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# Corporative frauds and wealth appropriation

Antonio David Cattani
*Universidad Federal de Río Grande del Sur, Brasil / adcattani@uol.com.br*

**Abstract:** Usually identified as an exception in the capitalist sphere, the frauds perpetrated by large companies are also an uncommon topic in Social Sciences. Asserting that illicit practices involve enormous sums, this article analyses their significance in relation to class struggle and the production of inequality. These are strategies used by the economically dominant sectors when the correlation of forces is favorable to them. With power and impunity guaranteed by business arranged on a large scale, frauds allow certain groups to appropriate social wealth to the workers as well as small-scale capitalists' detriment. The author supports the thesis that frauds concern neither a primitive stage nor an exceptional dimension of capitalist practices. When included as a pertinent feature in the analysis of social structures and relations, they allow the so-called rationality and efficiency of the system to be uncovered, bringing into question the legitimacy of the dominant social positions.
**Key words:** dominant sectors, wealth, economic frauds, class struggle, inequality.
**Resumen:** Identificados a menudo como excepciones en la esfera capitalista, los fraudes practicados por las grandes empresas son un tema poco usual en las ciencias sociales. Considerando que las prácticas ilícitas involucran sumas voluminosas, este artículo analiza su significado vinculado a la lucha de clases y a la producción de las desigualdades. Son estrategias utilizadas por los sectores económicamente dominantes mientras la correlación de fuerzas les sea favorable. Con poder e impunidad garantizados, los fraudes se concretan a partir de los negocios realizados a gran escala, permitiendo que determinados grupos se adueñen de la riqueza social en detrimento de los trabajadores y también de otros capitalistas más pequeños. Se sostiene la tesis de que los fraudes no corresponden a una etapa primitiva ni tampoco a una dimensión excepcional de las prácticas capitalistas. Incluidas en tanto dimensión pertinente en el análisis de las relaciones y estructuras sociales, ellas permiten desvelar las supuestas racionalidad y eficiencia del sistema, y cuestionan la legitimidad de las posiciones sociales dominantes.
**Palabras clave:** sectores dominantes, riqueza, fraudes económicos, lucha de clases, desigualdades.

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## Introduction[1]

Financial scandals, enterprise attacks and large corporative frauds regularly come from the restricted circles of the business world, reaching the media. Not only do money laundering, concealment, bribery, capital flight and other unlawful conducts involving important sums of money appear in the police sections of the media, but also in the economic sections of the specialized press. Unlike what is written on common crime, the disclosed information uses a particular vocabulary when it refers to mysterious institutions (captive bank, licensing companies, offshore societies) and complex processes (false accounting, under- or over-invoicing, tax evasion, leaseback, etc.).

The phenomenon becomes especially important, as it calls attention, firstly to the amount of resources involved, always around tens of millions, sometimes hundreds, and in some murmuring cases, thousands of millions of Brazilian Reais, Dollars or Euros. Frequently they correspond to estimations presented by the audited bodies, the police or the press. The unlawful nature of the operations, by definition, blocks the accurate calculation of the amounts involved. Although the actually verified values and the recovered sums remain undisclosed, data point out expressive figures. White-collar crimes performed by corporations and individuals in financial privileged conditions reach stratospheric levels.

Even though there are illegal procedures at every level of the economic activity, millions of micro and mid frauds together are not comparable, in terms of volume and sociopolitical consequences, with the malice with which fraud is performed by a single mega-corporation.

A second fact worth mentioning is the nature of the frauds in the capitalist dynamic; the economic process has a regulatory frame that contains conflictive transactions between capital and salaried labor, even ruled by social norms that reflect the juridical recognition originated in the correlation of forces existing between the antagonists. A similar situation can be seen in the sphere of inter-capitalist competence: market conditions define general rules whose observance is impelled or audited by institutions of public character and, to a lesser extent, of private nature (sectoral chambers, association of employers).

Likewise, the capitalist expansion may resort to practices that violate social and economic conventions —use of force, plundering, corruption, *i.e.*, violence and fraud— as a way to obtain profits above the rest of the market. Said benefits mean an "extra surplus", achieved through technological innovation or productivity gains instead of equitable distribution, forced by competence or new taxes.

[1] Translation to Spanish language by Lucimeire Vergilio Leite

The prevalence of one or another dimension is subordinated to the correlation of social forces, to the capacity of governmental control and competence regulations. At several moments in history, the unlawful dimension prevailed; some instances are the practices of English corporations in the Far East, by the mid XIX century, and the *Robber Barons*, in the United States by the end of the XIX century, as well as the diverse cases that involve relations between multinational corporations and dictatorial regimes (Trujillo, in Dominican Republic; Marcos, in Philippines; Suharto, in Indonesia, etcetera).

