

## Financial Abuse Impacting Two-flow Economic Process

Two-flow local and global economic process exists, irrespective of the impact of financial abuse. What does not exist, at present, is a generation of two-flow local and global economists, trained to monitor economic health, and issue timely counsel to safeguard the economy in order to make everyone's life *livable*. A key factor for maintaining economic health is to ensure that sustainable norms for monetary circulation in the Redistributive function are not abused.<sup>1</sup>

The Redistributive function plays an essential role. Among other things, it monitors concomitance between the medium of exchange (money) and the two types of production (basic and surplus supply and demand). This function directs monetary resources to support transfer of ownership, savings, innovation, as well as taxation, international trade and more. It also increases or decreases total money in circulation, as needed.<sup>2</sup> A crucial part of its proper functioning includes the support of advantageous transitions in pure surplus income.<sup>3</sup> In fact, “[p]ure surplus income is at the nerve center of free economies.”<sup>4</sup>

However, pure surplus income is vulnerable to invasive pathologies as a result of unscrupulous, even nefarious, behaviour by its perpetrators.<sup>5</sup> Such behaviour can be tracked when markets exhibit

other tendencies ... They tend to wholesale deception, to fraud, to sharp practice, to ruthlessness, they tend to exploit the snobbery of the rich, the

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<sup>1</sup> Note that the meaning of the term Redistributive function in two-flow economics is technical. Readers should not confuse this term with the conventional meaning assigned to “redistribution” by individuals and groups in both the popular and economic tradition. That includes not only the well-intentioned (but naïve) philanthropic minded who would push for fair redistribution of wealth around the world, but also economists attempting to come to grips with the problem of income inequality. For instance, T. Piketty, J.K. Galbraith, G. Mankiw, and others in the economic tradition remain confined within a constricted horizon that has failed to make the needed intellectual shift by which to discern the existence and understanding of two-flow economic process. Thus, identification of the redistributive function is absent in the economic tradition, despite its being a principal component of actual economic process.

<sup>2</sup> By definition, “the redistributive function is to be studied only in relation to [the] two circuits [basic and surplus]. These relations are basically derived from changes of the quantity of money in the circuits” CWL 21, 255.

<sup>3</sup> Bernard Lonergan, *For a New Political Economy*, ed. Philip McShane, *Collected Works of Bernard Lonergan*, vol 21, Toronto: University of Toronto Press, 1998, 292—307. (CWL 21)

<sup>4</sup> CWL 21, 294.

<sup>5</sup> For details on unscrupulous practice and “the perversion of the law of supply and demand,” see, for example, “What light does two-flow economics shed on the law of supply and demand?”, *Two-flow economics FAQs*, FAQ 20, Bent On Futurology, <https://bentonfuturology.com/wp-content/uploads/2024/04/Two-Flow-Economics-FAQs.pdf>.

ignorance of the masses, the impotence of the poor, the passions of human nature, the gullibility of the world's endless supply of fools.<sup>6</sup>

And so, pure surplus income can be a target for perpetrators to exploit. This is bolstered partly by application of a “biased criterion of profit,”<sup>7</sup> along with the idea that money is a commodity,<sup>8</sup> thereby feeding the perpetrators' insatiable “appetite for making more and more money that they may have more money to invest and so make more money and more money to invest.”<sup>9</sup> This facilitates frantic efforts to buy, sell and then profit from goods and services most in demand worldwide, with scant regard for social, ecological or economic consequences,<sup>10</sup> particularly those involving the world's most precious natural resources<sup>11</sup>. One way or another, perpetrators continuously drain pure surplus income from the Redistributive function, depriving it of its life-giving potential.

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<sup>6</sup> CWL 21, 33.

<sup>7</sup> CWL 21, 92.

<sup>8</sup> On the practice of “financialism,” see “It is suggested that current economic practice has fundamental flaws. What are they?”, *Two-flow economics FAQs*, FAQ 14, <https://bentonfuturology.com>.

<sup>9</sup> CWL 21, 98.

