# Global Power Struggles, Currency Wars, and The Third World: Examining the Influence of Global AMCs on Economic and Geopolitical Realities

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- ***Black Rock has been assigned the entire contract of rebuilding Ukraine, which includes financing, driving new investments, etc., which again will drive back to American companies.***
- ***Pfizer and Moderna had actively blocked attempts by India and South Africa to remove patent protection of vaccine formulas, the same which they were selling for $1,000 a jab at one point in time.***
- ***If the AMCs' link to their shareholder patterns is closely observed, Black Rock, Vanguard, and State Street in some capacity hold substantial stakes in these companies.***

Introduction

Capitalism as an economic system, works on the concept of profit maximisation through private ownership of land and all economic institutions in a country. In other words, it works on the principle of 'corporation as the best model of politics', necessitating the liberalisation of global and domestic markets, corporate-friendly laws, lower taxes, higher subsidies, etc; with the ultimate promotion of trade and commerce without government interference. But where this system becomes tricky is its undefined and non-existent boundaries of strategies these companies and their respective countries are open to employ to achieve wealth maximisation.

The phenomenon of ‘soft-secessionism’ for example, became a prominent example of one such move, wherein the systematic creation of zones (or smaller nations) within developing and underdeveloped nation-states, was proposed by a venture capitalist named Peter Thiel in 2009. These zones, as many as 5,400 across the world, were ideal models of wealth accumulation and hoarding in the garb of innovative economic initiatives for boosting the host country’s economic denominators like Special Economic Zones (SEZs), urban megaprojects like the New Songdo City in South Korea and Neom City in Saudi Arabia, or even company towns like those in Nevada (2021) which allowed companies to write their laws termed as an “innovation zone”.[1]

But what is the role of Asset Management Companies (AMCs) in this scenario? To what scenarios does this capitalistic mindset translate into when a few private entities try to define the course of the global economy? Is there an actual nexus between such geographically and fundamentally different entities?

### Asset Management Companies: Business Model and Nature of Operations

The concept of asset management as a business activity before the 2008 financial crisis purely consisted of fund managers employed by investors who strived to buy stocks which would ultimately yield a higher expense ratio. Such instruments and modes of investing were called actively managed funds. However, the aftermath of the crisis saw a marked shift in investor sentiment and demand from expensive, actively managed funds to passive index funds such as Exchange Traded Funds (ETFs), etc. Between 2008 and 2015 alone, $800 billion were still held as active funds while passive index funds saw an investment of approximately $1 trillion during the same period.[2]

The basis for this shift became the distinction between mere ownership of assets vs active control over them and corporations owning them (e.g., Companies owning gold mines, etc.). AMCs, particularly the Big Three (Black Rock, State Street, and Vanguard) aced this objective of control via active diversification of business activities from mere ownership to optimum analysis of market opportunities, investment into futuristic technologies, acting as business incubators, etc., becoming the largest organizers and movers of capital into diverse sectors and regions for purposes ranging from investment to tax evasion.

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As stated before, in maintaining the flow of these operations across jurisdictions with varying degrees of regulations, compliances and social structures, these companies often adopt a dangerous series of measures aimed at influencing the very fundamentals of these markets socially, culturally, economically, and geopolitically.

### The US Dollar: It’s Dark Secrets

The US Dollar has become the reserved currency across the world as a result of the Petrodollar agreement signed between the former and OPEC+ countries necessitating the sale of all oil and natural gas in USD which automatically translated into the growing importance of the Dollar across the world making it the default currency of trade and monetary settlements. Granted with such extraordinary leverage, however, the US has not been very responsible in keeping the interests of other countries at par with the US's own.

For instance, the USD's dominance in the financial system allows the US to print an almost limitless amount of fiat money forever, increase their debt as much as they wish to, and even control the exchange rate of different currencies across the world which might put them at a disadvantage in bilateral and multilateral trade. Secondly, this power also naturally forces different countries to maintain huge USD reserves with their Central Banks, to which access can be blocked by the US at any moment, as it did with Russia and Afghanistan.