In other periods, the frauds had a scarcely relevant role, retaking its importance with the weakening of civil society, governmental institutions and judicial power. In recent decades, the world has witnessed an important growth of entrepreneurial activities and financial transactions outside the law or bypassing it. This is not caused by the growth of business or the amplified dissemination by the media; neither does it come from the action of controlling organisms or the mobilization of civil society. The manifestations of what some authors call "bandit capitalism", "sagacious economy", "global outlaws" have dramatically increased (Alepin, 2004; Bakan, 2008; Baker, 2005; Breton, 2005; Godefroy and Lascoumes, 2004; Guillhot, 2006; Mathers, 2004; Nordstrom, 2007; Woodiwiss, 2007)

In spite of the concealment efforts, the unlawful practices of capitalism without control that end up being disseminated by the media. They are evidenced by thousands of judicial public and private issues against fraudulent enterprises and they are systematically denounced by entities linked to alter-globalization and the World Social Forum. Among these, we especially underscore ATTAC (Association for the Taxation of Financial Transactions and for Citizens' Action, ATTAC), 50 Years is Enough Network and Social Watch.

There are numberless examples of infractions that become gigantic proportions, such as Worldcom, Parmalat, Enron, the Argentinean "plunder", Monsanto in Indonesia, Cattles in the United Kingdom, Unocal in Myanmar, Chevron in Africa, National Bank, Santos Bank, Schincariol and Daslú in Brazil. These cases gave visibility to a process with no boundaries, stirring other entrepreneurial sectors to develop corporative governance programs, social responsibility and economic ethic, in views of preserving the good reputation of the large corporations, separating what they consider the "the rotten part" that may pollute the other; *a few bad apples*, as it is said in the jargon of the business world.

This article is structured to answer three blocks of questions. Firstly, do corporative frauds denote irrelevant processes or of localized importance? Are they marginal facts, which affect the capitalist dynamic in an exceptional and sporadic manner or are they part of its nature? This is to say, do they come from lesser activities that compose a world severed from the pure economy and from the relations of production considered normal? More so, is it a particularity with heavier influence on Latin America?

Independently from the answers we found, there is still room to ask whether this an academic topic related to sociology or if it is limited to problems strictly limited to the police or public prosecutor spheres; since it is an economic interest, would not it be a topic restricted to the economic science?

Finally, anticipating the argumentation that the topic is significant and that social sciences can valuably contribute to this argumentation, one can ask: how do fraudulent activities articulate around the topic of wealth, therefore, around power and inequalities? Moreover, are we facing a special dimension of the class struggle? Do the domination and exploitation of the most vulnerable have to do with obscure dimensions of capitalism?

Before studying such statements, there are two things to consider. The first analysis approach will be the economic frauds that involve enterprises, especially corporations, juridical persons acting in the normal institutionalized economic sphere. We will not examine Ponzi schemed frauds (such as the one by Bernard Madoff), banditry, organized or not, common infractions, mafia practices and gangsterism, nor the manifestations such as smuggling, terrorism, drug trafficking, gunrunning and other indubitably criminal actions. The association of common crime to economic frauds, according to the understanding of some authors (Woodiwiss, 2007; Baker, 2005), hinders the correct evaluation of the contemporary capitalist dynamic.

A second clarification refers to the nature of the sources. Only public data are utilized. A great deal of the information comes from the large media and poses some limitations: essential data cited in them come from unidentified sources, and strong declarations of the authorities, as well as disavowals, appear without verification. Sometimes the news program does not follow the topic and it is not known if the fact did not proceed or if it was obstructed. Reliable data appear in inaccessible trials and diverse operations are protected by bank secrecy. On the contrary, determinate denouncements, performed by the victims or civil society organizations, such as unions, NGO's and diverse associations, often lack support. Too frequently the little reliability is avoided resorting to the gravity of the occurrence; this because if a detected fraud is overrated, for example by saying it is worth 50 million USD and, in fact it is half of the figure, even so it will be a relevant amount. In any case, the associations of auditors of public finances and the Financial Action Task Force, the most important inter-governmental organism to combat money laundering, underline that the frauds are usually larger and graver than what is announced to the public, and the identified causes are mere iceberg tips. As we will see below, the phenomenon does exist and it is important even if its quantification is not accurate.

**Millions and billions**

Although the history of occidental capitalism registers the successive appearance of economic and financial scandals of large proportions, the empirical reference of this article comprises the frauds disclosed during the last two decades. The time span was selected in function of the creation of FATF (Financial Action Task Force), in Paris in 1989, a group that combats money laundering, from an initiative of the G-7 country members.

Back then, the victory of neoliberal precepts was apparently absolute: the collapse of the soviet regime, the crumbling of the Welfare State, privatizations, financial liberalization and labor deregulations defined the conditions of a limitless and unrivaled globalization. At the same time, corruption, money laundering and tax evasion reached vey high levels and demanded, against their ideological orientation, the ministries of finances of the largest economies to adopt measure to prevent them. The intervention of FATF was particularly reinforced after September 2001, with the justification of helping the war on terrorism.

Even so, as from the end of the 1980's, rumors multiplied and they can be divided into two groups. The first one refers to the news of the large printed media and is composed of cases of collapse and near collapse of the company, being the most known BCCI and Clearstream, Enron, WorldCom and Parmalat. The second refers to the fraudulent practices localized, undercover and, largely, maintained in anonymity. The large corporations involved, in a way or another, survive the legal sanctions paying fines or securing impunity, as the instances of Hyundai and Samsung in the antipodes.

The Bank of Credit and Commerce International (BCCI), founded in London in 1972 and closed in 1991 and in spite of the magnitude of the damage (20 billion USD), does not corresponds to the institutional frauds classified in this article, as it actually was a criminal organization. It is worth remembering the instance of BCCI because of the behavior adopted by authorities, politicians and manly by the financial and entrepreneurial authorities before the fraud was stopped. Renowned international banks, renowned entrepreneurs and famed politicians traded with BCCI, which was audited by one of the most qualified companies in the world, Price Waterhouse.