<sup>10</sup> “The links between the climate, biodiversity, and water crises point to a fundamental issue: our economies are based on flawed economics. Current economic thinking leads us to consider only the proceeds of pillaging of the planet, while ignoring externalities such as environmental damage and the liabilities they imply. This bad accounting makes us look wealthier when we are actually becoming poorer, depleting the sources of our well-being at the cost of future generations. ... The myopic view of the world reflected in current economic thinking – and in our overexploitation of natural resources on a global scale – now risks destabilizing the entire planet. We have already perturbed six of the ‘nine processes that are critical for maintaining the stability and resilience of Earth system as a whole.’ The boundaries we are breaching– which include climate change, biodiversity loss, and freshwater change – define a safe operating space for humanity. By ignoring them, we have increased the risk of large-scale abrupt or irreversible environmental changes that would gravely threaten human civilization.” Mariana Mazzucato et al, “Water and the High Price of Economics,” *Project Syndicate*, December 1, 2023, <https://www.project-syndicate.org/commentary/global-water-crisis-bad-economics-ignores-externalities-rewards-pillaging-by-mariana-mazzucato-et-al>.

<sup>11</sup> “The increasingly well-documented links between climate change, biodiversity loss, and water insecurity point to a fundamental issue: our economic systems are based on flawed thinking. We are forever reacting to market failures when we should be pursuing proactive strategies to shape the economy for the common good.” Mazzucato et al, “Water,” 2023.

Among the perpetrators is a small percentage of the excessively wealthy,<sup>12</sup> seizing pure surplus income, not for economic benefit<sup>13</sup>, but to “fuse wealth and power.”<sup>14</sup> In fact, this exclusive group of “ultra high net worth individuals ... hold an astoundingly disproportionate share of global wealth.”<sup>15</sup>

Among this exclusive group are enclaves of “business and political oligarchs,”<sup>16</sup> not to mention other “tyrants and touts and tricksters and gun-toters.”<sup>17</sup> They wield a self-serving agenda, while boasting unimpeachable influence in financial markets and international banking. Their actions give the adage, “money talks” axiomatic status. Their financial clout enables them to “fix the money game” to their advantage, abdicate civic responsibility, not only by dodging accountability, but also with casual indifference to the suffering and despair that is inflicted on communities everywhere that depend on sustained investment in the production and sale of basic goods and services.

In fact, victims are good for most oligarchs. They add to uncertainty by putting additional stress on their societies and distracting others from what they are up to. That creates more opportunities for oligarchs to secure and reproduce wealth and power, and then transform one into the other.<sup>18</sup>

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<sup>12</sup> “Why the world’s richest people bag more wealth as poverty gap widens,” *Aljazeera News*, Business and Economy, January 15, 2024. <https://www.aljazeera.com/news/2024/1/15/why-the-worlds-five-richest-people-bag-more-wealth-as-poverty-gap-widens>. Among that exclusive group, “[t]he world’s five richest men — LVMH chief Bernard Arnault, Amazon’s Jeff Bezos, investor Warren Buffet, Oracle co-founder Larry Ellison and Tesla CEO Elon Musk — have seen their wealth double since 2020 and are earning \$14m an hour, Oxfam’s report said. But while the world’s few rich elite pile up wealth, world poverty has increased for the first time in nearly three decades, Oxfam’s report said.” *Aljazeera*, “Why the world’s,” 2024.

<sup>13</sup> On this point, then, it is important to observe that the acquisition of wealth in a properly functioning economy is not the issue. The issue arises with respect to *how* some individuals and groups not only go about acquiring wealth, but also what they do with that wealth once it is acquired. Either way, the questions that two-flow local and global economists would be in a position to ask are: *how*, in these instances, are normative financial rhythms in the economy being disrupted or abused? What corrective measures can then be taken as a result?

<sup>14</sup> David Lingelback and Valentina Rodriguez Guerra, *The Oligarchs’ Grip, Fusing Wealth and Power*, Walter de Gruyter GmbH: Berlin/Boston, 2023, 27.

<sup>15</sup> “According to the Credit Suisse Global Wealth Report, in 2022 the world’s richest 1 percent, those with more than \$1 million, owned 45.8 percent of all the world’s wealth. Their data also show that adults with less than \$10,000 in wealth make up 52.5 percent of the world’s population but hold just 1.2 percent of global wealth. Individuals owning over \$100,000 in assets make up 13.1 percent of the global population but own 85.2 percent of global wealth. Credit Suisse defines “wealth” as the marketable value of financial assets plus non-financial assets (principally housing and land), minus debts.” “Facts, Global Inequality,” *Inequality.Org*. accessed August 5, 2024, <https://inequality.org/facts/global-inequality>.

