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FROM CHILE TO NEW YORK CITY: SYSTEMIC CORRUPTION AND OLIGARCHIC DOMINATION

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Camila Vergara is a critical legal theorist, historian, and journalist from Chile examining the relation between inequality, corruption, and domination, as well as how to institutionally empower common people to resist oppression from the powerful few. She is currently a Marie Skłodowska-Curie Fellow at the University of Cambridge, conducting research on plebeian rights and the author of *Systemic Corruption. Constitutional Ideas for an Anti-Oligarchic Republic* (2020). In this essay, Vergara takes us back to her upbringing in Chile, during the Pinochet dictatorship, which was partially spent on her grandfather's ranch, as the granddaughter of the *patrón*. Vergara unfolds how global inequality continues to be upheld by the oligarchization of power through systemic corruption, at both national and international levels.

1

I am a political philosopher working on the intersection of inequality, corruption, and the law. My academic training has been a multidisciplinary effort to understand the basis of political authority and the principles of a democratic society, and how our political orders deviate from democratic principles, fueled by inequality and oligarchic domination. I grew up in Chile during the Pinochet dictatorship (1973–1990) and worked as a journalist writing on political economy during the country's transition to a limited democracy, in which a socially conservative, economically neoliberal worldview was constitutionally entrenched. As a journalist in the early 2000s, I covered stock markets and wrote investigative articles on the financial sector and the health care and pension systems. It was clear to me that the high degree of inequality in Chile was fueling a regime of accumulation at the very top, allowing for political corruption and the passing of laws favoring the powerful at the detriment of the majority. Increasing inequality created an oligarchic political class that benefited from the status quo and therefore did nothing to decrease inequality or modify the patterns of accumulation that allowed the top 1% to appropriate more than one third of total wealth of the country.

Chile's oligarchic political structure, in which the wealthy and their corporations have a grip on the majority of the political class, is not an exception but increasingly the rule around the world. For almost a decade, I studied political and socioeconomic inequality in history and how hierarchical structures were put in place, not *despite* laws and institutions, but *through* them. I analyzed inequality and the constitutional orders it has generated in my book *Systemic Corruption. Constitutional Ideas for an Anti-Oligarchic Republic* (Princeton University Press 2020). Therein, I theorize the global crisis of democracy from a structural point of view, arguing representative governments, as a regime type, suffer from a form of political decay linked to inequality and the oligarchization of society. A process by which the superrich control the political process, pushing for laws and policies that benefit big corporations at the detriment of common people. When the rules of the game consistently work for the powerful few and hurt the majority, then democracy has become oligarchic and in need of structural reform. This struggle to reign in the power of oligarchy cannot be done in one country alone; anti-oligarchic measures need to be adopted across nation-states as well as in international structures of governance.

2

Global inequality is not a naturally occurring phenomenon but rather the result of unequal relations of power that are sustained and reproduced by a complex web of laws and regulations at the national, regional, and supranational levels, enforced or ignored depending on the actual power of political actors—the majority of them representing oligarchic interests. Moreover, global inequality is not the mere aggregation and quantification of similar degrees of inequality at the local, national, and regional levels, but rather the structural expression of different methods of oligarchic domination and the exploitation of human and natural resources around the world. Global inequality is only possible in an interconnected world in which the most powerful national oligarchs are able to expand their reach and exert domination at a global scale. Global inequality and social injustice advance together on the world stage. Conquest, colonialism, and hegemonic economic relations have allowed a few countries to become wealthy and powerful. These few wealthy and powerful countries are thus the main beneficiaries of a global economic growth in which poor countries bear the majority of the costs. From climate change to environmental pollution, global inequality, and the juridical and material structures that

reproduce it, favor the already rich and powerful and burdens the most vulnerable within and among countries.

3

I grew up partly on my grandfather’s ranch in southern Chile. The son of a Spanish immigrant, he saved money and bought land in a remote place. He began to create a community around him, building houses for workers and their families. He was rich in property and took care of the people living on his land like family—not only paying healthcare and education bills, but with a deep concern for the wellbeing of those around him. It was during my first job as assistant *campera* (cowgirl) at the ranch at age 10 that I was confronted with the rigid socioeconomic hierarchy that separated me (granddaughter of the *patrón*) from the workers—despite us being equally high on our horses and equally buried, knee-deep in mud and cow muck. Listening to their conversations, I quickly realized that even if my grandfather was a “good boss,” he was still a landlord who had the power to exploit, fire, and evict his workers if he so wanted to; that he chose not to, didn’t change the relation of power in which he had a dominant position.

This capacity to identify unequal relations of power and their potential consequences in people’s lives stayed with me, becoming essential to my work as a journalist. In my first job as a political economy reporter in 1999, through interviews with CEOs, ministers of finance and labor, ombudsman officers, and central bank economists, I learned much about the innerworkings of markets, the industries created around social services, and their interaction with laws and regulations at the national and international levels. I saw how sophisticated technical language and methods were deployed to rationalize both the disproportionate enrichment of the already wealthy and powerful, and the dispossession of the masses.

