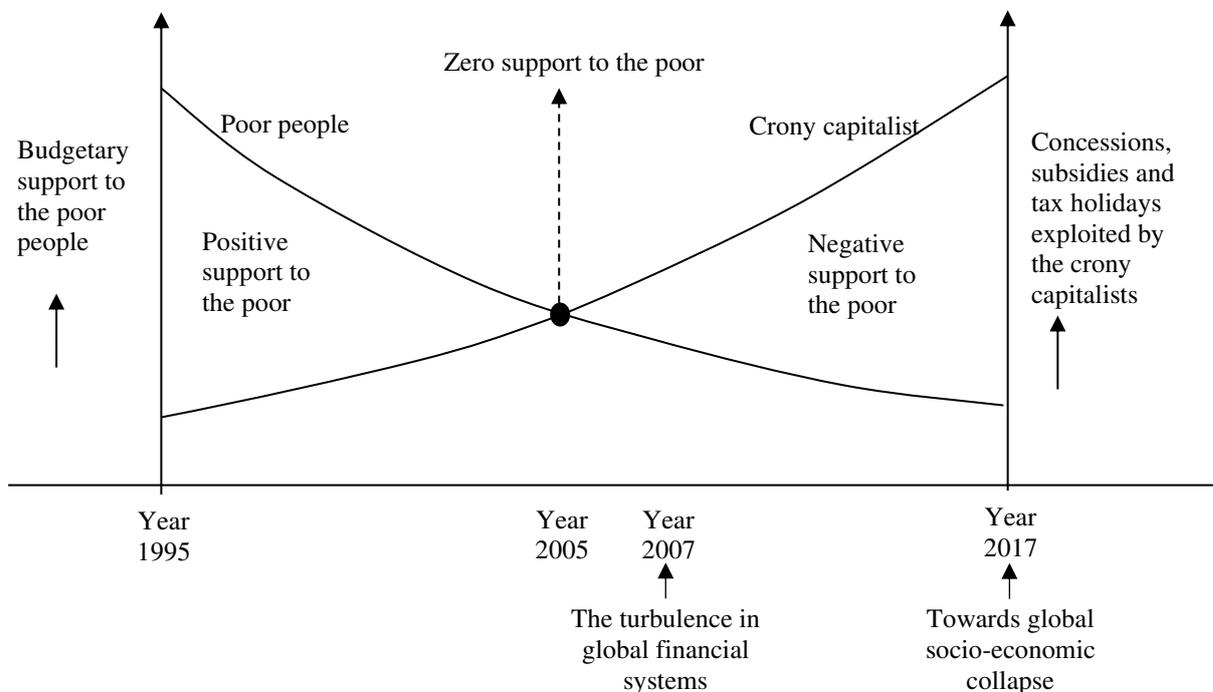
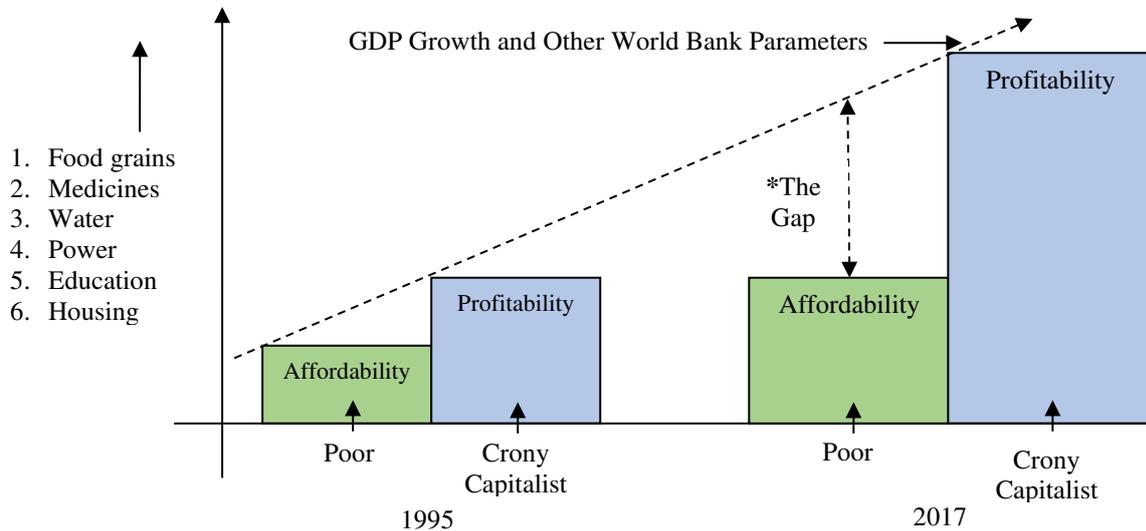