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Moreover, when the US recklessly prints more currency, since the demand for it is highly inelastic, the increase or decrease in supply necessarily never impacts the US institutions and financial system negatively. However, the export of inflation that takes place, to other countries, destabilizes their growth projections causing a global increase in prices which in turn impacts the population in other countries. Furthermore, excess depreciation of domestic currencies of other countries makes buying of US Dollars costlier impacting even the profits of their companies thus slowing down their economies. Therefore, in essence, the US Dollar is a highly disruptive financial instrument, the potential of which is harnessed further by an entire nexus of corporate entities in furtherance with AMCs.

### The Nexus between AMCs, US government and other private corporations

"*Corporatocracy*" is an apt adjective for the US political system. This term refers to a wide variety of private institutions influencing the foreign and monetary policy of the US. These include:

- The Military Industrial Complex in the United States is a conglomeration of Defence contractors, arms producers, related innovation and research centres, etc., the combination of which has been responsible for instigation and direct or indirect involvement in wars and conflicts of all kinds across the world, ultimately benefitting through billions of dollars-worth arms deals, defence partnerships and other perks in the form of military presence in other countries Exclusive Economic zones, international waters, embassies and consulates, foreign military bases like in the case of Djibouti and a lot more territorial influence and advantage over its adversaries.

- Private Banks such as Goldman Sachs and JP Morgan Chase in collaboration with the Federal Reserve, control the dispensation and flow of the US Dollar in the world economy. While the Federal Reserve manages exchange rates, fixes the Repo rate and bank rate, and controls Open market operations, etc., these banking institutions are the ones that help in managing the money in circulation by acting as mediators of financial transactions, enablers of business and economic activity in the economy through loans and investments, FDs, etc.
- Other corporations like the Big Tech companies (Meta, Alphabet, and Microsoft), Pharmaceutical corporations (Pfizer and Moderna), Fashion, Oil giants, and other new-age technology companies, etc; also, closely get tied into this nexus.

Connection With AMCs

The US invaded Iraq in 2003, with an alleged aim to cease its Weapons of Mass Destruction, which were never found. This was a move that had become the defining character of US foreign policy of "Preventive Wars" an idea that had been in consideration for a long time right from the office of Eisenhower, Truman, and John F. Kennedy in response to the aggressive development and addition of nuclear arsenal by the erstwhile USSR, North Korea, the Cuban Missile Crisis among others. Solidification of this ideology, however, occurred only with the 9/11 attacks, necessitating in the US's opinion from a realist perspective the need to strike the enemy first as a justified means of pre-emptive self-defence from terrorist organizations, hence claimed as an exemption to international law requiring a UN sanction for such action.[3] In the present day, however, it has adopted more and more indirect means of intervention and control, avoiding direct involvement of American soldiers in the tensions.

All reconstruction projects and contracts in the aftermath of these conflicts went to American companies. This was the case in Iraq, the same in Afghanistan and finally, exactly what is about to happen in Ukraine. About 30% of Ukraine's arable land is today owned by Black Rock. Black Rock has been assigned the entire contract of rebuilding Ukraine, which includes financing, driving new investments, etc., which again will drive back to American companies. And in the end, these companies get to own and control an estimated $7.5 trillion worth of natural resources. With the scramble for African countries, tensions in the South China Sea, Antarctica and all such conflicts, the end purpose of all these seems to be the creation of chaos and the ultimate benefit of private companies through economic initiatives like the ones mentioned above.

***The US Military Industrial Complex benefits through billions of dollars-worth arms deals, defence partnerships and other perks in the form of military presence in other countries Exclusive Economic zones, international waters, embassies and consulates, and foreign military bases like in the case of Djibouti.***

Pfizer had allegedly in 2020, asked for developing countries to place their military assets as collateral to them in exchange for their vaccines. Pfizer and Moderna had actively blocked attempts by India and South Africa to remove patent protection of vaccine formulas, the same which they were selling for $1,000 a jab at one point in time. Big Tech companies on the other hand, have been subjected to constant scrutiny in other countries for a variety of serious allegations, from spreading misinformation, aiding interference in elections, to selling the personal information of its users and monopolising the digital market and preventing other players from competing through unfair practices like non-payment of a fair share of the revenue, they earned from news content published on their platforms by media outlets, to the latter.

Their connection to AMCs links to their shareholder patterns which if closely observed has Black Rock, Vanguard, and State Street in some capacity holding substantial stakes in these companies. They own approximately stakes in almost 88% of the S&P 500 companies. Their real strength, however, comes from their ability to influence management decisions of these companies under their ownership, employing a centralized voting strategy and most importantly the use of ESG to achieve their goals.