A similar situation occurred in Clearstream, a sort of collection agency of the European banks, a branch of Deutsch Börse Group, proprietor of Frankfurt stock exchange. The still unresolved fact had similar participations, even with large European parties, and is one of the largest money laundering operations in recent decades.

When for the first time appeared what later was considered the gravest entrepreneurial scandal in the American economic history, Enron, enterprise of the energy sector, whose strategy was to manipulate accountancy data in order to overrate its financial health, held the third place in the ranking of the largest American enterprises. The damage from the fraud surpassed 13 billion USD in debts, causing the dismissal of more than five thousand workers, incalculable losses for the shareholders and the bankruptcy of the pension fund of their employees.

In 2002 the criminal scheme came to light compromising one of the largest telecommunication companies in the U.S., WorldCom. The corporation presented the best profitability indexes anchored in falsified financial balances. The scandal started with the evidence of an embezzlement worth 11 billion USD and ended up in the largest case of bankruptcy in the United States, in addition to the general damage, nearly 20 thousand employees demitted and the shareholders lost billions USD.

In 2003 the Italian multination Parmalat, with branches in some Latin American countries, was also the protagonist of a fraud at a worldwide scale. Regarded for many years as a successful instance of neoliberal globalization, the organization accumulated debts worth 14 billion Euros, calculated through accounting violations and operations established in tax havens; in December 200, its insolvency was declared, shortly after more than 100 thousand Italian investors lost their shares in the company and the compensations claims from the creditor banks dramatically increased, amounting 40 billion Euros. What is more, it is estimated that circa 16 thousand employees were dismissed the following year.

The frauds which do not become bankruptcy or harsh punishments to the enterprise present a higher complexity, as they include multiple circumstances, involving organizations and individuals; this situation can be exemplified with the facts linked to the president of Hyundai, in 2006, and to the president of Samsung, in 2008, both were dismissed after acknowledging the unlawful appropriation of hundreds of millions of American dollars; assuming the responsibility in personal terms, they excused the companies actually benefited by the frauds. Some similar occurs in the case of corporations forced to repay for the damage to public goods. Joel Bakan (2008) refers to dozens of infractions relative to fiscal, environmental and economic legislations that include large American corporations.

In the case described by Bakan, by paying fines worth more than a million USD, the enterprises continue with their actions as though nothing had occurred.

Raymond Baker (2005) elaborated a voluminous study in which it is estimated that circa 50% of the international trade moves through tax havens and secret jurisdictions in at least one point between buyer and seller. A large part of said transactions covers distorted prices, by means of which it is sought to eliminate rates and avoid regulations, under- or over-invoicing, simulated loans, fraudulent transfers, etc. For Baker (*idem*) thus international business is made, becoming a central element in global strategies.

Even with all the proofs, the values negotiated in this manner are not accounted for in the international financial statistics. It is obvious that none of the powerful financial institutions offers any sort of accountancy in which "dirty money", "revenues from money laundering", "capital flights" or a document that suggests such figures appears. Illicit flows remain disguised or only invisible; whereas, voluminous amounts of money are sent from developing countries to the great occidental powers, accumulating in safe deposits, properties and market investments, mainly in the U.S. and Europe. Baker (*idem*) demonstrates that, for the World Bank and IMF, the discussion on the unlawful transfers that that circulate across borders is relevant almost exclusively in non-economically dominant countries and, on certain occasions, in the *offshore* financial centers, but never in the north-occidental banks and corporations. The United States and Europe deny any responsibility for the "dirty money" from unlawful financial activities.

Economic and financial frauds are not practices that can be labeled with any typical third-world "deficiency". Instead they are instruments proper to the dynamic of capitalist accumulation. The violations perpetrated by the large icons of the free market system, such as J. P. Morgan Chase, Global Crossing, Bankers Trust, Halliburton, Citigroup, Bank of America, Arthur Andersen, Merril Lynch and the aforementioned Enron, WorldCom and Parmalat are some examples that have become visible

Brigitte Alepin (2004) describes in detail the uncountable strategies that enable organizations and individuals to dodge taxes worth millions dollars in Canada, a country considered among the least corrupt and model of fiscal control. Ironically, a notable case is focused on the most eminent political national figure: before being appointed as Prime Minister, for the 2003 - 2006 period, in his time as Finance Minister Paul Martin had the legislation modified in order to permit his company, Canada Steamship Lines, to move to a tax haven in the Caribbean.

Although the frauds have been isolated objects, caused by the *bad apples*, Raymond Baker (2005) calculates that money laundering, from several legalized economic processes, totalizes an amount of billions of dollars. In spite of all the limits to its acting —source of passive corruption, ignoring the main corrupters, emphasis on corruption in the State sphere and not on the *one of* and *by the* enterprises and blaming it on the third world economies, not to mention the role of the large north-occidental corporations, especially the American ones—, Transparency International presents data indicating that frauds represent more than a third of the capitalist economy.