Figure 6

The economic gap between a crony capitalist and a poor man was at an all-time high in the year 2017, measured by the extent of hardship faced in procuring six basic needs - food grain, medicine, water, power, education and housing. The unfortunate reality is that these crony capitalists are in total control of all these and more. The expanding gap may be represented as follows –



**The Gap is fast increasing and it is leading us towards socio-economic collapse.*

Figure 7

This ever increasing ‘economic gap’ is transforming into a lot more serious ‘social gap’, which if uncontrolled has the potential of becoming very dangerous and volatile, especially when we consider the current global conditions:

Population Type	% of total global population	Population in billions
➤ Young population (age group 15 to 21)	25	1.75
➤ Poor population (considering purchasing power in local currency)	65	4.55
➤ Population under constant threat of atom bombs	80	5.60
➤ Illiterate population	40	2.80
➤ Population exposed to global warming	95	6.65
➤ Population - weak or suffering from disease	20	1.40
➤ Population suffering from pollution	80	5.60

The deteriorating socio-economic fabric of most nations is causing a lot of distress leading to wide-spread frustration amongst masses. Globally the poorer lot has started protesting against

crony capitalists in many different ways. Governments of most countries are either clueless of how to tackle the situation or they have no energy and/or determination to face these protests and to correct the situation rationally and sustainably. Taking advantage of this mounting anger, frustration and confusion, the cronies alternately called social miscreants are using the situation to their full advantage, causing a greater economic divide.

The poor of the world are directing their reaction to this widening economic gap in different ways as follows:

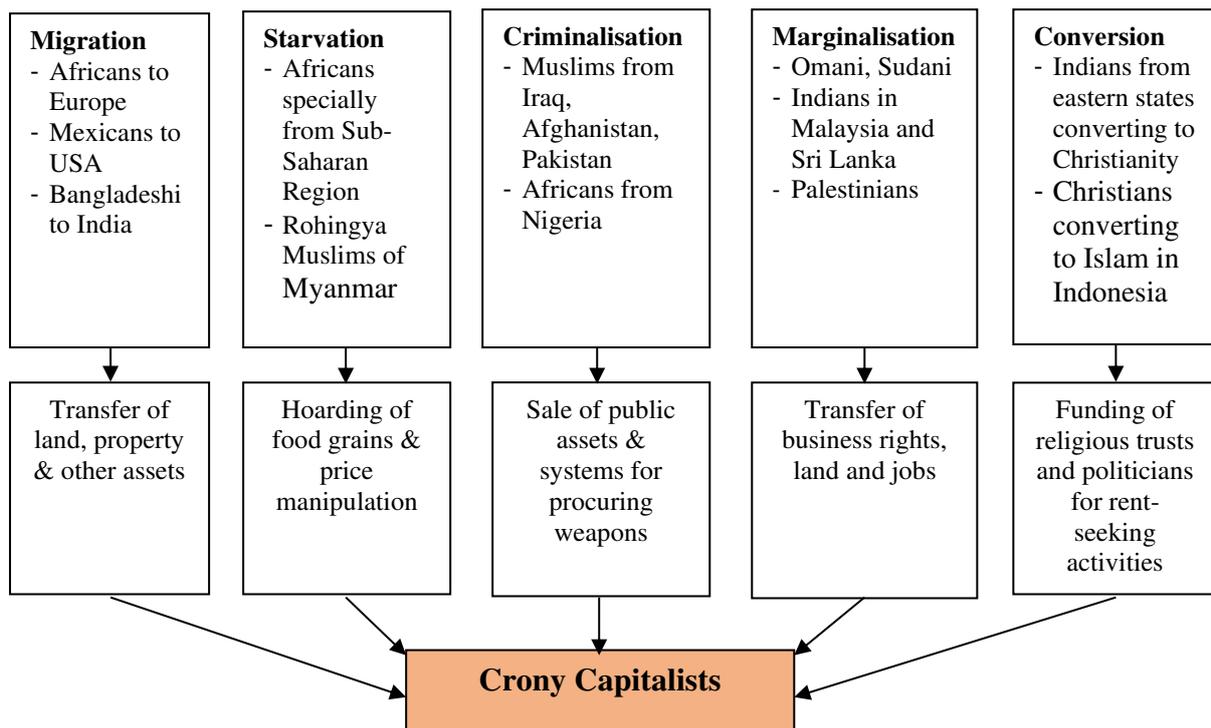


Figure 8

For crony capitalists, any and every activity is a rent-seeking opportunity. They are unhampered by political, geographical, religious, cultural or regional boundaries. They are virtually unstoppable and always adept at adjusting to any type of circumstances unscrupulously using their influential nexus to conduct businesses. For them every saleable item is a commodity, all government machinery is manageable and every customer is a potential target. Take a look at the illustration hereinafter which shows how crony capitalists use different manipulative combinations of value drivers and convert them into profit drivers.

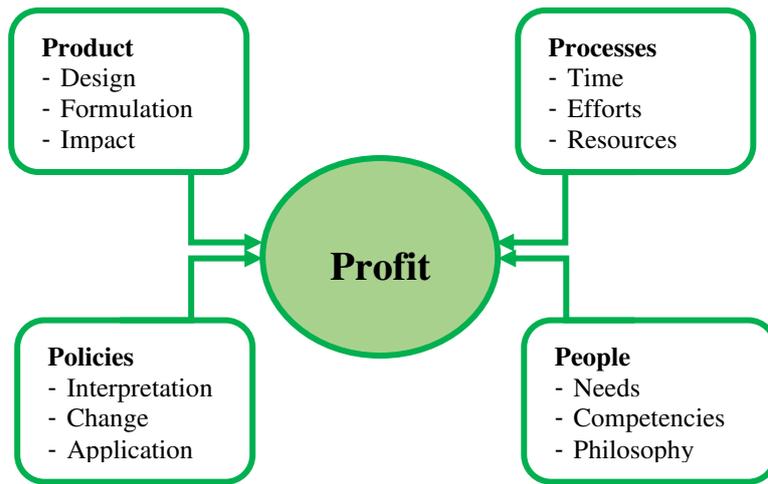


Figure 9

Crony capitalists (depending on the rules, culture and prevailing situation in a given country) use four steps of manipulations to maximize their profit indicated here below:

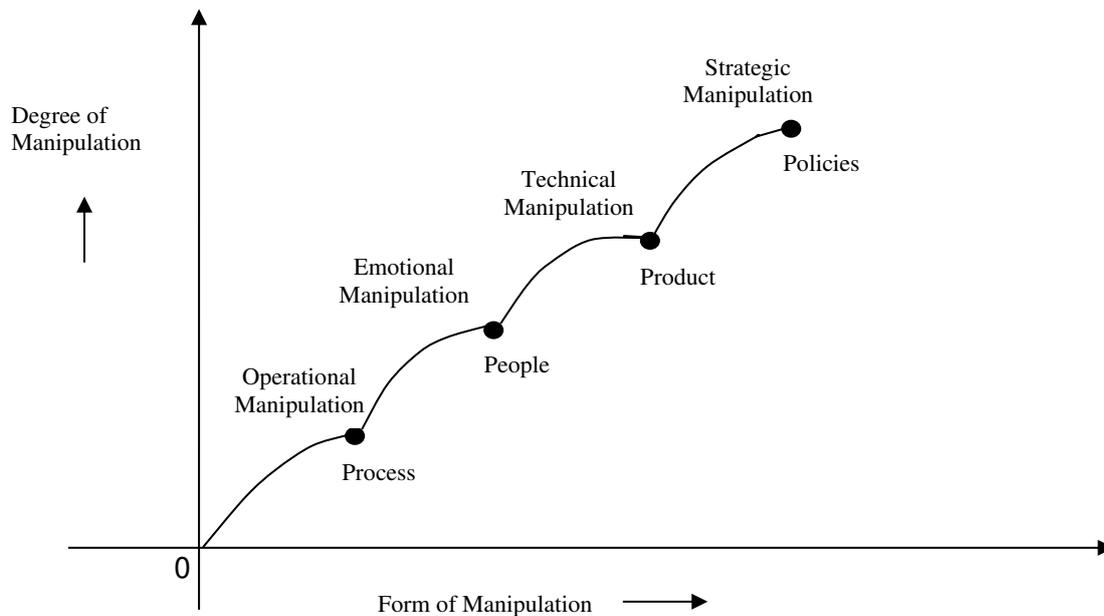


Figure 10

In recent times, policy manipulation has become the method of choice of the crony capitalists, especially the smarter and intelligent ones who have their intellectual wherewithal to use it effectively. The reason for this preference is the fact that policy manipulation is invisible and long lasting.