What is ESG?

ESG essentially stands for Environment, Social and Governance, a rating system that deals with a company’s contribution to solving problems like carbon emissions, employee safety, and board diversity during their day-to-day operations. It is derived from a 2006 resolution of the United Nations regarding the adoption of Principles for Responsible Investment (PRI), a declaration signed by 3,000 investors with Assets under management worth $40 trillion. A range of social issues are considered and the companies are rated on these parameters which then is converted into a score by analysts.[4]

How are they used by AMCs?

This score is a highly influential parameter that directly impacts the level of investment they receive, how they invest their money in the market, and their reputation as an eco-friendly and socially responsible brand which impacts their goodwill and hence, customer size, and many other critical factors tying to their very existence. Black Rock's founder Larry Fink, 2020, declared in a Bloomberg interview that "*A fundamental reshaping of global capitalism was underway and that his firm would help by making it easier to invest in companies with favourable environmental and social practices.*"

This huge shift in investor sentiment towards such companies was driven significantly by these AMCs like for instance, Black Rock through one of its ETFs traded under the ticker symbol ESGU. The sheer influence of this indicator can be observed through a Net Zero Asset Managers Initiative launched in 2020 with 30 signatories which by 2022 had increased to 291, with $66 trillion worth of Assets under management.[5] This added to their shareholding in these major industrial behemoths, clearly establishes the length of influence they hold over Corporate America.

### Factoring in Currency Wars

Every move in global politics is indirectly linked with the enhancement of a country's strength and position in the world order. Global superpowers can remain those if they have a robust economy, military, infrastructure, technology, natural resources and political clout. All these factors constitute the larger making of their soft and hard power thus influencing their standing. The US Dollar in recent years has been heavily challenged by countries like China, Russia and recently India, in an attempt to counter the negative impact, it has on their economies. The announcement of BRICS nations for a potential launch of a BRICS currency, the bilateral currency exchange agreements between countries like India and Russia, India and UAE, China and Russia, etc; to bypass the need to convert their currencies to USD first and then effect the transaction, all aim at gradually reducing their dependence on the Greenback.

The influence of the Dollar gives the US the strategic edge it requires in its bilateral and multilateral engagements or clashes with different countries on a variety of issues. As established before, the greater the power of the US foreign policy, the greater the power of the group of corporations influencing it and hence, a larger degree of control.

### Impact on Third World Economies

Firstly, defining the Third World in this context would include developing and underdeveloped countries like India, Sri Lanka, Pakistan, South Africa, etc; and small island nations like the Maldives, Seychelles, etc. The range and manner of impacts different types of corporations have on them may vary, but a commonality in the structure they follow is prevalent. Firstly, marketisation of these economies, by way of which new markets are created in the host countries for sale of their products. This is done using superior technology and a higher concentration of financial resources to create economies of scale, hire skilled manpower, etc; to gradually, increase their market capitalisation and buy out any upcoming competitors to establish dominance.

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Secondly, the creation of zonal economies within economies that deviate from the normal law of the land, granting huge concessions in ways of taxes, subsidies, relaxations on labour laws, and control over natural resources of these countries in exchange for the generation of economic activity, trade relations, jobs and the wider macroeconomic picture which however, is glowing only on the surface. The greater negative consequence of this is complete control over public sentiment by these corporations on any issue which can be moulded in any direction to suit their private agendas.

Finally, what this leads to is more and more profits for these companies, loss of sovereignty over public resources of the respective countries, and displacement of tribal communities in many areas as observed in India for instance, to fund foreign capitalism.

Conclusion

In conclusion, this article demonstrates the intricate line of connections these companies form with each other, the US foreign policy and capitalism which ultimately links back to AMCs like Black Rock. From covering a wide array of issues like the Dollar hegemony, the military-industrial complex, etc; this entire web of connections through analysis of the flow of money in the global system can be understood to reasonably make out how these AMCs ultimately build their influence and affect critical decisions of different stakeholders which can have global consequences.

***(Ananya Gupta and Manav Agarwal are pursuing Law at OP Jindal Global University. The article was presented as a research paper by the authors to the university in October 2023. It has been edited to suit the purpose of SamvadaWorld. Views expressed are the author's own)***

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