<sup>16</sup> Lingelback and Guerra, *The Oligarchs’ Grip*, 27.

<sup>17</sup> Philip McShane, *Futurology Express*, Vancouver: Axial Publishing, 2013, 4.

<sup>18</sup> Lingelback and Guerra, *The Oligarchs’ Grip*, 25.

One tool frequently employed by some oligarchic enclaves is to hoard pure surplus income in clandestine offshore bank accounts known as tax havens.<sup>19</sup> *The International Consortium of Investigative Journalists*, through their Offshore Leaks Database, has exposed “more than 810,000 offshore companies, foundations and trusts from the Pandora Papers, Paradise Papers, Bahamas Leaks, Panama Papers and Offshore Leaks.”<sup>20</sup> Regardless of which side of the law these individuals and groups happen to occupy, not only is the Redistributive function deprived of much-needed funds, but also this “loophole” provides these oligarchic enclaves, as well as other exclusive members of the excessively wealthy, a convenient and effective means to evade taxation in their countries of origin.

Why does tax evasion contribute to chaotic and disastrous consequences in two-flow economic process? When pure surplus income, a significant portion of which is derived from taxation, is removed, the local and global economy is deprived of reserve funds that would otherwise be available to invest in protecting and raising the standard of living, or in cultural implements such as education and the arts, or in monetary reserves required to meet unexpected, but inevitable, needs in the economy.<sup>21</sup>

Alternatively, in a properly functioning two-flow economy, taxation for business and industry would be jointly determined by local circumstances and managed in conjunction with counsel from groups of local, regional and national economists. Their collaboration would make certain that pure surplus income would be held in reserve to meet the future needs of basic and surplus production chains, and so ensure that each type of production is both well-placed and coordinated to meet local needs as they arise.

In addition to tax evasion, another tool employed by some oligarchic enclaves is to profit from global geopolitical instability by investing pure surplus income in the lucrative production and distribution of armaments

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<sup>19</sup> “Inequality.org has been tracking inequality-related news and views for nearly two decades. A project of the Institute for Policy Studies since 2011, our site aims to provide information and insights for readers ranging from educators and journalists to activists and policy makers. Our Inequality.org contributors come from the United States and around the world. Our focus throughout: What can we do to narrow the staggering economic inequality that so afflicts us in almost every aspect of our lives?” “About Inequality.org,” *Inequality.Org.*, accessed August 5, 2024, <https://inequality.org/about>.

<sup>20</sup> “This ICIJ database contains information on more than 810,000 offshore entities that are part of the Pandora Papers, Paradise Papers, Bahamas Leaks, Panama Papers and Offshore Leaks investigations. The records cover more than 80 years up to 2020 and link to people and companies in more than 200 countries and territories.” “Offshore Leaks Database,” *International Consortium of Investigative Journalists*, 2024, <https://offshoreleaks.icij.org>.

<sup>21</sup> See “There are different and, in some cases, radically opposed views about income taxes. How would two-economics account for income taxes?”, *Two-flow economics FAQs*, FAQ 16, <https://bentonfuturology.com>.

worldwide. “The world puts \$1.69 trillion towards military expenditures per year, and about \$375 billion of that goes towards buying arms specifically.”<sup>22</sup>

It is reported that

[i]n 2022, Lockheed Martin was the world's largest arms-producing and military services company, with arms sales amounting to nearly 60 billion U.S. dollars. Arms sales constituted almost 90 percent of total company sales in that year. Raytheon and Boeing followed on the places behind. Except for three European companies and one Russian, all the largest arms dealers in the world were either based in the United States or China. ... With the Russian invasion of Ukraine and rising tensions between China and the United States, particularly concerning the status of Taiwan, global military spending reached new records in 2022. Whereas global military spending remained stable during the 2010s, it has increased annually the last years.<sup>23</sup>

Investment in the production and distribution of armaments worldwide contributes nothing to the standard of living. Instead, it subsidizes that insatiable “appetite for making more and more money that they may have more money to invest and so make more money and more money to invest.”<sup>24</sup> Profits from the sales and distribution of armaments eventually line the pockets of legions of arms and military lobbyists, politicians, government officials, CEOs and shareholders.<sup>25</sup>

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<sup>22</sup> Jeff Desjardins, “The 10 Companies That Dominate the Global Arms Trade,” *Visual Capitalist*, January 12, 2018, <https://www.visualcapitalist.com/companies-dominating-global-arms-trade>.