In this article we underscore cases that occurred in Brazil as expressive instances of what frequently takes place in Latin America; analyzing nothing more than the last two or three decades, one finds many a documented instance of what journalist J. Carlos de Assis called "the anatomy of financial scandals" (Assis, 1983, 1984); once added the amounts of the thirteen mega-frauds, between 1974 and 1984, equaled the budget of the Education Ministry for several years. Other authors continued this work, which virtually became a journalistic specialty; ever since, dozens of books and hundreds of articles have been published, pointing out the organs of federal government. Fraud started to be considered synonym to corruption, including State organs and their heads (Dimenstein, 1988; Silva, 2000).

Without neglecting the graveness of this phenomenon, other cases deserve special attention. Notably from 2004 onward Brazilian federal police has investigated diverse corporative frauds. A summarized listing allows bringing to mind some of the most recent: Green Gold Operation, "money laundering" by Protocred, 10 million USD; Cisco Systems, one of the largest companies of computing networks, with an evasion worth 1.5 million BRL; Primo Schincariol brewery, 1.5 million BRL; Daslú boutique-department stores, 400 million BRLM; Alston (indeterminate amount); Swiss Bank (several trials in 2007 and 2008 with an indeterminate amount); confusion of telephone companies and Opportunity Bank (several trials and an amount over three million BRL).

The operations of the Receita Federal are more discreet: information disappears when processes are regularized and there are appeals at the tribunals, always in judicial stealth. Nonetheless, the tax evasion amount can be estimated in an indirect manner; economic statistics for 2004 and 2006 indicate an economic growth of 4-5%, according to the semester. In the same period, federal tax collection increased more than 20%. The more stressed differences invariably occurred after joint operations against tax evasion by the police and Receita Federal, where the system of control, auditory and fraud control is oriented to the powerful economic groups and not to the small and mid-sized taxpayers.

In the issue of January 30th 2008 of *Folha de São Paulo* newspaper, there was a report on the acting of Receita Federal together with banks, insurance companies and other financial institutions. The estimated value of tax evasion surpassed 25 billion BRL; reports from the National Union of Fiscal Auditors state that in 2003, the Collection Department of Large Debtors (Finance Ministry) tried to collect debts of 400 companies, many of them in bankruptcy after being "plundered" by their proprietors. The non-updated amount was 55 billion BRL!

Likewise, evasion occurs in the different States, often without mechanisms to monitor and control; an instance among many: by the end of 2007, the State of Rio Grande do Sul did not collect circa 156 million BRL from local tax debts of an agro-exporting enterprise; the damage against the state was due the extinction of debts, since the organization resorted to complex juridical processes —interposition of resources in the courts, avoidance of judicial notification— and other activities, hence delaying fiscal executions for more than 10 years until the debt was cancelled. The amount of the debt was worth the budget for ten years of the Foundation of Support for Research, destined for funding grants and scientific activities.

The aforementioned instances give an account of only one dimension of the frauds, the one referring to the taxes that should be collected and other operations onerous for public accounts. The listing of dark corporative processes is much longer and more difficult to identify: intentional transfers between the parent company and subsidiaries, undue payments of *royalties*, patents, etc., simulated loans, illegal favoritisms via *leasing*, *captive banks* and other (Pinto, 2007). When resorting to the classical strategies (dumping, cartels, under- and over-invoicing, *offshore* operations), the corporations not submitted to control not only harm public finances but also the consumer directly (Bakan, 2008; Galbraith, 2004).

The previously mentioned elements allow responding the first block of questions stated at the beginning of the article; in their different modalities frauds are part of the capitalist entrepreneurial universe, assuming a strategic function in it, verified by the humongous amounts of the resources involved, even though it is hard to quantify. The analyses based on solid proofs allowed Professor Ronen Palan, from the University of Sussex, to verify that tax havens, as well as other unlawful schemes, are not marginal phenomena reserved to the millionaire owners of obscure fortunes. On the contrary, it is an intrinsic infrastructure of the international financial sector, especially of oil and toxic products, 80% carried out by vessels with flags of convenience, representing a risk for world public goods (Lille, 2005).

The stony law of accumulation demands the unlimited use of initiatives that, implemented at a large scale by the large corporations, are not occasional but immanent to the logic of the system. Fraudulent schemes performed by different businessmen and renowned corporations are not a Brazilian exclusive indubitably, neither are they so for the third world. Economic globalization also appeared, in an identical manner, in globalized criminal transactions (Nordstrom, 2007). In recent decades, the capitalist growth unchained an extraordinary expansion of powerful north-occidental corporations that link technical and innovative capacity to all manner of resources. With an internationalization without rules or with rules defined by the very enterprises and with weak institutions of control, the economy becomes an exploitation field for the "unlimited corporations" (Bakan, 2008).

**The pure and the others**

In the face of the empirical verification of frauds, its recurrence and magnitude, we have to ask from which perspective said phenomenon is examined in scientific studies and, especially, how it has been and still is evaluated by social sciences. A brief revision of the specialized literature pinpoints a highly complex reference chart. For the most incisive critic of capitalism, this topic was a specific historic process related to the destruction of the "natural economies", this is, those not capitalist. In the last chapter of the fist volume of *Capital: critique*…, Marx developed an analysis which he called "primitive accumulation", a non-authentically capitalist form of appropriating resources that will be transformed in productive capital, including in it, the loots from plundering, pillage and frauds. In other words, force and violence acting as "parteiras de toda velha sociedade em trabalho" [midwifes of every old society pregnant with a new one[2]] (Marx, 1965: 1215). According to the author, it was an initial and primitive process that will be surpassed by the extension of typically capitalist production relationships all around the world.

