

Derivatives are Destroying the Real Economy: Michel Chossudovsky

By [Prof Michel Chossudovsky](#)
Global Research, November 10, 2013
[Press TV and GRTV](#)

Region: [Europe](#), [USA](#)
Theme: [Global Economy](#), [Poverty & Social Inequality](#)

Press TV has conducted an interview with Professor Michel Chossudovsky, economic analyst and researcher with the Centre for Research on Globalization in Montreal about the issue of the widening gap between the richest in society and the poorest globally.

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It is manipulation and fraud at a global stage.

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The following is an approximate transcript of the interview.

Press TV: That is a staggering difference as far as a percentage, a very small percentage basically controlling the majority of the wealth in the world and they continue to get richer.

What do you attribute this, what seems to be a vast difference between the haves and the have-nots in this world?

Chossudovsky: I think we have to focus on the sources of this enrichment. It is not production and trade, which is the source of enrichment; it is manipulation and fraud at a global stage.

In other words, we're dealing with institutionalized theft, which is embedded in the financial system; it is not what we might describe as capital accumulation from a productive process, nor is it through work performed by these wealthy people.

It is through displacement and destruction of the real economy where small and medium-sized enterprises are driven into bankruptcy. In other words, what I'm saying is that enrichment creates dislocation of the financial system of the real economy and in turn it leads to massive concentration of ownership.

Now, we might ask, how do these people actually become rich? They essentially become rich through the powers of manipulation, through speculative activity.

They have the ability to undertake secure speculative transactions; through derivative

trade; through acts of deception.

They conduct insider trading; they are able to influence and manipulate markets; they are able to influence those markets – they know where the market is going, they can position themselves. At the same time they influence policies and legislation in government and the legislature; they co-opt politicians.

So, in effect, this process of concentration of wealth is very different to what we have experienced historically, let's say in the course of the 20th century.

Press TV: Do you see the situation continuing to get worse and if so what will it take to turn this around?

Chossudovsky: Speculation will lead to increased concentration of wealth and assets because the underlying economic policies in fact favor this process.

The massive austerity measures; the deregulation of financial markets; the development of trading blocs, which in turn wipes off the small and medium sized enterprises from the market.

The only way to ultimately undermine this process of wealth concentration is through regulatory policy and I would say one of the major instruments would be in fact to cancel speculative trade – derivative trade, trade in derivative markets. That would be the first step.

Because... in a deregulated environment with complicit governments and very powerful financial institutions this enrichment is ultimately feeding on poverty, leading to a massive concentration of ownership.

But you can see also in certain countries how these self-made billionaires are in fact fabricated at the expense of the large majority of the population, leading to mass poverty.

Press TV: With what you are talking about, “leading to mass poverty;” how likely then do you think it will be that we're going to see mass demonstrations, people taking to the streets as they are getting less and less of the pie and a small percentage actually is taking the majority of the pie?

Chossudovsky: Inevitably this process of concentration of wealth is leading to mass unemployment and poverty, but ultimately also destitution – where people are no longer even within the labor market, they don't get work, they can't even apply for low wage work. This will lead to a massive protest movement.

But at the same time we see particularly in Western countries the development of a large scale police apparatus, surveillance, which is intended essentially to quell the protest movement.

This process is leading the world into a very serious global crisis because on one hand we see the development of the luxury goods economy; we see the development of the weapons economy – the war economy; and at the same time we see the collapse in the production of essential commodities for the large majority of the population.

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