<sup>23</sup> Einar H. Dyvik, “Sales of the world’s largest arms-producing and military services companies 2020,” Statista, July 4, 2024, <https://www.statista.com/statistics/267160/sales-of-the-worlds-largest-arms-producing-and-military-services-companies>.

<sup>24</sup> See note 9.

<sup>25</sup> “On December 15, 2021, nearly four months after America ended its war in Afghanistan, the U.S. Congress voted for the largest military budget in U.S. history. The total amount—\$768 billion, half of the country’s discretionary budget—was actually \$25 billion more than the Pentagon itself had even requested. ... When it comes to military spending, three powerful groups in Washington work together to achieve the same mutual goal: more money. The first players in this trio are Congress members, particularly those seeking to funnel military spending to their districts; second are the Defense Department officials who receive that funding, then use it to sustain or expand their budgets; and third are the ultimate recipients of this cash: military contractors, who employ more than 700 lobbyists in Washington, more than one for each member of Congress. ... Given the shared financial interest among these three groups, and the uncommon leverage each one possesses, when they work in concert they are almost impossible to oppose. Over the decades, this triumvirate, often referred to in Washington circles as “the iron triangle,” has added a new layer of meaning to what’s long been known as the military-industrial complex. [This] uniquely American collection of powerbrokers has become more like a military-industrial oligarchy, employing some of the same corrupt, undemocratic mechanisms commonly seen in some of the world’s well-known oligarchies.” Editor’s Note, “America’s Military-Industrial Oligarchy vs. Our Small Towns,” *Craftsmanship*, 2024, <https://craftsmanship.net/americas-military-industrial-oligarchy-vs-our-small-towns>.

At its barest... corruption in arms trades warps the budgetary priorities of recipient governments, incentivizing corrupt politicians to divert government funds away from crucial sectors and services and toward defense. With a larger pool of money available for defense spending, politicians have more opportunities to profit off procurement-related bribery. This dynamic undercuts the self-interest of recipient countries, as the most cost-effective, security-enhancing deals are sacked for shoehorned deals that entail corrupt commissions for a small handful of political elites. These inefficiencies and distortions are felt most acutely by citizens who are denied access to meaningful security and basic services.<sup>26</sup>

Compounding the issue,

[a]t the root lies a radical flaw in the classical theory of prices. The classicists argue that if any undertaking is supplying what people really want, then people will pay enough for its product to keep the business going; it follows that subsidies are merely devices for making the taxpayer shoulder the burden of individual inefficiency or inadaptation. The facts about subsidies show that this conclusion is false, and, in fact, the premise is false as well. But individuals have other interests, no less real and no less imperious. They are members of a whole hierarchy of groups, and they share other interest in common with each of these successively wider circles: there are the interests of their firm, the interests of their locality, the interests of their region, the interests of their country, their stake in the continuity of world economy; in addition there are class interests, social interest, cultural interest, religious interest. All of these interests are real, but the classical price mechanism ignores them; it isolates the individual in the narrowest and lowest of his interests, and then leaves it to labor organization and strikes, to interlocking directorates and monopolies and lockouts, to state intervention and lobbying and tariffs and subsidies, to nationalism and armaments and economic imperialism and wars, to fight out unjustly and stupidly and even brutally the issues which should be settled by a competent theory of prices and properly developed price system.<sup>27</sup>

In this chaotic environment, it is disturbing to contemplate that economic success is measured, not by locally informed economists aware of, and tracking, the two-flow productive process and the various classes of concomitant payment with “a competent theory of prices and properly developed price system,”<sup>28</sup> but is measured by the crudest merging of wealth

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<sup>26</sup> Tanner Clegg, “Corruption in the Global Arms Trade: An Overview,” *Global Financial Integrity*, June 26, 2023, <https://gfintegrity.org/corruption-in-the-global-arms-trade-an-overview>.