Fifty years later, while researching the expansion of capitalism, Rosa Luxemburgo exposed an identical reasoning: there would exist a "pure" economic process present in the transactions between the capitalist and the salaried laborer, becoming the appropriation of the "authentic" surplus and pillaged resources from the non-capitalist modes of production. When these would run out, capitalism would enter in a collapse provoked by the incapacity of absorbing the produced surplus (Luxemburgo, 1972).

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[2] As it is read in Marx, Karl (1980), El Capital. Tomo I. El proceso de Producción del Capital, Madrid: Siglo XXI Editores. (first translator's note)

Virtually at the same time, another exponent of the critical theory, Rudolf Hilferding, presented a study on the economic evolution and the concept he called "organized capitalism", instituted by pacification between enterprises and between these and the State, and from the normalization of working relationships. In spite of being a harsh criticism to said system, these analyses have as a common referent the perception of a growing legal order and imperatively followed by all the enterprises. In contemporary terms it was agreed to call it "regulating framework".

In theoretical fields different from Marxism, many authors take similar approaches. In his analysis on the growing rationalization forms of capitalism, Max Weber underlines the role of the Protestant ethics ascetically resisting any and every attempt of opportunistic manipulation. From a liberal perspective, Weber identifies the existence of an ethics immanent to the economic order with universal pretension. The original religious Puritanism would replace the laic principles respected by everyone, according to a process of objective, utilitarian and homogeneous rationalization; this is to say, fair or unfair, the order would be legitimate since in the competition process, it would be observed by everyone (Salmon, 2007).

The contemporary philosopher André Comte-Sponville (2004), when discussing the nature of capitalism, emphasizes the presence of an autonomous economic order, which cannot be judged as moral or immoral, for it comes from a natural and spontaneous evolution. Comte-Sponville deduces that market institutions (enterprises, corporations) are legitimate, free and conscious human productions, which follow accorded patterns based on the recognition of the private property of production means, employment contracts and of the search of private interest on the basis of the rules of interchange in the market; as a "system" it is therefore amoral. The criticisms founded upon other principle sets, or as specific of other orders, would not be applied to the economic order in the Pascal sense (politics, moral, sentiments and transcendence). Thus is verified by the argumentations by Milton Friedman one of the greatest exponent of contemporary neoliberalism; the economist states that, just like a building cannot be judged moral or amoral, enterprises independently from their size and practices would be amoral.

The pretended "purity" or neutrality in the economic order is a presupposition of several theoretical trends, however it becomes notable in positive economics; it appeared in the thought of Léon Walras on the pure economics as a dominion of the real in opposition to social and political economics, which would have normative and inconsiderably subjective dimensions (Maréchal, 2006).

In the sociological field, the comprehensive theory is engaged in verifying rational behaviors, related to the means and ends, reinforces the hypothesis of *Homo economicus*, pragmatic, hedonistic, whose utilitarian acting is always legitimate. Both favor the disavowal of the actually existing capitalism, accusing it of being politicized, moralist or naïve.

In the field of the critical theory, the statements on the nature of capitalism reject the axiomatic chaining that leads to the fiction of *Homo economicus* and denounce the unreality of the free and transparent nature character of the market, insisting on the fact that pure economics abstracts the real world, erases the contradictions and denies violence, domination and, above things, the inequalities of origin and results. A considerable set of historic and theoretical analyses sees in imperialism, with all its economic and social weaknesses, the normal expression of the capitalism that continually creates and recreates inequalities, punishing and marginalizing the most vulnerable.

The Marxist theory of imperialism remains detained during the XX century, even though the empirical studies to explain the uninterrupted predating character in the multinational corporations have multiplied. Authors such as Paul Sweezy, Paul Baran, René Dreifuss, Otto Ohlweiler, Elmar Altvater, Samir Amim, François Chesnais, Giovanni Arrighi and more recently Susan George, Noam Chomsky, Immanuel Wallerstein and other carried out overwhelming analyses on economic processes, giving continuity to what David Harvey (2005) calls "accumulation from spoliation". A significant element in these statements is the empirical demonstration that the capitalist rationality, powered at logarithmic scale by corporations, widens hierarchies, particularisms, privileges and exclusions among individuals and nations. Nonetheless, with strange exceptions, imperialism is understood as an external action of the central economies, which heavily affects the third-world Nation States; the issue of frauds seems to be scantly decisive in the "domestic" life of the north-occidental enterprises.

In spite of this, those works deny the pretended superior character and naturalness of the market economy, identifying the enterprises as institutional forms based on the exploitation of the labor of the most and the broadening of the inequalities, increasingly risking the survival of mankind. From such a perspective, a recent work, *Labor and poverty production in Latin America* (Trabajo y producción de la pobreza en Latinoamérica) organized by Sonia Alvarez Leguizamón (2005), founded on the valuable and abundant material, verifies that there is not autonomy-becoming of the economic sphere, and neither does it self-regulate in the sense of the common good. Early in the XXI, the capitalist expansion, resorting to unlawful ways, carries on generalizing poverty, manipulating politics and culture, and depredating the environment.