I was given a peek at how states defend oligarchic interests on the global stage when I briefly worked at the United Nations in New York as press attaché for Chile between 2009 and 2010. I witnessed with enormous frustration how non-binding or unenforceable resolutions declaring the socioeconomic rights of individuals were passed without much opposition—and with barely any impact on the ground—while motions undermining the economic interests of corporations based on wealthy countries didn’t even make it to the floor for a general vote. I quickly realized that

wealthy diplomats are part of the world's oligarchic political structure in which a few countries have veto power to deny the systemic change necessary to address global inequality. In my current position as a researcher and lecturer in topics of democracy and social justice, my goal has been to bring awareness of this inequality from an intersectional perspective—taking into account gender, race, class, and citizenship—so to make visible and accessible the diverse structural dominations that are enabled under the current world order.

4

The current patterns of accumulation and dispossession around the world originate at the foundation of the capitalist order: colonialism. The extraordinary amounts of natural resources extracted from the Americas, Africa, and Asia made possible accumulation of capital, the industrial revolution, and the rise of a new capitalist oligarchy that thrived in the nineteenth century's laissez-faire regimes in which there were few limits to labor exploitation and capital accumulation. By 1920, even if inequality had reached a level comparable to the degree of inequality present during feudal times, the devastation produced by the rise of fascism and the second world war decreased inequality inside the U.S. and western Europe due to loss of accumulated wealth and post-war redistributive taxes—with top income tax rates of 70% or higher until 1980 in the U.S. and above 60% in France until the late 1980s.¹ It is only after the neoliberal experiments in the 1970s and 1980s led by General Augusto Pinochet in Chile, Margaret Thatcher in the United Kingdom, and Ronald Reagan in the United States, that inequality begun to increase again.

In the 1980s, the neoliberal ideology of a lean state, in which taxes are low (current top income tax rate is 37% in the U.S. and 40% in France), basic services are privatized, and regulations setting limits to the exploitation of labor and nature are scant and weak, swept the world. In the 1990s, international institutions played a crucial role in imposing more unequal patterns of accumulation within and between countries. The most consequential of such institutions was the IMF, which attached a laundry list of neoliberal requirements—the so-called Washington Consensus—to the loans given to developing countries.

¹ See Thomas Piketty's long-term study of inequality in *Capital in the Twenty-first Century* (Cambridge: Cambridge University Press, 2014). For taxation see pp. 498–508.

In the U.S., which in the 1980s had already become the most powerful country in the world, inequality increased not only because of neoliberal reforms, but also because the U.S. became the largest promoter of tax evasion, allowing for corporations to move to foreign jurisdiction to decrease their tax rates. Currently, about half of all the global profits that are shifted to tax havens are from U.S. multinationals.² The massive amounts of wealth generated by rapid economic growth were poured into a deregulated financial system that ultimately enabled the 2008 crisis. Thanks to the massive transfer of wealth from the bottom to the top, due to neoliberal policies and cyclical crises, societies are today experiencing patterns of wealth accumulation comparable to those of the *ancien régime*, a period that ended with a popular revolution and the promise of a more equal world. We have reached a point in which global inequality has unveiled the domination of the superrich across borders, fueled by ever-increasing wealth stashed in tax havens, beyond the reach of state control.

5

Since global inequality is fueled by skewed patterns of accumulation at the national and international levels, the most pressing challenges relate to the ways in which our current juridical and regulatory structures are accelerating the rates of accumulation by the superrich. While tax havens allow for unlimited accumulation of wealth and undermine national efforts to tax local oligarchs, highly specialized lawyers dedicated to decrease companies' tax burden are constantly innovating and adapting legal codes to the interests of capital, setting precedents to rationalize and then legalize unequal power relations.³ The only way to revert the current patterns of accumulation and dispossession would be to eliminate the legal provisions that allow companies to be based in tax havens, and greatly increase tax rates for billionaires.

Even if taxes on the wealthy forty years ago were double what they are now, raising taxes today to those levels seems virtually impossible. Representative governments have been coopted by special interests that have pushed to eliminate regulations which limit the power of the wealthy

² Kimberly A. Clausing, “Taxing Multinational Companies in the 21st Century” *The Brookings Institution*, January 28, 2020.

³ See Katharina Pistor, *The Code of Capital: How the Law Creates Wealth and Inequality*, (Princeton: Princeton University Press, 2019).

and to pass laws benefiting the powerful at the detriment of the common people and the environment. This process of oligarchization of power through the existing institutions is what I have called *systemic corruption*, a form of political decay in which democratic forms enable a *de facto* oligarchy that prevents any radical reform aimed at redistribution. In order to properly deal with systemic corruption, countries need to support anti-oligarchic laws aimed at curtailing the power of the wealthy. However, given the oligarchic grip on politics, the probability of approval and adequate enforcement of such laws is marginal. To properly deal with global inequality, it is necessary then to radically reform the existing representative structures of power by establishing popular institutions able to impose anti-oligarchic regulations and keep corruption in government in check. It seems to me the most promising way to put global inequality under control is by establishing local popular institutions, both in wealthy and developing countries, able to reign in the power of oligarchs within their respective national borders. Only the organized power of the many has historically been a match for the power of the few. The efforts to control global inequality should be placed not only on limiting the ability of the wealthy to stash away their profits and avoid taxation, but also to institutionally empower common people to control legislation and policy.



“Organize your rage” spray-painted on a bus stop in downtown Santiago, Chile during the October 2019 popular uprising against the precarious living conditions imposed by the neoliberal model.