<sup>27</sup> CWL 21, 100–01.

<sup>28</sup> See note 26 and “How does two-flow economics account for prices and quantities?”, FAQ 17, <https://bentonfuturology.com>.

and power, imposing a polarity of “winners” and “losers” on the world’s economy.

As mentioned above, pure surplus income is at the nerve center of free economies, in which five monetary functions exist exclusively to serve all people, to protect and raise their standard of living. Rather, the ongoing abuse of its proper function in two-flow economic process is simply a means for some oligarchic enclaves to achieve totalitarian ends.

Accordingly, their *modus operandi* unfolds as follows.

Business oligarchs ... first gain wealth, then translate that into power. Political oligarchs ... move in the opposite direction, accumulating power before they pursue wealth. ... By holding both wealth and power [they] have “multiple control mechanisms. ... These enable them to more effectively exploit opportunities in an increasingly uncertain world. ... [In other words,] oligarchs originate from two sources: business, and political activity. ... They acquire wealth mainly through entrepreneurial activities, and sometimes from connections and family inheritance. ... Oligarchs gain and exercise power in three ways: decision-making, agenda-setting, and ideology. ... Effective oligarchs employ four strategies: they are entrepreneurial ... they employ a “friends with benefits” partnership strategy ... they wait for the main chance ... and they fly under the radar. ... Oligarchs are a global and historical phenomenon that have operated on every settled continent and have been active since ancient history. ... They are likely to play a growing role in a world of increased uncertainty driven by existential challenges and rising authoritarianism.<sup>29</sup>

This pathological behaviour is merely an inadvertent shift back to Machiavelli.

[L]ike him they are concerned with the factual practical truth and not with fancies; like him they have no taste for imagined commonwealths and principalities which never were, because they look at how men [and women] in fact do live and not such stuff as how men [and women] ought to live.<sup>30</sup>

The authors of the recent book, *The Oligarchs’ Grip*, discreetly inquired of an oligarch if the characterization cited earlier in this article “describes accurately how oligarchs secure and reproduce wealth and power, then transform one into the other; if it meets the same test that Machiavelli applied to himself when he wrote *The Prince* for Lorenzo de Medici.”<sup>31</sup>

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<sup>29</sup> Lingelback and Guerra, *The Oligarchs’ Grip*, 27.

<sup>30</sup> CWL 15, 95.

<sup>31</sup> Lingelback and Guerra, *The Oligarchs’ Grip*, 274.

Accounting for the aforementioned modus operandi, the oligarch's response comes as no surprise.

Yes, the oligarch said, your model is accurate. It captures most of what people like me do. It makes me a little uncomfortable.<sup>32</sup>

That discomfort extends to the authors of the book who conclude, ominously, that these oligarchic enclaves will continue to have a stranglehold on the world's economy.

Most oligarchs, most of the time, have an incremental impact – often negative – on wealth inequality and democracy ... we [the authors, Lingelback and Rodriguez Guerra] must admit that contemporary oligarchs in the tails of the distribution<sup>33</sup> (those with exceptional wealth and power) do pose outsized, historic risks. Should ideological oligarchs like these prevail, it is easy to imagine a world in which ... average citizens and their behaviour will, around the world, be under ideological oligarchs' control.<sup>34</sup>

The impact of invasive pathologies on pure surplus income in the Redistributive function, perpetrated by some oligarchic enclaves among the excessively wealthy, has dire implications for local and global two-flow economic process. Not only do these pathologies exacerbate global instability, but they also masquerade as “economic prosperity.” The harsh fact is that the behaviour exhibited by oligarchic culture is making it

increasingly difficult to distinguish between a democratic and a totalitarian economy ... Without [the emergence of two-flow local and global economists] human liberty will perish.<sup>35</sup>

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August 13, 2024

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<sup>32</sup> Lingelback and Guerra, *The Oligarchs' Grip*, 274.

<sup>33</sup> See footnote 1. Again, like the term “redistribution” cited earlier, the term “distribution” in this passage connotes its popular meaning.

<sup>34</sup> Lingelback and Guerra, *The Oligarchs' Grip*, 272.

<sup>35</sup> CWL 21, 110.