In the vast theoretical and empirical perspective disseminated by the Latin American Council of Social Sciences, a number of authors identifies real ongoing processes in Latin America that reveal the socially harmful character of capitalist expansion (Arceu; Basualdo, 2006). The local production reinforces what was observed in broader studios related to globalization and its link with the increase of inequalities and injustice in planetary terms (Jomo, 2007; Kaplinsky, 2005).

The specifically academic production in the sociological field on the importance to learn the weight of frauds for the capitalist growth is not too expressive. As it has been said, several works published in Brazil on this topic are journalistic reports, which present an approach on the obscure relations between determinate groups and the federal government. Michel Woodiwiss (2007) a historian, and Raymond Baker (2005) a former executive in different enterprises, as well as other authors such as Chris Mathers (2004), specialized in studies on "money laundering", fiscal crimes, capital flights, etc. work as consultants for governments and international organisms. Their approaches include phenomena of different nature, such as terrorism, gunrunning and drug trafficking, common criminality, corruption of high functionaries, etcetera. Its biggest concern is centered on the struggle against the gravest cases to "renew the real capitalism" (Baker, *op. cit.*), or to separate the "black sheep" which discredit democracy (Woodiwiss, 2007). Brigitte Alepin (2004) and Gaétan Breton (2005) accountants specialized in finances and taxes are cited as instances of recent non-academic production from diverse activists, some of them linked to ATTAC; these authors seem to strip the apparently legal procedures that actually refer to noncompliant strategies of the valid rules for the rest of the market and subterfuges to avoid the payment of duties that everyone should cover.

Considering the set of works on imperialism, the predating activities of the corporations, the infrastructure created to dodge competence rules and the patterns valid for most of the small and mid-sized companies, in addition to the studies that reveal the dark procedures of influential productive groups and international finances, one reaches an information body that allows putting forward the thesis below.

Frauds are practices inherent to the nature and logic of capitalism; they neither correspond to an original stage nor to a dimension external to normal behaviors, but they are continual and recurrent along history. It would be wrong to state that capitalism has a "normal", autonomous and pure actuation pattern, wherefrom some clever individuals or cryptic corporations, species of "black sheep" or *bad apples*, this is to say, strange and alien bodies are deviated. Moreover, frauds are constitutive of the capitalist praxis and influence with different degrees of force, according to the competence conditions between the "enemy brothers" and the correlation of forces between these and the unions and the organized civil society.

They also will be subject to the class composition of the State, which can be both instrument of the dominant classes and elelment of control for the entrepreneurial practices.

Frauds can be conceived as a specific dimension of the struggle between social groups: it is the appropriation by the few of the resources that should assist the needs of the many. Corporations and individuals in privileged socioeconomic conditions, especially the extremely wealthy, are able to manage a series of activities that allow them to break all sort of regulations, preserving or increasing their wealth. For example tax and fiscal evasion and the hiding of assets are available practices with which they are capable of using their immeasurable resources to avoid the taxation of their fortunes.

On their own, the small and mid-sized entrepreneurs, middle classes, laborers in general and vulnerable populations do not have the same capability to escape the varied sort of taxes and are proportionally the most punished; recent examples are too many: multimillionaires around the world move their address to London or Marrakech in order to avoid paying taxes in their homelands; Brazilian sportspeople deemed national heroes establish their residence in Monaco to be benefited from the tax advantages. Tax studies reveal that the wealthiest even dodge the pettiest taxes that fall upon any citizen (such as the tax on bank transactions, for instance), resorting to credit cards payable in tax havens. The fiscal incivility accessible to privileged corporations and individuals operates in a direction opposed to social justice, stressing the resource transfer from the poorest to the wealthiest people.

Taking into account not the idealized reality, but the de facto existing capitalism, this topic involves those of proper to sociology: structure and resources of the power, social hierarchies, wealth and inequalities.

## Frauds and class struggles?

The existence and meaning of social classes is one of the most controversial topics in social sciences and permits distinguishing between political and scientific divergences of several theoretical trends. The bipolar interpretation of Marx does not harmonizes with the pluralist and multi-faceted conception of Weber; as a matter of fact their followers have tried, on occasion, to conciliate, and on others to deepen into the antagonisms (Bouffartigue, 2004). It is a concept that heats debates, some declare its usefulness for sociology, while others insist on its central and defining role to understand the fundamental processes, and some other even refer to a class struggle without classes…

*Class* presupposes identity, unity, cohesion, attributes and collective existence based on relatively homogenous circumstances and situations, and eventually capacity to mobilize toward common interests. In plural, referring to the same society or production mode implies the existence of different groups, however always related, which may be complementariness, conflict or antagonism. Class struggle appears as multiple disputes on the approval and destination of social wealth, on the meaning of cultural production, on the respect to values and principles; this is to say, on the general orientation of historicity. In terms of domination and resistance, conflicts may be localized simple contests or violent conflicts, which may end up in a civil war. In words by Michel and Monique Pinçon (2003), nowadays bourgeoisie represents the only organized and mobilized group, "a real class in itself and for itself", existing for the preservation of dominant positions and transmit properties to their descendants.