The current WTO mechanism has made it possible for many member countries to behave and even act as crony capitalists. When a nation practices cronyism, the effect is far reaching and very devastating for the entire globe. Take the example of American war against Iraq, an unfortunate example of a nation's crony capitalism. America first destroyed Iraq's economy during the war, and then at the end of the war, American corporations offered and came forth to rebuild the same, obviously fetching enormous profits for themselves. It is often seen that the powerful countries such as USA, Russia, China and Britain use their public capital to dominate their respective regions and later expand their economic and political influence over countries within.

At a broader level, even the current investments made in Africa and Asia, by the Chinese corporations [enjoying government patronage of course], could be viewed as crony capitalism. These investments are without an iota of doubt, an attempt to exert political dominance which should eventually give China economic monopoly in those regions. Many developed countries try and succeed as well, in manipulating the policy framework of the WTO with the sole aim to facilitate the growth of their crony capitalists. In fact, this has become quite the norm, serving as a viable business model for developing and even the helpless poorer countries, which eventually bear the brunt. This trend in deceitfully conducting global businesses is indeed very disturbing but a true reality. History has many examples wherein crony capitalists have forced governments to even indulge in activities as damaging as engaging in war with countries to gain access over the expensive natural resources and at times even to create markets where they can then dump their products and services, all at exorbitant costs. Unfortunately, what these rich countries do not realize is that the profit all of it goes to the coffers of the capitalists while the countries even get pushed to the brink of bankruptcy; some blatant examples of this are Greece, North Korea and Venezuela. Even stronger countries such as USA, France, Italy, Brazil and Russia have not been spared and have had to face serious and irreversible damage to their own economies. The crony capitalist, completely consumed by his hunger for wealth maximization, exploits every opportunity and converts every situation to his advantage. He uses any mode of speculation at his disposal to create suitable markets. He creates artificial 'demand and supply' at the cost of an economy or industry or even common public. His operating cycle (with many sub-cycles) keeps creating damaging networks which apparently look like economic activism. A very obvious example is the housing loan bubble which pulled the American economy down. An illustration of a crony capitalist's operating cycle here below:

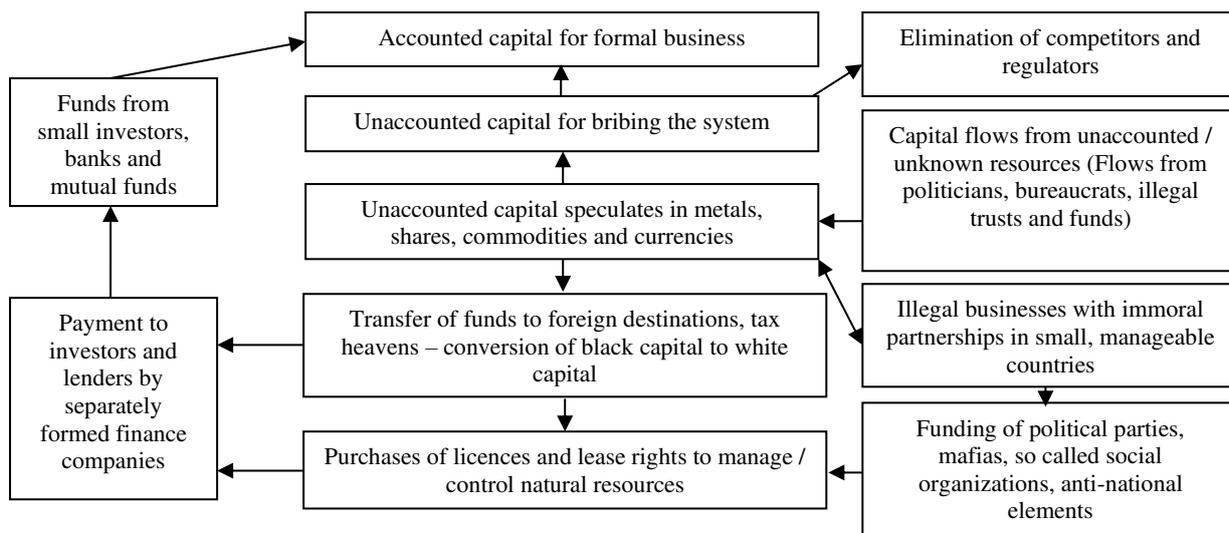


Figure 11

Very often operating cycles or the modus operandi of crony capitalists can get highly complicated in order to gratify their greed and entrepreneurial zeal and also to suit the framework of the country in which they operate. It is so cleverly rolled out that to the unsuspecting eye of the common man everything appears very well-organized and very much within the legal ambit. This becomes possible because they succeed in manipulating policies and at times even bribe heads of governments or local agents to obtain local conformances and compliances. The crony capitalists have no qualms in using complex corporate or ownership structures to confuse tax authorities, bankers, investors, regulators and public at large. **One such complex corporate structure may be shown as follows:**

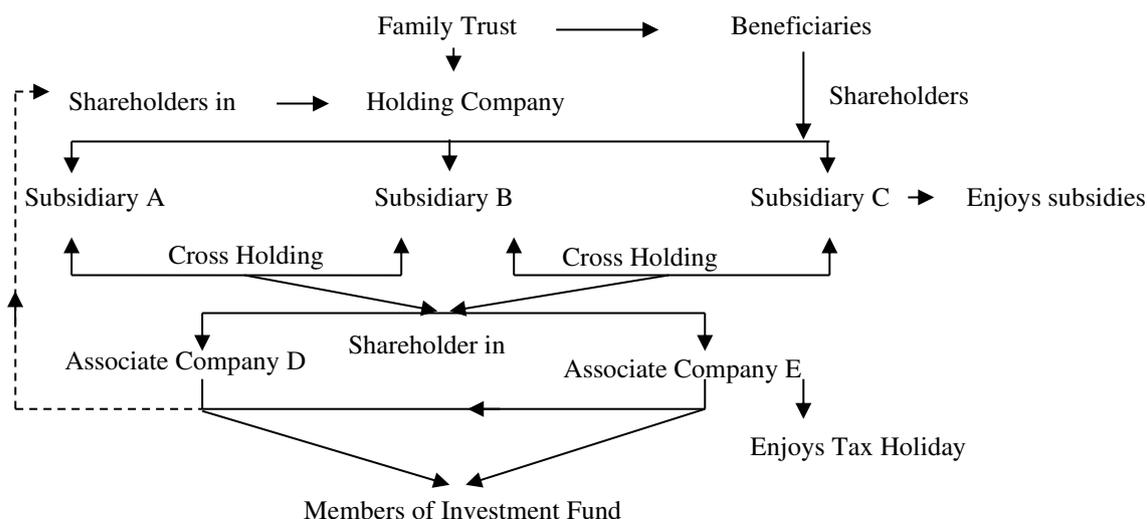


Figure 12

Crony capitalists use a labyrinth of corporate structures to make it difficult for tax authorities to exactly decide

- (i) the tax liability
- (ii) valuation of shares and business
- (iii) transfer price relationship
- (iv) authority for managerial control
- (v) liability in case of liquidation of a company
- (vi) status of minority
- (vii) responsibility of legal, technical and other compliances
- (viii) exact ownership for joint ventures, special purpose vehicles and strategic alliances.

When corporations become multi-national, these structures become more complex to cater to laws and sub-laws of the respective countries. Every country has its own specific way in conducting business transactions and although WTO stipulates certain rules and methods, crony member countries continue to use their own defined convenient business rules.

As mentioned earlier, globalization of businesses and economics has promoted crony capitalism because member countries could not agree on a common, inclusive, sustainable and equitable agenda for economic development. The Euro region was expected to succeed as the Europeans believed that they were culturally all the same. The contrary is true today, with the sole exception of the German economy, all other economies of the Euro region are in doldrums. The debacle of the Euro can be attributed to the dominance of crony capitalists all across Europe. Elimination of crony capitalism requires contemporary philosophical doctrines and efficient process of governance across the globe.

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