Currently, a number of elements seem to challenge the operational validity of said concepts; among them distinguishable are: a) dramatic changes from productive restoration, affecting the composition of the working class, fragmenting it, dispersing it and submitting it to new forms of subordination that do not necessarily pass through salaried relationships; b) the increasing weight of individualism would lead to forms of human realization and autonomy in atomistic terms; c) social struggles no longer centered on the sphere of labor, but in a broader scenario, comprehending ecological issues and subjective dimensions; the "materialist" dispute capital v. labor, making room for struggles for inter-subjective recognition, would comprehend affections, abstract rights and diverse, ethnic, gender identities, etc.; and d) at international scale, after the end of the soviet regime, the antagonism between different systems of political organization would disappear, the planet would be at ease and in the capitalist sphere there would be the rational compatibility of desires and possibilities. In the entrepreneurial sector, the new modalities of management that prioritize mutual understanding would eliminate conflicts and include every collaborator in responsible and ethical linkages.

In many cases, these changes are merely formal; the iron law of accumulation and private appropriation of social production have been modified only in its superficial layer (Harvey, 1992). At the same time, transformation demands new interpretative frames; the notions of class and class struggles are not applied in the same manner as they were in the past, when especially the working class had sharp contours, such as it occurred with the proprietor sectors, composed of very diverse sectors, with identity and composition not unitary at all.

Such as Pierre Bourdieu sociologically demonstrated in his works as a whole, the struggle between dominants and dominated appears in multiple spheres; it is expressed in the mechanisms of production and reproduction of social inequalities, in the processes of objective and symbolic domination and in the strategies of position legitimation. For the purpose of this article we only consider the material questions, this is to say: the struggle referring to the appropriation of socially produced wealth. We will use the generic denomination "dominant sectors" to refer to segments of moneyed population, however not the elite, wealth or bourgeoisie, whose meanings are ambiguous. Hence the dominant sectors term only refers to the groups that possess significant volumes of substantive wealth, which enables them to appropriate goods and revenues in the social sphere in proportions and modalities that are not accessible to the rest of capitalists. Here one can verify the pertinence of the analyses by Wright Mills (1956) in the 1950's decade and by Ferdinand Lundberg in the 1960's and by Stephen Haseler (2000) for the early XXI century which underscore the scale as a element that determines the constitution of the groups of power.

The heuristic scope of this concept can be demonstrated through some elemental data; in April 2008, in the issuing of *Forbes Magazine*, with the listing of the multimillionaire in the world, its editor declared that these were the wealthiest years in mankind history. Steve Forbes confirmed the stats divulgated by private agencies and international organisms pointing out that in the last two decades there has been a prodigious capitalist growth and a historic record of income generation. Reports by UN indicated that only 2% of wealth adults possessed above the half of global wealth, and only 1% controlled 40% of the productive wealth. Conversely, half of the adult population enjoyed only 1% of the global wealth (UNU-WIDER, 2006).

William Domhoff, professor of the University of California, Santa Cruz, considered the most illustrious follower of the analytic perspective of Wright Mills, has been carrying out researches on the power structure in the United States and offers full statistics about the evolution of revenues of the different economic sectors and social groups (Domhoff, 2006). Between 1990 and 2005, while the federal minimum wage and the average wage evolved, in the first case negatively (-9%) and in the second with a small increase (+4,35%), corporative gains were 106,7% and those of CEO's 298%. The projection for 2010 points out that between the wealthiest and the rest of population there are differences similar to the ones observed in the eve of the Crisis of 1929.

Thomas Piketty (2005) was able to verify exactly the same based on other economic indicators; after a period of relative equilibrium between 1945 and 1975, one notices around the world a growing inequality in the profits, with a growing restricted number of individuals benefitted from said prosperity (Jomo, 2007). In Brazil, with a distinguishable position in the ranking of the most unequal countries, the part of the working profits in the national accounts evolved in a negative manner between 1959 and 2005. In the last 45 years, they fell from 56.6% to 39.1%, and heavily marked after 1990 (IPEA, 2008). Following the phenomenon examined in OECD country members, the profits appropriated by minority sectors grew exponentially, and so, Brazil has begun to contribute with dozens of names for the listing of super-wealthy and multimillionaire.

These data allow developing some articulated analyses; firstly, attention may be called on the neoliberal strategies taken after 1980 as they were utterly victorious in ideological, and mainly in material terms. The exhortation of its principal mentors to reestablish the freedom of capital, after decades of Keynesian policies, has been answered, thus revealing its real meaning. Freedom of capital means freedom to exploit the labor force unrestrictedly, without customs or State control; this allows the large corporations to operate at worldwide scale in a direction opposed to that of free competence. There is no indicator whatsoever that verifies the equitable distribution of the extraordinary income volume generated by the economic growth. To sum up, some enterprise groups, the most powerful, and a few individuals, managed to produce a fast and consistent transference of incomes, in detriment to the most vulnerable populations and small capitalists. A great deal of the appropriated resources is, obviously, fruit of the normal economic processes of capitalism, including technological innovation, the most productive forms of managing technical and human resources, the use of comparative advantages, etcetera. Nevertheless, if the affirmations that the frauds are a constitutive part of capitalist practices and that the most powerful individuals and groups easily resort to them are true, one might reach a logical deduction: the most benefitted from unlawful practices are the high spheres. Frauds increase wealth, which at the same time guarantees impunity and paves roads for frauds (Lewis and Allison, 2001).

A vast amount of contemporary literature pictures a specific dimension of said process; it is the private appropriation of corporative revenues and diverted toward the personal enjoyment of the owners of large fortunes (Cattani, 2007). The law of accumulation and inter-capitalist competence force the reinvestment in the productive sphere; however, as the extraordinary revenues reached do not longer find their realization space (pointing out a possible crisis provoked by the impossibility of realization due to sub-consumption), and since a part of these revenues do not have a legal origin, nothing more feasible than their fatuous and sterilizing utilization: cellular phones covered in diamonds (one million dollars); space travels (35 million *per capita*); *bespoke design* (diverse values); jets and yachts (10 to 130 million); mansions in Palm Beach, Aspen o Chelsea (units worth over 200 million) (Newsweek, 2007; Sciences Humaines, 2008; Web Luxo, 2008).

Any appreciation moralist in character on the nature of consumption is inadequate; conspicuous luxury must be conceived only as a sign of the available resources and the ways to obtain them in order to later analyze what may be classified as the "international of the wealthy" (Manières de Voir, 2008) or as a part of the "class of enjoyment" (Cattani, 2007). Unlike the idle classes ethnographically analyzed by Veblen (1983) by the end of the XIX century, it is not a parasitic group whose income source is related to archaic and rentier activities. The super-wealth come from the most advanced sectors of the economy and are articulated with the productive and financial spheres at a worldwide scale (Haseler, 2000).

## An intricate research agenda

The theoretical and empirical elements previously synthesized allow understanding frauds as an unavoidable phenomenon in the evaluation of the processes that create and recreate inequalities. Wealth and poverty cannot be considered autonomous, self-sufficient and self-explanatory poles; its relational dimension must be part of the agenda of interests of social sciences. Frauds compose the panoply of resources in the hands of minority segments in views of securing and broadening their power and guarantee, objectively, transfers of revenues. In this context, free competent, meritocracy, free enterprise, selection of the best and other principles regarded sacred end up denying the crude existence of the dispute between uneven contestants and from which the powerful will be the great victorious. Likewise, the efficiency and productive rationality of the free market are ideological constructions used with the objective of legitimizing interests embodied in property and power situations.

The dominant sectors make use of all their legal and illegal activities, counting, for this end, on the impunity guaranteed by privileged relations in public power institutions, also securing the complicity of the media and omission from the academy. It is easy to explain this capacity when one refers to the promiscuous relationships between corporations and public sector or refers to the links of the power with the large media. The omission or incapacity to perform scientific researches on this topic has more complex reasons.

The first barrier is the lack of "nobleness" of the topic; there are issues deemed serious and politically relevant, while others are seen as futile and of no major interest. Certain academic fads accompany high profile events, whereas intestine phenomena, with noxious consequences for society as a whole, remain hidden. Any society possesses obscure dimensions, doubtful practices or abject behaviors, whose analysis is uncomfortable for the social researcher, especially when they respect prominent figures and institutions which enjoy social credibility and legitimacy. Not only is it a subjective indisposition in some cases, but also fear for retaliation. When Groupe de Travail Tiers Monde in Bern disclosed *The Baby Killer* report on the activities of Nestlé in Africa, the multinational corporation tried to press charges against the authors (GTTMB, 1978; Richter, 2001).

We have to mention the risk that the analyses turn into moralist or weakly politicized appreciations, against more accurate researches on certain entrepreneurial practices. Following the common sense of some social researchers, poverty is a problem, however wealth is not; an idea that conditions a research approach only on the poor. Monique and Michel Pinçon (2007) bring to mind the strange deontology summoned to approach the privileged groups, and underscore how, frequently, analyzing the wealthy is confused by identifying with their causes and studying the elites is considered elitist… in addition to the objective material difficulties, both author insist on the methodological problems from the "timidity of sociologists" before power.

The second block of difficulties, mentioned at the beginning of the article, is related to the problems involving data gathering and their reliability. Marcelo Medeiros (2005) verifies that the wealthy hide; we can add: more so the fraudulent. Yet this would not have to be a drawback for science, whose knowledge production has never been performed through easy shortcuts or sliding on the surface of the phenomena. Ignoring the power-wealth-inequality equation would mean to study the problems of traffic in cities such as Buenos Aires or Sao Paulo abstracting the particular vehicles or analyzing *villas miseria* or *favelas* in the large capitals disregarding drug dealing or violence.

Unlawful practices in economic processes add the already intricate research agenda on social structure, the relational dimensions between wealth and power and the domination strategies. Since wealth is not spontaneously generated, *i.e.*, there is no wealth that is not social, we have to consider the "wealth pole" with its dark practices as a determinant element in the production and reproduction of inequalities.

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**Antonio David Cattani.** Doctor from the University of Paris I Panthéon-Sorbonne, post-doctorate in Social Sciences from École de Hautes Etudes; Titular professor of Sociology (Department of Sociology and Postgraduate Program in Sociology) of UFRGS (Porto Alegre, Brazil); CNPq researcher; author and organizer (with Lorena Holzmann) of *Dicionário de Trabalho e Tecnologia* [Dictionary of Labor and Technologhy] (2007 Açorianos award).

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